

SAVARIA CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2012
(Unaudited and not reviewed by the Corporation's independent auditors)

SAVARIA CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in thousands of dollars - Unaudited)

	Note	September 30, 2012	December 31, 2011
Assets			
Current assets			
Cash		\$ 2,759	\$ 3,931
Restricted cash		-	400
Trade and other receivables		10,854	9,120
Derivative financial instruments	4	-	83
Current portion of long-term loans		267	328
Tax credits receivable		542	526
Inventories		13,083	14,371
Prepaid expenses		798	633
Current portion of long-term investments	5	647	710
Total current assets		28,950	30,102
Non-current assets			
Restricted cash		-	700
Derivative financial instruments	4	-	44
Tax credits receivable		226	509
Long-term loans		135	347
Fixed assets	7	12,024	1,741
Goodwill		4,051	4,051
Intangible assets		2,268	2,797
Long-term investments	5	749	753
Other assets		-	16
Deferred tax assets		1,779	1,353
Total non-current assets		21,232	12,311
Total assets		\$ 50,182	\$ 42,413
Liabilities			
Current liabilities			
Bank loans	6	\$ 2,075	\$ 75
Trade and other payables		7,479	6,123
Income taxes payable		247	382
Deferred revenues		2,328	1,930
Current portion of long-term debt	7	3,683	4,877
Warranty provision		332	338
Total current liabilities		16,144	13,725
Non-current liabilities			
Long-term debt	7	14,875	7,984
Warranty provision		441	417
Derivative financial instruments	4	315	-
Deferred tax liabilities		124	142
Total non-current liabilities		15,755	8,543
Total liabilities		31,899	22,268
Equity			
Share capital	8	13,279	13,260
Contributed surplus		2,137	2,114
Accumulated other comprehensive income		353	665
Retained earnings		2,514	4,106
Total equity		18,283	20,145
Total liabilities and equity		\$ 50,182	\$ 42,413

The notes on pages 7 to 12 are an integral part of these unaudited condensed consolidated interim financial statements.

SAVARIA CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in thousands of dollars, except per share amounts - Unaudited)

	Note	Periods of three months ended September 30		Periods of nine months ended September 30	
		2012	2011	2012	2011
Revenue	9	\$ 16,166	\$ 17,395	\$ 48,869	\$ 48,916
Cost of sales	10	(12,714)	(12,263)	(36,461)	(35,268)
Gross margin		3,452	5,132	12,408	13,648
Operating costs					
Administrative expenses	10	(1,775)	(1,870)	(5,128)	(5,391)
Selling expenses		(1,331)	(1,355)	(4,003)	(4,101)
Engineering expenses		(302)	(351)	(1,129)	(1,152)
Research and development expenses		(180)	(249)	(515)	(645)
		(3,588)	(3,825)	(10,775)	(11,289)
Other income (costs)		1	-	28	(1)
Operating income (loss)		(135)	1,307	1,661	2,358
Finance income	11	10	641	27	470
Finance costs	11	(441)	(175)	(713)	(585)
Net finance (costs) income		(431)	466	(686)	(115)
Income (loss) before income tax		(566)	1,773	975	2,243
Recovery of Income tax (expense)		141	(487)	(349)	(640)
Net income (loss)		(425)	1,286	626	1,603
Other comprehensive income					
Change in the fair value of derivative financial instruments designated as cash flow hedges		731	(581)	551	(553)
Deferred income tax		(186)	148	(135)	140
		545	(433)	416	(413)
Gains on foreign exchange contracts transferred to net income in the current period		(103)	(470)	(917)	(1,757)
Deferred income tax		26	125	232	470
		(77)	(345)	(685)	(1,287)
Net change in fair value of derivative financial instruments designated as cash flow hedges		468	(778)	(269)	(1,700)
Unrealized net gains (losses) on translation of financial statements of self-sustaining foreign operations		(29)	109	(43)	93
Other comprehensive income (loss), net of income tax		439	(669)	(312)	(1,607)
Total comprehensive income (loss)		\$ 14	\$ 617	\$ 314	\$ (4)
Earnings per share:					
Basic		\$ (0.02)	\$ 0.06	\$ 0.03	\$ 0.07
Diluted		\$ (0.02)	\$ 0.06	\$ 0.03	\$ 0.07

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SAVARIA CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period of nine months ended September 30,
(in thousands of dollars - Unaudited)

	2011						
	Share capital		Share capital to be issued	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
	Number	Amount					
Balance at January 1, 2011	22,017,564	\$ 12,630	\$ 567	\$ 2,064	\$ 2,081	\$ 4,736	\$ 22,078
<u>Total comprehensive income</u>							
Net Income	-	-	-	-	-	1,603	1,603
Other comprehensive income :							
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	-	(413)	-	(413)
Gains on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	-	(1,287)	-	(1,287)
Unrealized net losses on translation of financial statements of self-sustaining foreign operations	-	-	-	-	93	-	93
Other comprehensive income	-	-	-	-	(1,607)	-	(1,607)
Total comprehensive income	-	\$ -	\$ -	\$ -	\$ (1,607)	\$ 1,603	\$ (4)
<u>Transactions with owners, recorded directly in equity</u>							
Cancelled shares following issuer bid	(199,400)	(115)	-	-	-	(203)	(318)
Compensation expense on options granted	-	-	-	70	-	-	70
Share options exercised	132,500	218	-	(53)	-	-	165
Dividend on common shares	-	-	-	-	-	(2,368)	(2,368)
Shares issued in relation to a business acquisition	1,000,000	567	(567)	-	-	-	-
Total transactions with owners	933,100	670	(567)	17	-	(2,571)	(2,451)
Balance at September 30, 2011	22,950,664	\$ 13,300	\$ -	\$ 2,081	\$ 474	\$ 3,768	\$ 19,623

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SAVARIA CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period of nine months ended September 30,
(in thousands of dollars - Unaudited)

	2012					
	Share capital		Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
	Number	Amount				
Balance at January 1, 2012	22,880,864	\$ 13,260	\$ 2,114	\$ 665	\$ 4,106	\$ 20,145
<u>Total comprehensive income</u>						
Net income	-	-	-	-	626	626
Other comprehensive income :						
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	416	-	416
Gains on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	(685)	-	(685)
Unrealized net losses on translation of financial statements of self-sustaining foreign operations	-	-	-	(43)	-	(43)
Other comprehensive income	-	-	-	(312)	-	(312)
Total comprehensive income	-	\$ -	\$ -	\$ (312)	\$ 626	\$ 314
<u>Transactions with owners, recorded directly in equity</u>						
Cancelled shares following issuer bid	(50,800)	(29)	-	-	(43)	(72)
Compensation expense on options granted	-	-	32	-	-	32
Share options exercised	57,500	48	(9)	-	-	39
Dividend on common shares	-	-	-	-	(2,175)	(2,175)
Total transactions with owners	6,700	19	23	-	(2,218)	(2,176)
Balance at September 30, 2012	22,887,564	\$ 13,279	\$ 2,137	\$ 353	\$ 2,514	\$ 18,283

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SAVARIA CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands of dollars - Unaudited)

	Note	Periods of three months ended September 30		Periods of nine months ended September 30	
		2012	2011	2012	2011
Cash flows from (used in) operating activities					
Net income (loss)		\$ (425)	\$ 1,286	\$ 626	\$ 1,603
Adjustments for :					
Depreciation of fixed assets		235	185	588	538
Amortization of intangible assets		176	201	556	588
Change in the fair value of restructured notes and put option		63	(126)	6	(130)
(Recovery of) income tax expense		(141)	487	349	640
Capitalized finance costs on long-term debt		50	49	134	165
Compensation expense on share options granted		11	14	32	70
Foreign exchange contracts cashed in advance		786	-	786	-
Gains on foreign exchange contracts cashed in advance and transferred to net income		(43)	(470)	(710)	(1,624)
Gain on the sale of fixed assets		-	-	(26)	-
Unrealized foreign exchange loss (gain) on non-current monetary items		(67)	248	(80)	162
Interest cost		177	126	455	420
		822	2,000	2,716	2,432
Net changes in non-cash operating items	12	541	(186)	885	(1,455)
Increase in long-term loans		-	-	-	(21)
Proceeds from long-term loans		82	22	257	77
Income tax paid		(55)	(39)	(288)	(140)
Net cash from operating activities		1,390	1,797	3,570	893
Cash flows from (used in) investing activities					
Receipts of long-term investments		30	8	61	85
Change in restricted cash		-	100	1,100	300
Proceeds from sales of fixed assets		-	27	59	27
Additions to fixed assets	7	(799)	(76)	(10,910)	(383)
Increase in intangible assets		(27)	(29)	(27)	(181)
Net cash from (used in) investing activities		(796)	30	(9,717)	(152)
Cash flows from (used in) financing activities					
Changes in bank loans	6	625	-	2,000	(1,990)
Increase in long-term debt	7	-	-	15,631	2,628
Repayment of borrowings	7	(444)	(835)	(9,916)	(2,680)
Interest paid		(177)	(123)	(458)	(417)
Transaction costs related to a long-term debt	7	(10)	-	(74)	-
Repurchase of common shares		(21)	(36)	(72)	(318)
Proceeds from exercise of share options		-	-	39	165
Dividend paid on common shares		-	-	(2,175)	(2,368)
Net cash from (used in) financing activities		(27)	(994)	4,975	(4,980)
Net change in cash		567	833	(1,172)	(4,239)
Cash at the beginning of the period		2,192	969	3,931	6,041
Cash at the end of the period		\$ 2,759	\$ 1,802	\$ 2,759	\$ 1,802

The notes on pages 7 to 12 are an integral part of these unaudited condensed consolidated interim financial statements.

SAVARIA CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of dollars - Unaudited)

1 . Reporting entity

Savaria Corporation is a company domiciled in Canada. The address of its registered office is 2724 Etienne-Lenoir, Laval, Quebec. The condensed consolidated interim financial statements of the Corporation as at and for the periods ended September 30, 2012 and 2011 comprise the accounts of Savaria Corporation and its wholly owned subsidiaries (together referred to as the "Corporation"). The activities of the Corporation consist of manufacturing, installing and distributing elevators, platform lifts and stairlifts for people with mobility challenges as well as converting and adapting vehicles also for persons with mobility challenges.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2011 are available upon request from the Corporation's registered office or at www.savaria.com.

2 . Basis of presentation

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Corporation and the notes thereto. These condensed consolidated interim financial statements have not been the subject of a review or an audit by the Corporation's auditors; they were approved by the Board of Directors on November 13, 2012.

3 . Significant accounting policies

The condensed consolidated interim financial statements have been prepared following the same accounting policies used in the annual consolidated financial statements for the years ended December 31, 2011 and 2010.

The accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements, unless otherwise indicated.

The accounting policies have been applied consistently by the Corporation's entities.

4 . Derivative financial instruments

Derivative financial instruments' fair values are as follows :

	September 30, 2012	December 31, 2011
Current assets		
Foreign exchange derivatives	\$ -	\$ 83
Non-current assets		
Foreign exchange derivatives	\$ -	\$ 44
Non-current liabilities		
Interest rate derivatives	\$ 315	\$ -

During the second quarter of 2012, the Corporation entered into interest rate swaps on its new long-term debt in order to minimize its exposure to changes in interest rates.

SAVARIA CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of dollars - Unaudited)

5 . Long-term investments

	September 30, 2012	December 31, 2011
Restructured notes (face value of \$1,744,000, \$1,863,000 as of December 31, 2011)	\$ 1,315	\$ 1,282
Put option	81	181
	1,396	1,463
Less : Current portion	647	710
	\$ 749	\$ 753

Restructured Notes

The Corporation holds investments with a face value of \$1,744,000 (US\$1,774,000) that are invested in restructured notes following the replacement of Asset-Backed Commercial Paper. These investments are valued at their fair value at period-end.

During the first three quarters, the fair value of the restructured notes was affected by several factors including a reduction in risks associated with assets underlying the notes, a decrease in value of the US dollar in relation to the Canadian dollar and the simple passage of time. As a result of its analysis, the Corporation estimates the fair value of these notes to be \$1,315,000 (US\$1,338,000) as at September 30, 2012. The Corporation recorded a \$94,000 (2011-\$159,000) gain during the first three quarters. Following this change in value, there remains a balance of the reserve for impairment of \$429,000 (2011-\$570,000) (US\$436,000, 2011-US\$544,000).

During the nine-month period, the Corporation received a total of \$61,000 (2011-\$85,000) (US\$62,000, 2011-US\$88,000) in repayment of certain restructured notes. The amounts received were used as a partial reimbursement on loans secured by the restructured notes. As at September 30, 2012, the face value and estimated fair value of the remaining restructured notes are broken down as follows:

Restructuring categories	in thousands of US dollars		Expected maturity date
	Face value	Estimated fair value	
MAV 2 Notes			
A1 (rated A)	\$ 835	\$ 752	July 15, 2056
C	26	10	July 15, 2056
Ineligible asset tracking notes			
MAV 2 - Class 13	132	89	March 20, 2014
MAV 3 - Class 25	781	487	December 25, 2036
Total investments	\$ 1,774	\$ 1,338	

In 2009, the Corporation signed two long-term financing agreements with its financial institution to ensure the sufficient availability of liquidity to meet its financial obligations while awaiting the disposal of the restructured notes. These agreements were renewed for an additional year during the first quarter of 2012 and now mature in March 2013 and March 2014. The loans are renewable on a yearly basis up to a maximum of three years for the first agreement and two years for the second agreement.

The Corporation holds an option to assign to the bank the ownership of its ineligible asset-tracking notes as well as any proceeds therefrom as payment of 75% of the principal on the related debt. As at September 30, 2012, the Corporation estimated the fair value of this option at \$81,000 (2011-\$180,000) (US\$82,000; 2011-US\$172,000). The estimated fair value is based on the balance of the portion of the loan related to this option minus the fair value of the applicable restructured notes.

SAVARIA CORPORATION**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***(Tabular amounts are expressed in thousands of dollars - Unaudited)***5 . Long-term investments (continued)**

The Corporation also holds an option to assign to the bank the ownership of its MAV 2 notes as well as any proceeds therefrom as payment of 45% of the principal on the related debt. As at September 30, 2012, the Corporation estimated the fair value of this option to be nil. The estimated fair value is based on the balance of the portion of the loan related to the option minus the fair value of the applicable restructured notes.

6 . Bank loans

On March 22, 2012, the Corporation entered into an agreement with its financial institution for the replacement of its lines of credit formerly held by Savaria Concord Lifts for \$2,000,000 and Van-Action for \$500,000, into a single line of credit in the amount of \$5,000,000.

7 . Long-Term debt

On March 22, 2012, following the purchase of a building located in Brampton, Ontario, for an amount of \$8,600,000, the Corporation entered into an agreement with its financial institution for a long-term debt in the amount of \$9,600,000, of which \$8,600,000 is disbursed as at September 30, 2012, to finance the purchase as well as certain improvements. \$1,679,000 in improvements were incurred as at September 30, 2012. The terms of the agreement include an amortization period of 180 months with a monthly payment in capital of \$53,000 plus interest, at a rate fixed for five years of 3.58% according to an interest rate swap, as mentioned in note 4.

The financing agreement also includes the refinancing of four long-term loans into one single loan in the amount of \$7,000,000. The terms of the agreement include an amortization period of 84 months with a monthly payment in capital of \$83,000 plus interest, at a rate fixed for five years of 3.48% also according to an interest rate swap, as mentioned in note 4. Furthermore, the Corporation is no longer required to maintain a minimum cash balance in its bank accounts.

Financing costs in the amount of \$74,000 related to this agreement have been recorded in reduction of long-term debt and will be reversed to net income over the reimbursement period of the debt.

8 . Share capital

During the nine months ended September 30, 2012, the Corporation repurchased 50,800 common shares at an average price of \$1.42 per share by way of a normal course issuer bid. The excess of the price paid over the book value of the repurchased shares has been recorded against retained earnings.

9 . Revenue

	Periods of three months ended September 30		Periods of nine months ended September 30	
	2012	2011	2012	2011
Sale of goods	\$ 14,891	\$ 16,087	\$ 45,071	\$ 45,181
Rendering of services	1,275	1,307	3,797	3,735
	\$ 16,166	\$ 17,395	\$ 48,869	\$ 48,916

SAVARIA CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Tabular amounts are expressed in thousands of dollars - Unaudited)
10 . Cost of sales and administrative expenses

Moving cost incurred following the transfer of operations in Brampton, Ontario to a new building, in the amount of \$857,000 for the period of three months and \$1,016,000 for the period of nine months, are presented as follows :

	Periods of three months ended September 30		Periods of nine months ended September 30	
	2012	2011	2012	2011
Cost of sales				
Excluding moving costs	\$ 11,944	\$ 12,263	\$ 35,540	\$ 35,268
Moving costs	770	-	921	-
Total	\$ 12,714	\$ 12,263	\$ 36,461	\$ 35,268
Administrative expenses				
Excluding moving costs	\$ 1,688	\$ 1,870	\$ 5,033	\$ 5,391
Moving costs	87	-	95	-
Total	\$ 1,775	\$ 1,870	\$ 5,128	\$ 5,391

11 . Finance income and finance costs

	Periods of three months ended September 30		Periods of nine months ended September 30	
	2012	2011	2012	2011
Interest income	\$ 10	\$ 2	\$ 27	\$ 25
Net gain on foreign currency exchange	-	513	-	315
Change in the fair value of restructured notes and put option	-	126	-	130
Finance income	\$ 10	\$ 641	\$ 27	\$ 470
Interest on long-term debt	\$ 204	\$ 149	\$ 522	\$ 430
Interest expense and bank charges	23	26	68	155
Net loss on foreign currency exchange	151	-	117	-
Change in the fair value of restructured notes and put option	63	-	6	-
Finance costs	\$ 441	\$ 175	\$ 713	\$ 585

12 . Net changes in non-cash operating items

	Periods of three months ended September 30		Periods of nine months ended September 30	
	2012	2011	2012	2011
Trade and other receivables	\$ (374)	\$ (629)	\$ (1,734)	\$ (2,120)
Tax credits receivable	(112)	19	(273)	(126)
Inventories	(97)	537	1,288	559
Prepaid expenses	122	(77)	(171)	(39)
Trade and other payables	924	(287)	1,359	(270)
Deferred revenues	53	245	398	557
Warranty provision	25	6	18	(16)
	\$ 541	\$ (186)	\$ 885	\$ (1,455)

SAVARIA CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of dollars - Unaudited)

13 . Operating segments

Information about the operating segments

The Corporation's business structure is divided into two operating segments, the first consists of manufacturing and distributing residential and commercial accessibility equipment for people with mobility challenges (Accessibility), and the second consists of converting and adapting vehicles for persons with mobility challenges (Adapted Vehicles).

	Periods of three months ended September 30					
	2012			2011		
	Accessibility	Adapted Vehicles	Total	Accessibility	Adapted Vehicles	Total
External revenues	\$ 12,388	\$ 3,778	\$ 16,166	\$ 14,072	\$ 3,323	\$ 17,395
Income (loss) before income tax and unallocated amounts	\$ (36)	\$ 351	\$ 315	\$ 2,396	\$ 161	\$ 2,557

	Periods of nine months ended September 30					
	2012			2011		
	Accessibility	Adapted Vehicles	Total	Accessibility	Adapted Vehicles	Total
External revenues	\$ 37,849	\$ 11,020	\$ 48,869	\$ 37,776	\$ 11,140	\$ 48,916
Income before income tax and unallocated amounts	\$ 2,347	\$ 945	\$ 3,292	\$ 4,070	\$ 370	\$ 4,440

	September 30, 2012			September 30, 2011		
	Accessibility	Adapted Vehicles	Total	Accessibility	Adapted Vehicles	Total
	Segment's assets	\$ 30,920	\$ 7,495	\$ 38,415	\$ 32,545	\$ 8,917
Segment's liabilities	\$ 10,014	\$ 1,161	\$ 11,175	\$ 8,043	\$ 2,849	\$ 10,892

Reconciliations of operating segments and the consolidated balances

	Periods of three months ended September 30		Periods of nine months ended September 30	
	2012	2011	2012	2011
	Income before income tax			
Total income of segments, before income tax and unallocated amounts	\$ 315	\$ 2,557	\$ 3,292	\$ 4,440
Unallocated amounts:				
Depreciation and amortization	(411)	(386)	(1,144)	(1,126)
Net finance costs	(199)	(179)	(461)	(435)
Other corporate expenses ⁽¹⁾	(271)	(219)	(712)	(636)
Income (loss) before income tax	\$ (566)	\$ 1,773	\$ 975	\$ 2,243

⁽¹⁾ Salaries, professional fees and other corporate expenses not included in the segments' income.

SAVARIA CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*(Tabular amounts are expressed in thousands of dollars - Unaudited)***13 . Operating segments (continued)****Reconciliations of operating segments and the consolidated balances (continued)**

	September 30	
	2012	2011
Assets		
Total assets of segments	\$ 38,415	\$ 41,462
Unallocated amounts ⁽¹⁾	11,767	2,328
Total consolidated assets	\$ 50,182	\$ 43,790
Liabilities		
Total liabilities of segments	\$ 11,175	\$ 10,892
Unallocated amounts ⁽²⁾	20,724	13,274
Total consolidated liabilities	\$ 31,899	\$ 24,166

⁽¹⁾ Corporate assets, including a building with a net value of \$10,213,000, not included in the assets of the segments.

⁽²⁾ Corporate liabilities, including long-term debt in the amount of \$16,647,000, not included in the liabilities of the segments.