

**SAVARIA CORPORATION  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AS AT MARCH 31, 2009  
(Unaudited)**

**SAVARIA CORPORATION**  
CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)  
PERIOD OF THREE MONTHS ENDED MARCH 31

	2009	2008
<b>SALES</b>	<b>\$ 11,041,008</b>	\$ 12,009,933
<b>OPERATING EXPENSES</b>		
Cost of goods sold	8,265,073	9,719,579
Selling and administrative expenses	2,714,174	2,783,787
Amortization of fixed assets	92,120	109,776
Amortization of deferred development costs	72,893	70,642
Amortization of intangible assets	33,977	37,861
	<b>11,178,237</b>	12,721,645
<b>OPERATING LOSS</b>	<b>(137,229)</b>	(711,712)
<b>OTHER REVENUES AND EXPENSES (note 4)</b>	<b>957,558</b>	9,518
<b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>	<b>820,329</b>	(702,194)
<b>INCOME TAXES</b>	<b>(265,344)</b>	114,086
<b>NET EARNINGS (LOSS)</b>	<b>\$ 554,985</b>	\$ (588,108)
<b>Net earnings (loss) per common share</b>		
Basic	<b>\$ 0.020</b>	\$ (0.021)
Diluted	<b>\$ 0.020</b>	\$ (0.021)
<b>Average number of common shares outstanding (note 6B)</b>		
Issued	<b>27,229,181</b>	27,467,064
Diluted	<b>27,229,181</b>	27,483,578

**SAVARIA CORPORATION**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)  
PERIOD OF THREE MONTHS ENDED MARCH 31

	2009	2008
<b>NET EARNINGS (LOSS)</b>	<b>\$ 554,985</b>	<b>\$ (588,108)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAXES</b>		
Unrealized losses on foreign exchange contracts designated as cash flow hedges, net of income taxes of \$610,513 (2008-\$73,094)	<b>(1,429,206)</b>	(160,135)
Losses (gains) on foreign exchange contracts transferred to net income in the current period, net of income taxes of \$310,196 (2008-\$1,268)	<b>691,083</b>	(2,777)
<b>OTHER COMPREHENSIVE LOSS</b>	<b>(738,123)</b>	(162,912)
<b>COMPREHENSIVE LOSS</b>	<b>\$ (183,138)</b>	<b>\$ (751,020)</b>

**SAVARIA CORPORATION**

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (Unaudited)

PERIOD OF THREE MONTHS ENDED MARCH 31

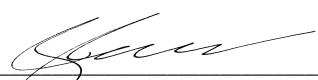
	2009	2008
<b>BALANCE - beginning of period</b>	<b>\$ 4,596,187</b>	<b>\$ 5,123,653</b>
NET EARNINGS (LOSS)	<b>554,985</b>	(588,108)
	<b>5,151,172</b>	4,535,545
Excess over book value of repurchased shares	<b>(3,928)</b>	(316,414)
DIVIDENDS on common shares	<b>(824,055)</b>	-
<b>BALANCE - end of period</b>	<b>\$ 4,323,189</b>	<b>\$ 4,219,131</b>


**SAVARIA CORPORATION**  
CONSOLIDATED BALANCE SHEETS (Unaudited)

As at March 31  
(Unaudited) As at December 31

	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,146,833	\$ 5,202,780
Accounts receivable	8,138,433	9,511,908
Income taxes receivable	788,218	725,052
Current portion of long-term loans	90,179	99,103
Inventories	11,914,428	10,380,605
Prepaid expenses	927,280	609,134
Future income taxes	2,239,220	1,924,751
	<b>29,244,591</b>	<b>28,453,333</b>
<b>LONG-TERM INVESTMENTS (note 5)</b>	<b>6,845,186</b>	<b>5,880,126</b>
<b>LONG-TERM LOANS</b>	<b>151,356</b>	<b>152,532</b>
<b>FIXED ASSETS</b>	<b>1,580,960</b>	<b>1,572,417</b>
<b>DEFERRED DEVELOPMENT COSTS</b>	<b>563,757</b>	<b>484,706</b>
<b>INTANGIBLE ASSETS</b>	<b>1,049,658</b>	<b>1,083,529</b>
<b>GOODWILL</b>	<b>506,230</b>	<b>506,230</b>
<b>FUTURE INCOME TAXES</b>	<b>2,213,851</b>	<b>2,550,599</b>
	<b>\$ 42,155,589</b>	<b>\$ 40,683,472</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bank loans	\$ 700,000	\$ 710,000
Accounts payable	6,023,839	5,984,551
Dividends payable	824,055	-
Deferred revenues	585,077	442,861
Warranty provision	274,404	289,693
Foreign exchange forward contracts	4,482,388	3,714,953
Current portion of long-term debt	1,092,941	1,233,454
	<b>13,982,704</b>	<b>12,375,512</b>
<b>WARRANTY PROVISION</b>	<b>519,302</b>	<b>550,505</b>
<b>FOREIGN EXCHANGE FORWARD CONTRACTS</b>	<b>2,707,081</b>	<b>2,376,366</b>
<b>LONG-TERM DEBT</b>	<b>8,089,028</b>	<b>7,542,141</b>
	<b>25,298,115</b>	<b>22,844,524</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 6A)	15,553,415	15,565,977
Contributed surplus	1,788,100	1,745,891
Retained earnings	4,323,189	4,596,187
Accumulated other comprehensive loss (note 7)	(4,807,230)	(4,069,107)
	<b>16,857,474</b>	<b>17,838,948</b>
	<b>\$ 42,155,589</b>	<b>\$ 40,683,472</b>

**ON BEHALF OF THE BOARD OF DIRECTORS**

  
\_\_\_\_\_, Director  
Marcel Bourassa

  
\_\_\_\_\_, Director  
Jean-Marie Bourassa C.A.

**SAVARIA CORPORATION**  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
PERIOD OF THREE MONTHS ENDED MARCH 31

	2009	2008
<b>OPERATING ACTIVITIES</b>		
Net earnings (loss)	\$ 554,985	\$ (588,108)
Adjustments for :		
Amortization of fixed assets	92,120	109,776
Amortization of deferred development costs	72,893	70,642
Amortization of intangible assets	33,977	37,861
Put option (note 5)	(901,776)	-
Change in the fair value of restructured notes (note 5)	(63,284)	171,631
Future income taxes	322,596	(80,418)
Capitalized interest on long-term debt	36,274	-
Remuneration expense on stock options granted	42,209	33,616
Change in warranty provision	(46,492)	31,058
Non-materialized (gain) loss on foreign currency exchange on long-term monetary items	116,766	(93,136)
	<b>260,268</b>	<b>(307,078)</b>
Net changes in non-cash working capital items (note 3)	<b>(431,839)</b>	<b>131,428</b>
<b>Cash flows used in operating activities</b>	<b>(171,571)</b>	<b>(175,650)</b>
<b>INVESTING ACTIVITIES</b>		
Additions to fixed assets	(28,980)	(40,480)
Deferred development costs	(151,944)	(118,933)
Proceeds from long-term loans	18,926	14,548
<b>Cash flows used in investing activities</b>	<b>(161,998)</b>	<b>(144,865)</b>
<b>FINANCING ACTIVITIES</b>		
Changes in bank loans	(10,000)	1,500,000
Increase in long-term debt	3,700,095	-
Repayment of current liability related to assets held for sale	-	(3,750,000)
Repayment of long-term debt	(3,395,983)	(420,000)
Contribution from a VIE	-	29,449
Shares repurchased for cancellation	(16,490)	(656,012)
<b>Cash flows from (used in) financing activities</b>	<b>277,622</b>	<b>(3,296,563)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(55,947)</b>	<b>(3,617,078)</b>
<b>CASH AND CASH EQUIVALENTS - beginning of period</b>	<b>5,202,780</b>	<b>4,714,615</b>
<b>CASH AND CASH EQUIVALENTS - end of period</b>	<b>\$ 5,146,833</b>	<b>\$ 1,097,537</b>

Cash and cash equivalents include bank balances and temporary investments with an initial maturity of three months or less.

## **1. CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The unaudited consolidated interim financial statements were prepared by the Corporation in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") applicable to interim financial statements and follow the same accounting policies and methods of their application as the most recent annual financial statements, except for the new accounting policies mentioned below in note 2. In the opinion of Management, all adjustments necessary for a fair presentation are reflected in the interim financial statements. Such adjustments are of a normal and recurring nature. The unaudited consolidated interim financial statements have not been reviewed by the Corporation's external auditor and should be read in conjunction with the audited annual consolidated financial statements and notes thereto for the year ended December 31, 2008.

## **2. CHANGES IN ACCOUNTING POLICIES**

### **A) 2009**

On January 1, 2009, the Corporation adopted the following recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook :

*Section 3064: Goodwill and Intangible Assets.*

This new standard reinforces the approach under which assets are recorded only if they meet the definition of an asset and the recognition criteria for an asset. It also clarifies the application of the concept of matching costs with revenues, so as to eliminate the current practice of recognizing as assets items that do not meet the definition of an asset and the recognition criteria for an asset. This standard applies retrospectively with restatement of prior periods for the Corporation for the fiscal year beginning on January 1, 2009.

The adoption of the new standards has had no impact on the consolidated financial statements.

### **B) Future Accounting Changes**

*Section 1582: Business Combinations, Section 1601 : Consolidated Financial Statements, and Section 1602 : Non-Controlling Interests*

The CICA issued three new accounting standards in 2009 : Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*. These new standards will be effective for the Corporation for the fiscal year beginning on January 1, 2011. The Corporation is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3, - *Business Combinations*. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Sections 1601 and 1602 replace Section 1600 - *Consolidated Financial Statements*. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 - *Consolidated and Separate Financial Statements* and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

*International Financial Reporting Standards ("IFRS")*

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed that Canadian GAAP, as used by public Corporations, will be superseded by IFRS for fiscal years beginning on or after January 1, 2011. The Corporation will be required to report under IFRS for its interim and annual financial statements for the fiscal year ending December 31, 2011. The Corporation expects to elaborate its IFRS conversion plan in the coming quarters. The plan will be aimed in particular at identifying the differences between IFRS and the Corporation's accounting policies, assessing their impact and, where necessary, analysing the various policies that the Corporation could elect to adopt.

**SAVARIA CORPORATION**  
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)  
MARCH 31, 2009 and 2008

**3. NET CHANGES IN NON-CASH WORKING CAPITAL ITEMS**

	Three months ended March 31	
	2009	2008
Accounts receivable	\$ 1,373,475	\$ 1,455,073
Income taxes receivable	(63,166)	(55,897)
Inventories	(1,605,506)	(356,315)
Prepaid expenses	(318,146)	(458,534)
Accounts payable	39,288	(568,110)
Deferred revenues	142,216	115,211
	<b>\$ (431,839)</b>	<b>\$ 131,428</b>

**4. OTHER REVENUES AND EXPENSES**

	Three months ended March 31	
	2009	2008
Interest and dividend income	\$ 29,407	\$ 32,520
Gain on foreign currency exchange	66,243	276,720
Interest on long-term debt	(77,137)	(34,624)
Interest expense and bank charges	(29,900)	(93,467)
Put option (note 5)	901,776	-
Change in the fair value of restructured notes (note 5)	63,284	(171,631)
Other revenues	3,885	-
	<b>\$ 957,558</b>	<b>\$ 9,518</b>

**5. LONG-TERM INVESTMENTS**

	As at March 31	As at December 31
	2009	2008
Restructured notes (face value of \$3,804,302)	\$ 1,843,410	\$ -
Third party asset-backed commercial paper ("ABCP") (fair value 2008-\$1,780,126)	-	1,780,126
Put option	901,776	-
	<b>2,745,186</b>	1,780,126
Guaranteed investment certificate (fair value of \$4,100,000 in 2009 and 2008)	4,100,000	4,100,000
	<b>\$ 6,845,186</b>	<b>\$ 5,880,126</b>

On January 21, 2009, the Pan-Canadian Committee of ABCP investors announced that the third-party ABCP restructuring plan had been implemented. Pursuant to the terms of the plan, holders of ABCP had their short-term commercial paper exchanged for longer-term notes whose maturities match those of the assets previously contained in the underlying conduits ("Restructured notes"). At that date, the Corporation held a portfolio of ABCP issued by two trusts with an aggregate face value of US\$2,985,874.

Consequently, the Corporation's ABCP that had its assets pooled was replaced with two classes of asset backed notes named A1 and C in declining order of seniority issued by Master Asset Vehicle 2 ("MAV 2"). ABCP relating to Ineligible Assets and Traditional Assets was replaced with new tracking notes whose characteristics are designed to track the performance of the particular assets of the series to which they correspond.

The Restructured notes are classified as a financial instrument held-for-trading.

*Summary of Valuation*

The fair value estimate of the Restructured notes has been calculated based on information provided by the Pan Canadian Investor Committee as well as Ernst & Young Inc., the Monitor of the restructuring. The table below summarizes the Corporation's valuation.



**5 . LONG-TERM INVESTMENTS (Cont'd)**

Restructuring categories	thousands US \$		Expected maturity date
	Face value	Estimated fair value	
MAV 2 Notes			
A1 (rated A)	838.2	559.3	July 15, 2056
C	25.9	3.1	July 15, 2056
Traditional asset tracking notes			
MAV 3 - Class 14	650.0	507.6	January 1, 2021
Ineligible asset tracking notes			
MAV 2 - Class 13	131.5	26.2	March 20, 2014
MAV 3 - Class 25	1,340.3	365.3	December 25, 2036
Total investments	2,985.9	1,461.5	

*Evaluation*

The Corporation has estimated the fair value of the Restructured notes using the following methodology and assumptions. Using available information, the Corporation determined or estimated the principal characteristics of these notes, including the interest rate, maturity date, and credit rating. Then, it estimated the yield that a potential investor would require in order to purchase each class of Restructured notes. The Corporation then used this information to calculate a net present value for each class of Restructured notes.

In the case of the A1, it is estimated that they will pay interest at a rate 0.5% less than the bankers' acceptance ("BA") rate and it is estimated that prospective investors of these notes will require premium yields between 5% and 7% over the BA rate.

The Class C notes pay interest at a rate of 20 % above the BA rate. On the other hand, it is not expected that any interest will be paid out since these notes are subordinated to the Class B notes that are, in turn, subordinated to the Class A1 and A2 notes. In light of this subordination, the Class C notes are viewed as highly speculative with regard to ultimate payment of principal at maturity in 2056. Accordingly, it is expected that Class C notes have a fair value of approximately 12% of par value.

The notes backed by traditional assets are estimated to generate interest income of 0.5% above the BA rate and a prospective buyer of those notes is estimated to require a premium of 3% over the BA rate.

The notes backed by ineligible assets are estimated to generate interest of approximately 0.5% above the BA rate and a prospective investor will require yields of between 10% and 100% in excess of the BA rate. These higher yield requirements reflect the observation that some of the underlying assets are significantly distressed in today's market.

Based upon a sensitivity analysis of the assumptions used, the expected yield required by a potential investor remains the most significant assumption included in the fair value estimate. Based on this exercise, the Corporation estimated that the range of potential values was between US\$1.64 million and US\$1.29 million. As at March 31, 2009, the fair value of the Corporation's Restructured notes amounted to \$1,843,410 (US\$ 1,461,516) and these assets are presented on a long-term basis. It is to be noted that these notes are subject to uncertainty as to their eventual cash value.

On October 15, 2007, the Corporation entered into a temporary financing agreement in the amount of \$3,000,000 with its bank in order to ensure the sufficient availability of liquidity to meet its financial obligations while awaiting the settlement of the ABCP investments. Following the replacement of the ABCP by the Restructured notes, the Corporation reimbursed this temporary financing and signed, on March 16, 2009, two new long-term financing agreements with its bank. The first agreement for a total amount of US\$1,514,083 matures in March 2012 and is renewable for periods of one year with a maximum of four renewal periods. The second agreement for a total amount of US\$1,471,791 matures in March 2011 and is renewable for periods of one year with a maximum of five renewal periods. 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 this second agreement. As at March 31, 2009, the Corporation estimated the fair value of this option at an amount of \$901,776 (US\$708,720).

Both loans, for which only the interest is payable on a monthly basis, bear interest at the US prime rate minus 1% and the Restructured notes are pledged as security. Any renewal of these two agreements is subject to the bank's approval.

## 6. CAPITAL STOCK

### A) Authorized :

Unlimited number of common shares with voting rights, participating and without par value  
Unlimited number of first preferred shares without par value and issuable in series  
Unlimited number of second preferred shares without par value and issuable in series

### Issued :

2009	Common shares	
	Number	Amount
Balance as at December 31, 2008, before the reversal of an exercise of stock options following the issuance of an employee loan	27,490,514	\$ 15,815,977
Reversal of an exercise of stock options following the issuance of an employee loan	(250,000)	(250,000)
Balance as at December 31, 2008	27,240,514	15,565,977
Cancelled following issuer bid	(22,000)	(12,562)
Balance as at March 31, 2009	27,218,514	\$ 15,553,415

### B) The following table reconciles the average number of shares outstanding with the calculation of the basic and diluted net earnings per share :

	Three months ended March 31	
	2009	2008
Weighted average number of shares outstanding	27,229,181	27,467,064
Effect of potential dilutive securities due to stock options	-	16,514
Weighted average number of shares outstanding for use in determining diluted earnings per share	27,229,181	27,483,578

## 7. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Three months ended March 31	
	2009	2008
Balance as at beginning of the period, net of income taxes in the amount of \$1,794,212 (2008-\$4,390)	\$ (4,069,107)	\$ 9,619
Changes in other comprehensive income in the current period, net of income taxes of \$300,317 (2008-\$71,826)	(738,123)	(162,912)
Unrealized losses on foreign exchange contracts designated as cash flow hedges, net of income taxes of \$2,094,528 (2008-\$69,971)	\$ (4,807,230)	\$ (153,293)

## 8. SEGMENTED INFORMATION

The Corporation's business structure is divided into two sectors: 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 a physical disability (adapted transport).

**SAVARIA CORPORATION**

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

MARCH 31, 2009 and 2008

**8. SEGMENTED INFORMATION (Cont'd)**

The business sectors are detailed as follows :

Three months ended March 31

	2009		
	Accessibility	Adapted transport	Total
Sales	\$ 8,821,824	\$ 2,219,184	\$ 11,041,008
Operating loss	(98,287)	(38,942)	(137,229)
Net earnings (loss)	630,329	(75,344)	554,985
Assets	38,096,619	4,058,970	42,155,589
Amortization	175,999	22,991	198,990
Additions to fixed assets	26,560	2,420	28,980

Three months ended March 31

	2008		
	Accessibility	Adapted transport	Total
Sales	\$ 10,165,048	\$ 1,844,885	\$ 12,009,933
Operating loss	(609,471)	(102,241)	(711,712)
Net earnings (loss)	(505,879)	(82,229)	(588,108)
Assets	31,623,936	2,882,262	34,506,198
Amortization	204,852	13,427	218,279
Additions to fixed assets	40,480	-	40,480

Information by geographic region is as follows:

	Three months ended March 31		As at March 31	As at December 31
	Sales		Fixed assets, intangible assets and goodwill	
	2009	2008	2009	2008
United States	\$ 4,836,874	\$ 4,740,346	\$ 2,545,683	\$ 2,590,888
Canada	648,545	817,906	142,538	122,661
Europe and elsewhere	11,041,008	12,009,933	3,136,848	3,162,176
	\$ 16,526,427	\$ 17,568,185	\$ 5,825,069	\$ 5,875,725

**9. COMPARATIVE FIGURES**

Certain figures have been reclassified to conform to the presentation adopted in 2009.