

SAVARIA CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 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	June 30, 2012	December 31, 2011
Assets			
Current assets			
Cash		\$ 2,192	\$ 3,931
Restricted cash	7	-	400
Trade and other receivables		10,480	9,120
Derivative financial instruments	4	126	83
Current portion of long-term loans		331	328
Tax credits receivable		489	526
Inventories		12,986	14,371
Prepaid expenses		920	633
Current portion of long-term investments	5	714	710
Total current assets		28,238	30,102
Non-current assets			
Restricted cash	7	-	700
Derivative financial instruments	4	66	44
Tax credits receivable		207	509
Long-term loans		168	347
Fixed assets	7	11,471	1,741
Goodwill		4,051	4,051
Intangible assets		2,417	2,797
Long-term investments	5	775	753
Other assets	7	72	16
Deferred tax assets		1,724	1,353
Total non-current assets		20,951	12,311
Total assets		\$ 49,189	\$ 42,413
Liabilities			
Current liabilities			
Bank loans	6	\$ 1,450	\$ 75
Trade and other payables		6,555	6,123
Income taxes payable		267	382
Deferred revenues		2,275	1,930
Current portion of long-term debt	7	3,651	4,877
Warranty provision		340	338
Total current liabilities		14,538	13,725
Non-current liabilities			
Long-term debt	7	15,447	7,984
Warranty provision		408	417
Derivative financial instruments	4	391	-
Deferred tax liabilities		126	142
Total non-current liabilities		16,372	8,543
Total liabilities		30,910	22,268
Equity			
Share capital	8	13,287	13,260
Contributed surplus		2,126	2,114
Accumulated other comprehensive income		(86)	665
Retained earnings		2,952	4,106
Total equity		18,279	20,145
Total liabilities and equity		\$ 49,189	\$ 42,413

The notes on pages 7 to 11 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)

	Periods of three months ended June 30		Periods of six months ended June 30	
	2012	2011	2012	2011
Revenue	\$ 17,472	\$ 16,008	\$ 32,703	\$ 31,521
Cost of sales	(12,747)	(12,002)	(23,747)	(23,005)
Gross margin	4,725	4,006	8,956	8,516
Operating costs				
Administrative expenses	(1,733)	(1,697)	(3,353)	(3,521)
Selling expenses	(1,430)	(1,406)	(2,672)	(2,746)
Engineering and research and development expenses	(510)	(586)	(1,162)	(1,197)
	(3,673)	(3,689)	(7,187)	(7,464)
Other income (costs)	38	(1)	27	(1)
Operating income	1,090	316	1,796	1,051
Finance income	155	89	107	27
Finance costs	(214)	(224)	(362)	(608)
Net finance costs	(59)	(135)	(255)	(581)
Income before income tax	1,031	181	1,541	470
Income tax expense	(340)	(41)	(490)	(153)
Net income	691	140	1,051	317
Other comprehensive income				
Change in the fair value of derivative financial instruments designated as cash flow hedges	(563)	3	(180)	28
Deferred income tax	148	(1)	51	(8)
	(415)	2	(129)	20
Gains on foreign exchange contracts transferred to net income in the current period	(314)	(528)	(814)	(1,287)
Deferred income tax	79	142	206	345
	(234)	(386)	(608)	(942)
Net change in fair value of derivative financial instruments designated as cash flow hedges	(649)	(384)	(737)	(922)
Unrealized net gains (losses) on translation of financial statements of self-sustaining foreign operations	8	3	(14)	(16)
Other comprehensive loss, net of income tax	(641)	(381)	(751)	(938)
Total comprehensive income (loss)	\$ 50	\$ (241)	\$ 300	\$ (621)
Earnings per share:				
Basic	\$ 0.03	\$ 0.01	\$ 0.05	\$ 0.01
Diluted	\$ 0.03	\$ 0.01	\$ 0.05	\$ 0.01

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SAVARIA CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period of six months ended June 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	-	-	-	-	-	317	317
Other comprehensive income :							
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	-	20	-	20
Gains on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	-	(942)	-	(942)
Unrealized net losses on translation of financial statements of self-sustaining foreign operations	-	-	-	-	(16)	-	(16)
Other comprehensive income	-	-	-	-	(938)	-	(938)
Total comprehensive income	-	\$ -	\$ -	\$ -	\$ (938)	\$ 317	\$ (621)
<u>Transactions with owners, recorded directly in equity</u>							
Cancelled shares following issuer bid	(175,200)	(101)	-	-	-	(182)	(283)
Compensation expense on options granted	-	-	-	56	-	-	56
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	957,300	684	(567)	3	-	(2,550)	(2,430)
Balance at June 30, 2011	22,974,864	\$ 13,314	\$ -	\$ 2,067	\$ 1,143	\$ 2,503	\$ 19,027

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SAVARIA CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period of six months ended June 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	-	-	-	-	1,051	1,051
Other comprehensive income :						
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	(129)	-	(129)
Gains on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	(608)	-	(608)
Unrealized net losses on translation of financial statements of self-sustaining foreign operations	-	-	-	(14)	-	(14)
Other comprehensive income	-	-	-	(751)	-	(751)
Total comprehensive income	-	\$ -	\$ -	\$ (751)	\$ 1,051	\$ 300
<u>Transactions with owners, recorded directly in equity</u>						
Cancelled shares following issuer bid	(36,300)	(21)	-	-	(30)	(51)
Compensation expense on options granted	-	-	21	-	-	21
Share options exercised	57,500	48	(9)	-	-	39
Dividend on common shares	-	-	-	-	(2,175)	(2,175)
Total transactions with owners	21,200	27	12	-	(2,205)	(2,166)
Balance at June 30, 2012	22,902,064	\$ 13,287	\$ 2,126	\$ (86)	\$ 2,952	\$ 18,279

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

	Note	Periods of three months ended June 30		Periods of six months ended June 30	
		2012	2011	2012	2011
Cash flows from (used in) operating activities					
Net income		\$ 691	\$ 140	\$ 1,051	\$ 317
Adjustments for :					
Depreciation of fixed assets		176	183	353	353
Amortization of intangible assets		188	205	380	387
Change in the fair value of restructured notes and put option		(82)	(33)	(57)	(4)
Income tax expense		340	40	490	153
Capitalized finance costs on long-term debt		44	56	84	116
Compensation expense on share options granted		9	35	21	56
Gains on foreign exchange contracts cashed in advance and transferred to net income		(234)	(480)	(667)	(1,154)
Gain on the sale of fixed assets		(37)	-	(26)	-
Unrealized foreign exchange loss (gain) on non-current monetary items		31	(30)	(13)	(86)
Interest cost		166	169	278	294
		1,292	285	1,894	432
Net changes in non-cash operating items	9	118	(1,446)	350	(1,269)
Increase in long-term loans		-	(21)	-	(21)
Proceeds from long-term loans		91	43	175	55
Income tax paid		(71)	(30)	(233)	(101)
Net cash from (used in) operating activities		1,430	(1,169)	2,186	(904)
Cash flows from (used in) investing activities					
Receipts of long-term investments		23	50	31	77
Change in restricted cash		1,000	100	1,100	200
Proceeds from sales of fixed assets		37	-	59	-
Additions to fixed assets	7	(10,099)	(41)	(10,111)	(307)
Change in other assets related to the purchase of a building		-	-	(6)	-
Increase in intangible assets		-	(98)	-	(152)
Net cash from (used in) investing activities		(9,039)	11	(8,927)	(182)
Cash flows from (used in) financing activities					
Changes in bank loans	6	925	(2,160)	1,375	(1,990)
Increase in long-term debt	7	15,631	2,518	15,631	2,628
Repayment of borrowings	7	(8,149)	(658)	(9,472)	(1,845)
Interest paid		(170)	(169)	(281)	(294)
Change in other assets related to a long-term debt	7	(64)	-	(64)	-
Repurchase of common shares		(46)	(60)	(51)	(282)
Proceeds from exercise of share options		-	80	39	165
Dividend paid on common shares		(2,175)	(2,368)	(2,175)	(2,368)
Net cash from (used in) financing activities		5,952	(2,817)	5,002	(3,986)
Net change in cash		(1,657)	(3,975)	(1,739)	(5,072)
Cash at the beginning of the period		3,849	4,944	3,931	6,041
Cash at the end of the period		\$ 2,192	\$ 969	\$ 2,192	\$ 969

The notes on pages 7 to 11 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 June 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 August 8, 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 :

	June 30, 2012	December 31, 2011
Current assets		
Foreign exchange derivatives	\$ 126	\$ 83
Non-current assets		
Foreign exchange derivatives	\$ 66	\$ 44
Non-current liabilities		
Foreign exchange derivatives	\$ 22	\$ -
Interest rate derivatives	369	-
	\$ 391	\$ -

SAVARIA CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

5 . Long-term investments

	June 30, 2012	December 31, 2011
Restructured notes (face value of \$1,836,000, \$1,863,000 as of December 31, 2011)	\$ 1,392	\$ 1,282
Put option	97	181
	1,489	1,463
Less : Current portion	714	710
	\$ 775	\$ 753

Restructured Notes

The Corporation holds investments with a face value of \$1,836,000 (US\$1,804,000) 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 semester, the fair value of the restructured notes was affected by several factors including a reduction in risks associated with assets underlying the notes, an increase 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 \$1,392,000 (US\$1,368,000) as at June 30, 2012. The Corporation recorded a \$140,000 (2011-\$49,000) gain during the semester. Following this change in value, there remains a balance of the reserve for impairment of \$444,000 (2011-\$525,000) (US\$436,000, 2011-US\$544,000).

During the semester, the Corporation received a total of \$28,000 (2011-\$77,000) (US\$28,000, 2011-US\$79,000) in repayment of certain restructured notes. The amounts received were used as a partial reimbursement on loans secured by the restructured notes. As at June 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	811	517	December 25, 2036
Total investments	\$ 1,804	\$ 1,368	

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 June 30, 2012, the Corporation estimated the fair value of this option at \$97,000 (2011-\$164,000) (US\$95,000; 2011-US\$170,000). 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 June 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 June 30, 2012, to finance the purchase as well as certain improvements. \$1,109,000 in improvements were incurred as at June 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 fixed rate for five years of 3.58%.

This 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 fixed rate for five years of 3.48%. Furthermore, the Corporation is no longer required to maintain a minimum cash balance in its bank accounts.

Financing costs in the amount of \$64,000 related to this agreement are recorded as other assets on the consolidated statement of financial position and will be reversed to net income over a period of 84 months.

The Corporation minimizes its exposure to changes in interest rates by maintaining a majority of fixed-rate interest-bearing loans. This is achieved by entering into interest rate swaps. The fair value of these derivative financial instruments is indicated in note 4.

8 . Share capital

During the six months ended June 30, 2012, the Corporation repurchased 36,300 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 . Net changes in non-cash operating items

	Periods of three months ended June 30		Periods of six months ended June 30	
	2012	2011	2012	2011
Trade and other receivables	\$ (1,108)	\$ (2,008)	\$ (1,360)	\$ (1,491)
Tax credits receivable	(206)	(122)	(161)	(145)
Inventories	360	247	1,385	22
Prepaid expenses	575	104	(287)	38
Trade and other payables	319	70	435	17
Deferred revenues	175	270	345	312
Warranty provision	3	(7)	(7)	(22)
	\$ 118	\$ (1,446)	\$ 350	\$ (1,269)

SAVARIA CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 . Operating segments

Information about the operating segments

The Corporation's business structure is divided into two segments based on differences in the products offered: 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 June 30					
	2012			2011		
	Accessibility	Adapted Vehicles	Total	Accessibility	Adapted Vehicles	Total
External revenues	\$ 13,518	\$ 3,954	\$ 17,472	\$ 12,095	\$ 3,913	\$ 16,008
Income before income tax and unallocated amounts	\$ 1,052	\$ 256	\$ 1,308	\$ 578	\$ (97)	\$ 481

	Periods of six months ended June 30					
	2012			2011		
	Accessibility	Adapted Vehicles	Total	Accessibility	Adapted Vehicles	Total
External revenues	\$ 25,462	\$ 7,241	\$ 32,703	\$ 23,704	\$ 7,817	\$ 31,521
Income before income tax and unallocated amounts	\$ 1,828	\$ 253	\$ 2,081	\$ 1,321	\$ (265)	\$ 1,056

	June 30, 2012			June 30, 2011		
	Accessibility	Adapted Vehicles	Total	Accessibility	Adapted Vehicles	Total
	Segment's assets	\$ 37,261	\$ 9,414	\$ 46,675	\$ 33,277	\$ 7,812
Segment's liabilities	\$ 19,812	\$ 5,678	\$ 25,490	\$ 11,010	\$ 6,404	\$ 17,414

Reconciliations of operating segments and the consolidated balances

	Periods of three months ended June 30		Periods of six months ended June 30	
	2012	2011	2012	2011
	Income before income tax			
Total income of segments, before income tax and unallocated amounts	\$ 1,308	\$ 481	\$ 2,081	\$ 1,056
Unallocated amounts:				
Net finance costs	(41)	(76)	(100)	(184)
Other corporate expenses ⁽¹⁾	(236)	(224)	(440)	(402)
Income before income tax	\$ 1,031	\$ 181	\$ 1,541	\$ 470

(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)***10 . Operating segments (continued)****Reconciliations of operating segments and the consolidated balances (continued)**

	June 30	
	2012	2011
Assets		
Total assets of segments	\$ 46,675	\$ 41,089
Unallocated amounts ⁽¹⁾	2,514	2,118
Total consolidated assets	\$ 49,189	\$ 43,207
Liabilities		
Total liabilities of segments	\$ 25,490	\$ 17,414
Unallocated amounts ⁽¹⁾	5,420	6,766
Total consolidated liabilities	\$ 30,910	\$ 24,180

(1) Assets and liabilities not included in the assets and liabilities of the segments.