

SAVARIA CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2015
(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, 2015	December 31, 2014
Assets			
Current assets			
Cash	4	\$ 28,821	\$ 16,280
Trade and other receivables		12,075	12,168
Current portion of long-term loans		56	99
Tax credits receivable		7	264
Inventories		18,591	16,694
Prepaid expenses		1,170	635
Total current assets		60,720	46,140
Non-current assets			
Long-term loans		47	64
Fixed assets		12,048	12,122
Intangible assets		2,517	2,661
Goodwill		7,253	7,253
Deposit on purchase of fixed assets	5	509	23
Deferred tax assets		4,233	3,157
Total non-current assets		26,607	25,280
Total assets		\$ 87,327	\$ 71,420
Liabilities			
Current liabilities			
Trade and other payables		\$ 10,770	\$ 9,677
Income taxes payable		808	1,198
Deferred revenues		2,159	2,045
Derivative financial instruments	10	3,832	2,295
Current portion of long-term debt		2,815	2,833
Warranty provisions		458	454
Total current liabilities		20,842	18,502
Non-current liabilities			
Long-term debt		11,404	12,521
Warranty provisions		701	681
Derivative financial instruments	10	4,301	2,991
Deferred tax liabilities		251	269
Total non-current liabilities		16,657	16,462
Total liabilities		37,499	34,964
Equity			
Share capital and warrants	6	47,838	33,268
Contributed surplus		2,104	2,042
Accumulated other comprehensive loss		(5,445)	(3,564)
Retained earnings		5,331	4,710
Total equity		49,828	36,456
Total liabilities and equity		\$ 87,327	\$ 71,420

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 June 30,		Periods of six months ended June 30,	
		2015	2014	2015	2014
Revenue	7	\$ 24,422	\$ 21,977	\$ 44,656	\$ 39,665
Cost of sales		(16,962)	(15,263)	(31,125)	(27,788)
Gross margin		7,460	6,714	13,531	11,877
Operating costs					
Administrative expenses		(1,833)	(1,701)	(3,653)	(3,305)
Selling expenses		(1,899)	(1,693)	(3,718)	(3,050)
Engineering expenses		(522)	(566)	(1,035)	(1,128)
Research and development expenses		(119)	(175)	(248)	(341)
		(4,373)	(4,135)	(8,654)	(7,824)
Operating income		3,087	2,579	4,877	4,053
Finance income	8	57	46	664	48
Finance costs	8	(220)	(488)	(380)	(337)
Net finance income (costs)		(163)	(442)	284	(289)
Income before income tax		2,924	2,137	5,161	3,764
Income tax expense		(774)	(591)	(1,436)	(1,013)
Net income		2,150	1,546	3,725	2,751
Other comprehensive income (loss)					
Items that may be reclassified subsequently to income or loss					
Change in the fair value of derivative financial instruments designated as cash flow hedges		829	1,975	(4,608)	(201)
Deferred income tax		(214)	(499)	1,187	52
		615	1,476	(3,421)	(149)
Losses on foreign exchange contracts transferred to net income in the current period		851	317	1,731	676
Deferred income tax		(219)	(80)	(446)	(170)
		632	237	1,285	506
Net change in fair value of derivative financial instruments designated as cash flow hedges		1,247	1,713	(2,136)	357
Unrealized net gains (losses) on translation of financial statements of foreign operations		(40)	(55)	255	(52)
Other comprehensive income (loss), net of income tax		1,207	1,658	(1,881)	305
Total comprehensive income		\$ 3,357	\$ 3,204	\$ 1,844	\$ 3,056
Earnings per share:					
Basic		\$ 0.07	\$ 0.05	\$ 0.12	\$ 0.11
Diluted		\$ 0.07	\$ 0.05	\$ 0.12	\$ 0.10

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

	2014						
	Share capital and warrants			Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number		Amount				
	Share capital	Warrants					
Balance at January 1, 2014	23,410,864	-	\$ 13,969	\$ 2,079	\$ (1,314)	\$ 5,499	\$ 20,233
<u>Total comprehensive income</u>							
Net income	-	-	-	-	-	2,751	2,751
Other comprehensive income:							
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	-	(149)	-	(149)
Losses on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	-	506	-	506
Unrealized net losses on translation of financial statements of foreign operations	-	-	-	-	(52)	-	(52)
Other comprehensive income	-	-	-	-	305	-	305
Total comprehensive income	-	-	\$ -	\$ -	\$ 305	\$ 2,751	\$ 3,056
<u>Transactions with owners, recorded directly in equity</u>							
Shares and warrants issued in relation to a private placement	5,750,000	2,875,000	18,688	-	-	-	18,688
Share and warrant issue costs, net of tax	-	-	-	-	-	(831)	(831)
Compensation expense on options granted	-	-	-	30	-	-	30
Share options exercised (note 6)	393,750	-	611	(130)	-	-	481
Dividends on common shares	-	-	-	-	-	(4,129)	(4,129)
Total transactions with owners	6,143,750	2,875,000	19,299	(100)	-	(4,960)	14,239
Balance at June 30, 2014	29,554,614	2,875,000	\$ 33,268	\$ 1,979	\$ (1,009)	\$ 3,290	\$ 37,528

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

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

	2015						
	Share capital and warrants			Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number		Amount				
	Share capital	Warrants					
Balance at January 1, 2015	29,554,614	2,875,000	\$ 33,268	\$ 2,042	\$ (3,564)	\$ 4,710	\$ 36,456
<u>Total comprehensive income</u>							
Net income	-	-	-	-	-	3,725	3,725
Other comprehensive loss:							
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	-	(3,421)	-	(3,421)
Losses on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	-	1,285	-	1,285
Unrealized net gains on translation of financial statements of foreign operations	-	-	-	-	255	-	255
Other comprehensive loss	-	-	-	-	(1,881)	-	(1,881)
Total comprehensive income	-	-	\$ -	\$ -	\$ (1,881)	\$ 3,725	\$ 1,844
<u>Transactions with owners, recorded directly in equity</u>							
Shares issued in relation to a private placement (note 6)	2,875,000	-	14,375	-	-	-	14,375
Share issue costs, net of tax (note 6)	-	-	-	-	-	(620)	(620)
Compensation expense on options granted	-	-	-	93	-	-	93
Share options exercised (note 6)	125,000	-	195	(31)	-	-	164
Dividends on common shares	-	-	-	-	-	(2,484)	(2,484)
Total transactions with owners	3,000,000	-	14,570	62	-	(3,104)	11,528
Balance at June 30, 2015	32,554,614	2,875,000	\$ 47,838	\$ 2,104	\$ (5,445)	\$ 5,331	\$ 49,828

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

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,	
		2015	2014	2015	2014
Cash flows from operating activities					
Net income		\$ 2,150	\$ 1,546	\$ 3,725	\$ 2,751
Adjustments for:					
Depreciation of fixed assets		255	244	505	484
Amortization of intangible assets		210	190	425	387
Income tax expense		774	591	1,436	1,013
Compensation expense on share options granted		60	25	93	30
Gains on foreign exchange contracts cashed in advance and transferred to net income		(12)	(59)	(31)	(124)
Unrealized foreign exchange (gain) loss on non-current monetary items		(31)	(39)	211	(42)
Interest cost	8	191	173	380	331
		3,597	2,671	6,744	4,830
Net changes in non-cash operating items	9	(1,582)	(532)	(1,057)	(968)
Proceeds from long-term loans		47	52	67	100
Income tax paid		(960)	(583)	(1,625)	(674)
Net cash from operating activities		1,102	1,608	4,129	3,288
Cash flows used in investing activities					
Deposit on purchase of fixed assets	5	(408)	-	(509)	-
Additions to fixed assets		(193)	(210)	(357)	(274)
Increase in intangible assets		(175)	(144)	(390)	(150)
Net cash used in investing activities		(776)	(354)	(1,256)	(424)
Cash flows from financing activities					
Increase in long-term debt		-	118	-	139
Repayment of borrowings		(473)	(466)	(1,223)	(1,529)
Interest paid		(161)	(170)	(316)	(324)
Proceeds from the issuance of common shares and warrants in relation to a private placement, net of transaction fees	6	13,527	17,551	13,527	17,551
Proceeds from exercise of share options	6	-	-	164	481
Dividends paid on common shares		(1,302)	(4,129)	(2,484)	(4,129)
Net cash from financing activities		11,591	12,904	9,668	12,189
Net change in cash		11,917	14,158	12,541	15,053
Cash at the beginning of the period		16,904	2,863	16,280	1,968
Cash at the end of the period		\$ 28,821	\$ 17,021	\$ 28,821	\$ 17,021

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 Étienne-Lenoir Street, Laval, Québec. The condensed consolidated interim financial statements of the Corporation as at and for the periods ended June 30, 2015 and 2014 comprise the accounts of Savaria Corporation and its wholly owned subsidiaries (together referred to as the "Corporation"). The activities of the Corporation are divided into two operating segments. The *Accessibility* segment consists of designing, manufacturing, installing and distributing elevators, platform lifts and stairlifts for people with mobility challenges as well as the operation of a network of franchisees and a lead generation program. The *Adapted vehicle* segment consists of converting and adapting vans also for persons with mobility challenges.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2014 are available upon request from the Corporation's registered office, at www.savaria.com or on SEDAR's website at www.sedar.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 for the year ended on December 31, 2014. 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 06, 2015.

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 year ended December 31, 2014, except for the adoption of new accounting standards as outlined below.

The accounting policies have been applied consistently by the Corporation's entities and to all periods presented in these condensed consolidated interim financial statements, unless otherwise indicated.

New accounting standards adopted

The following new standards, and amendments to standards and interpretations have been applied in preparing the condensed consolidated interim financial statements as at June 30, 2015. The adoption of these new standards has not had a material impact on the financial statements.

Annual Improvements to IFRS (2010-2012) and (2011-2013) cycles

In December 2013 the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS.

SAVARIA CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

3 . Significant accounting policies (continued)

New accounting standards adopted (continued)

Annual Improvements to IFRS (2010-2012) and (2011-2013) cycles (continued)

Amendments were made to clarify the following in their respective standards:

- Definition of “vesting condition” in IFRS 2 *Share-based Payment*;
- Classification and measurement of contingent consideration; and scope exclusion for the formation of joint arrangements in IFRS 3 *Business Combinations*;
- Disclosures on the aggregation of operating segments in IFRS 8 *Operating segments*;
- Measurement of short-term receivables and payables; and scope of portfolio exception in IFRS 13 *Fair Value Measurement*;
- Restatement of accumulated depreciation (amortization) on revaluation in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*;
- Definition of “related party” in IAS 24 *Related Party Disclosures*; and
- Inter-relationship of IFRS 3 and IAS 40 in IAS 40 *Investment Property*.

Special transitional requirements have been set for amendments to IFRS 2, IAS 16, IAS 38 and IAS 40.

4 . Cash

	June 30, 2015	December 31, 2014
Bank balances	\$ 28,946	\$ 18,280
Bank loans used in cash management	(125)	(2,000)
Cash	\$ 28,821	\$ 16,280

Following the implementation of a process under which Canadian dollar bank accounts of the Corporation and its subsidiaries are consolidated, debit and credit balances are presented in Cash on a net basis.

As at June 30, 2015, an amount of \$2,225,000 (December 31, 2014-\$540,000) is reserved as surety to cover unrealized losses on foreign exchange forward contracts.

5 . Deposit on purchase of fixed assets

On February 24, 2015, the Corporation made an offer for the purchase of a building, which was accepted by the seller, in the amount of \$4,200,000. The Corporation intends to obtain the financing necessary to meet its obligations. A deposit of \$509,000 was paid during the first semester of 2015. The closing date is scheduled for August 31, 2015.

6 . Share capital

During the first semester of 2015, the Corporation issued 125,000 common shares (2014-393,750) at an average price of \$1.32 per share (2014-\$1.22) following the exercise of stock options. These exercises resulted in an increase in share capital of \$195,000 (2014-\$611,000) and a decrease in contributed surplus of \$31,000 (2014-\$130,000). At June 30, 2015, 1,092,500 options are outstanding (2014-732,500) at a weighted average exercise price of \$3.27 per share (2014-\$2.25).

SAVARIA CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Tabular amounts are expressed in thousands of dollars - Unaudited)
6 . Share capital (continued)

On May 13, 2015, the Corporation completed a “bought deal” private placement of 2,875,000 common shares at a price of \$5.00 per share, for gross proceeds to Savaria of \$14,375,000 and proceeds, net of finance costs, of \$13,527,000. The common shares issued are subject to a statutory hold period which expires on September 14, 2015.

7 . Revenue

	Periods of three months ended June 30,		Periods of six months ended June 30,	
	2015	2014	2015	2014
Sale of goods	\$ 22,678	\$ 20,505	\$ 41,328	\$ 36,660
Rendering of services	1,510	1,472	2,933	3,005
Royalties	234	-	395	-
	\$ 24,422	\$ 21,977	\$ 44,656	\$ 39,665

8 . Finance income and finance costs

	Periods of three months ended June 30,		Periods of six months ended June 30,	
	2015	2014	2015	2014
Interest income	\$ 57	\$ 46	\$ 90	\$ 48
Net gain on foreign currency exchange	-	-	574	-
Finance income	\$ 57	\$ 46	\$ 664	\$ 48
Interest on long-term debt	\$ 147	\$ 144	\$ 293	\$ 280
Interest expense and bank charges	44	29	87	51
Net loss on foreign currency exchange	29	315	-	6
Finance costs	\$ 220	\$ 488	\$ 380	\$ 337

9 . Net changes in non-cash operating items

	Periods of three months ended June 30,		Periods of six months ended June 30,	
	2015	2014	2015	2014
Trade and other receivables	\$ (1,049)	\$ (177)	\$ 93	\$ (448)
Tax credits receivable	85	(25)	51	(77)
Inventories	(687)	(608)	(1,897)	(1,606)
Prepaid expenses	(46)	73	(535)	(204)
Trade and other payables	(101)	2	1,093	940
Deferred revenues	186	152	114	369
Warranty provision	30	51	24	58
	\$ (1,582)	\$ (532)	\$ (1,057)	\$ (968)

SAVARIA CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 . Financial instruments

The table below indicates the presentation of the derivative financial instruments in the statement of financial position.

	June 30, 2015	December 31, 2014
Current liabilities		
Foreign exchange derivatives	\$ 3,702	\$ 2,213
Interest rate derivatives	130	82
	\$ 3,832	\$ 2,295
Non-current liabilities		
Foreign exchange derivatives	\$ 4,211	\$ 2,925
Interest rate derivatives	90	66
	\$ 4,301	\$ 2,991

Risk Management

Currency risk

The Corporation realizes approximately 63% (2014-62%) of its sales in foreign currencies and, accordingly, is exposed to market risks related to foreign exchange fluctuations. The Corporation partially compensates for these risks by purchasing raw materials in US dollars and by using forward foreign exchange contracts. Those contracts oblige the Corporation to sell US 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 US dollars, in order to protect the gross margin from significant fluctuations in the value of the Canadian dollar and to avoid management speculation on currency values. The Corporation manages this risk exposure by entering into various foreign exchange forward contracts. Pursuant to the policy, anticipated net inflows in US dollars can be hedged up to a maximum of 75%.

The following tables summarize the characteristics of the foreign exchange contracts:

As at June 30, 2015

Maturity	Type	Weighted average exchange rate	Contractual amounts (in thousands of US dollars)
0 to 12 months	Sale	1.0443	\$18,000
12 to 24 months	Sale	1.0865	18,500
24 to 35 months	Sale	1.1714	16,500
		1.0986	\$53,000

As at December 31, 2014

Maturity	Type	Weighted average exchange rate	Contractual amounts (in thousands of US dollars)
0 to 12 months	Sale	1.0407	\$18,000
12 to 24 months	Sale	1.0560	17,500
24 to 36 months	Sale	1.1145	19,000
		1.0713	\$54,500

SAVARIA CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 . Financial instruments (continued)

Interest rate risk

The Corporation's interest rate risk arises from cash, long-term loans, bank loans and long-term debt. Cash and borrowings issued at variable rates expose the Corporation to the risk of variance in cash flows due to changes in interest rates, whereas long-term loans and borrowings issued at fixed rates expose the Corporation to the risk of variance in fair value due to changes in interest rates.

The Corporation analyzes its interest risk exposure on a continual basis and examines its renewal and refinancing options in order to minimize risks.

The Corporation signed a financing agreement in April 2012 comprising of two long-term debts. Since those debts bear interest at variable rates, the Corporation decided to enter into interest rate swap contracts to minimize its risk related to changes in interest rates.

Maturity	Fixed interest rate	Original capital amount	Balance	
			June 30, 2015	December 31, 2014
April 2017	1.98%	\$7,000	\$3,819	\$4,317
April 2017	2.08%	\$9,600	\$7,570	\$7,888

A stamping fee of 1.5% is added to the interest rates stated above.

11 . Operating segments

Information about the operating segments

The Corporation's business structure is divided into two segments that are presented distinctly for financial reporting purposes. Segments are basically structured according to the main market segments that they serve. The *Accessibility* segment includes manufacturing and distributing residential and commercial accessibility equipment for people with mobility challenges as well as the operation of a network of franchisees through which new and recycled accessibility equipment is sold, and a lead generation program to distribute the name of potential customers to over 100 affiliates in North America. The *Adapted vehicles* segment consists of converting and adapting vehicles for persons with mobility challenges, for personal or commercial use (taxis).

	Periods of three months ended June 30,			
	Accessibility	Adapted Vehicles	Head-office	Total
2015				
External revenues	\$ 20,982	\$ 3,440	\$ -	\$ 24,422
Income (loss) before income tax	\$ 2,855	\$ 355	\$ (286)	\$ 2,924
2014				
External revenues	\$ 18,576	\$ 3,401	\$ -	\$ 21,977
Income (loss) before income tax	\$ 1,898	\$ 418	\$ (179)	\$ 2,137

SAVARIA CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

11 . Operating segments (continued)

Periods of
six months ended June 30,

	Accessibility	Adapted Vehicles	Head-office	Total
2015				
External revenues	\$ 38,374	\$ 6,282	\$ -	\$ 44,656
Income (loss) before income tax	\$ 5,039	\$ 711	\$ (589)	\$ 5,161
2014				
External revenues	\$ 33,357	\$ 6,308	\$ -	\$ 39,665
Income (loss) before income tax	\$ 3,471	\$ 640	\$ (347)	\$ 3,764
	Accessibility	Adapted Vehicles	Head-office	Total
June 30, 2015				
Segment's assets	\$ 49,140	\$ 6,561	\$ 31,626	\$ 87,327
Segment's liabilities	\$ 24,092	\$ 1,107	\$ 12,300	\$ 37,499
December 31, 2014				
Segment's assets	\$ 39,709	\$ 6,924	\$ 24,787	\$ 71,420
Segment's liabilities	\$ 18,635	\$ 1,236	\$ 15,093	\$ 34,964