SAVARIA CORPORATION

Management's Report

For the Three and Nine-Month Periods Ended September 30, 2016

Contents

1. Basis of Presentation

This management's report is designed to assist the reader in better understanding the business of Savaria Corporation, its business context, its strategies, its risk factors and its key financial results. It notably discusses the Corporation's financial position and operating results for the three and nine-month periods ended September 30, 2016, in comparison with that for the corresponding period of fiscal 2015. It also provides a comparison of its statements of financial position as at September 30, 2016 and December 31, 2015. Unless otherwise indicated, the terms "the Corporation", "Savaria", "We" and "Our" 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 unaudited condensed consolidated interim financial statements for the third quarter 2016 and accompanying notes, and with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2015 and the management's report for the same period. Unless otherwise indicated, all amounts are expressed in Canadian dollars and all amounts in tables are in thousands of dollars, except per share amounts.

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 and not reviewed by the auditor of the Corporation.

This management's report was prepared as at November 2, 2016. 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 measures 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. Adjusted EBITDA means EBITDA as defined above before business acquisition costs while adjusted EBITDA per share means adjusted EBITDA per average diluted number of common shares outstanding. The Corporation uses adjusted EBITDA because it believes that it is a meaningful measure of its operating performance without the effects of acquisition costs. Reconciliation between net income and EBITDA and adjusted EBITDA is provided in section 8, *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 is one of North America's leaders in the accessibility industry. It provides accessibility solutions for the elderly and physically challenged to increase their mobility and independence. The diversity of its product line, one of the most comprehensive on the market, includes stairlifts, wheelchair lifts, and residential and commercial elevators and the conversion and adaptation of vehicles. The Corporation, whose headquarters along with a vehicule conversion plant are located in Laval (Quebec), also has a plant of 125,000-square-feet in Brampton, Ontario and of 75,000-square-feet in Huizhou, China, as well as 11 sales offices and retail stores throughout Canada.

Operating Segments of the Corporation

The Corporation manages its operations under two operating segments, the main one being the *Accessibility* segment. These segments are structured according to the market segments they address.

- ***Accessibility*** **Segment (87% of Revenue in 2015 and 81% in 2016)**

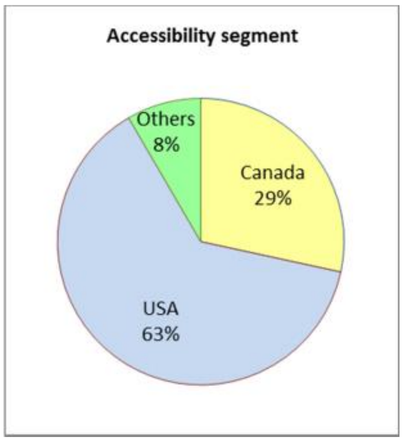
Through its *Accessibility* segment, the Corporation designs, manufactures, distributes and installs accessibility products such as stairlifts for both straight and curved stairs, vertical and inclined wheelchair lifts and elevators for home and commercial use. The products are manufactured, assembled and customized at the Brampton (Ontario) plant, and are offered through a network of some 300 active retailers, which are primarily located in North America. The Huizhou (China) plant is the main supplier of parts and components for the Brampton subsidiary; also, it assembles product components and finished products mainly for the benefit of the Corporation and for the sale of products on the Asian and European markets. Operation of this Chinese subsidiary provides a competitive advantage to Savaria. Through its Silver Cross division, the Corporation operates a network of franchises and corporate stores in which new and recycled accessibility equipment is sold, and a lead generation program to capture and distribute leads on potential customers to close to 100 affiliates in North America.

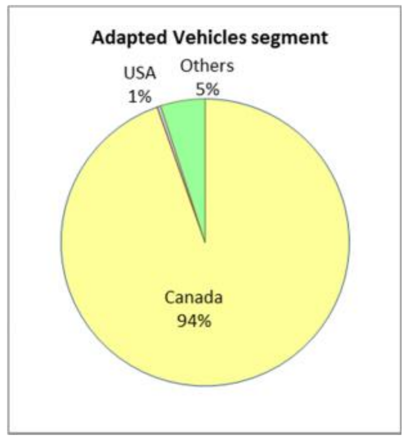
- ***Adapted Vehicles*** **Segment (13% of Revenue in 2015 and 19% in 2016)**

Through its *Adapted Vehicles* segment, the Corporation converts and adapts minivans to facilitate the transport of mobility challenged people via its Van-Action (Laval, Quebec) and Freedom Motors (Brampton, Ontario) subsidiaries. Its new Silver Cross Automotive subsidiary, through which were acquired in May 2016 the assets of the automotive division of *Shoppers Home Health Care* ("SHHC") (a division of *Shoppers Drug Mart*) distributes converted vehicles in the Ontario, Alberta and British Columbia retail markets. The product line-up includes models with rear entry, side entry or dual entry. By adding a ramp and lowering the floor, minivans become accessible to people in wheelchairs. They can be used for personal or commercial purposes.

Revenue Breakdown per Segment per Region

For the first nine months of fiscal 2016, Savaria's total revenue was recorded in the United States (51%), Canada (41%) and, to a lesser extent, outside North America (8%). Revenue breakdown per region by segment is as follows:





Revenue for the first nine months of 2016 amounts to $71.6 million ("M") for the *Accessibility* segment and $17.2 M for the *Adapted Vehicles* segment, for total revenue of $88.7 M. In this report, unless specifically mentioned, the analysis covers both segments.

The Corporation employs some 500 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 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.

According to a 2011 Canadian census, 5 million people – representing 14.4% of Canada's population – were 65 years and older compared with 3.9 million or 12.6% just a decade earlier. These numbers are expected to continue rising with a projected 8.4 million people – or 20.8% of Canada's population – 65 years and older by 2026. Similar, although less pronounced, trends are noticed in the United States. A 2011 U.S. census indicated that 40 million people – representing 12.8% of the U.S. population – was 65 years and older compared with 34 million or 12% a decade earlier. Projections for the year 2025 indicate that 65 million people – representing 18.7% of the U.S. population – are expected to be 65 years and older.

Consequently, the number of people requiring accessibility equipment will grow, for several reasons. Firstly, the older population is growing and people's life expectancy increasing. According to an *Organisation for Economic Co-operation and Development* ("OECD") study titled *Health at a Glance 2013*, some twenty-four countries now have an average life expectancy of 80 years and over. Secondly, seniors are increasingly well-off and will hence have the means to adapt their own homes in order to remain there. Based on the same 2011 censuses as above, 92% of Canadians and 96% of Americans 65 years and older lived in private households or dwellings with the balance living in collective dwellings. 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.

Alternatively, Statistics Canada indicates that 7.2% of Canadians of all ages currently suffer from some type of mobility disability. Similarly, 6.9% of Americans suffer some form of ambulatory disability. In keeping with the aging of the population, the proportion of people with disabilities is expected to increase in the coming years.

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.

Since most 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, meanwhile, is highly fragmented. There are over a thousand resellers of accessibility products in North America.

6. Vision, Mission and Strategy

Our Vision

Remain a leader of the North American market for personal mobility products. Distribute the most extensive line of products designed to increase personal mobility; that line of products having the reputation of being the safest and most durable on the market. Develop and maintain a customer-driven culture, which recognizes and respects the needs and desires of our customers, end users and employees. Strategically expand around the world in order to grow revenues and optimize purchasing power.

Our Mission

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

Our Strategy

To keep and secure its position among the leaders of the North American market for personal mobility products, Savaria executes several strategies.

- Savaria regularly develops and markets new products, providing its 400 active distributors and affiliates and its Canadian direct sales centres with the most extensive product selection in the industry.

Achievements:

- Design of a new ceiling lift, the Monarch, which was developed at our research and development center in Magog (Quebec). This product was launched last September at the *National Association of Elevator Contractors (NAEC)* show in Montreal. It will initially be marketed toward the residential market.

- Design of a new vehicle conversion, based on the frame of the Ram ProMaster, carrying up to 7 passengers, including three in wheelchairs; this product, which differs from our existing conversions due to its greater passenger capacity, is being introduced to this new market.
- Design of a new stairlift for straight stairs, the *K2*, which addresses different needs than our existing *SL-1000* model; the *K2* was introduced to market during 3rd quarter of 2015.

➢ Savaria stays abreast of business opportunities in the accessibility market, such as strategic acquisitions, that would give it the opportunity to extend its range of products, to acquire new brands, or to increase revenue of its existing products.

Achievements:

- Purchase of the assets of the automotive division of SHHC. This transaction opened the door to new markets in the vehicle conversion industry.

➢ Savaria actively stays at the cutting edge of technology, to remain competitive and to provide its customers innovative tools, allowing it to optimize its business processes and to simplify the work of its dealers.

➢ Lastly, Savaria constantly strives to optimize its cost structure to increase profitability and production capacity.

Achievements:

- Acquisition of a 57,000-square-foot building in Laval (Quebec) to bring together the activities of the head office, of direct sales for the Montreal region, and of vehicle conversion. This new location allows a 50% capacity increase of side entry van conversions and of the new conversion model based on the chassis of the Ram ProMaster.

The Corporation is exposed to various business risks which could have an impact on its ability to maintain its current market share and profitability, as well as to achieve its short-term and long-term strategic objectives. These risks are described in section 16 "*Risks and Uncertainties"*.

7. Third-Quarter 2016 Highlights

Third quarter 2016 results including Revenue, Operating income and adjusted EBITDA reached unprecedented levels.

Revenue up 35.2%

For 3rd quarter of 2016, revenue is up $8.4 M, at $32.4 M, compared to $24 M same quarter previous year.

Operating income up 70.7%

Operating income is up $2 M, at $4.9 M, for 3rd quarter of 2016, compared to $2.9 M same quarter previous year.

Net income up 45.2%

Net income is up $1.1 M, at $3.4 M, for 3rd quarter of 2016, compared to $2.4 M same quarter previous year.

Adjusted EBITDA up 47.8%

The Corporation's adjusted EBITDA amounted to $5.6 M for 3rd quarter of 2016 compared to $3.8 M same quarter previous year, an increase of $1.8 M. Reconciliation between net income and adjusted EBITDA is provided in section 8, *Summary of Quarterly Results*.

Dividend

On August 10, 2016, the Board of Directors declared a quarterly dividend of 5 cents ($0.05) per share, in accordance with its dividend policy in effect at that date. On September 15, 2016, the Board of Directors approved a 30% increase of Savaria's dividend, raising it from 20 cents ($0.20) per year to 26 cents ($0.26), resulting in a quarterly dividend of 6.5 cents ($0.065) per common share.

8. 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)	**2016**			2015				2014
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Revenue	**$32,440**	$30,086	$26,216	$26,605	$24,002	$24,422	$20,234	$21,497
Gross margin as a % of revenue	***34.4%***	*32.6%*	*32.3%*	*32.7%*	*30.6%*	*30.5%*	*30%*	*30.9%*
Operating costs (1)	**$6,254**	$5,285	$4,846	$5,051	$4,453	$4,373	$4,281	$4,340
As a % of revenue	***19.3%***	*17.6%*	*18.5%*	*19%*	*18.6%*	*17.9%*	*21.2%*	*20.2%*
Operating income	**$4,865**	$3,856	$3,729	$3,678	$2,850	$3,087	$1,790	$2,304
As a % of revenue	***15%***	*12.8%*	*14.2%*	*13.8%*	*11.9%*	*12.6%*	*8.8%*	*10.7%*
Gain (loss) on foreign exchange	**$197**	$95	$(338)	$256	$515	$(29)	$603	$264
Net income	**$3,415**	$2,763	$2,383	$2,867	$2,352	$2,150	$1,575	$1,714
Earnings per share – diluted	**$0.09**	$0.08	$0.07	$0.09	$0.07	$0.07	$0.05	$0.06
EBITDA (2)	**$5,577**	$4,418	$3,884	$4,372	$3,806	$3,523	$2,858	$3,032
Adjusted EBITDA (2)	**$5,627**	$5,074	$3,884	$4,372	$3,806	$3,523	$2,858	$3,032
Adjusted EBITDA per share – diluted	**$0.15**	$0.14	$0.12	$0.13	$0.11	$0.11	$0.10	$0.10
Dividend declared per share	**$0.05**	$0.05	$0.05	$0.05	$0.04	$0.04	$0.04	$0.04
Number of common shares outstanding	**35,458**	35,306	32,667	32,580	32,555	32,555	29,680	29,555

(1) "Operating costs" include: administrative expenses, selling expenses, engineering expenses and research and development expenses.

(2) Reconciliation of EBITDA and adjusted EBITDA with net income provided in the table that follows.

The Corporation has achieved record-breaking revenue every quarter of this year compared to the corresponding quarter of the prior year. This increase in revenue is primarily due to Savaria launching new products and to an increase in sales of certain existing products. The activities acquired from SHHC in May 2016 also contribute in explaining the increase in revenue in the second and third quarters of 2016.

The gross margin that was reached in 4th quarter of 2015 has remained stable in the first 6 months of 2016 while it increased by two percentage points in the third quarter. The level of revenue, which remained stable in the

1st quarter of 2016, increased by $3.9 M in 2nd quarter and by $2.4 M in 3rd quarter compared to previous quarter. The increase in gross margin since 4th quarter of 2015 compared to the average of 30.4% for the first three quarters of 2015 is mainly due to the very high level of revenue of the last four quarters compared to the previous quarters as well as to the mix of revenue.

Operating costs for 3rd quarter of 2016, at $6.3 M or 19.3% of revenue, are up compared to the average of 18% in 1st six months of 2016 and the average of 19.1% in 2015; the increase is mainly due to the impact of the acquisition of three Silver Cross franchisees during the 3rd quarter of 2015 and SHHC during 2nd quarter of 2016.

At $4.6 M in average for 2016 compared to an average of $3.6 M for 2015, quarterly EBITDA is up more than 27% whereas adjusted EBITDA, at $4.9 M in average for 2016, is up 34% compared to the average of 2015.

Reconciliation of EBITDA and adjusted EBITDA with Net Income

As mentioned in section 3, although EBITDA and adjusted EBITDA are not recognized according to IFRS, they are used by management, investors and analysts to assess the Corporation's financial and operating performance.

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

(in thousands of dollars – unaudited)	**2016**			2015				2014
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Net income	**$3,415**	$2,763	$2,383	$2,867	$2,352	$2,150	$1,575	$1,714
Plus: Interest on long-term debt	**162**	145	152	130	140	147	146	146
Interest and bank charges	**85**	50	44	31	68	44	43	70
Income tax expense	**1,512**	1,054	877	976	876	774	662	685
Depreciation of fixed assets	**336**	295	325	286	271	255	250	241
Amortization of intangible assets	**179**	172	168	152	170	210	215	223
Less: Interest Income	**112**	61	65	70	71	57	33	47
EBITDA	**$5,577**	$4,418	$3,884	$4,372	$3,806	$3,523	$2,858	$3,032
Business acquisition costs	**50**	656	-	-	-	-	-	-
Adjusted EBITDA	**$5,627**	$5,074	$3,884	$4,372	$3,806	$3,523	$2,858	$3,032

The following section provides a detailed analysis of operating results for 3rd quarter of 2016, in comparison with the same quarter of 2015 and results for the first nine months of 2016. The detailed analysis of prior quarters is provided in the interim reports for fiscal 2016, 2015 and 2014, available on SEDAR's website at www.sedar.com.

9. Operating Results

Certain data on results for 3rd quarter and for the first nine months of 2016 and 2015 are presented in the following tables.

Gross margin

(in thousands of dollars, except percentages – unaudited)	3 Months			9 Months		
	2016	2015	Change	**2016**	2015	Change
Revenue	**$32,440**	$24,002	35.2%	**$88,742**	$68,658	29.3%
Cost of sales	**$21,267**	$16,669	27.6%	**$59,307**	$47,794	24.1%
Gross margin	**$11,173**	$7,333	52.4%	**$29,435**	$20,864	41.1%
As a % of revenue	***34.4%***	*30.6%*	*n/a*	***33.2%***	*30.4%*	*n/a*

Revenue for the 3rd quarter of 2016 is up by $8.4 M or 35.2%, from $24 M in 2015 to $32.4 M in 2016, a record for the Corporation. Revenue of the *Accessibility* segment is up 16.2% or $3.4 M, from $20.8 M for the 3rd quarter of 2015 to $24.2 M for the 3rd quarter of 2016, primarily due to an increase in the sale of stairlifts for straight and curved stairways which is up 30% and the sale of elevators which is up 23%, in number of units. Revenue for the *Adapted Vehicles* segment is also up, from $3.2 M in 3rd quarter 2015 to $8.3 M in 3rd quarter 2016, an increase of 158% or $5.1 M. This increase is mainly due to the acquisition of SHHC, whose revenue represents $4.6 M in the 3rd quarter of 2016.

Revenue for the first nine months of 2016 is up by $20.1 M or 29.3% compared to the same period previous year. This increase includes a favourable variation in foreign exchange of $1.2 M. Revenue of the *Accessibility* segment is up 21% or $12.4 M primarily due to an increase in the sale of stairlifts for straight and curved stairways which is up 74% in number of units. Revenue for the *Adapted Vehicles* segment is up 80.9% or $7.7 M, mainly due to the acquisition of SHHC (+$5.7 M).

Gross margin is up by $3.8 M for the 3rd quarter of 2016 and $8.6 M for the first nine months compared to the corresponding periods of 2015. This increase is mainly due to the increase in revenue and to its mix.

The increase in our purchases from Asia allows us to maintain our direct costs at a competitive level. The proportion of purchases made by the subsidiary Savaria Concord for first nine months of 2016 from the subsidiary Savaria Huizhou and other suppliers in Asia has increased to 58% of purchases of raw materials, compared to 54% for fiscal 2015.

Breakdown of Sales by Geographical Region

(as a percentage of sales, unaudited)	3 months			9 months		
	2016	2015	Change	**2016**	2015	Change
Canada	**46.9%**	38.6%	8.3	**41.2%**	37%	4.2
United States	**47.9%**	52.6%	(4.7)	**51%**	53.8%	(2.8)
Other regions	**5.2%**	8.8%	(3.6)	**7.8%**	9.2%	(1.4)

The addition of the activities of SHHC acquired in May 2016 has brought up the proportion of 2016 3rd quarter revenue in Canada by 8.8% (4% for the first nine months) while it brought down the proportion of revenue in the U.S by 7.9% (3.5% for the first nine months) since the activities of this division are limited to Canada.

Operating Income

(in thousands of dollars, except percentages - unaudited)	3 Months			9 Months		
	2016	2015	Change	**2016**	2015	Change
Operating costs	**$6,254**	$4,453	40.4%	**$16,385**	$13,107	25%
As a % of revenue	***19.3%***	*18.6%*	*n/a*	***18.5%***	*19.1%*	*n/a*
Other Income and costs	**$54**	$30	80%	**$600**	$30	1900%
Operating income	**$4,865**	$2,850	70.7%	**$12,450**	$7,727	61.1%
As a % of revenue	***15%***	*11.9%*	*n/a*	***14%***	*11.3%*	*n/a*

The proportion of operating costs relative to revenue increased in the 3rd quarter compared to the same period in 2015, from 18.6% to 19.3% in 2016, while it decreased for the first nine months compared to the same period in 2015, from 19.1% to 18.5%. In terms of dollars, operating costs increased by $1.8 M for the 3rd quarter of 2016 and $3.3 M for the first nine months compared to the same periods in 2015, due mainly to the acquisition of three Silver Cross franchisees in 3rd quarter 2015 and of SHHC in the 2nd quarter of 2016; were it not for these acquisitions, operating costs would have increased by $871,000 in the 3rd quarter and by $1.7 M for the first nine months of 2016. This cost increase is mainly due to an increase in administration expenses (compensation expense and professional fees) and engineering and R&D activities.

Under item Other Income and costs, a net charge of $600,000 was recorded in the the first nine months of 2016 mainly represented by SHHC's acquisition costs of $706,000. An income of $106,000 was recorded in the 1st quarter of 2016 mainly coming from a grant received by the Savaria Huizhou subsidiary ($98,000).

The combined effect of the favourable change in gross margin and the unfavourable changes in operating costs and other income and costs results in a positive effect on operating income with an increase of $2 M for the 3rd quarter and $4.7 M in the first nine months compared to the same periods in 2015.

Net Income

(in thousands of dollars, except percentages - unaudited)	3 Months			9 Months		
	2016	2015	Change	**2016**	2015	Change
Net finance income (costs)	**$62**	$378	(83.6)%	**$(446)**	$662	(167)%
Income before income tax	**$4,927**	$3,228	52.6%	**$12,004**	$8,389	43.1%
Income tax expense	**$1,512**	$876	72.6%	**$3,443**	$2,312	48.9%
Net income	**$3,415**	$2,352	45.2%	**$8,561**	$6,077	40.9%
As a % of revenue	***10.5%***	*9.8%*	*n/a*	***9.6%***	*8.9%*	*n/a*
EBITDA	**$5,577**	$3,806	46.5%	**$13,879**	$10,187	36.2%
As a % of revenue	***17.2%***	*15.9%*	*n/a*	***15.6%***	*14.8%*	*n/a*
Adjusted EBITDA	**$5,627**	$3,806	47.8%	**$14,585**	$10,187	43.2%
As a % of revenue	***17.3%***	*15.9%*	*n/a*	***16.4%***	*14.8%*	*n/a*

The unfavourable variation of $316,000 of net finance income (costs) for the 3rd quarter of 2016 and $1.1 M for the first nine months compared to same period of 2015 are due to an unfavourable variation in net foreign exchange gains (losses). Gains and losses on foreign exchange are mostly attributable to the end-of-period translation of monetary items denominated in U.S. dollars.

The effective income tax rate of 28.7% for the first nine months of 2016 is higher than the effective income tax rate of 27.6% for 2015 mainly due to higher tax withholding on the repatriation of funds from the Chinese subsidiary and to non-deductible items.

Net income and EBITDA increased for the 3rd quarter of 2016 and the first nine months compared to corresponding periods of 2015, with an increase of $1.1 M and $2.5 M of net income respectively and of $1.8 M and $3.7 M of EBITDA respectively. Adjusted EBITDA, which adds to EBITDA the costs related to the acquisition of SHHC of $706,000 for the first nine months is up by $4.4 M for that period of 2016 over the same period in 2015.

Hedging of Foreign Exchange Rates

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 presented 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*. At the term of the contracts, gains and losses are reclassified against revenue in net earnings.

As at September 30, 2016, the Corporation held foreign exchange contracts totaling $54 M U.S. for a hedging period up to September 30, 2019, at a weighted average rate of 1.2078. At the end of the quarter, the unrealized loss on the foreign exchange contracts amounted to $5.3 M before deferred taxes. This amount is reflected on the statement of financial position under *Derivative financial instruments* of Non-current assets and Current and Non-current liabilities and is included in the *Accumulated other comprehensive income* balance (see *Available Sources of Financing* in section 10 for details).

Hedging of Interest Rates

The Corporation signed a financing agreement in April 2012 comprising of two long-term debts for a total of $16.6 M and another one in July 2016 which includes a loan of $6.2 M (see *Available Sources of Financing* in section 10 for details). Since those debts bear interest at variable rates, the Corporation decided to enter into interest rate swap agreements to minimize its risk of variation of cash-flows related to changes in interest rates. Therefore, it has signed a first swap related to an original capital amount of $7 M with a fixed interest rate of 3.48%, a second swap related to an original capital amount of $9.6 M with a fixed interest rate of 3.58% and a third swap related to an original capital amount of $6.2 M with a fixed interest rate of 2.68%, the three of them for a 5-year period. Those rates include a stamping fee of 1.5%.

Consistent with our 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 September 30, 2016, the unrealized loss on the interest rate swaps amounts to $125,000 before deferred taxes. This amount is reflected on the statement of financial position under *Derivative financial instruments* of Current and Non-current liabilities and is included in the *Accumulated other comprehensive income* balance.

10. Financial Position

Changes between Statements of Financial Position

The following table shows the key changes in the statements of financial position between September 30, 2016 and December 31, 2015, along with the principal explanations of such changes:

(in thousands of dollars, except percentages)	**September 30, 2016 (unaudited)**	December 31, 2015	Change	Principal causes of the changes
Current assets				
Cash	**$46,480**	$29,707	$16,773	Net proceeds of $19,097 following the conclusion of a private placement and cash outflows related to the acquisition of SHHC (-$8,675). Refer to section 11 *Cash Flows* for further details.
Trade and other receivables	**$14,107**	$12,878	$1,229	Decrease in the exchange rate used for the conversion of U.S. dollar denominated receivables (-$576) and increases in trade receivables (+$2,058, of which $531 is related to operations acquired from SHHC) and decrease in sales taxes receivable (-$253).
Number of days in receivables [(1)]	**42**	44	(4.5)%	The best performance in collections ever obtained.
Inventories	**$22,423**	$18,111	$4,312	Acquisition of SHHC (+$3,837) and increase in inventory at the Van-Action plant (+$273) due to an increase in revenue.
Inventory turnover rate [(1)]	**3.79**	3.59	5.6%	Revenue increased at a faster pace than inventories.

[(1)] Based on the average of the last four quarters

(in thousands of dollars, except percentages)	**September 30, 2016 (unaudited)**	December 31, 2015	Change	Principal causes of the changes
Non-current assets				
Derivative financial instruments	**$216**	$ -	$216	Unrealized gains on foreign exchange contracts maturing after the next twelve months. As at December 31, 2015, all foreign exchange contracts had unrealised losses.
Fixed assets	**$19,584**	$18,389	$1,195	Additions (+$2,054), depreciation (-$956) and other minor changes.
Goodwill	**$9,485**	$7,485	$2,000	Acquisition of SHHC.
Deferred tax assets	**$3,486**	$5,422	$(1,936)	Deferred taxes on the change in *Accumulated other comprehensive income (loss)* (-$1,835).
Current liabilities				
Trade and other payables	**$13,479**	$11,140	$2,339	Decrease in the exchange rate used for the conversion of U.S. dollar denominated payables (-$494), increase in trade (+$2,744, of which $1,309 is related to operations acquired from SHHC) and in salaries and benefits payable (+$89).
Income taxes payable	**$376**	$1,440	$(1,064)	Payment of balance due for 2015.
Derivative financial instruments	**$3,859**	$5,812	$(1,953)	Favourable change in unrealized losses on foreign exchange contracts maturing in the next twelve months (-$1,906).
Current portion of long-term debt	**$3,429**	$2,980	$449	See explanations under *Long-term debt*.

(in thousands of dollars, except percentages)	**September 30, 2016 (unaudited)**	December 31, 2015	Change	Principal causes of the changes
Non-current liabilities				
Long-term debt	**$14,454**	$14,272	$182	Balance cashed on construction loan related to the Laval building acquired in August 2015 (+$2,000), new debt for the purchase of fixed assets (+649), normal repayment of the debt (-$1,521), repayment of a note payable related to a 2014 acquisition (-$550) and other minor changes (includes the change in the current portion of long-term debt).
Derivative financial instruments	**$1,752**	$6,723	$(4,971)	Favourable change in unrealized losses on foreign exchange contracts maturing after the next twelve months (-$4,980).
Equity	**$78,117**	$49,213	$28,904	Net income (+$8,561), share issuance in relation to a private placement, net of transaction fees and related taxes (refer to section 10 *Available Sources of Financing* for details) (+$19,413), exercise of warrants (+$583) and share purchase options (+$226), declaration of dividends (-$5,032) and change in *Accumulated other comprehensive loss* (+$4,900).
Working capital (1)	**$59,889**	$37,028	$22,861	Increases in cash (+$16,773), inventories (+$4,312), trade and other receivables (+$1,229) and trade and other payables (-$2,339), decreases in the current portion of derivative financial instruments (+$1,953) and income taxes payable (+$1,064).
Current ratio (1)	**3.46**	2.51	37.8%	See above.

(1) See definition in section 3, *Compliance with International Financial Reporting Standards*

As at September 30, 2016, Savaria benefited from a sound financial position, with total assets of $119.7 M, compared with $95.7 M as at December 31, 2015, and total liabilities of $41.6 M, compared with $46.5 M as at December 31, 2015.

Available Sources of Financing

(in thousands of dollars - unaudited)	**September 30, 2016**	December 31, 2015
Credit facilities:		
Authorized	**$10,000**	$7,500
Loans	**-**	(1,125)
Unused credit	**10,000**	6,375
Gross cash	**46,480**	30,832
Total	**$56,480**	$37,207

As shown above, the Corporation had total available funds of $56.5 M as at September 30, 2016. This provides it with the flexibility to meet its potential obligations in the near term and to benefit from investment opportunities.

On August 31, 2015, the Corporation acquired a building at the cost of $4.2 M. On the same date, the Corporation received financing in the form of a construction loan to the amount of $6.2 M, of which $2 M was used to perform improvements to the building. Following the receipt of the balance of $2 M during the second quarter of 2016, the construction loan was converted into long-term debt. The terms of the financing agreement provide for a 180-month amortization period with monthly installments of $43,000 in principal for the first 60 months, and of $30,000 for the remaining 120 months. On July 4, 2016, the Corporation entered into a five-year swap agreement on this loan with an interest rate of 2.68%, including a stamping fee of 1.5%. This derivative has been designated as hedging for accounting purposes.

On June 16, 2016, the Corporation completed a bought deal private placement of 2,600,000 common shares at a price of $7.80 per share, for gross proceeds to Savaria of $20.3 M and proceeds net of transaction fees of $19.1 M. The common shares issued are subject to a statutory hold period which expired on October 17, 2016.

On August 25, 2016, the Corporation signed a financing agreement with its financial institution for a long-term debt to the amount of $512,000 U.S. to finance the purchase of fixed assets. The terms of the agreement include a 60-month amortization period with monthly installments of $9,000 U.S. plus interest at the fixed rate of 4.6%.

The Corporation minimizes its exposure to risks of variation of cash-flows related to fluctuations in interest rates by keeping most of its debt at fixed rates using swap agreements (see *Coverage of interest rates* in section 9). At the renewal of the credit conditions in June 2016, the maximum value of this substitution line was increased from $610,000 to $800,000.

Furthermore, the Corporation has a substitute line enabling it to be exposed to a risk of potential losses on foreign exchange contracts over a hedging period of a maximum of 36 months. At the renewal of the credit conditions of the Corporation in June 2016, the maximum value of this substitution line was increased from $8.6 M to $11.1 M and the enforcement of security rights in the case where the unrealized losses were above $7.1 M was withdrawn from the agreement.

Since December 31, 2014, the Corporation's total net debt to invested capital ratio is *nil*, as its cash exceeds its long-term debt.

Other Data and Ratios

(in thousands of dollars, except per-share amounts - unaudited)	**September 30, 2016**	December 31, 2015	Change
Book value per share [1]	**$2.20**	$1.51	45.7%
Cash per share [1]	**$1.31**	$0.91	44%
Market capitalization	**$401,736**	$179,514	124%

[1] See definition in section 3, *Compliance with International Financial Reporting Standards*

Book value per share as well as cash per share are up as at September 30, 2016 compared to December 31, 2015, due to the impact on equity and cash of the private placement completed in the second quarter. Relative to the book value per share, adding to that is the favourable variation in *Accumulated other comprehensive loss* primarily related to the favourable variation in fair value of foreign exchange contracts. Market capitalization is up due to an increase in the value of the common shares of the Corporation, which went from $5.51 as at December 31, 2015 to $11.33 as at September 30, 2016 and to the issuance of common shares related to the private placement.

11. Cash Flows

The following table presents certain cash flow data for 3rd quarter and for first nine months 2016 and 2015.

(in thousands of dollars – unaudited)	3 Months			9 Months		
	2016	2015	Change	**2016**	2015	Change
Net cash from operating activities	**$7,224**	$1,533	371%	**$13,443**	$5,469	146%
Net cash used in investing activities	**$(572)**	$(4,870)	(88.3)%	**$(11,292)**	$(6,126)	(84.3)%
Net cash from (used in) financing activities	**$(1,707)**	$1,976	(186)%	**$14,865**	$11,644	27.7%

The Corporation's cash flows from operating activities are up $5.7 M for the 3rd quarter and $8 M for the first nine months compared to the corresponding periods of previous year. This is mainly due to a favourable variation in non-cash items (+$4 M for the quarter, +$5 M for the first nine months), and net income before tax and amortization (+$1.8 M for the quarter, +$3.7 M for the first nine months); for the first nine months, adding to those are the variation in unrealized foreign exchange gains and losses (+$592,000) offset by higher income tax payments (-$1.5 M).

Cash flows used in investing activities are down by $4.3 M in 3rd quarter while they are up by $5.2 M in the first nine months of 2016 compared to the same periods previous year. This is mainly due to the decrease in additions to fixed assets (+$4.1 M for the quarter, +$2.7 M for the first nine months), and for the first nine months, to the increase in business acquisitions (-$8.2 M).

In regard to financing activities, cash flows used in financing activities are up by $3.7 M for 3rd quarter 2016 while cash flows from financing activities are up by $3.2 M for the first nine months compared to the same periods previous year. This is mainly due a decrease in cashing of new debt (-$3.6 M for the quarter, -$1.6 M for the first nine months), an increase in dividend payments (-$462,000 for the quarter, -$1.2 M for the first nine months), partially offset by an increase in proceeds from the exercise of warrants (+$418,000 for the quarter, +$583,000 for the first nine months); for the first nine months, adding to this is a favourable change in the proceeds related to private placement ($5.6 M).

12. Significant Accounting Policies and Estimates

(A) 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 goodwill, the measurement of the identifiable assets acquired during business acquisitions, the measurement of the fair value of derivative financial instruments and the warranty provisions. Important judgements made by management when applying accounting policies that have the most significant impact on amounts recognized in the consolidated financial statements are the determination of cash-generating units, the identification of operating segments and the determination of foreign operations' functional currency.

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.

(B) New standards and interpretations adopted during first nine months

The following new standards and amendments to standards and interpretations have been applied in preparing the interim condensed consolidated financial statements as at September 30, 2016:

- *Annual Improvements to IFRS: (2012-2014) cycle*
- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)*
- *Disclosure initiative: amendments to IAS 1*

None of these amendments had a significant impact on the financial statements.

(C) New standards and interpretations not yet adopted

The following new standards and amendments to standards and interpretations, not yet adopted, have not been applied in preparing the condensed consolidated interim financial statements as at September 30, 2016.

- IFRS 9 (2014) - *Financial Instruments*
- IFRS 15 - *Revenue from Contracts with Customers*
- IFRS 16 – *Leases*
- Amendments to IFRS 2 - *Classification and Measurement of Share-based Payment Transactions*
- Amendments to IAS 7 - *Disclosure Initiative*
- Amendments to IAS 12 - *Recognition of Deferred Tax Assets for Unrealized Losses*

Further information on the adopted and future accounting modifications are available in Note 3 of the consolidated financial statements as at December 31, 2015 and the condensed consolidated interim financial statements as at September 30, 2016.

13. 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.

As stated in the 2015 annual Management's Report, an evaluation has been conducted to measure the effectiveness of controls and procedures as of December 31, 2015 used for the preparation of reporting documents.

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.

As stated in the 2015 annual Management's Report, management has evaluated the effectiveness of internal control over financial reporting as of December 31, 2015.

Limitation on scope of design

The Corporation has limited the scope of its disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of Silver Cross Automotive acquired not more than 365 days before the last day of the period covered by the interim filing. The Corporation elected to exclude it from the scope of certification as allowed by NI 52-109. The Corporation intends to evaluate the situation within one year of acquisition.

Changes to Internal Control over Financial Reporting

No changes in the Corporation's internal control over financial reporting occurred during the first nine months of 2016 that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

14. Off-Balance Sheet Arrangements

During the third quarter of 2016, the Corporation signed two leases for commercial space. The first lease expires in October 2026 and entails a monthly rent between $9,110 and $9,605; the total commitment amounts to $1.1 million. The second lease expires in August 2021 and entails a monthly rent between $5,752 and $6,103; the total commitment amounts to $358,000.

15. Related Party Transactions

The Corporation recorded an amount of $42,000 ($62,000 in 2015) during the first nine months of 2016 for accounting and tax services rendered by an entity whose officer is a director and the chief financial officer of the Corporation. The terms and conditions attached to these transactions reflect market conditions.

16. Risks and Uncertainties

Savaria is engaged in an industry exposed to various risks and uncertainties. The Corporation's operating results and financial position could be adversely affected by each of the risks and uncertainties described in its 2015 annual management's report, which refer to the following:

- Exchange rates
- Interest rates
- Prices
- Credit
- Liquidity
- Economic conditions
- Warranties
- Tax credits
- Deferred tax assets
- Competition
- Dependence on the U.S. market
- Environment
- Lawsuits

17. Outlook

Savaria plans to further its growth of the last years and remains optimistic over its continuing potential for further growth driven by the aging population and people's desire to age at home.

As demonstrated in the first nine months of 2016, sales of accessibility products, especially those of stairlifts for straight and curved stairs, are forecast to increase in the fourth quarter of 2016 and in 2017. The development of a complementary product, a ceiling lift, at our research and development center in Magog (Quebec) is completed; this new product has been launched last September at the *National Association of Elevator Contractors (NAEC)* show held in Montreal. It is an exciting addition to our product line, which is one of the most comprehensive on the market.

Regarding the *Adapted Vehicles* segment, the acquisition of the assets of the automotive division of SHHC enables us to reach new markets such as Vancouver, Calgary and Edmonton. This transaction is expected to generate annual revenue in the order of some $15 million, excluding synergies from this acquisition.

Savaria stays abreast of strategic acquisition opportunities that would allow it to further its growth and strengthen its key player position in the North American accessibility market.

The Corporation increases its forecast for the twelve-month period ending December 31, 2016, increasing forecast revenue to approximately $119 million and adjusted EBITDA to a range of $19-$20 million.

November 2, 2016