

Q3

**Quarterly
REPORT**

SAVARIA CORPORATION

Quarterly Report

for the nine month period ended September 30, 2018



SAVARIA CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2018
(Unaudited and not reviewed by the Corporation's independent auditors)

SAVARIA CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(in thousands of Canadian dollars - Unaudited)



	Note	September 30, 2018	December 31, 2017
			(recast - see note 4)
Assets			
Current assets			
Cash		\$ 13,376	\$ 7,719
Trade and other receivables		46,497	24,483
Income taxes receivable		1,082	86
Derivative financial instruments	12	358	466
Inventories		69,558	39,541
Prepaid expenses		3,301	2,441
Deposit		627	627
Total current assets		134,799	75,363
Non-current assets			
Derivative financial instruments	12	921	1,921
Long-term loans		20	21
Fixed assets		58,153	35,407
Intangible assets and goodwill	5	180,804	101,375
Deposit on a business acquisition	4	-	4,426
Deposits on purchases of fixed assets		184	205
Other long-term assets		239	196
Deferred tax assets		4,576	1,767
Total non-current assets		244,897	145,318
Total assets		\$ 379,696	\$ 220,681
Liabilities			
Current liabilities			
Trade and other payables		\$ 47,884	\$ 21,651
Dividend payable		1,574	1,238
Income taxes payable		1,716	465
Deferred revenues		9,067	5,107
Derivative financial instruments	12	82	279
Current portion of long-term debt	6	3,663	1,552
Warranty provisions		1,603	954
Total current liabilities		65,589	31,246
Non-current liabilities			
Long-term debt	6	94,537	38,514
Warranty provisions		1,375	740
Other long-term liabilities		9,549	993
Income taxes payable		639	682
Derivative financial instruments	12	18	-
Deferred tax liabilities		10,183	9,723
Total non-current liabilities		116,301	50,652
Total liabilities		181,890	81,898
Equity			
Share capital	7	179,094	120,394
Contributed surplus		3,959	3,298
Accumulated other comprehensive loss		(494)	(1,691)
Retained earnings		15,247	16,782
Total equity		197,806	138,783
Total liabilities and equity		\$ 379,696	\$ 220,681

The notes on pages 8 to 23 are an integral part of these unaudited condensed consolidated interim financial statements.

SAVARIA CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF NET INCOME
(in thousands of Canadian dollars, except per share amounts - Unaudited)


	Note	Periods of three months ended September 30,		Periods of nine months ended September 30,	
		2018	2017 (restated *)	2018	2017 (restated *)
Revenue	13	\$ 72,089	\$ 56,988	\$ 192,916	\$ 128,492
Cost of sales		48,161	37,084	128,557	84,620
Gross margin		23,928	19,904	64,359	43,872
Operating expenses					
Administrative		6,058	4,498	15,388	10,234
Selling		8,155	7,078	22,243	13,106
Engineering		1,508	846	3,883	2,142
Research and development		685	356	1,649	872
		16,406	12,778	43,163	26,354
Other net expenses	8	2,433	194	1,931	1,471
Operating income		5,089	6,932	19,265	16,047
Finance income	9	(343)	(16)	(1,177)	(279)
Finance costs	9	1,144	750	2,455	1,370
Net finance costs		801	734	1,278	1,091
Income before income tax		4,288	6,198	17,987	14,956
Income tax expense		1,534	1,386	5,085	4,043
Net income		\$ 2,754	\$ 4,812	\$ 12,902	\$ 10,913
Earnings per share:	10				
Basic		\$ 0.06	\$ 0.12	\$ 0.30	\$ 0.28
Diluted		\$ 0.06	\$ 0.11	\$ 0.29	\$ 0.27

* The Corporation adopted IFRS 15 on January 1, 2018. The impact on comparative results following the adoption of this standard is described in Note 3.

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SAVARIA CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of Canadian dollars - Unaudited)


	Note	Periods of three months ended September 30,		Periods of nine months ended September 30,	
		2018	2017	2018	2017
Net income		\$ 2,754	\$ 4,812	\$ 12,902	\$ 10,913
Other comprehensive income (loss)					
Items that are or may be reclassified subsequently to income or loss:					
Change in the fair value of derivative financial instruments designated as cash flow hedges		2,239	2,397	(991)	4,553
Deferred income tax		(580)	(614)	250	(1,169)
		1,659	1,783	(741)	3,384
Losses on foreign exchange contracts transferred to net income in the current period		101	657	603	2,995
Deferred income tax		(26)	(169)	(155)	(770)
		75	488	448	2,225
Gains on interest rate swap agreements transferred to net income in the current period		-	-	(503)	-
Deferred income tax	12	-	-	133	-
		-	-	(370)	-
Net change in fair value of derivative financial instruments designated as cash flow hedges		1,734	2,271	(663)	5,609
Unrealized net gains (losses) on translation of financial statements of foreign operations		(1,618)	(5,075)	1,867	(5,538)
Net investment hedge, net of tax		477	815	(7)	1,247
Other comprehensive income (loss), net of income tax		593	(1,989)	1,197	1,318
Total comprehensive income		\$ 3,347	\$ 2,823	\$ 14,099	\$ 12,231

The notes on pages 8 to 23 are an integral part of these unaudited condensed consolidated interim financial statements.

SAVARIA CORPORATION
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
Period of nine months ended September 30, 2017
(in thousands of Canadian dollars - Unaudited)



	2017						
	Share capital and warrants			Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number		Amount				
	Share capital	Warrants		Amount			
Balance at January 1, 2017	36,353,947	1,866,500	\$ 72,791	\$ 2,587	\$ (4,050)	\$ 11,657	\$ 82,985
Total comprehensive income							
Net income	-	-	-	-	-	10,913	10,913
Other comprehensive income:							
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	-	3,384	-	3,384
Losses on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	-	2,225	-	2,225
Unrealized net losses on translation of financial statements of foreign operations	-	-	-	-	(5,538)	-	(5,538)
Change in net investment hedge, net of tax	-	-	-	-	1,247	-	1,247
Other comprehensive income	-	-	-	-	1,318	-	1,318
Total comprehensive income	-	-	-	-	1,318	10,913	\$ 12,231
Transactions with shareholders, recorded directly in equity							
Shares issued in relation to a private placement (note 7)	2,760,000	-	38,364	-	-	-	38,364
Share issue costs, net of tax (note 7)	-	-	-	-	-	(1,470)	(1,470)
Stock-based compensation	-	-	-	574	-	-	574
Exercise of stock options (note 7)	196,667	-	890	(123)	-	-	767
Exercise of warrants (note 7)	1,866,500	(1,866,500)	7,933	-	-	-	7,933
Dividends on common shares (note 7)	-	-	-	-	-	(8,949)	(8,949)
Total transactions with shareholders	4,823,167	(1,866,500)	47,187	451	-	(10,419)	37,219
Balance at September 30, 2017	41,177,114	-	\$ 119,978	\$ 3,038	\$ (2,732)	\$ 12,151	\$ 132,435

The notes on pages 8 to 23 are an integral part of these unaudited condensed consolidated interim financial statements.

SAVARIA CORPORATION
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
Period of nine months ended September 30, 2018
(in thousands of Canadian dollars - Unaudited)



	2018					
	Share capital		Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number	Amount				
Balance at January 1, 2018	41,250,448	\$ 120,394	\$ 3,298	\$ (1,691)	\$ 16,782	\$ 138,783
<u>Total comprehensive income</u>						
Net income	-	-	-	-	12,902	12,902
Other comprehensive income:						
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	(741)	-	(741)
Losses on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	448	-	448
Gains on interest rate swap agreements transferred to net income in the current period	-	-	-	(370)	-	(370)
Unrealized net gains on translation of financial statements of foreign operations	-	-	-	1,867	-	1,867
Change in net investment hedge, net of tax	-	-	-	(7)	-	(7)
Other comprehensive income	-	-	-	1,197	-	1,197
Total comprehensive income	-	\$ -	\$ -	\$ 1,197	\$ 12,902	\$ 14,099
<u>Transactions with shareholders, recorded directly in equity</u>						
Shares issued in relation to a placement (note 7)	3,450,000	57,270	-	-	-	57,270
Share issue costs, net of tax (note 7)	-	-	-	-	(2,529)	(2,529)
Stock-based compensation	-	-	899	-	-	899
Exercise of stock options (note 7)	271,664	1,430	(238)	-	-	1,192
Dividends on common shares (note 7)	-	-	-	-	(11,908)	(11,908)
Total transactions with shareholders	3,721,664	58,700	661	-	(14,437)	44,924
Balance at September 30, 2018	44,972,112	\$ 179,094	\$ 3,959	\$ (494)	\$ 15,247	\$ 197,806

The notes on pages 8 to 23 are an integral part of these unaudited condensed consolidated interim financial statements.

SAVARIA CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars - Unaudited)



		Periods of three months ended September 30,		Periods of nine months ended September 30,	
	Note	2018	2017	2018	2017
Cash flows related to operating activities					
Net income		\$ 2,754	\$ 4,812	\$ 12,902	\$ 10,913
Adjustments for:					
Depreciation of fixed assets		903	774	2,262	1,586
Amortization of intangible assets		1,149	1,662	3,544	2,060
Income tax expense		1,534	1,386	5,085	4,043
Stock-based compensation		389	276	899	574
Unrealized foreign exchange losses (gains)		128	439	(61)	1,013
Finance costs	9	751	400	2,087	734
Others		(16)	(16)	(139)	(26)
		7,592	9,733	26,579	20,897
Net changes in non-cash operating items	11	4,299	746	(2,472)	(1,861)
Income tax paid		(1,965)	(831)	(5,039)	(4,098)
Net cash related to operating activities		9,926	9,648	19,068	14,938
Cash flows related to investing activities					
Business acquisitions	4	(83,554)	-	(89,650)	(102,396)
Deposit on a business acquisition	4	-	(4,426)	-	(4,426)
Additions to fixed assets		(2,128)	(573)	(4,381)	(5,228)
Increase in intangible assets		(824)	(577)	(2,089)	(1,441)
Net cash related to investing activities		(86,506)	(5,576)	(96,120)	(113,491)
Cash flows related to financing activities					
Repayment of bank loans		(10,651)	-	(10,651)	-
Increase in long-term debt	6	-	2,344	50,000	2,395
Repayment of long-term debt	6	(52)	(298)	(5,537)	(16,334)
Net change in the revolving credit facility	6	31,552	3,163	7,591	38,445
Interest paid		(713)	(372)	(1,829)	(613)
Transaction costs related to a long-term debt		(17)	(309)	(404)	(1,015)
Proceeds from the issuance of common shares in relation to a placement, net of transaction fees	7	-	(88)	53,830	36,364
Proceeds from exercise of stock options		637	-	1,192	767
Proceeds from exercise of warrants		-	-	-	7,933
Dividends paid on common shares	7	(4,038)	(3,912)	(11,572)	(8,949)
Net cash related to financing activities		16,718	528	82,620	58,993
Net change in cash		(59,862)	4,600	5,568	(39,560)
Cash at the beginning of the period		73,336	6,773	7,719	51,230
Unrealized foreign exchange gain (loss) on cash held in foreign currencies		(98)	(405)	89	(702)
Cash at the end of the period		\$ 13,376	\$ 10,968	\$ 13,376	\$ 10,968

The notes on pages 8 to 23 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 Canadian dollars, except share data - Unaudited)

1 . Reporting Entity

Savaria Corporation is a company domiciled in Canada. The address of its registered office is 4350 Chomedey Highway, Laval, Québec. The condensed consolidated interim financial statements of the Corporation as at and for the periods ended September 30, 2018 and 2017 comprise the accounts of Savaria Corporation and its wholly owned subsidiaries (together referred to as the "Corporation" or as "Savaria"). 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 comfort, their mobility and their independence. The activities of the Corporation are divided into three operating segments: the *Accessibility* segment, the *Adapted Vehicles* segment and the *Span* segment as described in note 13 "Operating Segments". The Corporation realizes approximately 75% of its revenue outside of Canada, mainly in the United States.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2017 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, 2017. These condensed consolidated interim financial statements have not been the subject of a review or an audit by the Corporation's auditors; they were approved by the Board of Directors on November 14, 2018.

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, 2017, 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 September 30, 2018. The adoption of these new standards has not had a material impact on the financial statements.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

On June 20, 2016, the IASB issued amendments to IFRS 2, *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. As a practical simplification, the amendments can be applied prospectively.

SAVARIA CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

3 . Significant Accounting Policies (continued)

New Accounting Standards Adopted (continued)

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)(continued)

The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

IFRS 9 - Financial Instruments

In July 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). IFRS 9 must be applied retrospectively with some exemptions. Prior-period restatement is not required and is permitted only if the information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured at amortized cost based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness. However it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

IFRS 9 (2014) presents a few differences with IFRS 9 (2013), early adopted by the Corporation on April 1, 2014. The adoption of this new standard has not had a material impact on the condensed consolidated interim financial statements.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRS.

At contract inception, the Corporation shall assess the goods and services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer to the customer either (i) a good or service (or a bundle of goods and services) that is distinct; or (ii) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

SAVARIA CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

3 . Significant Accounting Policies (continued)

IFRS 15 - Revenue from Contracts with Customers (continued)

For each performance obligation identified, the Corporation shall determine at contract inception, according to the moment when control of the good or service is transferred, whether it satisfies the performance obligation over time or at a point in time. If the Corporation does not meet the criteria listed below, this implies that the performance obligation will be satisfied at a point in time. The Corporation transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Corporation's performance as it performs;
- the Corporation's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
- the Corporation's performance does not create an asset with an alternative use to the Corporation and the Corporation has an enforceable right to payment for performance completed to date.

Adoption of this standard has the following impact:

- Freight revenue and expense: the Corporation used to book the net of freight revenue and expense in its cost of sales since it generally invoiced customers the same amount as it was charged by freight companies. In line with IFRS 15, it has been determined that freight is a service that is distinct from the sale of goods; amounts charged to customers must, therefore, be booked among revenue while amounts charged by freight companies must be booked in cost of sales. This change has had no impact on the Corporation's net income, but it has increased both revenue and cost of sales in the same amount. In order to take into account this change on the comparative results for 2017, revenue and cost of sales have both been increased by \$893,000 for the third quarter and by \$2,137,000 for the first three quarters of the year.
- Vehicle conversion and adaptation revenue: the Corporation used to book vehicle conversion and adaptation revenue on customer-owned vehicles at the time of delivery of the product. In line with IFRS 15, it has been determined that these revenues must be recognized over time according to the advancement of work. This change has had no significant impact on the Corporation's revenue or net income.
- Maintenance revenue: the Corporation used to book revenue related to maintenance contracts on a straight-line basis over the contract period. In line with IFRS 15, it has been determined that these revenues must be booked based on when each maintenance service is provided. This change has had no significant impact on the Corporation's revenue or net income.
- Initial franchise fees and renewal fees: the Corporation used to book revenue from initial franchise fees at the start of the franchise's activities or at the renewal date, whichever applied. In line with IFRS 15, it has been determined that these revenues provide access to the franchisor's intellectual property and must, therefore, be spread over the period covered by the agreement. This change has had no significant impact on the Corporation's revenue or net income.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

On December 8, 2016, the IASB issued IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt.

The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which the Corporation initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

SAVARIA CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

3 . Significant Accounting Policies (continued)

IFRIC 22 - Foreign Currency Transactions and Advance Consideration (continued)

The Interpretation has been applied prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after the beginning of the reporting period in which the Corporation first applied the Interpretation, which is January 1, 2018.

4 . Business Acquisitions

Acquisitions completed in 2017

(i) Span-America Medical Systems, Inc.

On June 16, 2017, the Corporation acquired the shares of Span-America Medical Systems, Inc. ("Span"). Span manufactures and markets a comprehensive line of therapeutic support surfaces and other pressure management products for the medical market, medical beds for the long-term care market as well as foam mattress overlays and pillows for the consumer market and certain products for the industrial market, mainly foam products. This acquisition delivers three key benefits that will help Savaria achieve its long-term strategic growth objectives. Firstly, it adds a complementary product line to its accessibility portfolio. Secondly, it provides it with a new distribution channel into the institutional and government markets, which will complement its existing dealer network and Silver Cross retail outlets. Finally, it increases its US presence, allowing it to be closer to its customer base.

The total consideration amounts to \$107,204,000 (US\$81,019,000) paid on the date of acquisition. Acquisition related costs amounting to \$1,273,000, have been included in other expenses in 2017. In addition to its cash on hand, the Corporation drew from the Corporation's revolving credit facility and a private placement to finance the purchase price payable under this transaction.

The purchased assets are mainly cash, accounts receivable, inventories, fixed and intangible assets, and goodwill; the latter arising from the synergies between Savaria and Span. The goodwill has been allocated to the *Span* operating segment and will be non-deductible for tax purposes.

(ii) Master Lifts Pty Ltd

On December 14, 2017, the Corporation acquired the assets of Master Lifts Pty Ltd ("Master Lifts") by way of its newly created subsidiary Savaria (Australia) Pty Ltd. Master Lifts is a leading elevator dealer based in Brisbane, Australia. The acquisition of Master Lifts provides Savaria with a national sales platform to gain access to the Australian market. The total consideration amounts to \$3,793,000 (AU\$3,910,000), having a fair value of \$3,816,000 (AU\$3,849,000), of which \$2,857,000 (AU\$2,910,000) has been paid on the date of acquisition and \$959,000 (AU\$1,000,000), having a fair value of \$930,000 (AU\$967,000), will be payable over a two-year period upon the achievement of certain annual performance metrics. The fair value of the contingent consideration has been established according to the income approach, which is based on an estimate of the amounts and timing of projected cash flows. Acquisition related costs amounting to \$409,000, of which \$167,000 have been recorded in 2017 and \$242,000 in 2018, have been included in other expenses. The amounts paid came from the Corporation's revolving credit facility.

The purchased assets are mainly inventories, fixed and intangible assets, and goodwill; the latter arising from the synergies between Savaria and Master Lifts and the additional sales of accessibility products that will result from them. The goodwill will be allocated to the *Accessibility* operating segment.

Purchase price allocation of acquisitions completed in 2017

As at September 30, 2018, the Corporation has finalized the allocation of the consideration paid between the identifiable net assets and the goodwill of the Span acquisition, but has not finalized Master Lifts' since the information required to confirm the fair value of certain assets and liabilities has not been obtained yet. The Corporation will finalize the allocation of the consideration paid as it obtains further information.

SAVARIA CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)
4 . Business Acquisitions (continued)
Purchase price allocation of acquisitions completed in 2017 (continued)

The following table presents the preliminary allocation of the consideration paid as presented as at December 31, 2017, the adjustments made in the first three quarters of 2018 as well as the allocation as at September 30, 2018. In conformity with IFRS 3, *Business Combinations*, the acquisitions have been accounted for using the acquisition method and the adjustments to the purchase price allocation for the evaluation period have been booked as at December 31, 2017 (recast).

	Span			Master Lifts		
	Preliminary allocation as at Dec. 31, 2017	Adjustments	Final allocation as at Sep. 30, 2018	Preliminary allocation as at Dec. 31, 2017	Adjustments	Adjusted allocation as at Sep. 30, 2018
Assets acquired						
Current assets	\$ 31,722	\$ -	\$ 31,722	\$ 1,510	\$ -	\$ 1,510
Fixed assets	12,406	-	12,406	157	-	157
Intangible assets and goodwill	-	-	-	3,028	420	3,448
Intangible assets :						
Trademarks	9,195	-	9,195	-	-	-
Client lists	28,350	-	28,350	-	-	-
Backlog of orders	925	-	925	-	-	-
Patents	986	-	986	-	-	-
Goodwill	47,734	465	48,199	-	-	-
Other non-current assets	198	-	198	-	-	-
	\$ 131,516	\$ 465	\$ 131,981	\$ 4,695	\$ 420	\$ 5,115
Liability assumed						
Current liabilities	9,020	-	9,020	1,005	-	1,005
Other long-term liabilities	301	726	1,027	42	-	42
Deferred tax liabilities	14,991	(261)	14,730	-	252	252
	\$ 24,312	\$ 465	\$ 24,777	\$ 1,047	\$ 252	\$ 1,299
Fair value of net assets acquired	\$ 107,204	\$ -	\$ 107,204	\$ 3,648	\$ 168	\$ 3,816
Less:						
Cash in acquired business	8,865	-	8,865	-	-	-
Contingent consideration payable	-	-	-	791	168	959
Consideration given	\$ 98,339	\$ -	\$ 98,339	\$ 2,857	\$ -	\$ 2,857

Acquisitions completed in 2018
i) H.E.S. Elevator Services Inc.

On April 12, 2018, the Corporation acquired the assets of H.E.S. Elevator Services Inc. ("H.E.S.") by way of its subsidiary Savaria USA Inc. H.E.S. is an elevator dealer based in Denver, Colorado. This acquisition complements the asset purchase of luxury elevator maker, Visilift, in Colorado, and helps strengthen our direct sales and installation presence in this market. The total consideration amounts to \$1,317,000 (US\$1,040,000), of which \$1,058,000 (US\$840,000) has been paid on the date of acquisition and \$259,000 (US\$200,000) will be payable twelve months after the date of acquisition. Acquisition related costs amounting to \$49,000 have been in other expenses in 2018. The amounts paid came from the Corporation's available cash on hand.

The purchased assets are mainly accounts receivable, inventories, fixed and intangible assets, and goodwill; the latter arising from the synergies between Savaria and H.E.S. and the additional sales of accessibility products that will result from them. The goodwill will be allocated to the *Accessibility* operating segment.

SAVARIA CORPORATION

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4 . Business Acquisitions (continued)

Acquisitions completed in 2018 (continued)

ii) Visilift, LLC

On July 20, 2018, the Corporation completed the acquisition of the assets of Visilift, LLC ("Visilift") by way of its subsidiary 2592466 Ontario Inc.; it had paid a deposit towards the acquisition in August 2017. Visilift manufactures and markets round and octagonal panoramic glass elevators for the residential market. This elevator is an exciting new product for our dealer network both in North America and internationally, especially within the Asian market.

The total consideration amounts to \$6,365,000 (US\$5,000,000) of which \$4,426,000 (US\$3,500,000) has been paid on the date of the agreement and \$1,939,000 (US\$1,500,000) will be paid upon the completion of certain closing conditions. In addition to the purchase price, Visilift will have the opportunity to earn an additional payment of \$3,878,000 (US\$3,000,000) upon achieving certain performance metrics over a three-year period. Acquisition related costs amounting to \$121,000, of which \$117,000 have been recorded in 2017 and \$4,000 in 2018, have been included in other expenses. The amounts paid came from the Corporation's revolving credit facility.

The purchased assets are mainly inventories, fixed and intangible assets, and goodwill; the latter arising from the synergies between Savaria and Visilift and the additional sales of accessibility products that will result from them. The goodwill will be allocated to the *Accessibility* operating segment.

ii) Garaventa Accessibility AG

On August 31, 2018, the Corporation acquired the shares of Garaventa Accessibility AG ("Garaventa Lift"). Garaventa Lift manufactures a wide range of wheelchair lifts, including inclined platform lifts, vertical platform lifts and portable wheelchair lifts for persons with disabilities. It also manufactures a full suite of residential elevators and commercial limited use, limited application (LULA) elevators. Garaventa Lift is headquartered in Goldau, Switzerland and employs some 550 people worldwide. This acquisition provides Savaria with a global sales infrastructure with 15 additional sales offices across North America and Europe, along with over 100 additional active dealers. Furthermore, the Corporation benefits from a more geographically diversified revenue base as over 40% of Garaventa Lift's revenue is generated outside of North America, primarily in Europe, and from additional manufacturing flexibility with complementary production operations in Western Canada and Italy.

The total consideration amounts to \$91,222,000 (CHF\$68,320,000), of which a deposit of \$5,038,000 was paid in the second quarter, and is subject to a price adjustment based on the final value of working capital. Acquisition-related costs amounting to \$1,514,000, of which \$829,000 have been recorded in the first six months and \$685,000 in the third quarter of 2018, have been included in other expenses. To finance the purchase price payable under this transaction, the Corporation completed a bought deal financing (note 7) and drew from its revolving credit facility (note 6).

The purchased assets are mainly accounts receivable, inventories, fixed and intangible assets, and goodwill; the latter arising from the synergies between Savaria and Garaventa Lift and the additional sales of accessibility products that will result from them. The goodwill will be allocated to the *Accessibility* operating segment and will be mainly non-deductible for tax purposes.

Purchase price allocation of acquisitions completed in 2018

As at September 30, 2018, the Corporation hadn't finalized the allocation of the consideration paid between the identifiable net assets and the goodwill of the above business acquisitions. The information required to confirm the fair value of certain assets and liabilities has not been obtained yet. The Corporation will finalize the allocation of the consideration paid as it obtains further information. The following table presents the preliminary allocation of the consideration paid according to the information gathered to date. In conformity with IFRS 3, *Business combinations*, the acquisitions have been accounted for using the acquisition method.

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4 . Business Acquisitions (continued)

	H.E.S.	Visilift	Garaventa Lift	Total
Assets acquired				
Current assets	\$ 456	\$ 99	\$ 44,352	\$ 44,907
Fixed assets	180	123	20,044	20,347
Intangible assets and goodwill	1,016	9,543	68,749	79,308
Other non-current assets	-	-	1,449	1,449
	\$ 1,652	\$ 9,765	\$ 134,594	\$ 146,011
Liabilities assumed				
Current liabilities	313	1,878	33,996	36,187
Other non-current liabilities	281	3,461	9,376	13,118
	\$ 594	\$ 5,339	\$ 43,372	\$ 49,305
Fair value of net assets acquired	\$ 1,058	\$ 4,426	\$ 91,222	\$ 96,706
Less: Deposit paid in 2017	-	4,426	-	4,426
Cash in acquired businesses	-	-	2,630	2,630
Cash flows related to the acquisitions	\$ 1,058	\$ -	\$ 88,592	\$ 89,650

The following table provides the revenue and net income contributions of the business acquisitions that have taken place in 2018, from the date of acquisition and those estimated as if the acquisitions had occurred on January 1, 2018. These estimates were prepared using historical information obtained from the acquirees and do not reflect the acquisition costs nor the benefits of integration activities, synergies and changes to historical transactions that may have resulted had the acquisitions actually occurred on January 1, 2018. Estimated amounts are not necessarily indicative of the results of operations of the acquired businesses that would have resulted had the acquisitions actually occurred on January 1, 2018, nor the results that may be obtained in the future.

	Since the date of acquisition		Since January 1 st	
	Revenue	Net income	Revenue	Net income (loss)
H.E.S.	\$ 1,354	\$ 90	\$ 2,216	\$ 147
Visilift	\$ 498	\$ 106	\$ 1,930	\$ 391
Garaventa Lift	\$ 10,095	\$ 142	\$ 86,801	\$ (10)

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5 . Intangible Assets and Goodwill

	September 30, 2018	December 31, 2017
Intangible assets	\$ 39,230	\$ 39,714 (recast - see note 4)
Goodwill	59,291	58,213
Intangible assets and goodwill from acquisitions (note 4), net of accumulated amortization and foreign exchange reevaluation	82,283	3,448
	\$ 180,804	\$ 101,375

Reconciliation of the items above:

	Intangible assets		Goodwill		Intangible assets and goodwill from acquisitions	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Balance at January 1	\$ 39,714	\$ 2,893	\$ 58,213	\$ 9,156 (recast - see note 4)	\$ 3,448	\$ - (recast - see note 4)
Increases	1,939	1,439	-	-	-	-
Business acquisitions	-	40,877	-	51,049	79,308	3,448
Effect of movements in exchange rates	789	(1,524)	1,078	(1,992)	(141)	-
Depreciation expense	(3,212)	(3,971)	-	-	(332)	-
Balance at the end of the period	\$ 39,230	\$ 39,714	\$ 59,291	\$ 58,213	\$ 82,283	\$ 3,448

6 . Long-term Debt

Reconciliation of movements of long-term debt to cash flows arising from financing activities:

	2018
Balance as at January 1	\$ 40,066
Net change in the revolving credit facility	7,591
Increase through business combinations	6,007
Increase in other long-term debts	50,009
Repayment of other long-term debts	(5,537)
Capitalized finance costs on long-term debt	22
Transaction costs related to loans	(404)
Reversal of transactions costs related to loans repaid during the year	200
Impact of the change in foreign exchange rates on the US dollar debt	246
Balance as at September 30	\$ 98,200

On April 3, 2018, the Corporation entered into an amended and restated credit agreement. The agreement amends and restates the original credit agreement by (i) providing the term facility of \$50,000,000 for which the funds were received on April 3, 2018; (ii) adding the option to draw in euros; and (iii) extending by one year the maturity date of the \$110,000,000 revolving facility to April 3, 2023. The interest rate of the term facility is covered by an interest rate swap (note 12). Only the interest is payable on a monthly basis. The credit facility is secured by the assets of the Corporation.

SAVARIA CORPORATION

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7 . Share Capital

During the first three quarters of 2018, the Corporation issued 271,664 common shares (2017-196,667) at an average price of \$4.39 per share (2017-\$3.90) following the exercise of stock options. The average closing price on the exercise dates was \$17.74 (2017-\$13.19). These exercises resulted in an increase in share capital of \$1,430,000 (2017-\$890,000) and a decrease in contributed surplus of \$238,000 (2017-\$123,000). At September 30, 2018, 2,211,668 options are outstanding (2017-2,026,666) at a weighted average exercise price of \$11.19 per share (2017-\$8.15). During the same period, no warrants were exercised (2017-1,866,500, exchanged for the same number of common shares at a price of \$4.25 per share, resulting in an increase in share capital of \$7,933,000).

During the first three quarters of 2018, the Corporation declared dividends totaling 27.5 cents (2017-22.5 cents) per share or \$11,908,000 (2017-\$8,949,000); an amount of 27 cents (2017-19.5 cents) per share or \$11,572,000 (2017-\$8,949,000) was paid during this period.

On May 4, 2018, the Corporation completed a bought deal financing consisting of 3,450,000 common shares (private bought deal of 2,760,000 common shares in 2017) at a price of \$16.60 per share (2017-\$13.90), for gross proceeds to the Corporation of \$57,270,000 (2017-\$38,364,000), and proceeds net of transaction fees of \$3,440,000 (2017-\$2,000,000) of \$53,830,000 (2017-\$36,364,000). Transaction fees after tax amount to \$2,529,000 (2017-\$1,470,000).

8 . Other net expenses

	Periods of three months ended September 30,		Periods of nine months ended September 30,	
	2018	2017	2018	2017
Business acquisition costs, realized and unrealized, related to administrative expenses	\$ 887	\$ 199	\$ 2,007	\$ 1,501
Provision for restructuring costs of Garaventa's operations in China *	1,554	-	1,554	-
Proceeds from an insurance claim	-	-	(1,611)	-
Others	(8)	(5)	(19)	(30)
	\$ 2,433	\$ 194	\$ 1,931	\$ 1,471

* The Corporation has decided to consolidate Garaventa Lift's Chinese subsidiary located in Shanghai with its subsidiary located in Huizhou, China.

9 . Finance Income and Finance Costs

	Note	Periods of three months ended September 30,		Periods of nine months ended September 30,	
		2018	2017	2018	2017
Interest income		\$ 343	\$ 16	\$ 501	\$ 279
Net gain on foreign currency exchange		-	-	173	-
Gain on a financial instrument	12	-	-	503	-
Finance income		\$ 343	\$ 16	\$ 1,177	\$ 279
Interest on long-term debt		\$ 868	\$ 359	\$ 2,087	\$ 621
Interest and bank charges		52	41	169	113
Financing charges		78	16	199	79
Net loss on foreign currency exchange		146	334	-	557
Finance costs		\$ 1,144	\$ 750	\$ 2,455	\$ 1,370

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)
10 . Earnings per Share

The following table presents a reconciliation of basic and diluted earnings per share:

	Periods of three months ended September 30,		Periods of nine months ended September 30,	
	2018	2017	2018	2017
Net income	\$ 2,754	\$ 4,812	\$ 12,902	\$ 10,913
Basic earnings per share:				
Basic weighted average number of common shares outstanding	44,864,337	41,177,114	43,245,264	39,224,141
Basic earnings per share	\$ 0.06	\$ 0.12	\$ 0.30	\$ 0.28
Diluted earnings per share:				
Basic weighted average number of common shares outstanding	44,864,337	41,177,114	43,245,264	39,224,141
Effect of potentially dilutive common shares	862,132	923,754	825,381	902,058
Diluted weighted average number of common shares outstanding	45,726,469	42,100,868	44,070,645	40,126,199
Diluted earnings per share	\$ 0.06	\$ 0.11	\$ 0.29	\$ 0.27

At September 30, 2018, 225,000 options for the periods of three and nine months (2017-520,000 and 536,667) have been excluded from the diluted weighted average number of common shares calculation as their effect would have been antidilutive.

The average market value of the Corporation's shares for purposes of calculating the dilutive effect of stock options is based on quoted market prices for the period during which the options were outstanding.

11 . Net Changes in Non-cash Operating Items

	Periods of three months ended September 30,		Periods of nine months ended September 30,	
	2018	2017	2018	2017
Trade and other receivables	\$ 2,799	\$ (1,121)	\$ (1,155)	\$ (4,608)
Inventories	(3,560)	(415)	(9,058)	(61)
Prepaid expenses	595	145	200	41
Trade and other payables	4,678	270	6,770	777
Deferred revenues	(218)	666	717	800
Warranty provision	5	(34)	54	(45)
Dividend payable	-	1,235	-	1,235
	\$ 4,299	\$ 746	\$ (2,472)	\$ (1,861)

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)
12 . Financial Instruments
Fair values versus carrying amounts

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	September 30, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value			(recast - see note 4)	
Foreign exchange forward contracts	\$ 1,065	\$ 1,065	\$ 2,185	\$ 2,185
Interest rate swap agreements	214	214	202	202
	\$ 1,279	\$ 1,279	\$ 2,387	\$ 2,387
Liabilities carried at fair value				
Foreign exchange forward contracts	\$ 100	\$ 100	\$ 279	\$ 279
Liabilities carried at amortized cost				
Long-term debt	\$ 98,200	\$ 98,190	\$ 40,066	\$ 40,052

The table below indicates the presentation of the derivative financial instruments in the Statement of Financial Position.

	September 30, 2018	December 31, 2017
Current assets		
Foreign exchange derivatives	\$ 358	\$ 466
Non-current assets		
Foreign exchange derivatives	\$ 707	\$ 1,719
Interest rate derivatives	214	202
	\$ 921	\$ 1,921
Current liabilities		
Foreign exchange derivatives	\$ 82	\$ 279
Non-current liabilities		
Foreign exchange derivatives	\$ 18	\$ -

All of these financial instruments are Level 2, except for long-term debt which is Level 3. The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest rate swap arrangements is estimated by discounting the difference between the contractual interest rate and market rates over the value of the loans. Fair value of long-term debt is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Corporation's subsidiary or counterparty when appropriate.

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12 . Financial Instruments (continued)

Risk Management

Currency risk

The Corporation is exposed to currency risk on financial assets and liabilities, revenues and purchases that are denominated in a currency other than the respective functional currencies of the group's entities. Canadian entities are exposed to US dollars, while entities having a functional currency other than the Canadian dollar (foreign operations) are not significantly exposed to currency risk. The Corporation partially compensates for these risks by purchasing materials in foreign currencies and by using foreign exchange forward 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 September 30, 2018

Maturity	Type	Weighted average exchange rate	Contractual amounts (in thousands of US dollars)
0 to 12 months	Sale	1.3004	\$23,200
12 to 24 months	Sale	1.2969	18,000
24 to 36 months	Sale	1.2896	18,000
36 to 44 months	Sale	1.2797	12,000
		1.2933	\$71,200

As at December 31, 2017

Maturity	Type	Weighted average exchange rate	Contractual amounts (in thousands of US dollars)
0 to 12 months	Sale	1.2654	\$18,000
12 to 24 months	Sale	1.2982	18,000
24 to 36 months	Sale	1.3024	14,000
36 to 40 months	Sale	1.3070	4,000
		1.2890	\$54,000

Interest rate risk

The Corporation's interest rate risk arises from cash 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.

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 has entered into the following interest rate swap agreements in order to minimize its risk to a variation in interest rates on a portion of its long-term borrowings. Two interest rate swap agreements were terminated during the second quarter of 2018 as it was no longer probable that the related borrowings would continue to exist. Hedge accounting has been discontinued and the cash flow hedge reserve for which future cash flows are no longer expected to be realized, in the amount of \$503,000, was reversed to net income in the second quarter under Finance income.

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12 . Financial Instruments (continued)
Interest rate risk (continued)

Maturity	Fixed interest rate	Stamping fees	Original capital amount	Currency	Balance	
					September 30, 2018	December 31, 2017
July 2021	1.18%	1.50%	\$ 6,200	CA	\$ -	\$ 5,413
June 2022	2.018%	1.50%	\$ 13,500	US	\$ -	\$ 16,971
April 2023	2.52%	1.75%	\$ 50,000	CA	\$ 50,000	\$ -

13 . Operating Segments
Information about the operating segments

For the purpose of financial reporting, the business is structured into three reporting segments based on the markets 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 and corporate stores through which new and recycled accessibility equipment is sold. The *Adapted Vehicles* segment consists of converting, adapting and distributing vehicles for people with mobility challenges, for personal or commercial use. The *Span* segment includes the manufacturing and distribution of a comprehensive line of therapeutic support surfaces and other pressure management products for the medical market, medical beds for the long-term care market as well as foam mattress overlays and pillows for the consumer market and certain products for the industrial market, mainly foam products.

Periods of
three months ended September 30,

	Accessibility	Adapted Vehicles	Span	Head office	Inter-segment eliminations	Total
2018						
External revenues	\$ 43,578	\$ 6,916	\$ 22,383	\$ -	\$ (788)	\$ 72,089
Income (loss) before income tax, interest, depreciation and amortization	7,542	542	1,896	(3,115)	-	6,865
Depreciation and amortization expense	722	116	1,106	108	-	2,052
Interest on long-term debt	79	-	792	968	(971)	868
Interest income	3	-	-	1,311	(971)	343
2017						
External revenues (restated) *	\$ 27,836	\$ 6,746	\$ 22,441	\$ -	\$ (35)	\$ 56,988
Income (loss) before income tax, interest, depreciation and amortization	5,573	835	3,122	(513)	-	9,017
Depreciation and amortization expense	411	93	1,790	142	-	2,436
Interest on long-term debt	14	-	1,047	345	(1,047)	359
Interest income	5	-	-	1,058	(1,047)	16

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13 . Operating Segments (continued)
Information about the operating segments (continued)

 Periods of
 nine months ended September 30,

	Accessibility	Adapted Vehicles	Span	Head office	Inter-segment eliminations	Total
2018						
External revenues	\$ 104,966	\$ 21,205	\$ 68,653	\$ -	\$ (1,908)	\$ 192,916
Income (loss) before income tax, interest, depreciation and amortization	20,603	1,647	8,282	(5,153)	-	25,379
Depreciation and amortization expense	1,856	424	3,209	317	-	5,806
Interest on long-term debt	98	-	2,554	2,152	(2,717)	2,087
Interest income	4	-	-	3,214	(2,717)	501
2017						
External revenues (restated) *	\$ 81,869	\$ 21,001	\$ 25,869	\$ -	\$ (247)	\$ 128,492
Income (loss) before income tax, interest, depreciation and amortization	15,887	2,120	3,230	(2,181)	-	19,056
Depreciation and amortization expense	1,136	285	1,856	369	-	3,646
Interest on long-term debt	60	-	1,047	561	(1,047)	621
Interest income	22	2	-	1,302	(1,047)	279
	Accessibility	Adapted Vehicles	Span	Head office	Inter-segment eliminations	Total
September 30, 2018						
Segment's assets	\$ 274,830	\$ 22,067	\$ 127,788	\$ 223,904	\$ (268,893)	\$ 379,696
Segment's liabilities	151,637	11,979	63,484	223,683	(268,893)	181,890
December 31, 2017 (recast - see note 4)						
Segment's assets	\$ 106,910	\$ 20,890	\$ 122,207	\$ 151,900	\$ (181,226)	\$ 220,681
Segment's liabilities	91,590	11,717	79,285	80,532	(181,226)	81,898

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13 . Operating Segments (continued)
Desegregation of Revenue

 Periods of
three months ended September 30,

	Accessibility	Adapted Vehicles	Span	Inter-segment eliminations	Total
2018					
Revenue by region					
Canada	\$ 10,784	\$ 6,682	\$ 3,057	\$ (282)	\$ 20,241
United States	25,936	38	18,383	(506)	43,851
Europe	3,911	196	-	-	4,107
Other regions	2,947	-	943	-	3,890
	\$ 43,578	\$ 6,916	\$ 22,383	\$ (788)	\$ 72,089
Major categories of revenue					
Accessibility equipment	\$ 38,280	\$ -	\$ -	\$ (783)	\$ 37,497
Installation and maintenance	5,203	-	-	-	5,203
Royalties	95	-	-	-	95
Vehicle conversions	-	5,908	-	-	5,908
Vehicle adaptation and maintenance	-	1,008	-	-	1,008
Therapeutic support surfaces	-	-	17,062	-	17,062
Medical beds	-	-	5,321	(5)	5,316
	\$ 43,578	\$ 6,916	\$ 22,383	\$ (788)	\$ 72,089
Timing of revenue recognition					
Goods transferred at a point in time	\$ 38,375	\$ 6,916	\$ 22,383	\$ (788)	\$ 66,886
Services provided over time	5,203	-	-	-	5,203
	\$ 43,578	\$ 6,916	\$ 22,383	\$ (788)	\$ 72,089
2017					
Revenue by region (restated) *					
Canada	\$ 10,006	\$ 6,612	\$ 2,199	\$ (35)	\$ 18,782
United States	16,327	7	19,164	-	35,498
Europe	116	127	-	-	243
Other regions	1,387	-	1,078	-	2,465
	\$ 27,836	\$ 6,746	\$ 22,441	\$ (35)	\$ 56,988
Major categories of revenue					
Accessibility equipment	\$ 25,124	\$ -	\$ -	\$ (35)	\$ 25,089
Installation and maintenance	2,542	-	-	-	2,542
Royalties	170	-	-	-	170
Vehicle conversions	-	5,770	-	-	5,770
Vehicle adaptation and maintenance	-	976	-	-	976
Therapeutic support surfaces	-	-	17,050	-	17,050
Medical beds	-	-	5,391	-	5,391
	\$ 27,836	\$ 6,746	\$ 22,441	\$ (35)	\$ 56,988
Timing of revenue recognition					
Goods transferred at a point in time	\$ 25,294	\$ 6,746	\$ 22,441	\$ (35)	\$ 54,446
Services provided over time	2,542	-	-	-	2,542
	\$ 27,836	\$ 6,746	\$ 22,441	\$ (35)	\$ 56,988

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13 . Operating Segments (continued)
Desegregation of Revenue (continued)

	Periods of nine months ended September 30,				
	Accessibility	Adapted Vehicles	Span	Inter-segment eliminations	Total
2018					
Revenue by region					
Canada	\$ 28,214	\$ 20,875	\$ 8,916	\$ (717)	\$ 57,288
United States	64,440	112	57,318	(1,191)	120,679
Europe	3,911	218	-	-	4,129
Other regions	8,401	-	2,419	-	10,820
	\$ 104,966	\$ 21,205	\$ 68,653	\$ (1,908)	\$ 192,916
Major categories of revenue					
Accessibility equipment	\$ 92,933	\$ -	\$ -	\$ (1,889)	\$ 91,044
Installation and maintenance	11,728	-	-	-	11,728
Royalties	305	-	-	-	305
Vehicle conversions	-	18,500	-	-	18,500
Vehicle adaptation and maintenance	-	2,705	-	-	2,705
Therapeutic support surfaces	-	-	52,258	-	52,258
Medical beds	-	-	16,395	(19)	16,376
	\$ 104,966	\$ 21,205	\$ 68,653	\$ (1,908)	\$ 192,916
Timing of revenue recognition					
Goods transferred at a point in time	\$ 93,238	\$ 21,205	\$ 68,653	\$ (1,908)	\$ 181,188
Services provided over time	11,728	-	-	-	11,728
	\$ 104,966	\$ 21,205	\$ 68,653	\$ (1,908)	\$ 192,916
2017					
Revenue by region (restated) *					
Canada	\$ 25,486	\$ 20,156	\$ 2,601	\$ (247)	\$ 47,996
United States	51,259	40	22,052	-	73,351
Europe	819	805	-	-	1,624
Other regions	4,305	-	1,216	-	5,521
	\$ 81,869	\$ 21,001	\$ 25,869	\$ (247)	\$ 128,492
Major categories of revenue					
Accessibility equipment	\$ 74,378	\$ -	\$ -	\$ (247)	\$ 74,131
Installation and maintenance	6,961	-	-	-	6,961
Royalties	530	-	-	-	530
Vehicle conversions	-	18,232	-	-	18,232
Vehicle adaptation and maintenance	-	2,769	-	-	2,769
Therapeutic support surfaces	-	-	19,783	-	19,783
Medical beds	-	-	6,086	-	6,086
	\$ 81,869	\$ 21,001	\$ 25,869	\$ (247)	\$ 128,492
Timing of revenue recognition					
Goods transferred at a point in time	\$ 74,908	\$ 21,001	\$ 25,869	\$ (247)	\$ 121,531
Services provided over time	6,961	-	-	-	6,961
	\$ 81,869	\$ 21,001	\$ 25,869	\$ (247)	\$ 128,492

* The Corporation adopted IFRS 15 on January 1, 2018. The impact on comparative results following the adoption of this standard is described in Note 3.



SAVARIA CORPORATION

Management's Discussion and Analysis Report

For the Three-Month and Nine-Month Periods Ended September 30, 2018

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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-month and nine-month periods ended September 30, 2018, in comparison with that for the corresponding periods of fiscal 2017. It also provides a comparison of its statements of financial position as at September 30, 2018 and December 31, 2017. 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 respecting Continuous Disclosure Obligations*, this report should be read in conjunction with the unaudited condensed consolidated interim financial statements for the third quarter 2018 and accompanying notes, and with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2017 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 Corporation's auditor.

This management's report was prepared as at November 14, 2018. Additional information, including the Annual Information Form, are available on SEDAR's website at www.sedar.com.

2. Forward-Looking Statements

This MD&A includes certain statements that are "forward-looking statements" within the meaning of the securities laws of Canada. Any statement in this MD&A that is not a statement of historical fact may be deemed to be a forward-looking statement. When used in this MD&A, the words "believe", "could", "should", "intend", "expect", "estimate", "assume" and other similar expressions are generally intended to identify forward-looking statements. It is important to know that the forward-looking statements in this MD&A describe our expectations as at November 14, 2018, which are not guarantees of the future performance of Savaria or its industry, and involve known and unknown risks and uncertainties that may cause Savaria's or the industry's outlook, actual results or performance to be materially different from any future results or performance expressed or implied by such statements. Our actual results could be materially different from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. A change affecting an assumption can also have an impact on other interrelated assumptions, which could increase or diminish the effect of the change. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements do not take into account the effect that transactions or special items announced or occurring after the statements are made may have on our business. For example, they do not include the effect of sales of assets, monetization, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made.

Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

The foregoing risks and uncertainties include the risks set forth under “Risks and Uncertainties” in our 2017 Annual Management Discussion and Analysis as well as other risks detailed from time to time in reports filed by Savaria with securities regulators in Canada.

3. Compliance with International Financial Reporting Standards

The Corporation's financial statements are 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 realized and unrealized business acquisition costs, the value adjustment on acquired inventories, the stock-based compensation, the provision for restructuring costs of Garaventa's operations in China, the proceeds from an insurance claim and the gain on a financial instrument, 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 stock-based compensation, acquisition costs, value adjustments on acquired inventories, provision for restructuring costs for Garaventa Lift's operations in China, proceeds from insurance claims and gains on financial instruments. 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 the global leaders in the accessibility industry. It provides accessibility solutions for the physically challenged to increase their comfort, their mobility and their independence. Its product line is one of the most comprehensive on the market. Savaria designs, manufactures, distributes and installs accessibility equipment, such as stairlifts for straight and curved stairs, vertical and inclined wheelchair lifts, elevators for home and commercial use, as well as ceiling lifts. It also manufactures and markets a comprehensive selection of pressure management products for the medical market, medical beds for the long-term care market, mattress overlays and foam pillows for the retail market and certain products for the industrial market. In addition, Savaria converts and adapts vehicles to be wheelchair accessible. Savaria records approximately 75% of its revenue outside of Canada, primarily in the United States. It operates a sales network of some 500 dealers worldwide and 28 direct sales offices in North America, Europe (Switzerland, Germany, Italy, Czech Republic and Poland), Australia and China.

Savaria employs approximately 1,400 people globally and its plants are located in Canada: Laval and Magog (Québec), Brampton, Beamsville and Toronto (Ontario) and Surrey (British Columbia), in the United States at Greenville (South Carolina), in Huizhou (China) and in Milan (Italy).

Operating Segments of the Corporation

The Corporation manages its operations under three operating segments, *Accessibility*, *Adapted Vehicles* and *Span*. These segments are structured according to the market segments they address.

- **Accessibility Segment (54% of Revenue in the first nine months of 2018; 60% of Revenue in 2017)**

Through its *Accessibility* segment, Savaria 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 through the acquisition of Garaventa Accessibility AG ("Garaventa Lift"), at the Surrey (British Columbia) and Milan (Italy) plants. The products are offered through a network of some 500 dealers worldwide and a network of 28 direct sales offices in North America, Europe (Switzerland, Germany, Italy, Czech Republic and Poland), Australia and China. The Huizhou (China) plant is the main supplier of parts and components for the Brampton plant; also, it assembles product components and finished products mainly for the benefit of the Corporation and for the sale of products on the Asian, European and Australian markets. Operation of this Chinese subsidiary allows Savaria to obtain competitive pricing on its purchases. Through its Silver Cross division, the Corporation operates a network of franchises and corporate stores in which new and recycled accessibility equipment is sold.

- **Adapted Vehicles Segment (11% of Revenue in the first nine months of 2018; 15% of Revenue in 2017)**

Through its *Adapted Vehicles* segment, Savaria converts and adapts minivans to facilitate the transport of mobility challenged people via its Van-Action (2005) Inc. (Laval, Québec) and Freedom Motors Inc. (Toronto, Ontario) subsidiaries. Its Silver Cross Automotive Inc. subsidiary distributes converted vehicles in the provinces of Ontario, Alberta and British Columbia. 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.

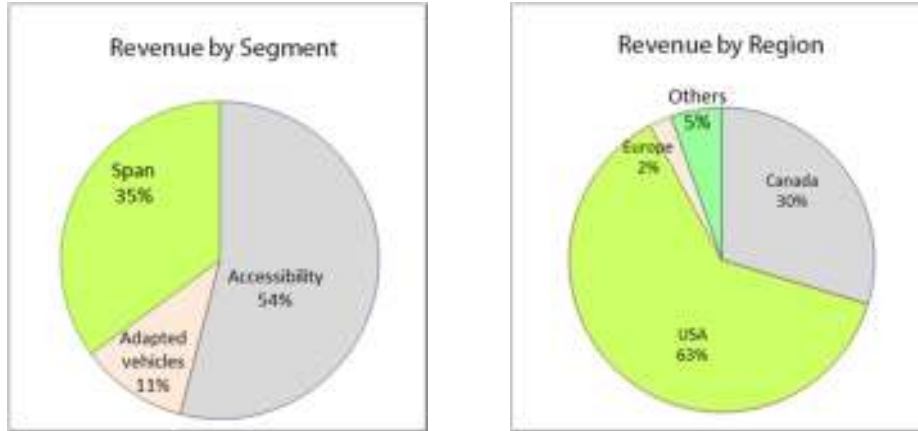
- **Span Segment (35% of Revenue in the first nine months of 2018; 25% of Revenue between the acquisition on June 16, 2017 and December 31, 2017)**

The Corporation entered the medical products market through the acquisition of Span in June 2017. In Greenville, South Carolina, the Corporation designs, manufactures and markets a comprehensive selection of therapeutic support surfaces and other pressure management products for the medical market. Pressure management products made up 59% of total Span revenue in the first nine months of 2018. In Beamsville, Ontario, Span manufactures and markets medical beds. Medical beds and related products made up 24% of total Span revenue for the first nine months of 2018. Medical products are sold primarily in North America to customers in the major segments of the health care market, including long-term care facilities, acute care hospitals and home health care providers. To those two main product lines, secondary products are added. As such, Span manufactures and markets foam mattress overlays and pillows sold to various retail customers in the U.S. market. Consumer sales made up 12% of total Span revenue in the first nine months of 2018.

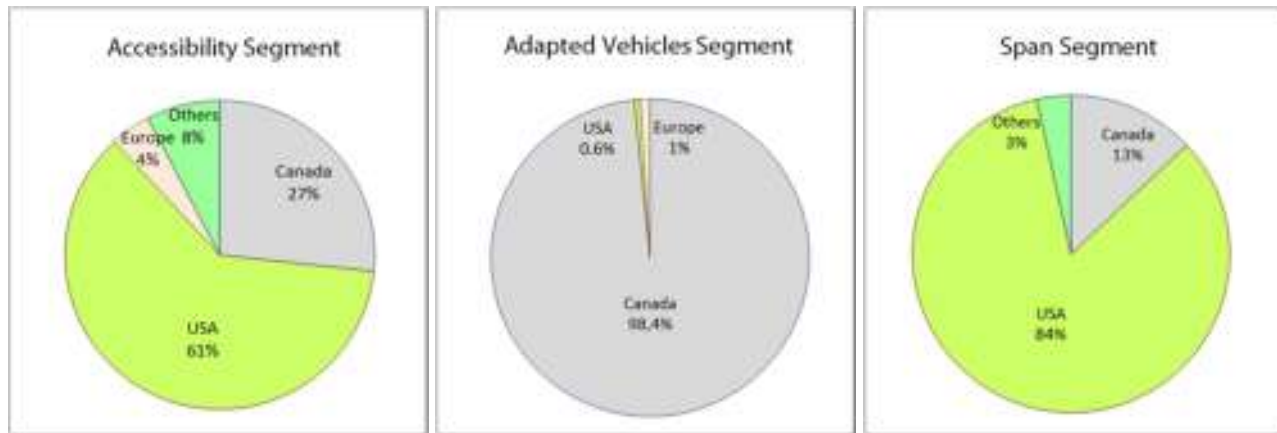
Lastly, Span manufactures and markets certain products for the industrial market, mainly foam products, which are sold to a variety of sectors, including the automotive, packaging and water sports equipment industries. Industrial products made up 5% of total Span revenue in the first nine months of 2018.

Revenue Breakdown by Segment by Region

During the first nine months of 2018, Savaria's total revenue was recorded in the United States (63%), Canada (30%), Europe (2%) and in all other regions combined (5%). Revenue breakdown by segment and by region is as follows:



Revenue breakdown per region for the three segments is as follows:



Revenue for first nine months of 2018 amounts to \$105 million ("M") for the *Accessibility* segment, \$68.6M for the *Span* segment and \$21.2M for the *Adapted Vehicles* segment, for total revenue of \$192.9M, taking into account consolidation eliminations of \$1.9M. In this report, unless specifically mentioned, the analysis covers the three segments.

Operations in Foreign Exchange

The Corporation is subject to foreign currency fluctuations from the conversion of revenue, expenses, assets and liabilities of its foreign operations and from commercial transactions denominated mainly in U.S. dollars. Transactions denominated in foreign currencies are initially recorded at the functional currency rate of exchange

in effect at the date of the transactions, excluding the impact of forward foreign exchange contracts, while the statement of income of foreign operations is converted at the average exchange rate for the period.

The foreign exchange rates used to convert assets and liabilities into Canadian dollars were as follows, as at:

	September 30, 2018 (unaudited)	December 31, 2017
USD (Canadian equivalent of U.S. \$1)	1.2927	1.2571

The foreign exchange rates used to convert revenue and expenses into Canadian dollars were as follows:

(unaudited)	Quarters ended September 30		Nine Months ended September 30	
	2018	2017	2018	2017
USD (Canadian equivalent of U.S. \$1)	1.3074	1.2528	1.2876	1.3074

The Corporation uses foreign exchange contracts to reduce the risks related to currency fluctuations, so the variations in the rates presented above may not be representative of the actual impact of exchange rates on financial results (see *Hedging of Foreign Exchange Rates* in section 9 for details).

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 Span pressure management products and medical beds are most commonly used in long-term care facilities and, to a lesser extent, in home care settings. These products are well positioned to benefit from the expected growth in the aging population in North America. The number of people requiring accessibility products, pressure management products and medical beds will therefore steadily grow as the population continues to age.

According to a 2016 Canadian census, 5.9M people – representing 16.9% of Canada's population – were 65 years and older compared with 5M or 14.4% at the last census in 2011. These numbers are expected to continue rising, with a projected 10.4M people – or 24% of Canada's population – 65 years and older by 2031 and 12M – or 26% by 2061. Similar trends, although less pronounced, are noticed in the United States. The population aged 65 and over has increased from 36.2 million in 2004 to 46.2M in 2014 (a 28% increase) and is projected to increase to 82.3M – or 21.7% of the population by 2040 and to 98M by 2060.

Consequently, the number of people requiring accessibility equipment, pressure management products and medical beds 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 24 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 2016 Canadian census as above and the 2010 U.S. census, 93% 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 and increasing the need for medical beds and pressure management products in home care settings.

In addition, 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.

We believe that these fundamental changes will definitely have a major impact on the demand for accessibility products. In addition, 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 in the global market for personal mobility products. Distribute the most extensive line of products designed to increase personal mobility and comfort, 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 revenue and optimize purchasing power.

Our Mission

To design, engineer, manufacture and market the most comprehensive high-quality reliable and customized line of products that improves personal comfort, mobility and independence. To always provide a business culture and environment based on customer-driven principles, teamwork and mutual respect.

Our Strategy

To strengthen its predominant position in the personal mobility products market, Savaria executes several strategies.

- Savaria regularly develops and markets new products, providing the most extensive product selection in the industry to its 500 active distributors and its Canadian, American, European and Australian direct sales centers.

Achievements:

- The design of the new M2lift, a convenient and affordable vertical platform lift geared toward the residential market.

- The ongoing design of a new line of safe patient handling products, including a fixed and portable ceiling lift, customizable slings, a complete track system and related accessories which is in development at our research and development center in Magog, Québec.
- 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 Garaventa Lift on August 31, 2018. This transaction is a major step forward for Savaria in executing its vision to significantly expand into the global marketplace.
 - The transaction provides Savaria with a global sales infrastructure with 15 additional sales offices across North America and Europe, along with over 100 additional active dealers.
 - Savaria benefits from a more geographically diversified revenue base as over 40% of Garaventa Lift's revenue is generated outside of North America, primarily in Europe.
 - The acquisition of Garaventa Lift provides Savaria with additional manufacturing flexibility with complementary production operations in Western Canada and Italy. Combined, Savaria and Garaventa Lift has over 640,000 sq. ft. of manufacturing space providing the flexibility and size required to ensure a reliable supply of products in this challenging global environment.
 - With approximately 1,400 employees, Savaria is able to leverage best practices and human talent to gain efficiencies while fostering an environment that encourages collaboration, innovation and creativity. Savaria now has 37 employees in Research and Development dedicated to the development of new products such as platform lifts, elevators, ceiling lifts as well as new vehicle conversions.
- Acquisition of the assets of H.E.S. in April 2018. This acquisition complements the acquisition of the assets of Visilift LLC ("Visilift") in Colorado, USA and helps strengthen the Corporation's presence and its direct sales network in this market.
- Purchase of the assets of Master Lifts in December 2017. This acquisition provides Savaria with a national sales platform to gain access to the Australian market by leveraging Master Lifts's national sales network.
- Signature in August 2017 of a phased approach agreement, of which the 2nd phase has been completed in July 2018, to purchase the assets of Visilift. This acquisition allows Savaria to add round and octagonal panoramic glass or acrylic elevators, the *Vuelift* elevator, to its line of residential elevators.
- Purchase of Span in June 2017. This transaction contributes to Savaria reaching its long-term strategic growth objectives by penetrating a strategic market in a key territory for Savaria and had the following key benefits:
 - Further diversified Savaria's accessibility portfolio with highly complementary products, providing customers with a complete comfort and mobility offering.
 - Significantly strengthened Savaria's ability to penetrate government and institutional accounts given Span's vast U.S. sales infrastructure and deep client relationships.
 - Created opportunities to market its new ceiling lifts product line, through Span's established distribution channels.
 - Enhanced Savaria's production footprint with extensive U.S.-based manufacturing capabilities and additional production capacity in Ontario, Canada.

- The 188,000-square-foot facility in Greenville (South Carolina, USA) also provides Savaria with the flexibility to manufacture locally certain accessibility products for sale into the U.S. market.
- 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:

- During the 2nd quarter of 2018, Savaria shifted the production of its ceiling lift products for domestic sale into the U.S. market to Span's facility in Greenville, South Carolina, USA which will enable the Corporation to reach the U.S. market more efficiently.
- For the same reason, during the 3rd quarter of 2018, Savaria transferred the distribution of its K2 straight stair lift for domestic sales into the U.S. market in its facility in Greenville, South Carolina, USA.
- Acquisition in July 2017 of a 27,000-square-foot building in Toronto, Ontario, Canada to consolidate the *Adapted Vehicles* activities of that region under one roof and free up space in the Brampton, Ontario, Canada plant for the *Accessibility* activities which are growing.

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 14, *Risks and Uncertainties*.

7. Third-Quarter 2018 Highlights

Revenue up 26.5%: For the 3rd quarter of 2018, revenue is up \$15.1M, at \$72.1M, compared to \$57M same quarter previous year.

Operating income down 26.6%: Operating income is down \$1.8M, at \$5.1M for the 3rd quarter of 2018, compared to \$6.9M same quarter previous year primarily due to a \$1.6M restructuring provision following the acquisition of Garaventa Lift and an increase in acquisition costs of \$688,000.

Adjusted EBITDA up 0.9%: The Corporation's adjusted EBITDA amounted to \$9.7M for the 3rd quarter of 2018 compared to \$9.6M same quarter previous year, an increase of \$0.1M. Reconciliation between net income and adjusted EBITDA is provided in section 8, *Summary of Quarterly Results*.

Acquisition of Garaventa Lift: On August 31, 2018, Savaria acquired all of the issued and outstanding shares of Garaventa Lift for a total purchase price of \$91.2M (CHF68.3M). The combination of Savaria and Garaventa Lift creates an industry leader with a global foot print, a broad distribution network and one of the most comprehensive portfolios of accessibility products in the market.

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)	2018			2017 ⁽⁸⁾				2016 ⁽⁸⁾
	Quarter 3 ⁽³⁾	Quarter 2 ⁽⁴⁾	Quarter 1	Quarter 4 ⁽⁵⁾	Quarter 3	Quarter 2 ⁽⁶⁾	Quarter 1 ⁽⁷⁾	Quarter 4
Revenue	\$72,089	\$64,235	\$56,592	\$55,249	\$56,988	\$39,841	\$31,663	\$30,986
<i>Gross margin as a % of revenue</i>	33.2%	33.8%	33.1%	36.3%	34.9%	32.9%	34.3%	35.9%
Operating expenses ⁽¹⁾	\$16,406	\$13,869	\$12,888	\$13,318	\$12,778	\$7,399	\$6,177	\$6,094
<i>% of revenue</i>	22.8%	21.6%	22.8%	24.1%	22.4%	18.6%	19.5%	19.7%
Operating income	\$5,089	\$8,680	\$5,496	\$6,589	\$6,932	\$4,472	\$4,643	\$4,999
<i>% of revenue</i>	7.1%	13.5%	9.7%	11.9%	12.2%	11.2%	14.7%	16.1%
Gain (loss) on foreign exchange	\$(146)	\$216	\$103	\$46	\$(334)	\$(129)	\$(94)	\$311
Net income	\$2,754	\$6,376	\$3,772	\$8,335	\$4,812	\$2,764	\$3,337	\$3,740
Earnings per share – diluted	\$0.06	\$0.14	\$0.09	\$0.20	\$0.11	\$0.07	\$0.09	\$0.10
EBITDA ⁽²⁾	\$6,865	\$11,162	\$7,352	\$9,073	\$9,017	\$4,935	\$5,104	\$5,835
Adjusted EBITDA ⁽²⁾	\$9,695	\$10,106	\$7,924	\$9,537	\$9,604	\$6,745	\$5,229	\$5,986
Adjusted EBITDA per share – diluted	\$0.21	\$0.23	\$0.19	\$0.24	\$0.23	\$0.17	\$0.14	\$0.16
Dividend declared per share	\$0.095	\$0.09	\$0.09	\$0.09	\$0.10	\$0.07	\$0.06	\$0.07

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

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

⁽³⁾ The results include the acquisition of Garaventa Lift, effective on August 31, 2018.

⁽⁴⁾ The results include the acquisition of H.E.S., effective on April 12, 2018.

⁽⁵⁾ The results include the acquisition of Master Lifts, effective on December 14, 2017.

⁽⁶⁾ The results include the acquisition of Span, effective on June 16, 2017.

⁽⁷⁾ The results include the acquisition of Premier Lifts, effective on February 10, 2017.

⁽⁸⁾ Revenue and Gross margin as a % of revenue for 2017 have been restated in order to reflect the change in presentation related to freight revenue in accordance with IFRS 15. However, 2016 numbers have not been restated. See subsection 12B) *New accounting standards and interpretations adopted during first nine months.*

The acquisitions in recent years, coupled with organic growth, have generated record revenue from quarter to quarter. The significant increase in revenue since the 3rd quarter of 2017 is mainly due to the acquisition of Span in June 2017, whereas the activities acquired from Premier Lifts in February 2017, from Master Lifts in December 2017, from H.E.S. in April 2018 and from Garaventa Lift in August 2018 also contributed to the increase, although in a lesser extent. The steady growth in revenue is also due to Savaria launching new products and to an increase in sales of certain existing products.

Gross margin, which was at 34.8% in 2017, is at 33.4% for the first nine months of 2018. Span's acquisition in June 2017 has contributed to increase the percentage of gross margin of the 3rd quarter of 2017. However, in the first nine months of 2018, the margin in this segment decreased from 34.5% for the 4th quarter of 2017 to 28.9%, bringing down the consolidated margin. For more details, refer to *Gross Margin* in section 9 *Operating Results*.

Operating expenses are up since the 2nd quarter of 2017 mainly because of the impact of the previously mentioned acquisitions and the amortization of the intangible assets related to those acquisitions. In percentage of revenue, they were at 19.5% in 2016 and are holding steady at 22% in 2017 and 2018.

Adjusted EBITDA of 2017 is at 16.8% of revenue, whereas it is at 14.4% of revenue for the first nine months of 2018. This decrease is due to the arrival of the new Span segment, and, to a lesser extent, the impact of the addition of Garaventa Lift's results in the 3rd quarter of 2018.

Reconciliation of EBITDA and Adjusted EBITDA with Net Income

As indicated in section 3, although EBITDA and adjusted EBITDA are not recognized measures 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 – unaudited)	2018			2017				2016
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Net income	\$2,754	\$6,376	\$3,772	\$8,335	\$4,812	\$2,764	\$3,337	\$3,740
Plus:								
Interest costs	868	813	406	503	399	152	182	187
Income tax expense (recovery)	1,534	2,216	1,335	(2,286)	1,386	1,510	1,147	1,510
Depreciation of fixed assets	903	709	650	613	774	444	368	353
Amortization of intangible assets	1,149	1,203	1,192	1,911	1,662	211	187	172
Less:								
Interest income	343	155	3	3	16	146	117	127
EBITDA	\$6,865	\$11,162	\$7,352	\$9,073	\$9,017	\$4,935	\$5,104	\$5,835
Stock-based compensation	389	295	215	315	277	212	86	104
Business acquisition costs, realized and unrealized	887	763	357	149	199	1,263	39	47
Value adjustment on acquired inventories	-	-	-	-	111	335	-	-
Provision for restructuring costs for Garaventa Lift's operations in China	1,554	-	-	-	-	-	-	-
Less:								
Proceeds from insurance claim	-	1,611	-	-	-	-	-	-
Gain on financial instrument	-	503	-	-	-	-	-	-
Adjusted EBITDA	\$9,695	\$10,106	\$7,924	\$9,537	\$9,604	\$6,745	\$5,229	\$5,986

9. Operating Results

The following sections provide a detailed analysis of operating results for the 3rd quarter and first nine months of 2018 compared with the same periods of 2017. The detailed analysis of prior quarters is provided in the interim reports for fiscal 2018, 2017 and 2016, available on SEDAR's website at www.sedar.com and on Savaria's website at www.savaria.com.

Segment Information

Certain financial data on the Corporation's three operating segments is presented in the following tables. For more information on the segments, refer to *Operating Segments of the Corporation* in section 4.

(in thousands of dollars, except for percentages - unaudited)	3 Months			9 Months		
	2018	2017	Change	2018	2017	Change
Revenue						
Accessibility	\$43,578	\$27,836	56.6%	\$104,966	\$81,869	28.2%
Adapted vehicles	6,916	6,746	2.5%	21,205	21,001	1%
Span	22,383	22,441	-%	68,653	25,869	165%
Consolidation eliminations	(788)	(35)	(2151)%	(1,908)	(247)	(672)%
Total	\$72,089	\$56,988	26.5%	\$192,916	\$128,492	50.1%
EBITDA						
Accessibility	\$7,542	\$5,573	35.3%	\$20,603	\$15,887	29.7%
% of revenue	17.3%	20%	n/a	19.6%	19.4%	n/a
Adapted vehicles	\$542	\$835	(35.1)%	\$1,647	\$2,120	(22.3)%
% of revenue	7.8%	12.4%	n/a	7.8%	10.1%	n/a
Span	\$1,896	\$3,122	(39.3)%	\$8,282	\$3,320	156%
% of revenue	8.5%	13.9%	n/a	12.1%	12.5%	n/a
Head Office	\$(3,115)	\$(513)	(507)%	\$(5,153)	\$(2,181)	(136)%
Total	\$6,865	\$9,017	(23.9)%	\$25,379	\$19,056	33.2%
% of revenue	9.5%	15.8%	n/a	13.2%	14.8%	n/a
Adjusted EBITDA						
Accessibility	\$7,689	\$5,764	33.4%	\$20,750	\$16,118	28.7%
% of revenue	17.6%	20.7%	n/a	19.8%	19.7%	n/a
Adapted vehicles	\$542	\$835	(35.1)%	\$1,647	\$2,120	(22.3)%
% of revenue	7.8%	12.4%	n/a	7.8%	10.1%	n/a
Span	\$1,948	\$3,241	(39.9)%	\$6,761	\$3,684	83.5%
% of revenue	8.7%	14.4%	n/a	9.8%	14.2%	n/a
Head Office	\$(484)	\$(236)	(105)%	\$(1,433)	\$(344)	(317)%
Total	\$9,695	\$9,604	0.9%	\$27,725	\$21,578	28.5%
% of revenue	13.4%	16.9%	n/a	14.4%	16.8%	n/a

Revenue of the *Accessibility* segment is up \$15.7M, from \$27.8M for the 3rd quarter of 2017 to \$43.6M for the 3rd quarter of 2018 and up \$23.1M for the first nine months, from \$81.9M in 2017 to \$105M for the same period of 2018. This increase in revenue results from the addition of the activities of Master Lifts in the 4th quarter 2017, of H.E.S. in April 2018 and of Garaventa Lift in August 2018. These acquisitions contributed \$12.2M for the 3rd quarter and \$15.8M for the nine-month period. The remaining comes from organic growth.

Revenue for the *Adapted Vehicles* segment is up some \$200,000 in 3rd quarter of 2018, an increase of 2.5% compared to 3rd quarter 2017, as well as for the nine-month period, a slight increase of 1%.

The *Span* segment shows stable revenue in the 3rd quarter of 2018 at \$22.4M and an increase of \$42.8M for the first nine months of 2018 since it was only present from mid-June 2017 following its acquisition by Savaria.

Adjusted EBITDA for the *Accessibility* segment increased by \$1.9M in the 3rd quarter of 2018, from \$5.8M in 2017 to \$7.7M in 2018, and \$4.6M in the first nine months of 2018, from \$16.1M in 2017 to \$20.7M in 2018. The increase in percentage of the adjusted EBITDA is lower than the increase in revenue due to an increase in the percentage of the operating expenses for this segment. This is mainly the result of the acquisition of Garaventa that has a higher percentage of operating costs.

The decrease in adjusted EBITDA of the *Adapted Vehicles* segment of \$293,000 for the 3rd quarter and \$473,000 for the first nine months of 2018 is mainly due to a decrease in gross margin due to a less favourable sales mix. The adjusted EBITDA for the *Span* segment decreased by \$1.3M in the 3rd quarter of 2018 whereas it increased by \$3.1M for the first nine months of 2018 since this segment has only been present since mid-June 2017. The decreases in adjusted EBITDA as a percentage of revenue are mainly due to decreases in gross margin percentage of 5% for the 3rd quarter and 3% for the nine-month period due to increases in foam cost, one of the main raw materials of this segment, of direct and indirect labour costs and fringe benefits, as well as transport costs.

(in thousands of dollars, except for percentages)	As at September 30, 2018 (unaudited)	As at December 31, 2017 (recast ⁽¹⁾)	Change
Assets			
Accessibility	\$274,830	\$106,910	157%
Adapted vehicles	22,067	20,890	5.6%
Span	127,788	122,207	4.6%
Head Office	223,904	151,900	47.4%
Consolidation eliminations	(268,893)	(181,226)	(48.4)%
Total assets	\$379,696	\$220,681	72.1%

⁽¹⁾ Recast following the adjustment of the purchase price allocation of the 2017 business acquisitions.

Accessibility segment's assets are up 157% or \$167.9M as at September 30, 2018 compared to December 31, 2017, mainly due to the acquisitions of H.E.S. in April 2018, of Visilift in July 2018 and of Garaventa Lift in August 2018. More specifically, the main variations are: an increase in cash (+\$6.3M, of which \$3.7M come from Garaventa Lift), trade and other receivables (+\$22.1M, of which \$21.1M come from Garaventa Lift), inventories (+\$29.2M, of which \$20.5M come from Garaventa Lift and \$6 M come from the Savaria Concord Lifts Inc. subsidiary following the addition of new products), fixed assets (+\$20.9M, of which \$20M come from Garaventa Lift), intangible assets and goodwill (+\$79.9M, of which \$67.1M come from Garaventa Lift and \$9.5M come from Visilift).

Adapted Vehicles segment's assets are up 5.6% or \$1.2M mainly due to an increase in cash (+\$2M), partially offset by lower inventories (-\$1.1M).

Span segment's assets are up 4.6% or \$5.6M due to an increase in trade and other receivables (+\$1.7M), inventories (+\$2M) and fixed assets (+\$1.6M).

Analysis of consolidated results

Certain data on consolidated results for the 3rd quarter and first nine months of 2018 and 2017 are presented in the following tables.

Gross Margin

(in thousands of dollars, except for percentages - unaudited)	3 Months			9 Months		
	2018	2017	Change	2018	2017	Change
Revenue	\$72,089	\$56,988	26.5%	\$192,916	\$128,492	50.1%
Cost of sales	\$48,161	\$37,084	29.9%	\$128,557	\$84,620	51.9%
Gross margin	\$23,928	\$19,904	20.2%	\$64,359	\$43,872	46.7%
<i>% of revenue</i>	33.2%	34.9%	<i>n/a</i>	33.4%	34.1%	<i>n/a</i>

Revenue for the 3rd quarter of 2018 is up by \$15.1M or 26.5%, from \$57M in 2017 to \$72.1M in 2018. The addition of the activities of Master Lifts in the 4th quarter 2017, of H.E.S. in April 2018 and of Garaventa Lift in August 2018 contributed \$12.2M to revenue increase for the quarter. The favourable variation of the US dollar compared to the Canadian dollar represents approximately \$2.2M. Revenue for the first nine months of 2018 is up by \$64.4M or 50.1% compared to the same period of 2017. The addition of Span's activities in June 2017 and of the activities linked to the above-mentioned 2018 acquisitions contributed \$55M to revenue increase for the first nine months. For this period, the favourable variation of the US dollar compared to the Canadian dollar represents approximately \$2.5M.

Gross margin is up by \$4M for the 3rd quarter and \$20.5M for the first nine months of 2018 compared to the corresponding periods of 2017. As a percentage of revenue, gross margin decreased from 34.9% to 33.2% for the 3rd quarter and from 34.1% to 33.4% for the first nine months mainly due to a lower contribution by Span to the consolidated gross margin. Indeed, Span's gross margin decreased by 3 percentage points in the first nine months of 2018 compared to the corresponding period of 2017 for the following reasons: a) the increase in the price of foam (+\$769,000), b) the increase in direct labour at the Beamsville plant due to the significant increase in the minimum wage in Ontario, Canada (+\$209,000) and c) a less profitable sales mix in the medical business unit due to faster growth of direct customer sales, which tend to have lower gross margins than other types of sales. The increase in expenses, which represents \$1.3M on an annual basis, will be offset by an increase of 4% of the selling prices of pressure management products. This price increase is being steadily implemented since August 2018 as contracts expire, and will be fully implemented by June 2019. When fully implemented, we forecast that the price increase will increase revenue and gross margin by \$2.3M on an annual basis, provided that the other variables

remain the same. Excluding Span's operations, the consolidated gross margin would have been 35.1% in the 3rd quarter and 35.5% in the first nine months.

The purchase volume from Asia allows us to maintain our direct costs at a competitive level. The proportion of purchases made by the subsidiary Savaria Concord Lifts Inc. from the subsidiary Savaria Huizhou and other suppliers in Asia remains high, at above 50% of its raw material purchases for the first nine months of 2018.

Breakdown of Revenue by Region

(as a percentage of sales -unaudited)	3 Months			9 Months		
	2018	2017	Change	2018	2017	Change
Canada	28.1%	33.1%	(5)	29.7%	37.6%	(7.9)
United States	60.8%	62.2%	(1.4)	62.6%	56.9%	5.7
Europe	5.7%	0.4%	5.3	2.1%	1.3%	0.8
Other regions	5.4%	4.3%	1.1	5.6%	4.2%	(1.4)

Operating Income

(in thousands of dollars, except percentages - unaudited)	3 Months			9 Months		
	2018	2017	Change	2018	2017	Change
Operating costs	\$16,406	\$12,778	28.4%	\$43,163	\$26,354	63.8%
<i>% of revenue</i>	22.8%	22.4%	n/a	22.4%	20.5%	n/a
Other net expenses	\$2,433	\$194	1,154%	\$1,931	\$1,471	31.3%
Operating income	\$5,089	\$6,932	(26.6)%	\$19,265	\$16,047	20.1%
<i>% of revenue</i>	7.1%	12.2%	n/a	10%	12.5%	n/a

Operating expenses increased by \$3.6M and \$16.8M for the current quarter and the nine-month period. Business acquisitions accounted for \$4.8M and \$14.7M respectively. The increase of \$14.7M for the nine-month period includes higher amortization of intangible assets expense of \$9.9M. As a percentage of revenue, operating costs increased from 22.4% to 22.8% in the 3rd quarter, and from 20.5% to 22.4% for the nine-month period compared to the corresponding periods of 2017. Were it not for these acquisitions, operating expenses would have increased by \$661,000 and \$2.1M for the same periods. These increases are mainly due to an increase in engineering and research and development expense (+\$385,000 for the quarter and +\$1.3M for the first nine months), in stock-

based compensation expense (+\$112,000 for the quarter and +\$324,000 for the first nine months) and selling costs (+\$371,000 for the quarter and +\$676,000 for the first nine months).

Other net expenses are up \$2.2M in the 3rd quarter and \$460,000 for the first nine months of 2018 due to higher acquisition costs (+\$688,000 for the quarter and +\$506,000 for the nine-month period) and a provision for the restructuring of the operations of Garaventa Lift's Chinese subsidiary (+\$1.6M for the quarter and for the nine-month period), partially offset by the proceeds from an insurance claim of \$1.6M for the nine-month period. The provision for restructuring results from the fact that Savaria has decided to consolidate the operations of Garaventa Lift's Chinese subsidiary located in Shanghai with its subsidiary located in Huizhou, China.

The combined effect of the favourable change in gross margin and the unfavourable variation in operating costs and of other net expenses results in a decrease in operating income of \$1.8M for the 3rd quarter and an increase in operating income of \$3.2M for the first nine months of 2018 compared to the same periods in 2017.

Net Income

(in thousands of dollars, except percentages - unaudited)	3 Months			9 Months		
	2018	2017	Change	2018	2017	Change
Net finance costs	\$801	\$734	9.1%	\$1,278	\$1,091	17.1%
Income before income tax	\$4,288	\$6,198	(30.8)%	\$17,987	\$14,956	20.3%
Income tax expense	\$1,534	\$1,386	10.7%	\$5,085	\$4,043	25.8%
Net income	\$2,754	\$4,812	(42.8)%	\$12,902	\$10,913	18.2%
<i>% of revenue</i>	3.8%	8.4%	<i>n/a</i>	6.7%	8.5%	<i>n/a</i>
EBITDA	\$6,865	\$9,017	(23.9)%	\$25,379	\$19,056	33.2%
<i>% of revenue</i>	9.5%	15.8%	<i>n/a</i>	13.2%	14.8%	<i>n/a</i>
Adjusted EBITDA	\$9,695	\$9,604	0.9%	\$27,725	\$21,578	28.5%
<i>% of revenue</i>	13.4%	16.9%	<i>n/a</i>	14.4%	16.8%	<i>n/a</i>

The unfavourable variation in net finance costs for the 3rd quarter of 2018 of \$67,000 compared to the same period in 2017 is mainly due to an unfavourable variation in interest on the long-term debt of \$509,000 offset by an increase in interest income of \$327,000 and a decrease in foreign exchange losses of \$188,000. For the nine-month period of 2018, the unfavourable variation in net financial expense is \$187,000 due to an increase in interest expense on the long-term debt of \$1.5M, offset by favourable variations in net foreign exchange gains of \$730,000, interest income of \$222,000 and a gain on a financial instrument of \$503,000 (see *Operations in Foreign Exchange* in section 4).

The effective income tax rate of 35.8% for the 3rd quarter and 28.3% for the first nine months of 2018 has increased compared to the rates of 22.4% and 27% for the same periods previous year respectively, due to the non-deductibility of the restructuring costs of Garaventa Lift's Chinese subsidiary and of certain acquisition costs, and unrecognized losses in certain subsidiaries of Garaventa Lift, whereas, conversely, in the 3rd quarter of 2017 several items were not taxable or taxed at lower rates.

Net income is down \$2.1M for the 3rd quarter, whereas it is up \$2M for the nine-month period of 2018 compared to the same periods previous year. Adjusted EBITDA for the 3rd quarter of 2018 is stable with that of the corresponding period of 2017 with an increase of \$91,000. For the first nine months of 2018, adjusted EBITDA is up \$6.1M compared to 2017.

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 contract maturity, gains and losses are reclassified against revenue in net earnings.

As at September 30, 2018, the Corporation held foreign exchange contracts totaling \$71.2M U.S. for a hedging period up to May 2022, at a weighted average rate of 1.2933. As at September 30, 2018, the unrealized gain on the foreign exchange contracts amounted to \$1M before deferred taxes and is reflected on the statement of financial position under *Derivative financial instruments* of current and non-current assets and current and non-current liabilities and is included in the *Accumulated other comprehensive income* balance.

The Corporation designates its US dollar denominated debt as a hedge for its net investment in its new *Span* subsidiary in the United States. This accounting treatment allows the Corporation to offset the designated portion of foreign exchange gain (or loss) from its debt against the foreign exchange loss (or gain) of its net investment in its subsidiary *Span* and to present it in other comprehensive income. For the quarter and nine-month period ended September 30, 2018, foreign exchange losses of \$550,000 (\$477,000 after tax) and gain of \$136,000 (\$6,000 after tax) respectively were recorded in other comprehensive income.

Hedging of Interest Rates

Since its debts bear interest at variable rates, the Corporation decided to enter into interest rate swap agreements to minimize its risk of variation of cash flow related to changes in interest rates on a portion of its long-term debt. Two interest rate swap agreements were terminated during the 2nd quarter of 2018 as it was no longer probable that the related borrowings would continue to exist. Hedge accounting has been discontinued and the cash flow hedge reserve for which future cash flows are no longer expected to be realized, in the amount of \$503,000, has been reversed to net income in the 2nd quarter of 2018 under *Finance income*. As at September 30, 2018, the Corporation held a swap agreement in Canadian dollars at an interest rate of 4.27% including a 1.75% stamping fee on a capital of \$50M for a 5-year period (for more details, refer to *Available Sources of Financing* in section 10).

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, 2018, the unrealized gain on the interest rate swaps is \$214,000 before deferred taxes and is presented in the statement of financial position under *Derivative financial instruments* of non-current assets, and is included in *Accumulated other comprehensive income*.

10. Financial Position

The acquisition of Garaventa Lift had a significant impact on Savaria's balance sheet, as shown in the tables below. Excluding the impact of Garaventa Lift, here are the main causes of major variations:

Working Capital

(in thousands of dollars)	September 30, 2018 (unaudited)	Garaventa Lift	September 30, 2018 excluding Garaventa Lift	December 31, 2017 (recast ⁽¹⁾)	Change	
Current assets	\$134,799	\$46,276	\$88,523	\$75,363	\$13,160	17.5%
Current liabilities	\$65,589	\$25,832	\$39,757	\$31,246	\$8,511	27.2%
Working capital	\$69,210	\$20,444	\$48,766	\$44,117	\$4,649	10.5%
Current ratio	2.06	1.79	2.23	2.41	(0.18)	(0.7)%

⁽¹⁾ Recast following the adjustment of the purchase price allocation of the 2017 business acquisitions.

Current assets increased by \$13.2M between December 31, 2017 and September 30, 2018, mainly due to an increase in inventories (+\$9.5M, of which \$6M come from the subsidiary Savaria Concord Lifts Inc. following the addition of new products), in cash (+\$2M), in income taxes receivable (+\$1M) and in trade and other receivables (+\$913,000). See subsection *Cash Flows* in section 11 for details on cash flow variations.

Current liabilities increased by \$8.5M between December 31, 2017 and September 30, 2018, mainly due to an increase in trade and other payables (+\$4M, of which \$2.1M come from the Savaria Concord Lifts Inc. subsidiary due to inventory increases), in deferred revenue (+\$1.1M), in the current portion of long-term debt (+\$2.1M), due to the current portion of a note payable related to the acquisition of Visilift (\$1.9M), and in income taxes payable (+\$1.2M).

Note that the number of days required to recover trade receivables was stable as at September 30, 2018, at 43 days, compared to December 31, 2017.

Non-current Assets and Liabilities and Equity

(in thousands of dollars)	September 30, 2018 (unaudited)	Garaventa Lift	September 30, 2018 excluding Garaventa Lift	December 31, 2017 (recast ⁽¹⁾)	Change	
Non-current assets	\$244,897	\$90,197	\$154,700	\$145,318	\$9,382	6.5%
Non-current liabilities	\$116,301	\$9,835	\$106,466	\$50,652	\$55,814	110%
Equity	\$197,806	\$(1,334)	\$199,140	\$138,783	\$60,357	43.5%

⁽¹⁾ Recast following the adjustment of the purchase price allocation of the 2017 business acquisitions.

Non-current assets increased by \$9.4M during the first nine months of 2018, due to 1) the increase in intangible assets and goodwill (+\$10.2M), mainly due to the acquisitions of Visilift (+\$9.5M) and H.E.S. (+\$1M), the increase in the end-of-period exchange rate (+\$1.7M) and capitalized costs (+\$1.9M), partially offset by amortization expense (-\$3.5M), 2) the increase in fixed assets (+\$2.9M) and 3) the increase in deferred tax assets (+\$1.3M), 4) partially offset by a decrease in the deposit on a business acquisition (-\$4.4M) and in derivative financial instruments (- \$1M) mainly related to a variation in unrealized gains (losses) on foreign exchange contracts.

Non-current liabilities increased by \$55.8M during the first nine months of 2018, mainly due to the increase in the non-current portion of the long-term debt (+\$55.7M, of which \$50M come from the term facility and \$3.5M come from the non-current portion of the note payable related to the acquisition of Visilift).

The \$60.4M increase in equity is mainly due to the bought deal investment completed during the 2nd quarter of 2018 (+\$54.7M), to the impact of net income (+\$12.9M), to the exercise of stock options (+\$1.2M) and the effect of the variation of the foreign exchange rates (+\$1.2M) included in accumulated other comprehensive loss offset by declared dividends (-\$11.9M).

As at September 30, 2018, Savaria benefited from a sound financial position with total assets of \$379.7M, compared with \$220.7M as at December 31, 2017, and total liabilities of \$181.9M, compared with \$81.9M as at December 31, 2017.

Share Information

(in thousands)	September 30, 2018 (unaudited)	December 31, 2017
Number of common shares issued and outstanding	44,972	41,250

(in thousands - unaudited)	Quarters ended September 30		Nine Months ended September 30	
	2018	2017	2018	2017
Weighted average number of common shares outstanding used to calculate basic earnings per share	44,864	41,177	43,245	39,224
Weighted average number of common shares outstanding used to calculate diluted earnings per share	45,726	42,101	44,071	40,126

Available Sources of Financing

(in thousands of dollars)	September 30, 2018 (unaudited)	December 31, 2017
Credit facilities:		
Authorized	\$110,000	\$110,000
Loans	41,318	38,861
Unused credit	68,682	71,139
Gross cash	13,376	7,719
Total	\$82,058	\$78,858

As shown above, the Corporation had total available funds of \$82.1M as at September 30, 2018. This provides it with the flexibility to meet its potential obligations in the near term and to pursue acquisition opportunities.

As per its financing agreement with its financial institution, a revolving line of credit totaling \$110M is at the Corporation's disposal. The agreement provides for an additional credit of \$50M, available under certain conditions. An amount of \$41.3M was drawn as at September 30, 2018. Only interest is payable monthly. This debt is presented as long-term in the consolidated statement of financial position.

On April 3, 2018, the Corporation entered into an amended and restated credit agreement. This agreement amends and updates the original credit agreement (i) by providing a \$50M term facility whose funds were received on April 3, 2018; (ii) by adding the possibility of drawing in euros; and (iii) by postponing by one year the maturity date of the \$110M revolving facility to April 3, 2023. The term facility is hedged by an interest rate swap (see *Hedging of Foreign Exchange Rates* in section 9 for details). Only interest is payable monthly. The credit facility is secured by the assets of the Corporation.

On May 4, 2018, the Corporation completed a bought deal placement of 3,450,000 common shares at a price of \$16.60 per share, for gross proceeds of \$57.3M and proceeds, net of transaction fees of \$3.5M, of \$53.8M.

A process for consolidating Canadian dollars and US dollars bank accounts in Canada is in place. Under this process, any daily net debit balance is applied against the balance of the credit line while any daily net credit balance increases the balance of the credit line.

The Corporation minimizes its exposure to risks of variation of cash flow related to fluctuations in interest rates by keeping most of its debt at fixed rates using swap agreements (see *Hedging of Interest Rates* in section 9).

As at September 30, 2018, the Corporation's debt-to-equity ratio was 30% (18.8% as at December 31, 2017).

Other Data and Ratios

(in thousands of dollars, except per-share amounts - unaudited)	September 30, 2018	December 31, 2017	Change
Book value per share ⁽¹⁾	\$4.40	\$3.36	31%
Cash per share ⁽¹⁾	\$0.30	\$0.19	58%
Market capitalization	\$898,993	\$751,583	20%

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

Book value per share is up as at September 30, 2018 compared to December 31, 2017, mainly due to an increase in equity due to the bought deal investment completed during the 2nd quarter of 2018. Cash per share increased as a result of the increase in cash position as at September 30, 2018 compared to December 31, 2017. Market capitalization is up due to an increase in the stock price of the Corporation's shares, which went from \$18.22 as at December 31, 2017 to \$19.99 as at September 30, 2018 and the number of outstanding shares related to the bought deal investment completed in the 2nd quarter.

11. Cash Flows

The following table presents certain cash flow data for 3rd quarter and first nine months of 2018 and 2017.

(in thousands of dollars - unaudited)	3 Months			9 Months		
	2018	2017	Change	2018	2017	Change
Cash at the beginning of the periods	\$73,336	\$6,773	\$66,563	\$7,719	\$51,230	\$(43,511)
Net cash related to operating activities	9,926	9,648	278	19,068	14,938	4,130
Net cash related to investing activities	(86,506)	(5,576)	80,930	(96,120)	(113,491)	17,371
Net cash related to financing activities	16,718	528	16,190	82,620	58,993	23,627
Unrealized foreign exchange gain (loss) on cash held in foreign currencies	(98)	(405)	307	89	(702)	791
Cash as at September 30	\$13,376	\$10,968	\$2,408	\$13,376	\$10,968	\$2,408

The Corporation's cash flows from operating activities are up \$278,000 for the 3rd quarter and \$4.1M in the first nine months compared to the same periods of the previous year. These variations are primarily due to a variation in net income before tax, depreciation, amortization and finance costs (-\$1.9M for the quarter, +\$6.5M for the nine-month period), the variation in non-cash items (+\$3.6M for the quarter - primarily from variations in inventories, trade and other receivable and trade and other payables, -\$611,000 for the nine-month period) and income taxes paid (-\$1.1M for the quarter and -\$941,000 for the nine-month period).

Cash flow used in investing activities is up \$80.9M in the 3rd quarter and \$17.4M for the nine-month period of 2018 compared to the same periods of the previous year. This is mainly due to a variation in disbursements related to business acquisitions and deposits on acquisitions (+\$79.1M for the quarter and -\$17.2M for the nine-month period) and additions to fixed assets (+\$1.6M for the quarter and -\$847,000 for the nine-month period).

Regarding financing activities, cash flows are up \$16.2M for 3rd quarter and \$23.7M for the first nine months of 2018 compared to the same periods of the previous year. These variations are mainly due to higher receipts of long-term debts (+\$26M for the quarter and +\$16.8M for the nine-month period), offset by a higher repayment of bank loans (-\$10.7M for the quarter and the nine-month period) and the higher payment in dividends (-\$126,000 for the quarter and -\$2.6M for the nine-month period), in addition, for the nine-month period, a favourable variation in the receipt of proceeds related to the issuance of shares (+\$17.4M) and a lower repayment of long-term debt (+\$10.8M), reduced by the absence of funds in 2018 coming from the exercise of warrants (-\$7.9M).

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 and inventory obsolescence 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 accounting 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, 2018:

- *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)*
- *IFRS 9 - Financial Instruments*
- *IFRS 15 - Revenue from Contracts with Customers*
- *IFRIC 22 - Foreign Currency Transactions and Advance Consideration*

None of these amendments had a significant impact on the financial statements except for IFRS 15 which had an impact on the presentation of freight revenue. In line with IFRS 15, it has been determined that freight is a service distinct from the sale of goods; the amount invoiced to the customer must thus be added to revenue while the amount invoiced by the carrier must be added to the cost of sales. This change had no impact on the Corporation's net income, but it increased both its revenue and its cost of sales by the same amount. To reflect this change in the comparative results for 2017, revenue and cost of sales were both increased by \$893,000 each for the 3rd quarter and \$2.1M each for the first nine months.

(C) Adoption of IFRS 16 – Leases

On January 13, 2016 the IASB issued IFRS 16 *Leases*. The new standard is effective for years beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 *Leases*.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have also been provided.

The Corporation has developed a plan in order to identify all leases of which the Corporation is a party, to collect data from these contracts and to make the necessary calculations to determine the amount of assets and liabilities to be recognized as of January 1, 2019. In compliance with the transitional options that are available, the Corporation has chosen to maintain the evaluation of existing contracts and to apply the new definition of lease only to contracts that will be entered into after January 1, 2019. In addition, the Corporation will use the modified retrospective approach, which allows for simplification measures, for the application of the new standard.

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 2017 annual Management's Report, an evaluation has been conducted to measure the effectiveness of controls and procedures as of December 31, 2017 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 2017 annual Management's Report, management has evaluated the effectiveness of internal control over financial reporting as of December 31, 2017.

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 Garaventa Lift, 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 of Garaventa Lift.

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 2018 that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

14. 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 2017 annual Management's Report, which are incorporated herein by reference:

- Exchange rates
- Interest rates
- Prices
- Credit
- Liquidity
- Economic conditions
- Warranties
- Competition
- Dependence on key distributors and large customers
- Dependence on the U.S. market
- Fluctuation in raw material prices
- Laws and regulations
- Information system
- Business acquisitions and their Integration
- Tax credits
- Deferred tax assets
- Lawsuits

15. Outlook

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

The development of a new product line of ceiling lifts is progressing at our research and development center in Magog, Québec. In the United States, these products are distributed by the Span subsidiary, which staffs 33 sales representatives serving this market; marketing began in the first quarter of 2018.

The acquisition of Visilift will expand our elevators offering by adding a deluxe circular or octagonal elevator requiring no shaft. Sales began in the first quarter of 2018. In addition to North America, this product will be available on the international market, such as Australia, China and Europe.

In December 2017, Savaria purchased the assets of Master Lifts, a reseller of accessibility products and elevators. Master Lifts' purchases of Savaria products from our Chinese subsidiary account for approximately 50% of their purchases. We plan to increase this percentage to 75% by the end of 2018.

Having closed the acquisition of Garaventa Lift, Savaria is now forecasting revenue of \$285M and adjusted EBITDA in a range of \$44M to \$45M for 2018. For 2019, Savaria forecasts revenue of \$400M and adjusted EBITDA in a range of \$60M to \$62M, excluding any new acquisitions.

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

November 14, 2018

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