Q3

Quarterly
REPORT

SAVARIA CORPORATION

Quarterly Report

For the Three-Month and Nine-Month Periods Ended September 30, 2019

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SAVARIA CORPORATION

Management's Report

For the Three-Month and Nine-Month Periods Ended September 30, 2019

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SAVARIA CORPORATION

Management's Discussion & Analysis Report

For the Three-Month and Nine-Month periods ended September 30, 2019

Contents

1. Basis of Presentation

The following management's discussion and analysis ("MD&A"), dated November 13, 2019, is intended to assist readers 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, 2019, in comparison with that for the corresponding periods of fiscal 2018. Unless otherwise indicated, the terms "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 interim condensed consolidated financial statements for the third quarter of 2019 and accompanying notes, and with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2018 and the MD&A 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. Amounts in certain passages of this MD&A may be expressed in millions of Canadian dollars ("M"); however, all percentages references related to such amounts are calculated based on the thousands of Canadian dollars amount figures contained in corresponding tables.

The Corporation's financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), and MD&A, have been reviewed by Savaria's Audit Committee and approved by its Board of Directors.

Additional information, including the Annual Information Form, is 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 13, 2019, 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 this report 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, in this MD&A the following non-IFRS measures are used by the Corporation: EBITDA, adjusted EBITDA; adjusted EBITDA margin; adjusted EBITDA before Head Office costs; adjusted EBITDA margin before Head Office costs; adjusted net earnings; adjusted net earnings per share; adjusted net earnings excluding amortization of intangible assets related to acquisitions; adjusted net earnings excluding amortization of intangible assets related to acquisitions per share; and net debt to adjusted EBITDA. These measures are defined at the end of this MD&A, in the "Glossary" section. Reconciliations to IFRS measures can be found in sections 7 and 8 of this MD&A.

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 entities.

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 and elevators for home and commercial use. It also manufactures and markets a comprehensive selection of pressure management products for the medical market, medical beds for the long-term care market, as well as an extensive line of medical equipment and solutions for the safe handling of patients. In addition, Savaria converts and adapts vehicles to be wheelchair accessible. The Corporation operates a sales network of dealers worldwide and direct sales offices in North America, Europe (Switzerland, Germany, Italy, Czech Republic, Poland and United Kingdom), Australia and China. Savaria employs approximately 1,500 people globally and its plants are located across Canada in Laval and Magog (Québec), Brampton, Beamsville and Toronto (Ontario) and Surrey (British Columbia), in the United States in Greenville (South Carolina), in Huizhou (China), in Milan (Italy) and in Newton Abbot (UK).

REPORTABLE SEGMENTS OF THE CORPORATION

The Corporation manages its operations under three reportable segments, *Accessibility, Patient Handling* (formerly Span) and *Adapted Vehicles*. These segments are structured according to the market segments they address.

Accessibility Segment

Through the *Accessibility* segment, Savaria designs, manufactures, distributes and installs a wide portfolio of products including stairlifts, wheelchair platform lifts for both commercial and residential applications, commercial accessibility elevators and home elevators. This segment also includes Garaventa Accessibility AG ("Garaventa Lift") acquired in August 2018, manufacturer of similar products with reach in European markets and strength on the west coast of North America. Together Savaria and Garaventa Lift operate manufacturing facilities in North America (Brampton, Ontario and Surrey, British Columbia) and Milan, Italy. Opened in 2007, Savaria Huizhou (China) provides partial assembly services for Savaria lift products. Working closely with key Asian suppliers has yielded continuous product improvements, competitive pricing and faster lead times. Savaria and Garaventa Lift products are distributed worldwide through a network of over 500 dealers as well as over 25 direct sales offices. Savaria also distributes straight stairlifts from Greenville, South Carolina, for the U.S. market.

Patient Handling Segment (formerly Span)

In 2016, Savaria designed and launched an innovative ceiling lift product line from a new facility in Magog, Québec. The products are designed to safely move patients from wheelchair to bed or bath areas using an overhead hoist. In June 2017, Savaria acquired Span-America Medical Systems ("Span"), makers of medical beds, therapeutic support surfaces and pressure management products used in healthcare facilities such as long-term care and nursing homes. Span manufactures in Greenville, South Carolina (surfaces/mattresses), and Beamsville, Ontario (beds). Span now sells the Savaria ceiling lift into the home care and institutional sales channels through approximately 35 sales representatives in North America. On July 1, 2019, Savaria completed the acquisition of

Silvalea Ltd and its sister company D-ansermed Ltd ("Silvalea"), a manufacturer of patient transfer slings and accessories, based in Newton Abbot, UK. Silvalea specializes in the design and development of challenging and complex patient transfer solutions, with an extensive catalog of over 800 sling designs. This acquisition complements our product offering and provides additional support to our patient lift segment.

Adapted Vehicles Segment

Savaria designs and builds lowered floor wheelchair accessible conversions for popular brands of minivans. Side entry access vans are built at its division Van-Action (2005) Inc. in Laval, Québec, whereas rear entry access vans are completed through Freedom Motors Inc., in Toronto, Ontario. Collectively known as the Savaria Vehicle Group, this division serves the Canadian marketplace with both personal use and commercial use designs for wheelchair passengers and drivers. Silver Cross Automotive serves as a retailer of these products along with other adaptation products in Ontario, Alberta and British Columbia.

5. Q3 2019 Highlights

- Revenue for the quarter was $96.4M, up $24.3M, or 33.8%, compared to Q3 2018.
- Gross margin was $32.1M, up $8.2M or 34.3.% compared to Q3 2018.
- Adjusted EBITDA was $15.7M, up $5.7M, or 57.1%, compared to Q3 2018.
- Adjusted EBITDA margin stood at 16.2% compared to 13.8% in Q3 2018. Excluding the favourable impact related to the adoption of IFRS 16 – *Leases*, adjusted EBITDA margin was 15.5%.
- Garaventa Lift's stand-alone adjusted EBITDA margin for Q3 2019 stood at 11.8%, compared to 9.4% in Q2 2019 and 7.3% in Q1 2019, in line with ongoing integration efforts.
- Patient Handling adjusted EBITDA margin stood at 15.2%, compared to 9.1% in Q3 2018, in line with expectations and mainly due to a better product mix, continued cost containment efforts and to management's decision to exit Span's low margin custom products market segment, effective Q3 2019.
- Adjusted net earnings for the quarter were $8.1M, up 78.8% compared to Q3 2018. On a per share basis, it stood at $0.17, up 70.0%, compared to the same period in 2018.
- Net earnings for the quarter were $7.8M, or $0.16 per share, on a diluted basis, up 184.2% and 166.7% respectively, compared to Q3 2018.
- On September 30, 2019, the Corporation completed a sale and leaseback transaction pertaining to its Surrey, British Columbia operating plant, netting proceeds of $28.4M.

6. Q3 2019 Review

The Corporation generated revenue of $96.4M in Q3 2019, up $24.3M, or 33.8% compared to Q3 2018, mainly due to acquisitions. The Corporation's *Accessibility* segment revenue grew organically by 8.3% while revenue within the *Patient Handing* and *Adapted vehicles* segments contracted, all in line with management's expectations.

Gross margin in Q3 stood at $32.1M and 33.3% as a percentage of revenue, compared to $23.9M and 33.2% in Q3 2018. The increase in gross margin was in line with the increase in revenue. Gross margin, as a percentage of revenue, remained stable.

Adjusted EBITDA and adjusted EBITDA margin for the quarter stood at $15.7M and 16.2%, respectively, compared to $10.0M and 13.8% for the same period in 2018. The increase in adjusted EBITDA was in line with the increase in revenue, mainly due to acquisitions made in 2018 and 2019. The increase in adjusted EBITDA margin was due to the continued integration-related improvement in Garaventa Lift's stand-alone adjusted EBITDA margin, as well as improvement in *Patient Handling's* adjusted EBITDA margin due, in part, to the exit from Span's custom products market segment. The adjusted EBITDA and adjusted EBITDA margin derived from Silvalea, acquired on July 1, 2019, also had a positive impact on the *Patient Handling* reportable segment's adjusted EBITDA metrics as a whole.

On September 30, 2019, the Corporation completed a sale and leaseback transaction pertaining to its Surrey, British Columbia operating plant, netting proceeds of $28.4M and providing additional financial flexibility.

OPERATIONAL REVIEW

Accessibility Segment

Revenue from the *Accessibility* segment stood at $69.4M for the quarter, up $26.6M or 62.2% compared to Q3 2018, due, in large part, to the acquisition of Garaventa Lift made in Q3 2018. Organically, revenue grew by 8.3% mainly due to an increase in core residential elevator unit sales. Timing of shipments, which had a negative impact on Q2 organic revenue growth, had the anticipated positive impact on Q3. On a year-to-date basis, organic revenue growth stood at 4.5%, in line with management's expectations.

Adjusted EBITDA before Head Office costs was $12.5M for the quarter, an increase of $4.9M, or 65.4% compared to the same period in 2018. The increase in adjusted EBITDA before Head Office costs was mainly due to acquisitions made in 2018 and 2019.

Adjusted EBITDA margin before Head Office costs stood at 18.0%, compared to 17.6% in Q3 2018. The increase in adjusted EBITDA margin before Head Office costs was due to a better product mix and to Garaventa Lift's improved stand-alone adjusted EBITDA margin before Head Office costs.

On a stand-alone basis and excluding the favourable impact of the adoption of IFRS 16 – *Leases,* the legacy Savaria *Accessibility* reportable segment generated an adjusted EBITDA margin before Head Office costs of 22.6%. Garaventa Lift's stand-alone adjusted EBITDA margin before Head Office costs was 11.8% for the quarter, an increase from 9.4% in Q2 2019 and 7.3% in Q1 2019; on a year-to-date basis, it stood at 10.0%.

The improvement in adjusted EBITDA margin before Head Office costs, for the segment as a whole, from 16.9% in Q2 2019 to 18.0% in Q3 2019, was in line with management's expectations and due mainly to continued Garaventa Lift operations' integration related synergies.

Patient Handling Segment

Revenue for the *Patient Handling* segment stood at $21.6M for the quarter, a decrease of $0.8M, or 3.7%, when compared to the same period in 2018, mainly due to lower revenue from Span's custom products market segment, partially offset by Silvalea acquisition related revenue. The lower revenue from Span's custom products market segment was in line with management's previously disclosed decision to exit that segment, effective Q3 2019.

Adjusted EBITDA before Head Office costs was $3.3M for the quarter, an increase of $1.2M, or 60.0%, compared to the same period in 2018. The increase in adjusted EBITDA before Head Office costs was due to a better product mix from Span, the contribution from our Silvalea acquisition and continued cost containment efforts.

Adjusted EBITDA margin before Head Office costs stood at 15.2%, compared to 9.1% in Q3 2018. Excluding the favourable impact of the adoption of IFRS 16 – *Leases,* adjusted EBITDA margin before Head Office costs would have been 14.5%. The increase in adjusted EBITDA margin before Head Office costs was mainly due to the same factors attributable to the increase in adjusted EBITDA before Head Office costs.

Costs and provisions to date, pertaining to the Corporation's previously disclosed decision to exit from Span's custom products market segment starting in Q3 of 2019, stood at $1.6M USD, with potential minor additional costs flowing into the final quarter of the year. The Corporation's initial estimated costs to exit from this market segment were $2.0M USD.

Adapted Vehicles Segment

Revenue for the *Adapted Vehicles* segment was $5.5M in Q3 2019, a decrease of $1.4M or 20.9% when compared to the third quarter of 2018. The decrease in revenue, since the beginning of the fiscal year, was due, in part, to the termination of a non-profit organization's vehicle accessibility program at the end of 2018, as well as the yet to be renewed calendar 2019 province of Québec subsidy program for adapted vehicles.

Adjusted EBITDA before Head Office costs for the segment decreased from $0.6M to $0.3M, in line with the drop in revenue. Adjusted EBITDA margin before Head Office costs was 5.2% compared to 8.3% in Q3 2018. Excluding the favourable impact of the adoption of IFRS 16 – *Leases,* adjusted EBITDA margin before Head Office costs would have been 3.5%. The decrease in adjusted EBITDA margin before Head Office costs was mainly due to reduced fixed cost absorption.

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At the three-quarter year mark, the Corporation now forecasts 2019 full year revenue to range between $370M and $380M. The decrease in revenue from its previously disclosed outlook is mainly due to the Corporation's decision to exit from Span's custom products market segment, which had a more pronounced impact than anticipated. As well, flat organic growth within Span's US medical business, lower Adapted Vehicles segment revenue, and the focus put upon the integration of Garaventa Lift throughout the year, also had an impact.

However, the aforementioned decision to exit Span's lower margin custom products business, combined with realized synergies from the integration of Garaventa Lift, and continued cost containment efforts, have enabled the Corporation to significantly improve its consolidated adjusted EBITDA margin profile. As a result, despite the lower anticipated revenue, the Corporation remains confident in its ability to achieve its full year $55M to $60M adjusted EBITDA guidance, albeit at the lower end of the range.

7. Financial Review

7.1 RESULTS OF OPERATIONS

	Q3		YTD	
in thousands of dollars	**2019**	2018	**2019**	2018
Revenue	**$96,434**	$72,089	**$277,903**	$192,916
Cost of sales	**64,300**	48,161	**186,675**	128,557
Gross Margin	**$32,134**	$23,928	**$91,228**	$64,359

	Q3		YTD	
in thousands of dollars, except per-share amounts	**2019**	2018	**2019**	2018
Revenue	**$96,434**	$72,089	**$277,903**	$192,916
Cost of sales[1]	**63,072**	47,458	**182,891**	126,886
Total operating expenses[1]	**17,710**	14,668	**54,612**	38,129
Adjusted EBITDA*	**$15,652**	$9,963	**$40,400**	$27,901
Stock based compensation expense	**480**	389	**1,343**	899
Other net expenses	**304**	2,433	**733**	1,931
EBITDA*	**$14,868**	$7,141	**$38,324**	$25,071
Depreciation of fixed assets	**2,014**	903	**5,845**	2,262
Amortization of intangible assets	**1,457**	1,149	**5,137**	3,544
Net finance costs	**1,407**	801	**4,579**	1,278
Earnings before income tax	**$9,990**	$4,288	**$22,763**	$17,987
Income tax expense	**2,163**	1,534	**5,380**	5,085
Net Earnings	**$7,827**	$2,754	**$17,383**	$12,902
Basic net earnings per share	**$0.16**	$0.06	**$0.37**	$0.30
Diluted net earnings per share	**$0.16**	$0.06	**$0.36**	$0.29

* Non-IFRS measures are described in the "Glossary" section.
[1] Net of depreciation of fixed assets, amortization of intangible assets, other net expenses and stock based compensation.

In sections 7.2 through 7.4, we review the year-over-year changes to operating results between 2019 and 2018, describing the factors affecting revenue, gross margin, expenses, adjusted EBITDA and adjusted EBITDA margin. Net finance costs, income taxes, net earnings, adjusted net earnings and adjusted net earnings excluding amortization of intangible assets related to acquisitions, are also reviewed, on a consolidated level, in sections 7.5 through 7.8.

7.2 REVENUE

The Corporation's reportable segments are: *Accessibility, Patient Handling* and *Adapted Vehicles*. The following table provides a summary of the year-over-year changes in revenue both by reportable segment and in total.

	Q3			
in thousands of dollars, except percentages	Accessibility	Patient Handling	Adapted Vehicles	Total
Revenue 2019	$69,414	$21,551	$5,469	**$96,434**
Revenue 2018	$42,795	$22,378	$6,916	**$72,089**
Net change %	62.2%	(3.7)%	(20.9)%	**33.8%**
Organic Growth (contraction)[1]	8.3%	(12.0)%	(20.9)%	**(0.8)%**
Acquisition Growth[1]	53.3%	8.0%	-	**34.2%**
Foreign Currency Impact[2]	0.6%	0.3%	-	**0.4%**
Net change %	62.2%	(3.7)%	(20.9)%	**33.8%**

[1] Organic growth (contraction) and acquisition growth are calculated based on local functional currency.
[2] Foreign currency impact represents the foreign exchange impact net of organic and acquisition growth.

	YTD			
in thousands of dollars, except percentages	Accessibility	Patient Handling	Adapted Vehicles	Total
Revenue 2019	$197,364	$63,709	$16,830	**$277,903**
Revenue 2018	$103,077	$68,634	$21,205	**$192,916**
Net change %	91.5%	(7.2)%	(20.6)%	**44.1%**
Organic Growth (contraction)[1]	4.5%	(11.4)%	(20.6)%	**(3.9)%**
Acquisition Growth[1]	85.7%	2.5%	-	**46.7%**
Foreign Currency Impact[2]	1.3%	1.7%	-	**1.3%**
Net change %	91.5%	(7.2)%	(20.6)%	**44.1%**

[1] Organic growth (contraction) and acquisition growth are calculated based on local functional currency.
[2] Foreign currency impact represents the foreign exchange impact net of organic and acquisition growth.

7.2.1 Accessibility

Revenue from our *Accessibility* segment was $69.4M in Q3 2019, an increase of $26.6M, or 62.2%, compared to Q3 2018. Acquisition and organic growth in revenue stood at 53.3% and 8.3%, respectively. The acquisition growth in revenue was attributable to the acquisitions made in 2018 and 2019. The organic revenue growth experienced was due, in part, to an increase in unit sales of our core residential elevators. As well, timing of shipments, which had a negative impact on Q2, had an anticipated positive impact on Q3.

For the nine-month period ended September 30, 2019, revenue from our *Accessibility* segment was $197.4M, an increase of $94.3M, or 91.5%, compared to the same period in 2018. Acquisition and organic growth in revenue stood at 85.7% and 4.5%, respectively. The acquisition growth in revenue was attributable to the acquisitions made in 2018 and 2019. The organic growth in revenue stemmed mainly from an increase in unit sales of our core residential elevators.

7.2.2 Patient Handling

Revenue from our *Patient Handling* segment was $21.6M for the quarter, a decrease of $0.8M, or 3.7%, compared to the third quarter of 2018. Acquisition growth and organic growth in revenue stood at 8.0% and negative 12.0%, respectively. Acquisition growth was generated by the Corporation's July 1, 2019 acquisition of Silvalea. Organically, revenue contracted 12.0%, mainly due to lower revenue from the custom products market segment and flat US medical products revenue growth, partially offset by an increase in ceiling lift sales.

For the nine-month period ended September 30, 2019, revenue for the reportable segment stood at $63.7M, a decrease of $4.9M, or 7.2%, compared to the same period in 2018. Acquisition growth and organic growth in revenue stood at 2.5% and negative 11.4%, respectively, mainly attributable to the same factors as for the quarter.

7.2.3 Adapted Vehicles

Revenue from our *Adapted Vehicles* segment was $5.5M in Q3 2019, a decrease of $1.4M, or 20.9% when compared to the third quarter of 2018. The decrease in revenue was due, in part, to the termination of a non-profit organization's vehicle accessibility program at the end of 2018, as well as the yet to be renewed calendar 2019 province of Québec subsidy program for adapted vehicles.

For the nine-month period ended September 30, 2019, revenue for the reportable segment stood at $16.8M, a decrease of $4.4M, or 20.6%, compared to the same period in 2018. The decrease in revenue was attributable to the same factors as for the quarter as well as a significant non-repeat van conversion contract in place in Q1 2018.

7.3 GROSS MARGIN AND EXPENSES

	Q3		YTD	
percentage of revenue	**2019**	2018	**2019**	2018
Revenue	**100.0%**	100.0%	**100.0%**	100.0%
Cost of sales	**66.7%**	66.8%	**67.2%**	66.6%
Gross Margin	**33.3%**	33.2%	**32.8%**	33.4%

Gross margin for Q3 2019, as a percentage of revenue, improved slightly compared to the same period for 2018, mainly due to a better consolidated product mix. On a year-to-date basis, gross margin stood at 32.8% compared to 33.4% in 2018, attributable mainly to Garaventa Lift's lower gross margin profile compared to legacy Savaria.

	Q3		YTD	
percentage of revenue	**2019**	2018	**2019**	2018
Revenue	**100.0%**	100.0%	**100.0%**	100.0%
Cost of sales[1]	**65.4%**	65.9%	**65.8%**	65.7%
Total operating expenses[1]	**18.4%**	20.3%	**19.7%**	19.8%
Adjusted EBITDA*	**16.2%**	13.8%	**14.5%**	14.5%
Stock based compensation expense	**0.5%**	0.5%	**0.4%**	0.5%
Other net expenses	**0.3%**	3.4%	**0.3%**	1.0%
EBITDA*	**15.4%**	9.9%	**13.8%**	13.0%
Depreciation of fixed assets	**2.1%**	1.3%	**2.2%**	1.2%
Amortization of intangible assets	**1.5%**	1.6%	**1.8%**	1.8%
Net finance costs	**1.5%**	1.1%	**1.6%**	0.7%
Income tax expense	**2.2%**	2.1%	**1.9%**	2.6%
Net earnings	**8.1%**	3.8%	**6.3%**	6.7%

* Non-IFRS measures are described in the "Glossary" section.
[1] Net of depreciation of fixed assets, amortization of intangible assets, other net expenses and stock based compensation.

Cost of sales for Q3 2019, as a percentage of revenue, decreased slightly over the same period of 2018 mainly due to a better consolidated product mix, as well as a ramp up in Garaventa Lift related cost synergies and continued cost containment efforts. On a year-to-date basis, cost of sales, as a percentage of revenue, was comparable to 2018.

Total operating expenses for Q3 2019, as a percentage of revenue, decreased over the same periods of 2018 mainly due to Garaventa Lift related cost synergies materializing and continued cost containment efforts. On a year-to-date basis total operating expenses, as a percentage of revenue, was comparable to 2018.

Stock-based compensation, as a percentage of revenue, remained stable when compared to the same periods in 2018.

Other net expenses are items which the Corporation believes should be excluded in understanding its underlying operational financial performance and are therefore isolated in its consolidated statement of earnings.

In Q3 2019, the Corporation incurred other net expenses of $0.3M made up of business acquisition and integration expenses and market segment exit costs totalling approximately $2.6M, partially offset by a $2.3M gain realized on a sale and leaseback transaction pertaining to its Surrey, British Columbia operating plant. In Q3 2018, the Corporation incurred business acquisition and integration-related expenses of approximately $2.4M.

For the nine-month period ended September 30, 2019, the Corporation incurred other net expenses of approximately $0.7M made up of business acquisition and integration expenses and market segment exit costs totalling approximately $4.2M, partially offset by gains of $1.1M realized on an amendment to a business purchase agreement and $2.3M on a sale and leaseback transaction pertaining to its Surrey, British Columbia operating plant. For the nine-month period ended September 30, 2018, the Corporation incurred business acquisition and integration-related expenses of approximately $3.5M, partially offset by a favourable insurance claim settlement of $1.6M.

Depreciation of fixed assets expense, as a percentage of revenue, increased significantly for both the quarter and year-to-date 2019 periods compared to 2018, mainly due to the adoption of IFRS 16 – *Leases,* requiring the recording of right-to-use assets and related depreciation expense, effective January 1, 2019.

Finally, amortization of intangible assets expense remained stable when compared to the same periods in 2018.

7.4 ADJUSTED EBITDA BY REPORTABLE SEGMENT

	Q3 2019			
in thousands of dollars, except percentages	Accessibility	Patient Handling	Adapted Vehicles	Total
Revenue	$69,414	$21,551	$5,469	**$96,434**
Adjusted EBITDA*				**$15,652**
Head office costs				**$390**
Adjusted EBITDA before Head office costs*	$12,490	$3,266	$286	**$16,042**
Adjusted EBITDA Margin before Head office costs*	18.0%	15.2%	5.2%	**16.6%**

* Non-IFRS measures are described in the "Glossary" section.

	Q3 2018			
in thousands of dollars, except percentages	Accessibility	Patient Handling	Adapted Vehicles	Total
Revenue	$42,795	$22,378	$6,916	**$72,089**
Adjusted EBITDA*				**$9,963**
Head office costs				**$200**
Adjusted EBITDA before Head office costs*	$7,551	$2,041	$571	**$10,163**
Adjusted EBITDA Margin before Head office costs*	17.6%	9.1%	8.3%	**14.1%**

* Non-IFRS measures are described in the "Glossary" section.

	YTD 2019			
in thousands of dollars, except percentages	Accessibility	Patient Handling	Adapted Vehicles	Total
Revenue	$197,364	$63,709	$16,830	**$277,903**
Adjusted EBITDA*				**$40,400**
Head office costs				**$1,023**
Adjusted EBITDA before Head office costs*	$31,860	$8,687	$876	**$41,423**
Adjusted EBITDA Margin before Head office costs*	16.1%	13.6%	5.2%	**14.9%**

* Non-IFRS measures are described in the "Glossary" section.

in thousands of dollars, except percentages	YTD 2018 Accessibility	Patient Handling	Adapted Vehicles	Total
Revenue	$103,077	$68,634	$21,205	**$192,916**
Adjusted EBITDA*				**$27,901**
Head office costs				**$663**
Adjusted EBITDA before Head office costs*	$20,235	$6,617	$1,712	**$28,564**
Adjusted EBITDA Margin before Head office costs*	19.6%	9.6%	8.1%	**14.8%**

* Non-IFRS measures are described in the "Glossary" section.

Total adjusted EBITDA and consolidated adjusted EBITDA margin before Head Office costs for the quarter stood at $16.0M and 16.6%, respectively, compared to $10.2M and 14.1% for the same period in 2018. Excluding the favourable impact of the adoption of IFRS 16 – *Leases,* adjusted EBITDA margin before Head Office costs would have been 15.9%.

The increase in consolidated adjusted EBITDA before Head Office costs, for both the quarter and year-to-date periods ended September 30, 2019, was mainly due to contribution from acquisitions made in 2018 and 2019.

The increase in consolidated adjusted EBITDA margin before Head Office costs, for Q3 2019, was due to increases in adjusted EBITDA margin before Head Office costs from our *Accessibility* and *Patient Handling* segments, reduced by a decrease in adjusted EBITDA margin before Head Office costs from our *Adapted Vehicles* segment.

The increase in adjusted EBITDA before Head Office costs from the *Accessibility* segment for the quarter was mainly due to acquisitions. The increase in adjusted EBITDA margin before Head Office costs was mainly due to a better product mix and to Garaventa Lift's improved stand-alone adjusted EBITDA margin before Head Office costs. The improvement in Garaventa Lift's stand-alone adjusted EBITDA was anticipated and in line with management's integration plan. Garaventa Lift's stand-alone adjusted EBITDA margin before Head Office costs was 11.8% for the quarter, an increase from 9.4% and 7.3% in Q2 and Q1 2019, respectively.

For the nine-month period ended September 30, 2019, the increase in adjusted EBITDA before Head Office costs from the *Accessibility* segment was mainly due to acquisitions. The decrease in adjusted EBITDA margin before Head Office costs was due to the blending of Garaventa Lift's operations which have a higher structural cost base when compared to legacy Savaria. Garaventa Lift's year-to-date stand-alone adjusted EBITDA margin before Head Office costs stood at 10.0%.

The increase in adjusted EBITDA and adjusted EBITDA margin before Head Office costs, for the *Patient Handling* segment, for both the quarter and nine-month period ended September 30, 2019, was attributable to a better revenue product mix from Span, due in part to the decision to exit its custom products market segment, the contribution from our Silvalea acquisition and continued cost containment efforts.

The decrease in adjusted EBITDA before Head Office costs for the Adapted vehicle segment, for both the quarter and nine-month period ended September 30, 2019, was in line with the decrease in revenue. The decrease in adjusted EBITDA margin before Head Office costs, for both the quarter and year-to-date periods, was mainly due to a reduced fixed cost absorption when compared to the same periods in 2018.

Head Office costs increased in Q3 and year-to-date 2019, compared to the same periods in 2018, mainly due to the expansion of the corporate team.

7.5 NET FINANCE COSTS

The Corporation's finance costs relate mainly to interest expenses incurred on credit facilities, general bank charges and realized and unrealized foreign exchange gains or losses pertaining to financial instruments. The Corporation uses its credit facilities to manage its working capital, capital expenditures and to finance business acquisitions.

For the quarter, net finance costs, as a percentage of revenue, increased when compared to the same period in 2018, due mainly to net foreign currency losses of $0.4M incurred in 2019, compared to $0.1M incurred in 2018.

For the nine-month period ended September 30, 2019, net finance costs, as a percentage of revenue, increased significantly when compared to the same period in 2018, due mainly to increased average debt levels resulting from acquisitions made in 2018 and 2019.

7.6 INCOME TAXES

In Q3 2019, an income tax expense of $2.2M was recorded on earnings before income taxes of $10.0M, representing an effective tax rate of 21.7%. In Q3 2018, the effective tax rate stood at 35.8% mainly due to the non-deductibility of certain expenses for tax purposes.

For the nine-month period ended September 30, 2019, an income tax expense of $5.4M was recorded on earnings before taxes of $22.8M, representing an effective tax rate of 23.6%. For the comparable 2018 period, the effective tax rate was 28.3% attributable to the same factors as for Q3 2018.

7.7 NET EARNINGS AND NET EARNINGS PER SHARE

In Q3 2019, the Corporation's net earnings were $7.8M, or $0.16 per share on a diluted basis, compared to $2.8M, or $0.06 per share on a diluted basis for the same period in 2018. The increase in net earnings and net earnings per share on a diluted basis, was due to additional EBITDA generated in 2019, stemming mainly from acquisitions, partially offset by higher depreciation and amortization related expenses as well as higher net finance costs.

For the nine-month period ended September 30, 2019, the Corporation's net earnings stood at $17.4M, or $0.36 per share on a diluted basis, compared to $12.9M, or $0.29 per share on a diluted basis for the same period in 2018. The increases in net earnings and net earnings per share on a diluted basis are attributable to the same factors as for the quarter.

Net earnings per share is a commonly used metric to measure a corporation's performance. However, management believes that in the context of a fragmented industry subject to consolidation, adjusted net earnings per share and adjusted net earnings excluding amortization of intangible assets related to acquisitions per share (due to the application of various accounting policies in relation to the allocation of purchase price to goodwill and intangible assets) are measures that should be taken into consideration to assess the Corporation's performance against its peer group. These measures are reviewed in section 7.8.

7.8 RECONCILIATION OF NET EARNINGS, ADJUSTED NET EARNINGS AND ADJUSTED NET EARNINGS EXCLUDING AMORTIZATION OF INTANGIBLE ASSETS RELATED TO ACQUISITIONS

	Q3		YTD	
in thousands of dollars, except number of shares and per-share amounts	**2019**	2018	**2019**	2018
Net earnings	**$7,827**	$2,754	**$17,383**	$12,902
Other net expenses	**304**	2,433	**733**	1,931
Income taxes related to other net expenses	**(65)**	(676)	**(173)**	(546)
Adjusted net earnings*	**$8,066**	$4,511	**$17,943**	$14,287
Adjusted net earnings per share*	**$0.17**	$0.10	**$0.38**	$0.33
Amortization of intangible assets related to acquisitions	**947**	717	**3,283**	2,138
Income taxes related to amortization of intangible assets related to acquisitions	**(188)**	(236)	**(776)**	(604)
Adjusted net earnings excluding amortization of intangible assets related to acquisitions*	**$8,825**	$4,992	**$20,450**	$15,821
Adjusted net earnings excluding amortization of intangible assets related to acquisitions per share*	**$0.18**	$0.11	**$0.43**	$0.37
Basic weighted average number of shares	**50,409,889**	44,864,337	**47,681,416**	43,245,264

* Non-IFRS measures are described in the "Glossary" section.

Adjusted net earnings stood at $8.1M, or $0.17 per share in Q3 2019, increases of 78.8% and 70.0%, respectively, compared to Q3 2018. The increases in these metrics were due to additional EBITDA generated in 2019, stemming mainly from acquisitions, partially offset by higher net finance costs and higher income tax expenses.

For the nine-month period ended September 30, 2019, the Corporation's adjusted net earnings stood at $17.9M, or $0.38 per share, increases of 25.6% and 15.2%, respectively, compared to the same period in 2018. The increases in these metrics are attributable to the same factors as for the quarter.

Adjusted net earnings excluding amortization of intangible assets related to acquisitions stood at $8.8M, or $0.18 per share in Q3 2019, increases of 76.8% and 63.6%, respectively, compared to Q3 2018. The increases in these metrics are attributable to the same factors as for the increases for the corresponding metrics pertaining to adjusted net earnings.

For the nine-month period ended September 30, 2019, the Corporation's adjusted net earnings excluding amortization of intangible assets related to acquisitions stood at $20.5M, or $0.43 per share, increases of 29.3% and 16.2%, respectively, compared to the same period in 2018. The increases in these metrics are attributable to the same factors as for the increases for adjusted net earnings corresponding metrics.

8. Liquidity

	Q3		YTD	
in thousands of dollars	**2019**	2018	**2019**	2018
Cash flows related to operating activities	**$8,256**	$10,043	**$18,049**	$19,068
Cash flows related to investing activities	**21,056**	(86,506)	**8,938**	(96,120)
Cash flows related to financing activities	**(43,911)**	16,601	**7,729**	82,620
Effect of exchange rate change on cash	**(312)**	(98)	**(467)**	89
Net change in cash	**$(14,911)**	$(59,960)	**$34,249**	$5,657

8.1 OPERATING ACTIVITIES

Cash generated from operating activities in Q3 2019 stood at $8.3M, compared to $10.0M in Q3 2018. The decrease in cash generated from operating activities was mainly due to an unfavourable change in non-cash operating items partly offset by an increase in the net earnings.

Cash generated from operating activities for the nine-month period ended September 30, 2019 stood at $18.0M, compared to $19.1M for the same period in 2018. The decrease in cash generated from operating activities was attributable to the same factors as for the quarter.

8.2 INVESTING ACTIVITIES

For the third quarter of 2019, cash generated from investing activities was $21.1M, compared to cash used of $86.5M in Q3 2018. In Q3 2019, the Corporation completed a sale and leaseback transaction pertaining to its Surrey, British Columbia operating plant and disposed of other fixed assets, netting proceeds of $28.6M. As well, the Corporation disbursed $6.8M to acquire the shares of Silvalea and $0.8M for fixed and intangible assets (including deposits), compared to disbursements of $83.6M for business acquisitions and $2.9M for fixed and intangible assets in Q3 2018.

For the nine-month period ended September 30, 2019, cash generated from investing activities stood at $8.9M, compared to cash used of $96.1M for the same period in 2018. In 2019, the Corporation completed a sale and leaseback transaction pertaining to its Surrey, British Columbia operating plant and disposed of other fixed assets, netting proceeds of $28.6M. As well, the Corporation disbursed cash pertaining to business acquisitions of $12.5M and acquired $7.2M in fixed and intangible assets (including deposits), compared to $89.7M and $6.4M, respectively, in 2018.

8.3 FINANCING ACTIVITIES

For the third quarter of 2019, cash used in financing activities was $43.9M compared to a cash infusion of $16.6M in Q3 2018. During the quarter, the Corporation repaid $32.9M on its credit facility and $5.9M of lease payments and other long-term debts including interest, and paid dividends of $5.3M to shareholders. In Q3 2018, the Corporation drew $31.6M on its credit facility and repaid $11.5M of debt, including interest, and paid dividends of $4.0M to shareholders.

For the nine-month period ended September 30, 2019, cash generated from financing activities was $7.7M compared to $82.6M for the same period in 2018. During 2019, the Corporation received proceeds of $68.5M from the issuance of shares and the exercise of stock options, repaid $34.1M on its credit facility, $11.3M of lease payments and other long-term debts including interest, and paid dividends of $15.4M to shareholders. During the same period of 2018, the Corporation received proceeds of $55.0M from the issuance of shares and the exercise of stock options, drew $50.0M of term loan and $7.6M on its credit facility, repaid $18.0M of debt, including interest, and paid dividends of $11.6M to shareholders.

8.4 NET DEBT TO ADJUSTED EBITDA*

in thousands of dollars	**September 30 2019**	December 31 2018
Credit facility interest-bearing debts [1,2]	**$58,146**	$93,412
Lease liabilities [1]	**27,588**	-
Other interest & non-interest-bearing debts [1]	**2,431**	7,924
Less: Cash	**(45,679)**	(11,430)
Net debt*	**$42,486**	$89,906
Trailing twelve months adjusted EBITDA*	**$52,826**	$40,327

* Non-IFRS measures are described in the "Glossary" section
[1] Including current portion.
[2] Net of deferred financing fees.

As at September 30, 2019, the Corporation had a net debt position of $42.5M and a trailing twelve-month net debt to adjusted EBITDA ratio of 0.8x.

8.5 DIVIDENDS

The aggregate monthly dividends declared in the third quarter and first nine months of 2019 totaled $5.5M and $15.5M, respectively, compared to and $4.3M and $11.9M for the same periods in 2018. As at September 30, 2019, 50,465,445 shares were issued and outstanding, compared to 44,972,112 as at September 30, 2018. Dividends paid in the third quarter and the first nine months of 2019 amounted to $5.3M and $15.4M, respectively, compared to $4.0M and $11.6M for the same periods in 2018.

8.6 STOCK OPTIONS

As at November 13, 2019, 2,210,835 stock options were outstanding at exercise prices ranging from $3.45 to $20.03.

8.7 CAPITAL RESOURCES

in thousands of dollars	**September 30 2019**	December 31 2018
Cash	**$45,679**	$11,430
Available credit facilities	**100,850**	65,502
Available short-term capital resources	**$146,529**	$76,932

The Corporation believes that its cash flows from operating activities, combined with its available short-term capital resources, will enable it to support its growth strategy, working capital requirements and planned capital expenditures as well as provide its shareholders with a return on their investment.

8.8 CREDIT FACILITY

The Corporation has in place, as at September 30, 2019, a credit facility with a financial institution providing for a maximum amount of $160.0M, comprised of a $50.0M term loan and a $110.0M revolver. The credit facility is available for general corporate purposes and for financing future business acquisitions. Under this credit facility, the Corporation is required, among other conditions, to respect certain covenants on a consolidated basis. Management reviews compliance with these covenants in conjunction with quarterly filing requirements under its credit facility. All covenants were met as at September 30, 2019.

9. Summary of Quarterly Results

Selected financial information for the last eight quarters is presented in the following table.

	Total	2019			2018				2017
in thousands of dollars, except per-share amounts	Trailing 12 months	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue[1]	$371,021	**$96,434**	$93,992	$87,477	$93,118	$72,089	$64,235	$56,592	$55,249
Gross Margin as a % of revenue[1]	32.4%	**33.3%**	34.1%	30.9%	30.9%	33.2%	33.8%	33.1%	36.3%
Adjusted EBITDA*[2]	$52,826	**$15,652**	$14,217	$10,531	$12,426	$9,963	$10,040	$7,898	$9,575
Net earnings	$22,139	**$7,827**	$5,491	$4,065	$4,756	$2,754	$6,376	$3,772	$8,335
Earnings per share – diluted	$0.47	**$0.16**	$0.11	$0.09	$0.11	$0.06	$0.14	$0.09	$0.20
Dividend declared per share	$0.423	**$0.108**	$0.105	$0.105	$0.105	$0.095	$0.090	$0.090	$0.090

* Non-IFRS measures are described in the 'Glossary' section

[1] 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.

[2] Adjusted EBITDA metric for periods prior to Q3 2019 have been restated to reflect adjusted EBITDA as defined in the Glossary section of this MD&A.

10. Governance

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 2018 annual Management Discussion and Analysis Report, an evaluation has been conducted to measure the effectiveness of controls and procedures as at December 31, 2018 related to 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 2018 annual Management's Report, management has evaluated the effectiveness of internal controls over reporting as at December 31, 2018.

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 2019 that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

11. 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 estimate uncertainties that have a significant risk of resulting in a material adjustment are the measurement of the identifiable assets acquired during business combinations, the warranty provisions, the inventory obsolescence provision and the valuation of defined benefit pension plan obligations. 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 reportable 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 OF 2019

The following new standards and amendments to standards and interpretations have been applied in preparing the consolidated financial statements as at September 30, 2019:

- IFRS 16 – *Leases*
- IFRIC 23 – *Uncertainty over Income Tax Treatments*
- Annual Improvements to IFRS Standards – 2015-2017 Cycle

The adoption of these new standards, with the exception of IFRS 16 for which the impact of its adoption is described below, has not had a material impact on the consolidated financial statements.

IFRS 16 – *Leases*

The Corporation leases many assets which are mostly properties and vehicles. As a lessee, the Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities on its balance sheet for most leases. The Corporation presents right-of-use assets in Fixed assets, the same line item as it presents underlying assets of the same nature that it owns.

i) Accounting policies

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Corporation has applied judgement to determine the lease term for some lease agreements in which a renewal option exists. The assessment of whether the Corporation is reasonably certain to exercise such option impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

ii) Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities have been measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability.

For leases classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

iii) Impact on the financial statements

a. Impact on transition

The impact on transition is summarized as follows:

in thousands of dollars	January 1 2019
Increase in right-of-use assets presented in fixed assets	**$9,487**
Increase in lease liabilities presented in long-term debt	**$9,577**
Decrease in trade and other payables	**$25**
Decrease in other long-term liabilities	**$65**

When measuring lease liabilities for leases that were classified as operating leases, the Corporation discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 4.07%.

b. Reconciliation of the lease liability at January 1, 2019

in thousands of dollars	January 1 2019
Operating lease commitments at December 31, 2018 as disclosed in the Corporation's consolidated financial statements	**$9,582**
Amount of commitments discounted using the Corporation's incremental borrowing rate at January 1, 2019	**$8,513**
Recognition exemption for leases of low-value assets	**(296)**
Recognition exemption for leases with less than 12 months of lease term	**(167)**
Service contracts excluded from IFRS 16 application	**(48)**
Variable fees that are not taken into account when evaluating lease liabilities	**(1,174)**
Extension options reasonably certain to be exercised	**2,749**
Increase in lease liabilities at January 1, 2019	**$9,577**

c. Impact over the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Corporation recognized $9,5M of right-of-use assets and $9,6M of lease liabilities as at January 1st, 2019.

Also in relation to those leases under IFRS 16, the Corporation has recognized depreciation and interest costs, instead of operating lease expense. During the nine months ended September 30, 2019, the Corporation recognized $1,6M in depreciation expense and $0.2M in interest costs from these leases. Had IFRS 16 not been implemented, expenses in the amount of $1,7M would have been booked during this same period.

12. Risks and Uncertainties

Savaria in 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 2018 annual Management Discussion and Analysis Report, which are incorporated herein by reference:

- Economic Conditions
- Operating Results
- Financing
- Acquisitions
- Currency Fluctuations
- Market and Competition
- Business Interruption
- Health care Reimbursement
- Property Rights
- Credit Risk
- Interest Rates Fluctuations
- Price Variation
- Dependence on Key Personnel
- Dependence on Key Distributors
- Dependence on Key Suppliers
- Laws and Regulations
- Product Liability
- Litigation
- Information Systems & Cybersecurity

13. Outlook

At the three-quarter year mark, the Corporation now forecasts 2019 full year revenue to range between $370M and $380M. The decrease in revenue from its previously disclosed outlook is mainly due to the Corporation's decision to exit from Span's custom products market segment, which had a more pronounced impact than anticipated. As well, flat organic growth within Span's US medical business, lower *Adapted Vehicles* segment revenue, and the focus put upon the integration of Garaventa Lift throughout the year, also had an impact.

However, the aforementioned decision to exit Span's lower margin custom products business, combined with realized synergies from the integration of Garaventa Lift, and continued cost containment efforts, have enabled the Corporation to significantly improve its consolidated adjusted EBITDA margin profile. As a result, despite the lower anticipated revenue, the Corporation remains confident in its ability to achieve its full year $55M to $60M adjusted EBITDA guidance, albeit at the lower end of the range.

14. Glossary

EBITDA	EBITDA is defined as earnings before net finance costs, income tax expense and depreciation & amortization. EBITDA is not an IFRS measure and does not have a standardized definition within IFRS. Investors are cautioned that EBITDA should not be considered an alternative to net earnings for the period (as determined in accordance with IFRS) as an indicator of the Corporation's performance, or an alternative to cash flows from operating, investing and financing activities as a measure of the liquidity and cash flows. The Corporation's method of calculating EBITDA may differ from the methods used by other issuers and, accordingly, the Corporation's EBITDA may not be comparable to similar measures used by other issuers.
Adjusted EBITDA	Adjusted EBITDA is defined as EBITDA before other net expenses (income) and stock-based compensation expense. Adjusted EBITDA is not an IFRS measure and does not have a standardized definition within IFRS. Investors are cautioned that adjusted EBITDA should not be considered an alternative to net earnings for the period (as determined in accordance with IFRS) as an indicator of the Corporation's performance, or an alternative to cash flows from operating, investing and financing activities as a measure of the liquidity and cash flows. The Corporation's method of calculating adjusted EBITDA may differ from the methods used by other issuers and, accordingly, the Corporation's adjusted EBITDA may not be comparable to similar measures used by other issuers.
Adjusted EBITDA Margin	Adjusted EBITDA margin is defined as adjusted EBITDA expressed as a percentage of revenue. Adjusted EBITDA margin is not an IFRS measure and does not have a standardized definition within IFRS.
Adjusted EBITDA before Head Office costs	Adjusted EBITDA before Head Office costs is defined as adjusted EBITDA excluding Head Office costs. Head Office costs are expenses and salaries related to centralized functions, such as finance and legal, which are not allocated to reportable segments. Adjusted EBITDA before Head Office costs is not an IFRS measure and does not have a standardized definition within IFRS.
Adjusted EBITDA margin before Head Office costs	Adjusted EBITDA margin before Head Office costs is defined as adjusted EBITDA before Head Office costs expressed as a percentage of revenue. Adjusted EBITDA margin before Head Office costs is not an IFRS measure and does not have a standardized definition within IFRS.
Adjusted net earnings and adjusted net earnings per share	Adjusted net earnings is defined as net earnings excluding other net expenses (income) and the income tax effects related to these costs. Adjusted net earnings is not an IFRS measure and does not have a standardized definition within IFRS. The Corporation believes these expenses (income), which are not core operational expenses (income), should be excluded in understanding the underlying operational financial performance achieved by the Corporation. Adjusted net earnings per share is calculated using the basic weighted average number of shares.

Adjusted net earnings excluding amortization of intangible assets related to acquisitions and adjusted net earnings excluding amortization of intangible assets related to acquisitions per share

Adjusted net earnings excluding amortization of intangible assets related to acquisitions is defined as adjusted net earnings excluding the amortization of backlogs, client lists, maintenance contracts, patents and trademarks accounted for in business combinations and the income tax effects related to this amortization. Adjusted net earnings excluding amortization of intangible assets related to acquisitions is not an IFRS measure and does not have a standardized definition within IFRS. It provides a comparative measure of the Corporation's performance in a context of significant business combinations.

Adjusted net earnings excluding amortization of intangible assets related to acquisitions per share is calculated using the basic weighted average number of shares.

Net debt to adjusted EBITDA ratio

Net Debt to adjusted EBITDA ratio is not an IFRS measure and does not have a standardized definition within IFRS. Net debt is defined as long-term debt (including lease liability), including current portions, net of cash. The Corporation uses this ratio as a measure of financial leverage and is calculated on its trailing twelve month adjusted EBITDA.

2019

SAVARIA CORPORATION

Interim Condensed Consolidated Financial Statements

As at September 30, 2019

(Unaudited and not reviewed by the Corporation's independent auditors)

savaria

SAVARIA CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars - Unaudited)

	Note	September 30, 2019	December 31, 2018
Assets			
Current assets			
Cash		**$ 45,679**	$ 11,430
Trade and other receivables		**50,883**	50,418
Income taxes receivable		**972**	643
Derivative financial instruments	*12*	**-**	24
Inventories		**75,219**	70,261
Prepaid expenses and other current assets		**6,661**	4,081
Deposit		**627**	627
Total current assets		**180,041**	137,484
Non-current assets			
Fixed assets		**73,836**	73,640
Intangible assets and goodwill	*5*	**191,601**	180,578
Deposits on purchases of fixed assets		**228**	25
Other long-term assets		**1,255**	411
Deferred tax assets		**8,136**	6,027
Total non-current assets		**275,056**	260,681
Total assets		**$ 455,097**	$ 398,165
Liabilities			
Current liabilities			
Trade and other payables		**$ 34,520**	$ 39,134
Dividend payable		**1,933**	1,775
Income taxes payable		**4,551**	2,314
Deferred revenues		**23,939**	18,322
Derivative financial instruments	*12*	**462**	1,361
Current portion of long-term debt	*6*	**2,334**	4,035
Current portion of lease liabilities	*7*	**3,764**	-
Warranty provisions		**2,257**	2,134
Total current liabilities		**73,760**	69,075
Non-current liabilities			
Long-term debt	*6*	**58,243**	97,301
Lease liabilities	*7*	**23,824**	-
Warranty provisions		**1,558**	1,843
Other long-term liabilities		**11,719**	11,363
Income taxes payable		**702**	590
Derivative financial instruments	*12*	**2,486**	3,115
Deferred tax liabilities		**13,440**	16,481
Total non-current liabilities		**111,972**	130,693
Total liabilities		**185,732**	199,768
Equity			
Share capital	*8*	**251,501**	179,328
Contributed surplus		**5,539**	4,407
Accumulated other comprehensive loss		**(2,179)**	(474)
Retained earnings		**14,504**	15,136
Total equity		**269,365**	198,397
Total liabilities and equity		**$ 455,097**	$ 398,165

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

SAVARIA CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands of Canadian dollars, except per share amounts and numbers of shares - Unaudited)

	Note	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenue	*13*	**$ 96,434**	$ 72,089	**$ 277,903**	$ 192,916
Cost of sales		**64,300**	48,161	**186,675**	128,557
Gross margin		**32,134**	23,928	**91,228**	64,359
Operating expenses					
Administrative		**7,704**	6,058	**21,568**	15,388
Selling		**10,608**	8,155	**34,295**	22,243
Engineering		**1,463**	1,508	**5,468**	3,883
Research and development		**658**	685	**1,822**	1,649
Other net expenses	*9*	**304**	2,433	**733**	1,931
Total operating expenses		**20,737**	18,839	**63,886**	45,094
Net Finance costs	*10*	**1,407**	801	**4,579**	1,278
Earnings before income tax		**9,990**	4,288	**22,763**	17,987
Income tax expense		**2,163**	1,534	**5,380**	5,085
Net Earnings		**$ 7,827**	$ 2,754	**$ 17,383**	$ 12,902
Earnings per share:					
Basic		**$ 0.16**	$ 0.06	**$ 0.37**	$ 0.30
Diluted		**$ 0.16**	$ 0.06	**$ 0.36**	$ 0.29
Basic weighted average number of shares		**50,409,889**	44,864,337	**47,681,416**	43,245,264
Diluted weighted average number of shares		**50,817,104**	45,726,469	**48,125,835**	44,070,645

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of Canadian dollars - Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
Net Earnings	**$ 7,827**	$ 2,754	**$ 17,383**	$ 12,902
Items that may be reclassified subsequently to earnings or loss:				
Net change in fair value of derivative financial instruments designated as cash flow hedges (net of tax)	**(478)**	1,734	**1,123**	(663)
Unrealized net (losses) gains on translation of financial statements of foreign operations	**1,078**	(1,618)	**(3,855)**	1,867
Net investment hedge (net of tax)	**(519)**	477	**1,027**	(7)
Other comprehensive (loss) income	**81**	593	**(1,705)**	1,197
Total comprehensive income	**$ 7,908**	$ 3,347	**$ 15,678**	$ 14,099

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

SAVARIA CORPORATION

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period of nine months ended September 30, 2018

(in thousands of Canadian dollars - Unaudited)

	2018										
	Share capital										
	Number		Amount		Contributed surplus		Accumulated other comprehensive loss		Retained earnings		Total equity
Balance at January 1, 2018	**41,250,448**	**$**	**120,394**	**$**	**3,298**	**$**	**(1,691)**	**$**	**16,782**	**$**	**138,783**
Total comprehensive income											
Net Earnings	-		-		-		-		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, net of tax	-		-		-		(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	**$**	**14,099**
Transactions with shareholders, recorded directly in equity											
Shares issued in relation to a placement (Note 8)	3,450,000		57,270		-		-		-		**57,270**
Share issue costs, net of tax (Note 8)	-		-		-		-		(2,529)		**(2,529)**
Stock-based compensation	-		-		899		-		-		**899**
Exercise of stock options (Note 8)	271,664		1,430		(238)		-		-		**1,192**
Dividends on common shares (Note 8)	-		-		-		-		(11,908)		**(11,908)**
Total transactions with shareholders	**3,721,664**		**58,700**		**661**		**-**		**(14,437)**		**44,924**
Balance at September 30, 2018	**44,972,112**	**$**	**179,094**	**$**	**3,959**	**$**	**(494)**	**$**	**15,247**	**$**	**197,806**

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

SAVARIA CORPORATION

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period of nine months ended September 30, 2019

(in thousands of Canadian dollars - Unaudited)

	2019					
	Share capital		Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number	Amount				
Balance at January 1, 2019	**45,010,446**	**$ 179,328**	**$ 4,407**	**$ (474)**	**$ 15,136**	**$ 198,397**
Total comprehensive income						
Net Earnings	-	-	-	-	17,383	**17,383**
Other comprehensive income:						
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	1,262	-	**1,262**
Gains on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	(139)	-	**(139)**
Unrealized net losses on translation of financial statements of foreign operations	-	-	-	(3,855)	-	**(3,855)**
Change in net investment hedge, net of tax	-	-	-	1,027	-	**1,027**
Other comprehensive income	-	-	-	(1,705)	-	**(1,705)**
Total comprehensive income	-	$ -	$ -	$ (1,705)	$ 17,383	**$ 15,678**
Transactions with shareholders, recorded directly in equity						
Shares issued in relation to a private placement (Note 8)	5,000,000	70,750	-	-	-	**70,750**
Share issue costs, net of tax (Note 8)	-	-	-	-	(2,507)	**(2,507)**
Stock-based compensation	-	-	1,343	-	-	**1,343**
Exercise of stock options (Note 8)	454,999	1,423	(211)	-	-	**1,212**
Dividends on common shares (Note 8)	-	-	-	-	(15,508)	**(15,508)**
Total transactions with shareholders	**5,454,999**	**72,173**	**1,132**	**-**	**(18,015)**	**55,290**
Balance at September 30, 2019	**50,465,445**	**$ 251,501**	**$ 5,539**	**$ (2,179)**	**$ 14,504**	**$ 269,365**

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

SAVARIA CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars - Unaudited)

	Note	Three months ended September 30, 2019	2018	Nine months ended September 30, 2019	2018
Cash flows related to operating activities					
Net Earnings		**$ 7,827**	$ 2,754	**$ 17,383**	$ 12,902
Adjustments for:					
Depreciation of fixed assets		**2,014**	903	**5,845**	2,262
Amortization of intangible assets	*5*	**1,457**	1,149	**5,137**	3,544
Income tax expense		**2,163**	1,534	**5,380**	5,085
Gain on amendment to business purchase agreement	*9*	**-**	-	**(1,146)**	-
Cancellation of a contingent consideration related to a business acquisition	*6*	**-**	-	**(452)**	-
Stock-based compensation		**480**	389	**1,343**	899
Gain on the sale and write-off of fixed assets		**(2,311)**	-	**(2,311)**	-
Unrealized foreign exchange losses (gains)		**1,043**	128	**1,207**	(61)
Interest on long-term debt	*10*	**914**	868	**3,636**	2,087
Income tax paid		**(2,370)**	(1,965)	**(9,187)**	(5,039)
Others		**137**	(16)	**163**	(139)
		11,354	5,744	**26,998**	21,540
Net changes in non-cash operating items	*11*	**(3,098)**	4,299	**(8,949)**	(2,472)
Net cash related to operating activities		**8,256**	10,043	**18,049**	19,068
Cash flows related to investing activities					
Business acquisitions	*4*	**(6,825)**	(83,554)	**(12,518)**	(89,650)
Proceeds from sale of fixed assets		**28,637**	-	**28,637**	-
Net change in deposits on purchases of fixed assets		**1,077**	-	**(879)**	-
Additions to fixed assets		**(1,019)**	(2,128)	**(3,518)**	(4,381)
Increase in intangible assets		**(814)**	(824)	**(2,784)**	(2,089)
Net cash related to investing activities		**21,056**	(86,506)	**8,938**	(96,120)
Cash flows related to financing activities					
Increase in long-term debt		**-**	-	**-**	50,000
Repayment of long-term debt	*6*	**(4,238)**	(10,703)	**(6,047)**	(16,188)
Lease payments	*7*	**(680)**	-	**(1,814)**	-
Net change in the revolving credit facility	*6*	**(32,937)**	31,552	**(34,134)**	7,591
Interest paid		**(922)**	(830)	**(3,234)**	(1,829)
Transaction costs related to a long-term debt	*6*	**(61)**	(17)	**(233)**	(404)
Proceeds from the issuance of common shares in relation to a placement, net of transaction fees	*8*	**11**	-	**67,330**	53,830
Proceeds from exercise of stock options	*8*	**209**	637	**1,212**	1,192
Dividends paid on common shares	*8*	**(5,293)**	(4,038)	**(15,351)**	(11,572)
Net cash related to financing activities		**(43,911)**	16,601	**7,729**	82,620
Net change in cash		**(14,599)**	(59,862)	**34,716**	5,568
Cash - Beginning of period		**60,590**	73,336	**11,430**	7,719
Unrealized foreign exchange (loss) gain on cash held in foreign currencies		**(312)**	(98)	**(467)**	89
Cash - End of period		**$ 45,679**	$ 13,376	**$ 45,679**	$ 13,376

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

1 . Reporting Entity

Savaria Corporation is a company domiciled in Canada. The interim condensed consolidated financial statements of the Corporation as at and for the periods ended September 30, 2019 and 2018 comprise the accounts of Savaria Corporation and its wholly owned subsidiaries (together referred to as the "Corporation" or as "Savaria"). Savaria is one of the global 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 reportable segments: the *Accessibility* segment, the *Patient Handling* (formerly *Span*) segment and the *Adapted Vehicles* segment as described in Note 13 "Reportable segments".

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2018 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 interim condensed consolidated 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 interim condensed consolidated 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, 2018. These interim condensed consolidated 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 13, 2019.

3 . Significant Accounting Policies

The interim condensed consolidated financial statements have been prepared following the same accounting policies used in the annual consolidated financial statements for the year ended December 31, 2018, 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 interim condensed consolidated 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 interim condensed consolidated financial statements as at September 30, 2019. The adoption of these new standards, with the exception of IFRS 16 for which the impact of its adoption is described below, has not had a material impact on the interim condensed consolidated financial statements.

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 replaces IAS 17 *Leases*.

3 . Significant Accounting Policies (continued)

New Accounting Standards Adopted (continued)

IFRS 16 - *Leases* (continued)

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. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional options and practical expedients have also been provided.

In compliance with the transitional options that are available, the Corporation has chosen to maintain the valuation of existing finance leases and to apply the new definition of finance-lease only to agreements 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. Those simplification measures include the exclusion of agreements with a short remaining term, the reliance on previous assessment of whether leases are onerous immediately before the date of initial application and the use of a single discount rate to a group of leases with similar characteristics.

The Corporation has also elected to apply the following practical expedients available under IFRS 16: the exclusion of agreements that cover periods of 12 months or less and those that are for goods of low value, and the non-separation of lease components from any associated non-lease components.

The Corporation leases many assets which are mostly properties and vehicles. As a lessee, the Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities on its balance sheet for most leases. The Corporation presents right-of-use assets in Fixed assets, the same line item as it presents underlying assets of the same nature that it owns.

(i) Accounting policies

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Corporation has applied judgement to determine the lease term for some lease agreements in which a renewal option exists. The assessment of whether the Corporation is reasonably certain to exercise such option impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

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

3 . Significant Accounting Policies (continued)

New Accounting Standards Adopted (continued)

IFRS 16 - *Leases* (continued)

(ii) Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability.

For leases classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(iii) Impact on financial statements

(a) Impact on transition

The impact on transition is summarized as follows:

		January 1, 2019
Increase in right-of-use assets presented in fixed assets	$	9,487
Increase in lease liabilities	$	9,577
Decrease in trade and other payables	$	25
Decrease in other long-term liabilities	$	65

When measuring lease liabilities for leases that were classified as operating leases, the Corporation discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 4.07%.

(b) Reconciliation of the lease liabilities at January 1, 2019

		January 1, 2019
Operating lease commitments at December 31, 2018 as disclosed in the Corporation's consolidated financial statements	$	9,582
Amount of commitments discounted using the Corporation's incremental borrowing rate at January 1, 2019	$	8,513
Recognition exemption for leases of low-value assets		(296)
Recognition exemption for leases with less than 12 months of lease term		(167)
Service contracts excluded from IFRS 16 application		(48)
Variable fees that aren't taken into account when evaluating lease liabilities		(1,174)
Extension options reasonably certain to be exercised		2,749
Increase in lease liabilities at January 1, 2019	$	9,577

(c) Impact for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Corporation recognized $9,487,000 of right-of-use assets and $9,577,000 of lease liabilities as at January 1st, 2019.

Also in relation to those leases under IFRS 16, the Corporation has recognized depreciation and interest costs, instead of operating lease expense. During the nine months ended September 30, 2019, the Corporation recognized $1,648,000 in depreciation expense and $227,000 in interest costs from these leases. Had IFRS 16 not been implemented, expenses in the amount of $1,699,000 would have been booked during this same period.

3 . Significant Accounting Policies (continued)

New Accounting Standards Adopted (continued)

IFRIC 23 - *Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019.

The Interpretation requires:

- an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

Annual Improvements to IFRS Standards (2015-2017) Cycle

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective on or after January 1, 2019. Each of the amendments has its own specific transition requirements.

Amendments were made to the following standards:

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12 *Income Taxes* – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and
- IAS 23 *Borrowing Costs* – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

4 . Business Acquisitions

Business Acquisitions Realized in Fiscal Year 2019

i) Florida Lifts LLC

On March 1, 2019, the Corporation completed the acquisition of one of its independent dealers, Florida Lifts LLC ("Florida Lifts"). Florida Lifts sells, installs and services a full range of elevator and lift products within the central and southern regions of Florida. The total consideration of $7,342,000 (US$5,576,000) has been paid on the date of acquisition. The acquisition of Florida Lifts was financed using the Corporation's available cash.

The purchased assets are mainly cash, accounts receivables, work in progress, intangible assets and goodwill. The goodwill is allocated to the *Accessibility* reportable segment and will be non-deductible for tax purposes.

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

4 . Business Acquisitions (continued)

Business Acquisitions Realized in Fiscal Year 2019 (continued)

ii) Silvalea Ltd and D-ansermed

On July 1, 2019, the Corporation completed the share acquisition of Silvalea Ltd. and D-ansermed ("Silvalea") for a purchase price of $7,152,000 (£4,237,181). Silvalea is a manufacturer of patient transfer slings and accessories headquartered in the UK. The acquisition was financed using the Corporation's available cash.

The purchased assets are mainly cash, accounts receivables, fixed assets, intangible assets and goodwill. The goodwill is allocated to the *Patient Handling* reportable segment and will be non-deductible for tax purposes.

As at September 30, 2019, the Corporation had not 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 for Florida Lifts and Silvalea according to the information gathered to date. In conformity with IFRS 3, *Business combinations*, the acquisition has been accounted for using the acquisition method.

	Florida Lifts	Silvalea	Total
Assets acquired			
Current assets	$ 2,424	$ 3,420	**$ 5,844**
Fixed assets	30	1,131	**1,161**
Intangible assets	-	190	**190**
Intangible assets and goodwill from acquisition	7,577	5,426	**13,003**
	$ 10,031	**$ 10,167**	**$ 20,198**
Liabilities assumed			
Current liabilities	2,689	1,893	**4,582**
Long-term debt including current portion	-	312	**312**
Leases liabilities including current portion	-	690	**690**
Other long-term liabilities	-	120	**120**
	$ 2,689	**$ 3,015**	**$ 5,704**
Fair value of net assets acquired	**$ 7,342**	**$ 7,152**	**$ 14,494**
Less: Cash (overdraft) in acquired business	1,649	(463)	**1,186**
Net assets acquired	**5,693**	**7,615**	**13,308**
Net consideration paid	**$ 5,693**	**$ 6,825**	**$ 12,518**
Consideration payable	**$ -**	**$ 790**	**$ 790**

The following table provides the revenue and net income contributions of the business acquisition that has taken place in 2019, from the date of acquisition and those estimated as if the acquisition had occurred on January 1, 2019. These estimates were prepared using historical information obtained from the acquiree 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 acquisition actually occurred on January 1, 2019. Estimated amounts are not necessarily indicative of the results of operations of the acquired business that would have resulted had the acquisition actually occurred on January 1, 2019, nor the results that may be obtained in the future.

	Since the date of acquisition		Since January 1st	
	Revenue	Net earnings	Revenue	Net earnings
Florida Lifts	**$ 5,162**	**$ 815**	**$ 6,637**	**$ 1,048**
Silvalea	**$ 1,725**	**$ 47**	**$ 4,944**	**$ 365**

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

4 . Business Acquisitions (continued)

Purchase Price Allocation of Acquisition completed in fiscal year 2018

Garaventa Accessibility AG

On August 31, 2018, the Corporation acquired the shares of Garaventa Accessibility AG ("Garaventa Lifts") which manufactures a wide range of wheelchair lifts and a full suite of residential elevators and commercial limited use 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 has amounted to $91,411,000 (CHF68,460,000). Acquisition-related and integration costs amounting to $1,534,000 have been included in other expenses in 2019 ($1,986,000 during the year ended December 31, 2018). To finance the purchase price payable under this transaction, the Corporation completed a bought deal financing and drew from its revolving credit facility.

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 has been allocated to the *Accessibility* operating segment and was mainly non-deductible for tax purposes.

The following table presents the preliminary allocation of the consideration paid for Garaventa Lift as presented as at December 31, 2018, the adjustments made during 2019 as well as the final allocation as at September 30, 2019.

	Preliminary allocation as at Dec. 31, 2018	Adjustments	Final allocation as at Sep. 30, 2019
Assets acquired			
Current assets	$ 45,373	$ (503)	**$ 44,870**
Fixed assets	32,687	(13)	**32,674**
Intangible assets :			
Trademarks	14,481	-	**14,481**
Client lists	4,470	-	**4,470**
Backlog of orders	1,347	-	**1,347**
Maintenance contracts	272	-	**272**
Internally developed intangible assets	4,211	-	**4,211**
Goodwill	39,114	3,804	**42,918**
Deferred tax assets	1,590	(197)	**1,393**
	$ 143,545	$ 3,091	**$ 146,636**
Liability assumed			
Current liabilities	34,353	75	**34,428**
Other long-term liabilities	10,849	931	**11,780**
Deferred tax liabilities	6,932	2,085	**9,017**
	$ 52,134	$ 3,091	**$ 55,225**
Fair value of net assets acquired	$ 91,411	$ -	**$ 91,411**
Less:			
Cash in acquired business	2,630	-	**2,630**
Contingent consideration payable	189	-	**189**
Net Consideration paid related to acquisition	$ 88,592	$ -	**$ 88,592**

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

5 . Intangible Assets and Goodwill

	September 30, 2019	December 31, 2018
Intangible assets	**$ 66,477**	$ 69,711
Goodwill	**112,270**	110,867
Intangible assets and goodwill from acquisitions (note 4)	**12,854**	-
	$ 191,601	**$ 180,578**

Reconciliation of the items above:

	Intangible assets		Goodwill		Intangible assets and goodwill from acquisitions	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Balance at January 1	**$ 69,711**	$ 40,940	**$ 110,867**	$ 60,553	**$ -**	$ -
Increases	**2,855**	3,238	**-**	-	**-**	-
Business acquisitions	**190**	29,151	**3,804**	45,624	**13,003**	-
Effect of movements in exchange rates	**(1,142)**	2,535	**(2,401)**	4,690	**(149)**	-
Depreciation expense	**(5,137)**	(6,153)	**-**	-	**-**	-
	$ 66,477	**$ 69,711**	**$ 112,270**	**$ 110,867**	**$ 12,854**	**$ -**

6 . Long-term Debt

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

	2019
Balance at January 1	**$ 101,336**
Net change in the revolving credit facility	**(34,134)**
Amendment to a business purchase agreement	**(1,033)**
Increase through business combinations	**312**
Consideration payable related to an acquisition	**790**
Cancellation of a contingent consideration related to a business acquisition	**(452)**
Repayment of other long-term debts	**(6,047)**
Capitalized finance costs on long-term debt	**121**
Transaction costs related to loans	**(233)**
Reversal of transactions costs related to loans repaid during the year	**315**
Impact of the change in foreign exchange rates	**(398)**
Balance at September 30	**$ 60,577**
Less: Current portion	**2,334**
	$ 58,243

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

7 . Lease liabilities

Reconciliation of movements of lease liabilities to cash flows arising from financing activities:

		2019
Balance at January 1	**$**	**-**
Impact of the adoption of IFRS 16 (Note 3)		**9,577**
New leases		**19,310**
Increase through business combinations		**690**
Repayment of lease obligations		**(1,814)**
Impact of the change in foreign exchange rates		**(175)**
Balance at September 30	**$**	**27,588**
Less: Current portion		**3,764**
	$	**23,824**

8 . Share Capital

During the first nine months of 2019, the Corporation issued 454,999 common shares (2018-271,664) at an average price of $2.67 per share (2018-$4.39) following the exercise of stock options. The average closing price on the exercise dates was $13.32 (2018-$17.74). These exercises resulted in an increase in share capital of $1,423,000 (2018-$1,430,000) and a decrease in contributed surplus of $211,000 (2018-$238,000). At September 30, 2019, 2,264,168 options are outstanding (2018-2,211,668) at a weighted average exercise price of $12.00 per share (2018-$11.19).

During the first nine months of 2019, the Corporation declared dividends totaling 32 cents (2018-28 cents) per share or $15,508,000 (2018-$11,908,000); an amount of 32 cents (2018-27 cents) per share or $15,351,000 (2018-$11,572,000) was paid during this period.

On April 24, 2019, the Corporation completed a private bought deal financing consisting of 5,000,000 common shares (bought deal of 3,450,000 common shares in 2018) at a price of $14.15 per share (2018-$16.60), for gross proceeds to the Corporation of $70,750,000 (2018-$57,270,000), and proceeds net of transaction fees of $3,420,000 (2018-$3,440,000) of $67,330,000 (2018-$53,830,000). Transaction fees after tax amount to $2,507,000 (2018-$2,529,000).

9 . Other Net Expenses

Other net expenses encompasses items of financial performance which the Corporation believes should be separately identified on the face of the consolidated statement of earnings to assist in understanding its operating financial performance. Business acquisition costs pertain to transaction costs incurred related to business acquisitions (successful or not). Business integration costs pertain to costs incurred to integrate newly acquired businesses.

	Three months ended September 30,				Nine months ended September 30,			
		2019		**2018**		**2019**		**2018**
Business acquisition costs	**$**	**418**	$	879	**$**	**1,379**	$	1,988
Business integration costs		**59**		1,554		**673**		1,554
Span custom products exit costs		**2,113**		-		**2,113**		-
Gain on amendment to a business purchase agreement		**-**		-		**(1,146)**		-
Gain on a sale of a manufacturing plant		**(2,286)**		-		**(2,286)**		-
Proceeds from an insurance claim		**-**		-		**-**		(1,611)
	$	**304**	**$**	**2,433**	**$**	**733**	**$**	**1,931**

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

10 . Net Finance Costs

	Three months ended September 30, 2019	2018	Nine months ended September 30, 2019	2018
Interest on long-term debt	**$ 914**	$ 868	**$ 3,636**	$ 2,087
Interest and bank charges	**24**	52	**185**	169
Financing charges	**109**	78	**315**	199
Interest income	**(43)**	(343)	**(342)**	(501)
Net loss (gain) on foreign currency exchange	**403**	146	**785**	(173)
Gain on a financial instrument	**-**	-	**-**	(503)
	$ 1,407	**$ 801**	**$ 4,579**	**$ 1,278**

11 . Net Changes in Non-cash Operating Items

	Three months ended September 30, 2019	2018	Nine months ended September 30, 2019	2018
Trade and other receivables	**$ (6,836)**	$ 2,799	**$ (602)**	$ (1,155)
Inventories	**3,192**	(3,560)	**(4,059)**	(9,058)
Prepaid expenses and other current assets	**(60)**	595	**(1,617)**	200
Trade and other payables	**351**	4,678	**(5,590)**	6,770
Deferred revenues	**330**	(218)	**3,066**	717
Warranty provision	**(75)**	5	**(147)**	54
	$ (3,098)	**$ 4,299**	**$ (8,949)**	**$ (2,472)**

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, 2019 Carrying amount	Fair value	**December 31, 2018** Carrying amount	Fair value
Assets carried at fair value				
Foreign exchange forward contracts	**$ -**	**$ -**	**$ 24**	**$ 24**
Liabilities carried at fair value				
Foreign exchange forward contracts	**$ 1,600**	**$ 1,600**	$ 3,844	$ 3,844
Interest rate swap agreements	**1,348**	**1,348**	632	632
	$ 2,948	**$ 2,948**	**$ 4,476**	**$ 4,476**
Liabilities carried at amortized cost				
Long-term debt	**$ 60,577**	**$ 60,573**	**$ 101,336**	**$ 101,323**

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

12 . Financial Instruments (continued)

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

	September 30, 2019	December 31, 2018
Current assets		
Foreign exchange derivatives	**$ -**	**$ 24**
Current liabilities		
Foreign exchange derivatives	**$ 462**	**$ 1,361**
Non-current liabilities		
Foreign exchange derivatives	**$ 1,138**	$ 2,483
Interest rate derivatives	**1,348**	632
	$ 2,486	**$ 3,115**

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.

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

13 . Reportable Segments

Information about the reportable 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 designing, manufacturing, distributing and installing a wide portfolio of products including stairlifts for both straight and curved stairs, vertical and inclined wheelchair platform lifts for both commercial and residential applications, commercial accessibility elevators and home elevators. The *Patient Handling* (formerly *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 an extensive line of medical equipment and solutions for the safe handling of patients. The *Adapted Vehicles* segment consists of converting, adapting and distributing vehicles for people with mobility challenges, for personal or commercial use.

The Corporation's management assesses the performance of the reportable segments based on revenue and adjusted EBITDA before Head office costs. Adjusted EBITDA is defined as earnings before net finance costs, taxes, depreciation and amortization, net of other net expenses (income) and stock-based compensation expense. Adjusted EBITDA before Head office costs excludes Head office costs, which the Corporation believes should not be considered when assessing the underlying performance of the reportable segments. Head office costs pertain to salaries and costs related to centralized functions, such as finance and legal, which are not allocated to segments.

Sales between segments are eliminated upon consolidation.

	Three months ended September 30,			
	Accessibility	**Patient Handling**	**Adapted Vehicles**	**Total**
2019				
Revenue	$ 69,414	$ 21,551	$ 5,469	$ 96,434
Adjusted EBITDA before Head office costs	$ 12,490	$ 3,266	$ 286	$ 16,042
Head office costs				390
Adjusted EBITDA				$ 15,652
Stock-based compensation				480
Other net expenses				304
Depreciation and amortization expense				3,471
Net finance costs				1,407
Earnings before income tax expense				$ 9,990

	Three months ended September 30,			
	Accessibility	**Patient Handling**	**Adapted Vehicles**	**Total**
2018				
Revenue	$ 42,795	$ 22,378	$ 6,916	$ 72,089
Adjusted EBITDA before Head office costs	$ 7,551	$ 2,041	$ 571	$ 10,163
Head office costs				200
Adjusted EBITDA				$ 9,963
Stock-based compensation				389
Other net expenses				2,433
Depreciation and amortization expense				2,052
Net finance costs				801
Earnings before income tax expense				$ 4,288

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

13 . Reportable Segments (continued)

Information about the reportable segments (continued)

	Nine months ended September 30,			
	Accessibility	**Patient Handling**	**Adapted Vehicles**	**Total**
2019				
Revenue	**$ 197,364**	**$ 63,709**	**$ 16,830**	**$ 277,903**
Adjusted EBITDA before Head office costs	**$ 31,860**	**$ 8,687**	**$ 876**	**$ 41,423**
Head office costs				**1,023**
Adjusted EBITDA				**$ 40,400**
Stock-based compensation				**1,343**
Other net expenses				**733**
Depreciation and amortization expense				**10,982**
Net finance costs				**4,579**
Earnings before income tax expense				**$ 22,763**

	Nine months ended September 30,			
	Accessibility	**Patient Handling**	**Adapted Vehicles**	**Total**
2018				
Revenue	**$ 103,077**	**$ 68,634**	**$ 21,205**	**$ 192,916**
Adjusted EBITDA before Head office costs	**$ 20,235**	**$ 6,617**	**$ 1,712**	**$ 28,564**
Head office costs				**663**
Adjusted EBITDA				**$ 27,901**
Stock-based compensation				**899**
Other net expenses				**1,931**
Depreciation and amortization expense				**5,806**
Net finance costs				**1,278**
Earnings before income tax expense				**$ 17,987**

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

13 . Reportable Segments (continued)

Desegregation of Revenue

	Three months ended September 30,			
	Accessibility	Patient Handling	Adapted Vehicles	Total
2019				
Revenue by region				
Canada	$ 11,093	$ 4,392	$ 5,178	**$ 20,663**
United States	41,483	14,753	177	**56,413**
Europe	14,281	1,864	114	**16,259**
Other regions	2,557	542	-	**3,099**
	$ 69,414	**$ 21,551**	**$ 5,469**	**$ 96,434**
Major categories of revenue				
Accessibility equipment	$ 69,414	$ -	$ -	**$ 69,414**
Patient handling products	-	20,788	-	**20,788**
Custom products	-	763	-	**763**
Vehicle conversion and adaptation	-	-	5,469	**5,469**
	$ 69,414	**$ 21,551**	**$ 5,469**	**$ 96,434**
Timing of revenue recognition				
Goods transferred at a point in time	$ 56,213	$ 21,551	$ 5,469	**$ 83,233**
Services provided over time	13,201	-	-	**13,201**
	$ 69,414	**$ 21,551**	**$ 5,469**	**$ 96,434**
2018				
Revenue by region				
Canada	$ 10,502	$ 3,057	$ 6,682	**$ 20,241**
United States	25,435	18,378	38	**43,851**
Europe	3,911	-	196	**4,107**
Other regions	2,947	943	-	**3,890**
	$ 42,795	**$ 22,378**	**$ 6,916**	**$ 72,089**
Major categories of revenue				
Accessibility equipment	$ 42,795	$ -	$ -	**$ 42,795**
Patient handling products	-	18,934	-	**18,934**
Custom products	-	3,444	-	**3,444**
Vehicle conversion and adaptation	-	-	6,916	**6,916**
	$ 42,795	**$ 22,378**	**$ 6,916**	**$ 72,089**
Timing of revenue recognition				
Goods transferred at a point in time	$ 37,592	$ 22,378	$ 6,916	**$ 66,886**
Services provided over time	5,203	-	-	**5,203**
	$ 42,795	**$ 22,378**	**$ 6,916**	**$ 72,089**

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

13 . Reportable Segments (continued)

Desegregation of Revenue (continued)

	Nine months ended September 30,			
	Accessibility	Patient Handling	Adapted Vehicles	Total
2019				
Revenue by region				
Canada	$ 34,339	$ 11,091	$ 16,376	**$ 61,806**
United States	114,454	49,180	239	**163,873**
Europe	40,795	2,593	149	**43,537**
Other regions	7,776	845	66	**8,687**
	$ 197,364	**$ 63,709**	**$ 16,830**	**$ 277,903**
Major categories of revenue				
Accessibility equipment	$ 197,364	$ -	$ -	**$ 197,364**
Patient handling products	-	57,923	-	**57,923**
Custom products	-	5,786	-	**5,786**
Vehicle conversion and adaptation	-	-	16,830	**16,830**
	$ 197,364	**$ 63,709**	**$ 16,830**	**$ 277,903**
Timing of revenue recognition				
Goods transferred at a point in time	$ 165,002	$ 63,709	$ 16,830	**$ 245,541**
Services provided over time	32,362	-	-	**32,362**
	$ 197,364	**$ 63,709**	**$ 16,830**	**$ 277,903**
2018				
Revenue by region				
Canada	$ 27,511	$ 8,902	$ 20,875	**$ 57,288**
United States	63,254	57,314	112	**120,680**
Europe	3,911	-	218	**4,129**
Other regions	8,401	2,418	-	**10,819**
	$ 103,077	**$ 68,634**	**$ 21,205**	**$ 192,916**
Major categories of revenue				
Accessibility equipment	$ 103,077	$ -	$ -	**$ 103,077**
Patient handling products	-	57,024	-	**57,024**
Custom products	-	11,610	-	**11,610**
Vehicle conversion and adaptation	-	-	21,205	**21,205**
	$ 103,077	**$ 68,634**	**$ 21,205**	**$ 192,916**
Timing of revenue recognition				
Goods transferred at a point in time	$ 91,246	$ 68,634	$ 21,205	**$ 181,085**
Services provided over time	11,831	-	-	**11,831**
	$ 103,077	**$ 68,634**	**$ 21,205**	**$ 192,916**

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