SAVARIA CORPORATION

Management's Report

For the Three-Month Period Ended March 31, 2017

Contents

1. Basis of Presentation

This management's report is designed to assist the reader in better understanding the business of Savaria Corporation, its business context, its strategies, its risk factors and its key financial results. It notably discusses the Corporation's financial position and operating results for the three-month period ended March 31, 2017, in comparison with that for the corresponding period of fiscal 2016. It also provides a comparison of its statements of financial position as at March 31, 2017 and December 31, 2016. Unless otherwise indicated, the terms "the Corporation", "Savaria", "We" and "Our" refer to Savaria Corporation and its subsidiaries.

Prepared in accordance with *National Instrument 51-102 – Continuous Disclosure Obligations*, this report should be read in conjunction with the unaudited condensed consolidated interim financial statements for the first quarter 2017 and accompanying notes, and with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2016 and the management's report for the same period. Unless otherwise indicated, all amounts are expressed in Canadian dollars and all amounts in tables are in thousands of dollars, except per share amounts.

The financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and the management's report have been reviewed by Savaria's Audit Committee and approved by its Board of Directors and not reviewed by the Corporation's auditor.

This management's report was prepared as at May 11, 2017. Additional information, including the Annual Information Form, is available on SEDAR's website at www.sedar.com.

2. Forward-Looking Statements and Disclaimer

Certain statements in this management's report may be forward-looking. Forward-looking statements involve known and unknown risks, uncertainties or other factors that may cause the Corporation's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The reader is warned against the risk of giving excessive credibility to these forward-looking statements.

3. Compliance with International Financial Reporting Standards

The Corporation's financial statements have been prepared in accordance with IFRS. However, the Corporation uses non-IFRS measures such as EBITDA, EBITDA per share, working capital, current ratio, book value per share, cash per share and total net debt to invested capital ratio for analysis purposes to measure its financial performance. EBITDA means earnings before interest, income taxes, depreciation and amortization ("EBITDA") while EBITDA per share means EBITDA per average diluted number of common shares outstanding. Adjusted EBITDA means EBITDA as defined above before business acquisition costs while adjusted EBITDA per share means adjusted EBITDA per average diluted number of common shares outstanding. The Corporation uses adjusted EBITDA because it believes that it is a meaningful measure of its operating performance without the effects of acquisition costs. Reconciliation between net income and EBITDA and adjusted EBITDA is provided in section 8, *Summary of Quarterly Results*. Working capital is defined as the result of current assets less current liabilities while the current ratio is defined as the result of current assets divided by current liabilities. Book value per share corresponds to the result of shareholders' equity divided by the number of shares outstanding at the end of each quarter and cash per share corresponds to the result of cash divided by the number of shares outstanding at the end of each period.

Total net debt to invested capital ratio is the result of the total of long-term debt less the net result of cash and bank loans ("numerator") divided by the total of shareholders' equity and the numerator.

Although management, investors and analysts use these measures to evaluate the Corporation's financial and operating performance, they have no standardized definition in accordance with IFRS and should not be regarded as an alternative to financial information prepared in accordance with IFRS. These measures may therefore not be comparable to similar measures reported by other companies.

4. Business Overview

Savaria is one of North America's leaders in the accessibility industry. It provides accessibility solutions for the elderly and physically challenged to increase their mobility and independence. The diversity of its product line, one of the most comprehensive on the market, includes stairlifts, wheelchair lifts, patient lifts and residential and commercial elevators and the conversion and adaptation of vehicles. The Corporation, whose headquarters along with a vehicle conversion plant are located in Laval, Quebec, in a 57,000-square-foot building, also has a 125,000-square-foot plant in Brampton, Ontario and a 75,000-square-foot plant in Huizhou, China, as well as 11 sales offices and retail stores throughout Canada and one sales office in the USA.

Operating Segments of the Corporation

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

- ***Accessibility*** **Segment (80% of Revenue in 2016 and 77% in 2017)**

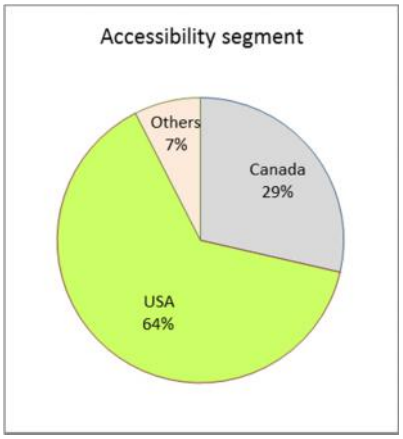
Through its *Accessibility* segment, the Corporation designs, manufactures, distributes and installs accessibility products such as stairlifts for both straight and curved stairs, vertical and inclined wheelchair lifts, elevators for home and commercial use, and since the fourth quarter of 2016, patient lifts. The products are manufactured, assembled and customized at the Brampton, Ontario, plant and are offered through a network of some 300 active retailers, which are primarily located in North America. The Huizhou, China, plant is the main supplier of parts and components for the Brampton plant; also, it assembles product components and finished products mainly for the benefit of the Corporation and for the sale of products on the Asian and European markets. Operation of this Chinese subsidiary allows Savaria to obtain competitive pricing on its purchases. Through its Silver Cross division, the Corporation operates a network of franchises and corporate stores in which new and recycled accessibility equipment is sold, and a lead generation program to capture and distribute leads on potential customers to close to 100 affiliates in North America.

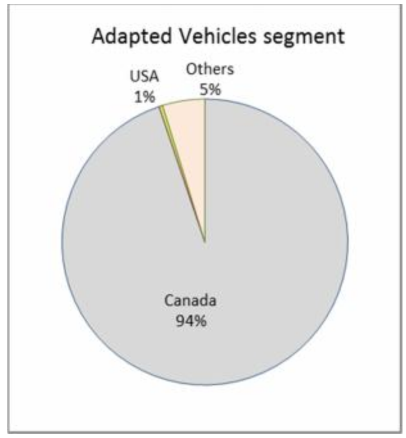
- ***Adapted Vehicles*** **Segment (20% of Revenue in 2016 and 23% in 2017)**

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

Revenue Breakdown per Segment per Region

During fiscal 2016, Savaria's total revenue was recorded in the United States (51%), Canada (42%) and, to a lesser extent, outside North America (7%). Revenue breakdown per region by segment is as follows:





Revenue for fiscal 2016 amounts to $96.2 million ("M") for the *Accessibility* segment and $23.5 M for the *Adapted Vehicles* segment, for total revenue of $119.7 M. In this report, unless specifically mentioned, the analysis covers both segments.

The Corporation employs some 500 employees and its shares are listed on the Toronto Stock Exchange under the symbol SIS.

Operations in Foreign Exchange

The Corporation is subject to foreign currency fluctuations from the conversion of revenues, expenses, assets and liabilities of its foreign operations and from commercial transactions denominated mainly in U.S. dollars. Transactions denominated in foreign currencies are initially recorded at the functional currency rate of exchange in effect at the date of the transactions, excluding the impact of forward foreign exchange contracts, while the statement of income of foreign operations is converted at the average exchange rate for the period.

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

	March 31, 2017 (Unaudited)	December 31, 2016
USD (Canadian equivalent of US $1)	**1.3299**	1.3427

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

(Unaudited)	**Quarters ended March 31,**	
	2017	2016
USD (Canadian equivalent of US $1)	**1.3238**	1.3724

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

5. Business Context

A Fast-Growing Market due to the Aging of the Population

Equipment designed for the accessibility market is sold to wheelchair users and to elderly people with mobility challenges for whom stairs and raised building entrances are major obstacles. The number of people requiring accessibility products will therefore steadily grow as the population continues to age.

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

Consequently, the number of people requiring accessibility equipment will grow, for several reasons. Firstly, the older population is growing and people's life expectancy increasing. According to an *Organisation for Economic Co-operation and Development* ("OECD") study titled *Health at a Glance 2013*, some twenty-four countries now have an average life expectancy of 80 years and over. Secondly, seniors are increasingly well-off and will hence have the means to adapt their own homes in order to remain there. Based on the same 2016 Canadian census as above and the 2010 US census, 93% of Canadians and 96% of Americans 65 years and older lived in private households or dwellings with the balance living in collective dwellings. Finally, the family structure and care of aging people are changing, increasingly requiring accessibility equipment to be installed in these people's homes and public buildings.

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

These fundamental changes will definitely have a major impact on the demand for accessibility products. In addition, because of the aging population and high cost of living in institutions for people with mobility challenges, various public and private organizations in both the United States and Canada could reimburse the cost of such devices, as is common today in some European countries.

Along with demographic factors, the demand for accessibility products is also affected by economic conditions and the strength of home and institutional construction.

Since most of the Corporation's products are custom-made, large-scale manufacturing and imports are not a serious threat. Although competing products are of a high quality and sold at competitive prices, Savaria stands apart for its operational flexibility, the reliability and safety of its products and the quality of its after-sales service.

The retail market, meanwhile, is highly fragmented. There are over a thousand resellers of accessibility products in North America.

6. Vision, Mission and Strategy

Our Vision

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

Our Mission

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

Our Strategy

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

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

Achievements:

- Design of a new product line of patient lifts, the Monarch, which is in development at our research and development center in Magog (Quebec). The portable version was launched last September at the *National Association of Elevator Contractors (NAEC)* show in Montreal.

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

Achievements:

- Purchase of the assets of Premier Lifts, Inc. ("Premier Lifts"). This transaction presented us with an opportunity to continue our strong sales and service presence in the Baltimore – Washington marketplace.
- Purchase of the assets of the automotive division of SHHC in May 2016. This transaction opened the door to new markets in the vehicle conversion industry.

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

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

Achievements:

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

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

7. First-Quarter 2017 Highlights

Results for 1st quarter 2017, including Revenue, Operating income and adjusted EBITDA, reached unprecedented levels for a 1st quarter.

Revenue up 18.7%

For 1st quarter of 2017, revenue is up $4.9 M, at $31.1 M, compared to $26.2 M same quarter previous year.

Operating income up 24.5%

Operating income is up $914,000, at $4.6 M, for 1st quarter of 2017, compared to $3.7 M same quarter previous year.

Net income up 40%

Net income is up $954,000, at $3.3 M, for 1st quarter of 2017, compared to $2.4 M same quarter previous year.

Adjusted EBITDA up 31.4%

The Corporation's adjusted EBITDA amounted to $5.1 M for 1st quarter of 2017 compared to $3.9 M same quarter previous year, an increase of $1.2 M. Reconciliation between net income and adjusted EBITDA is provided in section 8, *Summary of Quarterly Results*.

Dividend

On February 2, 2017, the Board of Directors declared a quarterly dividend of 6.5 cents ($0.065) per share, in accordance with its dividend policy in effect at that date.

8. Summary of Quarterly Results

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

(in thousands, except per-share amounts and percentages – unaudited)	2017	2016				2015		
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Revenue	**$31,126**	$30,986	$32,440	$30,086	$26,216	$26,605	$24,002	$24,422
Gross margin as a % of revenue	***34.8%***	*35.9%*	*34.4%*	*32.6%*	*32.3%*	*32.7%*	*30.6%*	*30.5%*
Operating expenses [(1)]	**$6,177**	$6,094	$6,254	$5,285	$4,846	$5,061	$4,483	$4,373
% of revenue	***19.8%***	*19.7%*	*19.3%*	*17.6%*	*18.5%*	*19%*	*18.6%*	*17.9%*
Operating income	**$4,643**	$4,999	$4,865	$3,856	$3,729	$3,678	$2,850	$3,087
% of revenue	***14.9%***	*16.1%*	*15%*	*12.8%*	*14.2%*	*13.8%*	*11.9%*	*12.6%*
Gain (loss) on foreign exchange	**$(94)**	$311	$197	$95	$(338)	$256	$515	$(29)
Net income	**$3,337**	$3,740	$3,415	$2,763	$2,383	$2,867	$2,352	$2,150
Earnings per share – diluted	**$0.09**	$0.10	$0.09	$0.08	$0.07	$0.09	$0.07	$0.07
EBITDA [(2)]	**$5,104**	$5,835	$5,577	$4,418	$3,884	$4,372	$3,806	$3,523
Adjusted EBITDA [(2)]	**$5,104**	$5,882	$5,627	$5,074	$3,884	$4,372	$3,806	$3,523
Adjusted EBITDA per share – diluted	**$0.13**	$0.15	$0.15	$0.13	$0.11	$0.13	$0.11	$0.11
Dividend declared per share	**$0.065**	$0.065	$0.05	$0.05	$0.05	$0.05	$0.04	$0.04

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

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

The Corporation has achieved record-breaking revenue every quarter in 2016 compared to the corresponding quarters of the prior year and revenue for 1st quarter 2017 established a new record for a 1st quarter. This steady growth in revenue in the last 8 quarters is primarily due to Savaria launching new products and to an increase in sales of certain existing products. The activities acquired from Premier Lifts in February 2017 and from SHHC in May 2016 also contribute in explaining the increase in revenue since these respective acquisition dates.

The increase in gross margin since 4th quarter of 2015 is mainly due to the high level of revenue of the last 5 quarters compared to the previous quarters as well as to the mix of revenue.

Operating expenses for the last 3 quarters amount to an average of $6.2 M or 19.6% of revenue, are up compared to the average of 18% in first half of 2016 and the average of 19.1% in 2015; these increases are mainly due to the effect of the acquisition of three Silver Cross franchisees during the 3rd quarter of 2015, of SHHC during 2nd quarter of 2016 and of Premier Lifts during this quarter.

Quarterly EBITDAs are in line with the continuing revenue growth in the last 8 quarters.

Reconciliation of EBITDA and adjusted EBITDA with Net Income

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

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

(in thousands of dollars – unaudited)	**2017**	2016				2015		
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Net income	**$3,337**	$3,740	$3,415	$2,763	$2,383	$2,867	$2,352	$2,150
Plus:								
Interest costs	**182**	187	247	195	196	161	208	191
Income tax expense	**1,147**	1,510	1,512	1,054	877	976	876	774
Depreciation of fixed assets	**368**	353	336	295	325	286	271	255
Amortization of intangible assets	**187**	172	179	172	168	152	170	210
Less:								
Interest income	**117**	127	112	61	65	70	71	57
EBITDA	**$5,104**	$5,835	$5,577	$4,418	$3,884	$4,372	$3,806	$3,523
Business acquisition costs, realized and unrealized	**-**	47	50	656	-	-	-	-
Adjusted EBITDA	**$5,104**	$5,882	$5,627	$5,074	$3,884	$4,372	$3,806	$3,523

The following section provides a detailed analysis of operating results for 1st quarter of 2017, in comparison with the same quarter of 2016. The detailed analysis of prior quarters is provided in the interim reports for fiscal 2016 and 2015, available on SEDAR's website at www.sedar.com.

9. Operating Results

Certain data on results for 1st quarter of 2017 and 2016 are presented in the following tables.

Gross margin

(in thousands of dollars, except percentages - unaudited)	**2017**	2016	Change
Revenue	**$31,126**	$26,216	18.7%
Cost of sales	**$20,281**	$17,749	14.3%
Gross margin	**$10,845**	$8,467	28.1%
% of revenue	***34.8%***	*32.3%*	*n/a*

Revenue for the 1st quarter of 2017 is up by $4.9 M or 18.7%, from $26.2 M in 2016 to $31.1 M in 2017. Revenue of the *Accessibility* segment is up $1.1 M, from $22.8 M for the 1st quarter of 2016 to $23.9 M for the 1st quarter of 2017, primarily due to the acquisition of Premier Lifts. Revenue for the *Adapted Vehicles* segment more than doubled in 1st quarter 2017, from $3.5 M to $7.2 M. This increase is mainly due to an increase of 44 units or 44% in the number of side entry conversions.

Gross margin is up by $2.4 M for the 1st quarter of 2017 compared to the corresponding period of 2016. This increase is mainly due to the increase in revenue and to its mix.

The purchase volume from Asia allows us to maintain our direct costs at a competitive level. The proportion of purchases made by the subsidiary Savaria Concord from the subsidiary Savaria Huizhou and other suppliers in Asia in the 1st quarter of 2017 remained stable with fiscal 2016 at 58% of purchases of raw materials

Breakdown of Revenue by Geographical Region

(as a percentage of revenue - unaudited)	**2017**	2016	Change
Canada	**43.1%**	36%	7.1
United States	**52.4%**	54%	(1.6)
Other regions	**4.5%**	10%	(5.5)

The addition of the activities of SHHC acquired in May 2016 has increased the proportion of 2017 1st quarter revenue in Canada by 7.9% while it decreased the proportion of revenue in the U.S. by 7.3% since the activities of this division are limited to Canada.

Operating Income

(in thousands of dollars, except percentages - unaudited)	**2017**	2016	Change
Operating expenses	**$6,177**	$4,846	27.5%
% of revenue	***19.8%***	*18.5%*	*n/a*
Other Income (expenses)	**$(25)**	$108	(123)%
Operating income	**$4,643**	$3,729	24.5%
% of revenue	***14.9%***	*14.2%*	*n/a*

The proportion of operating expenses relative to revenue increased in the 1st quarter of 2017 compared to the same period in 2016, from 18.5% to 19.8% in 2017. In terms of dollars, operating expenses increased by $1.3 M for the same period, due mainly to the acquisition of SHHC in the 2nd quarter of 2016 and of Premier Lifts during this quarter; were it not for these acquisitions, operating expenses would have increased by $472,000 in the 1st quarter. This cost increase is mainly due to an increase in selling expenses of the corporate retail stores operating under the Silver Cross brand and engineering and R&D activities.

Included in "Other Income (expenses)" for 2016, an income of $108,000 has been recorded in the 1st quarter of 2016 related mainly to a grant received by the Savaria Huizhou subsidiary linked to a request to be classified as a high-tech company.

The combined effect of the favourable change in gross margin and the unfavourable changes in operating expenses and other income (expenses) results in a positive effect on operating income with an increase of $914,000 for the 1st quarter compared to the same period in 2016.

Net Income

(in thousands of dollars, except percentages - unaudited)	**2017**	2016	Change
Net finance costs	**$159**	$469	(66.1)%
Income before income tax	**$4,484**	$3,260	37.5%
Income tax expense	**$1,147**	$877	30.8%
Net income	**$3,337**	$2,383	40%
% of revenue	***10.7%***	*9.1%*	*n/a*
EBITDA	**$5,104**	$3,884	31.4%
% of revenue	***16.4%***	*14.8%*	*n/a*

The favourable variation of $310,000 of net finance costs for the 1st quarter of 2017 compared to same period of 2016 is mainly due to a favourable variation in net foreign exchange losses of $244,000 (see *Operations in Foreign Exchange* in section 4 for details) and to a favourable variation in interest income of $52,000.

The effective income tax rate of 25.6% for the 1st quarter of 2017 has decreased compared to the rate of 26.9% in 2016. This is mainly due to the use of tax losses accumulated in the past by Savaria and used against Premier Lifts' taxable income for the quarter.

Net income and EBITDA increased for the 1st quarter of 2017 compared to corresponding period of 2016, with an increase of $954,000 of net income and of $1.2 M of EBITDA.

Hedging of Foreign Exchange Rates

In conformity with the hedging policy adopted by the Board of Directors, the Corporation uses foreign exchange contracts to reduce the risks related to currency fluctuations. It applies hedge accounting, which allows the recognition of gains, losses, revenues and expenses from derivative financial instruments in the same period as those related to the hedged item. Foreign exchange contracts are presented at their fair value in the statement of financial position according to their maturity date. Unrealized gains and losses not recognized as net income are recorded in *Accumulated other comprehensive income*. At the contract maturity, gains and losses are reclassified against revenue in net earnings.

As at March 31, 2017, the Corporation held foreign exchange contracts totaling $52.5 M U.S. for a hedging period up to February 28, 2020, at a weighted average rate of 1.2403. At the end of the quarter, the unrealized loss on the foreign exchange contracts amounted to $4 M before deferred taxes. This amount is reflected on the statement of financial position under *Derivative financial instruments* of Non-current assets and Current and Non-current liabilities and is included in the *Accumulated other comprehensive income* balance (see *Available Sources of Financing* in section 10 for details).

Hedging of Interest Rates

The Corporation signed a financing agreement in April 2012 comprising of two long-term debts for a total of $16.6 M and another one in July 2016 which includes a loan of $6.2 M. Since those debts bear interest at variable rates, the Corporation decided to enter into interest rate swap agreements to minimize its risk of variation of cash flow related to changes in interest rates. Therefore, it has signed a first swap related to an original capital amount of $7 M with a fixed interest rate of 3.48%, a second swap related to an original capital amount of $9.6 M with a fixed interest rate of 3.58% and a third swap related to an original capital amount of $6.2 M with a fixed interest rate of 2.68%, the three of them for a 5-year period. Those rates include a stamping fee of 1.5%. The swap agreements related to the April 2012 loans matured in April 2017 and now bear interest at prime rate plus 0.5%.

Consistent with our currency hedges, the Corporation applies hedge accounting, which enables the recording of unrealized gains and losses related to the derivative financial instrument to *Accumulated other comprehensive income*, while fair value is recorded in the statement of financial position. As at March 31, 2017, the unrealized gain on the interest rate swaps is negligible.

10. Financial Position

Working Capital

(in thousands of dollars)	**March 31, 2017 (Unaudited)**	December 31, 2016	Change	
Current assets	**$92,490**	$90,239	$2,251	2.5%
Current liabilities	**$26,110**	$26,604	$(494)	(1.9)%
Working capital	**$66,380**	$63,635	$2,745	4.3%
Current ratio	**3.54**	3.39	0.15	4.4%

Current assets increased by $2.3 M between December 31, 2016 and March 31, 2017, mainly due to cash (+$519,000), inventories (+$624,000, of which $457,000 come from the addition of the activities of Premier Lifts), and prepaid expenses (+$728,000, mainly due to the period of the year requiring advance payment of expenses). See subsection *Cash Flows* in section 11 for details on cash flow variations.

Current liabilities decreased by $494,000 between December 31, 2016 and March 31, 2017, mainly due to a decrease of derivative financial instruments related to net unrealized loss on foreign exchange contracts (-$1.1 M) and current tax liabilities (-$976,000) partially offset by an increase in deferred revenue (+$1.7 M); the addition of the activities of Premier Lifts (+$768,000) and of SHHC (+$428,000) represent $1.2 M of this increase.

Note that the number of days required to recover accounts receivable was 39 days as at March 31, 2017 compared to 40 days as at December 31, 2016. As for accounts payable, the average was 72 days as at March 31, 2017 compared to 71 days as at December 31, 2016.

Non-current Assets and Liabilities and Equity

(in thousands of dollars)	**March 31, 2017 (Unaudited)**	December 31, 2016	Change	
Non-current assets	**$40,046**	$35,893	$4,153	11.6%
Non-current liabilities	**$14,874**	$16,543	$(1,669)	(10.1)%
Equity	**$91,552**	$82,985	$8,567	10.3%

Non-current assets increased by $4.2 M between December 31, 2016 and March 31, 2017, mainly due to goodwill recorded following the acquisition of the activities of Premier Lifts (+$4.3 M).

Non-current liabilities decreased by $1.7 M between December 31, 2016 and March 31, 2017, mainly due to the variation in unrealized net value on foreign exchange contracts of $744,000 and the decrease in long-term debt of $874,000 following repayments.

The $8.6 M increase in equity is mainly due to the net income of $3.3 M and to the variation of the foreign exchange rate of $1.4 M included in other comprehensive income, as well as the issuance of shares in relation to the exercise of warrants (+$5.7 M), offset by declared dividends totaling $2.4 M.

As at March 31, 2017, Savaria benefited from a sound financial position with total assets of $132.5 M, compared with $126.1 M as at December 31, 2016, and total liabilities of $41 M, compared with $43.1 M as at December 31, 2016.

Share Information

(in thousands)	**March 31, 2017 (Unaudited)**	December 31, 2016
Number of common shares issued and outstanding	**37,788**	36,354

(in thousands - unaudited)	Quarters ended March 31,	
	2017	2016
Weighted average number of common shares outstanding used to calculate basic earnings per share	**36,837**	32,621
Weighted average number of common shares outstanding used to calculate diluted earnings per share	**38,016**	33,684

Available Sources of Financing

(in thousands of dollars - unaudited)	**March 31, 2017**	December 31, 2016
Credit facilities:		
Authorized	**$10,000**	$10,000
Loans	**-**	-
Unused credit	**10,000**	10,000
Gross cash	**51,749**	51,230
Total	**$61,749**	$61,230

As shown above, the Corporation had total available funds of $61.7 M as at March 31, 2017. This provides it with the flexibility to meet its potential obligations in the near term and to benefit from acquisition opportunities.

The Corporation minimizes its exposure to risks of variation of cash flow related to fluctuations in interest rates by keeping most of its debt at fixed rates using swap agreements (see *Hedging of Interest Rates* in section 9). To this end, Savaria benefits from a substitution line of credit of $800,000.

Furthermore, the Corporation has a substitute line of credit of $17.8 M enabling it to be exposed to a risk of potential losses on foreign exchange contracts over a hedging period of a maximum of 48 months.

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

Other Data and Ratios

(in thousands of dollars, except per-share amounts - unaudited)	**March 31, 2017**	December 31, 2016	Change
Book value per share (1)	**$2.42**	$2.28	6.1%
Cash per share (1)	**$1.37**	$1.41	(2.9)%
Market capitalization	**$529,031**	$395,167	33.9%

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

Book value per share is up as at March 31, 2017 compared to December 31, 2016, due to the issuance of 1,334,000 shares at $4.25 per share following the exercise of warrants. Market capitalization is up due to an increase in the value of the common shares of the Corporation, which went from $10.87 as at December 31, 2016 to $14.00 as at March 31, 2017 and to the issuance of common shares mentioned before.

11. Cash Flows

The following table presents certain cash flow data for 1st quarter of 2017 and 2016.

(in thousands of dollars - unaudited)	March 31		
	2017	2016	Change
Cash at the beginning of the periods	**$51,230**	$29,707	$21,523
Net cash related to operating activities	**2,779**	(332)	3,111
Net cash related to investing activities	**(4,704)**	(668)	(4,036)
Net cash related to financing activities	**2,631**	(2,419)	5,050
Unrealized foreign exchange loss on cash held in foreign currencies	**(187)**	(186)	(1)
Cash as at March 31	**$51,749**	$26,102	$25,647

The Corporation's cash flows from operating activities are up $3.1 M for the 1st quarter compared to the corresponding period of previous year. This is mainly due to a variation in non-cash items (+$2 M) and net income before tax and amortization (+$1.3 M).

Cash flow used in investing activities is up $4 M in 1st quarter compared to the same period previous year. This is mainly due to the acquisition of Premier Lifts during 1st quarter of 2017 to the amount of $4.1 M.

Regarding financing activities, cash flows from financing activities are up $5.1 M for 1st quarter 2017 compared to the same period previous year. This is mainly due to an increase in proceeds from the exercise of warrants (+$5.7 M) partially offset by an increase in dividend payments (-$732,000).

12. Significant Accounting Policies and Estimates

(A) Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are the goodwill, the measurement of the identifiable assets acquired during business acquisitions, the measurement of the fair value of derivative financial instruments and the warranty and inventory obsolescence provisions. Important judgements made by management when applying accounting policies that have the most significant impact on amounts recognized in the consolidated financial statements are the determination of cash-generating units, the identification of operating segments and the determination of foreign operations' functional currency.

These estimates are based on management's knowledge of current events and on the measures the Corporation could take in the future. Actual results may differ from these estimates.

(B) New accounting standards and interpretations adopted during first three months

The following new standards and amendments to standards and interpretations have been applied in preparing the interim condensed consolidated financial statements as at March 31, 2017:

- *Disclosure Initiative: (Amendments to IAS 7)*
- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)*

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

13. Internal Control over Financial Reporting

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer of the Corporation are in charge of establishing and maintaining disclosure controls and procedures, as defined by *Multilateral Instrument 52-109* of the Canadian Securities Administrators.

As stated in the 2016 annual Management's Report, an evaluation has been conducted to measure the effectiveness of controls and procedures as of December 31, 2016 used for the preparation of reporting documents.

Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Corporation are in charge of establishing and maintaining an adequate internal control system in regard to financial reporting.

As stated in the 2016 annual Management's Report, management has evaluated the effectiveness of internal control over financial reporting as of December 31, 2016.

Changes to Internal Control over Financial Reporting

No changes in the Corporation's internal control over financial reporting occurred during the first three months of 2017 that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

14. Off-Balance Sheet Arrangements

Savaria did not enter into any off-balance sheet arrangements during the first quarter of 2017.

15. Related Party Transactions

Savaria did not enter into any transactions with any related party during the first quarter of 2017.

16. Risks and Uncertainties

Savaria is engaged in an industry exposed to various risks and uncertainties. The Corporation's operating results and financial position could be adversely affected by each of the risks and uncertainties described in its 2016 annual management's report, which refer to the following:

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

17. Subsequent event

Savaria announced on May 1, 2017 that it has entered into an agreement with Span-America Medical Systems, Inc. ("Span-America") (NASDAQ: SPAN) pursuant to which Savaria will acquire Span-America by way of an all-cash tender offer of $29.00 US per share, for a total transaction consideration of $80,2 M US ($109,5 M CA). Founded in 1970 and based in Greenville, South Carolina, Span-America manufactures and markets a comprehensive offering of therapeutic support surfaces and pressure management products for the medical market. Through its wholly owned subsidiary Span Medical Products Canada Inc. ("Span-Canada"), based in Beamsville, Ontario, it also manufactures and markets medical beds as well as related in-room furnishing products for the long-term care market.

The all-cash transaction is expected to be financed by Savaria's available cash, a new $110 M CA revolving credit facility provided by the Corporation's financial institution and a $38.4 M CA private placement of subscription receipts. The transaction is expected to close in the second quarter of 2017.

18. Outlook

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

As demonstrated in the twelve months of 2016 and in the first quarter of 2017, sales of accessibility products, especially those of stairlifts for straight and curved stairs, are forecasted to further their increase in the upcoming quarters of 2017. The development of a new product line of patient lifts is following its course at our research and development center in Magog, Quebec, and should be completed at the end of the 3rd quarter of 2018. This new product line called "Monarch" will be an exciting addition to our existing product line, which is one of the most comprehensive on the market.

Regarding the *Adapted Vehicles* segment, the acquisition of the automotive division of SHHC in May 2016 enables us to reach new markets such as Victoria, Vancouver, Calgary, Edmonton, London and Waterloo. This transaction is expected to generate an annual revenue of some $15 M, excluding synergies from this acquisition.

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

Factoring in the benefits of the acquisition of Premier Lifts that was completed in February 2017 but without taking into account the eventual acquisition of Span-America, the Corporation keeps its forecasts of revenue of approximately $143 M and adjusted EBITDA in a range of $25.5-$26.5 M for the twelve-month period ending December 31, 2017.

May 11, 2017