2018

SAVARIA CORPORATION

Annual Report

Fiscal year ended December 31, 2018

savaria

SAVARIA CORPORATION

Management's Discussion and Analysis Report

For the Three-Month and Twelve-Month Periods Ended December 31, 2018

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 and twelve-month periods ended December 31, 2018, in comparison with that for the corresponding periods of fiscal 2017. It also provides a comparison of its statements of financial position as at December 31, 2018 and December 31, 2017. Unless otherwise indicated, the terms “the Corporation”, “Savaria”, “We” and “Our” refer to Savaria Corporation and its subsidiaries.

Prepared in accordance with *National Instrument 51-102 respecting Continuous Disclosure Obligations*, this report should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2018. 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.

This management’s report was prepared as at March 27, 2019. Additional information, including the Annual Information Form, are available on SEDAR’s website at www.sedar.com.

2. Forward-Looking Statements

This MD&A includes certain statements that are “forward-looking statements” within the meaning of the securities laws of Canada. Any statement in this MD&A that is not a statement of historical fact may be deemed to be a forward-looking statement. When used in this MD&A, the words “believe”, “could”, “should”, “intend”, “expect”, “estimate”, “assume” and other similar expressions are generally intended to identify forward-looking statements. It is important to know that the forward-looking statements in this MD&A describe our expectations as at March 27, 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, the Corporation uses non-IFRS measures such as EBITDA, EBITDA per share, working capital, current ratio, book value per share, cash per share and total net debt to invested capital ratio for analysis purposes to measure its financial performance. EBITDA means earnings before interest, income taxes, depreciation and amortization ("EBITDA") while EBITDA per share means EBITDA per average diluted number of common shares outstanding. Adjusted EBITDA means EBITDA as defined above before realized and unrealized business acquisition costs, the value adjustment on acquired inventories, the stock-based compensation, the provision for restructuring costs of Garaventa's operations in China, the proceeds from an insurance claim, the gain on a financial instrument and the settlement of a litigation, 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. Reconciliation between net income and EBITDA and adjusted EBITDA is provided in section 9, *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 period and cash per share corresponds to the result of cash divided by the number of shares outstanding at the end of each period.

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

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

4. Business Overview

Savaria is one of the global leaders in the accessibility industry. It provides accessibility solutions for the physically challenged to increase their comfort, their mobility and their independence. Its product line is one of the most comprehensive on the market. Savaria designs, manufactures, distributes and installs accessibility equipment, such as stairlifts for straight and curved stairs, vertical and inclined wheelchair lifts, elevators for home and commercial use, as well as ceiling lifts. It also manufactures and markets a comprehensive selection of pressure management products for the medical market, medical beds for the long-term care market, mattress overlays and foam pillows for the retail market and certain products for the industrial market. In addition, Savaria converts and adapts vehicles to be wheelchair accessible. Savaria records close to 75% of its revenue outside of Canada, primarily in the United States. It operates a sales network of some 500 dealers worldwide and 28 direct sales offices in North America, Europe (Switzerland, Germany, Italy, Czech Republic and Poland), Australia and China. Savaria employs approximately 1,400 people globally and its plants are located in Canada: Laval and Magog

(Québec), Brampton, Beamsville and Toronto (Ontario) and Surrey (British Columbia), in the United States at Greenville (South Carolina), in Huizhou (China) and in Milan (Italy).

Operating Segments of the Corporation

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

- ***Accessibility* Segment (59% of Revenue in 2018; same in 2017)**

Through its *Accessibility* segment, Savaria designs, manufactures, distributes and installs accessibility products such as stairlifts for both straight and curved stairs, vertical and inclined wheelchair lifts and elevators for home and commercial use. The products are manufactured, assembled and customized at the Brampton, Ontario, plant, and through the acquisition of Garaventa Accessibility AG ("Garaventa Lift") in August 2018, at the Surrey (British Columbia) and Milan (Italy) plants. The products are offered through a network of some 500 dealers worldwide and a network of 28 direct sales offices in North America, Europe (Switzerland, Germany, Italy, Czech Republic and Poland), Australia and China. The Huizhou (China) plant is the main supplier of parts and components for the Brampton plant; also, it assembles product components and finished products mainly for the benefit of the Corporation and for the sale of products on the Asian, European and Australian markets. Operation of this Chinese subsidiary allows Savaria to obtain competitive pricing on its purchases. Through its Silver Cross division, the Corporation operates a network of franchises and corporate stores in which new and recycled accessibility equipment is sold.

- ***Adapted Vehicles* Segment (10% of Revenue in 2018; 15% of Revenue in 2017)**

Through its *Adapted Vehicles* segment, Savaria converts and adapts minivans to facilitate the transport of mobility challenged people via its Van-Action (2005) Inc. (Laval, Québec) and Freedom Motors Inc. (Toronto, Ontario) subsidiaries. Its Silver Cross Automotive Inc. subsidiary distributes converted vehicles in the provinces of Ontario, Alberta and British Columbia. The product line-up includes models with rear entry, side entry or dual entry. By adding a ramp and lowering the floor, minivans become accessible to people in wheelchairs. They can be used for personal or commercial purposes.

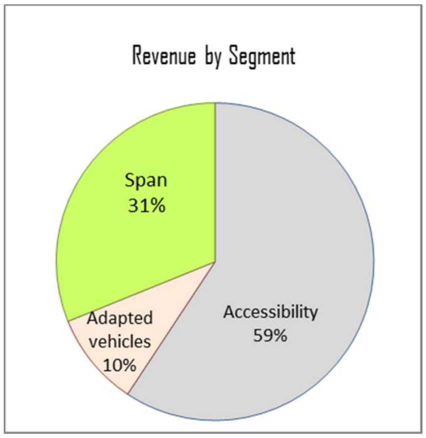
- ***Span* Segment (31% of Revenue in 2018; 25% of Revenue Between the Acquisition on June 16, 2017 and December 31, 2017)**

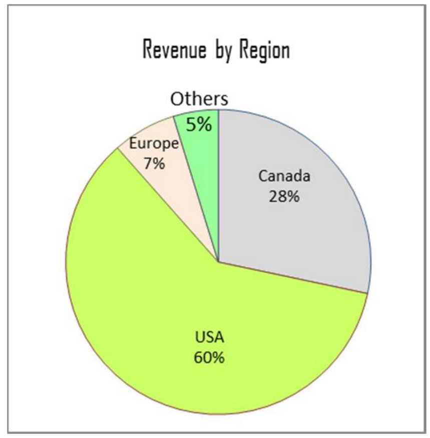
The Corporation entered the medical products market through the acquisition of Span-America Medical Systems Inc. ("Span") in June 2017. In Greenville, South Carolina, the Corporation designs, manufactures and markets a comprehensive selection of therapeutic support surfaces and other pressure management products for the medical market. Pressure management products made up 60% (2017-62%) of total Span revenue in 2018. In Beamsville, Ontario, Span manufactures and markets medical beds. Medical beds and related products made up 25% (2017-22%) of total Span revenue for 2018. Medical products are sold primarily in North America to customers in the major segments of the health care market, including long-term care facilities, acute care hospitals and home health care providers. To those two main product lines, secondary products are added. As such, Span manufactures and markets foam mattress overlays and pillows sold to various retail customers in the U.S. market. Consumer sales made up 10% (2017-11%) of total Span revenue in 2018.

Lastly, Span manufactures and markets certain products for the industrial market, mainly foam products, which are sold to a variety of sectors, including the automotive, packaging and water sports equipment industries. Industrial products made up 5% (2017-same) of total Span revenue in 2018.

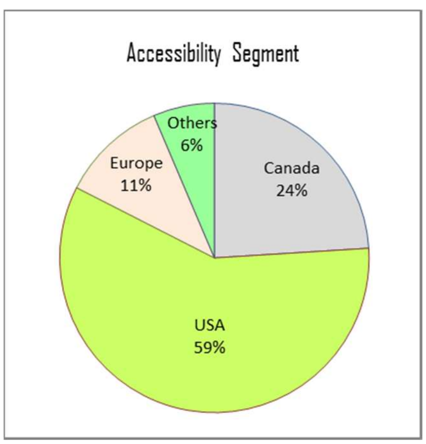
Revenue Breakdown by Segment by Region

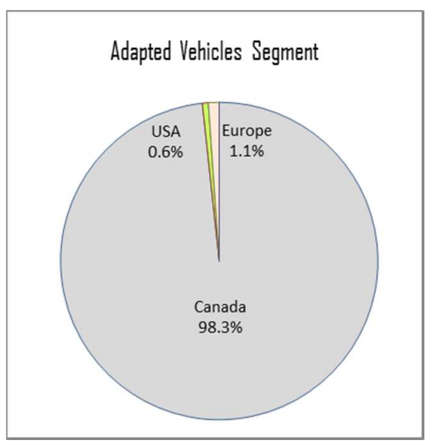
During fiscal 2018 Savaria's breakdown by segment and by region is as follows:

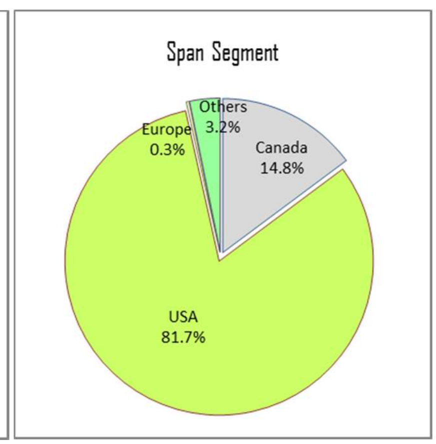




Revenue breakdown per region for the three segments is as follows:







Revenue for 2018 amounts to $171.1 million ("M") for the *Accessibility* segment, $89.8M for the *Span* segment and $27.6M for the *Adapted Vehicles* segment, for total revenue of $286M, taking into account consolidation eliminations of $2.5M. In this report, unless specifically mentioned, the analysis covers the three segments.

Operations in Foreign Exchange

We are subject to foreign currency fluctuations from the conversion of revenue, expenses, assets and liabilities of its foreign operations and from commercial transactions denominated mainly in U.S. dollars, but also in Swiss francs and in euros. 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:

Canadian equivalent of a currency	December 31,	
	2018	2017
US Dollar (USD)	**1.3645**	1.2571
Euro (EUR)	**1.5623**	*n/a*
Swiss Franc (CHF)	**1.3868**	*n/a*

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

Canadian equivalent of a currency	Quarters ended December 31 (unaudited)		Four months period ended December 31	December 31	
	2018	2017	**2018**	**2018**	2017
US Dollar (USD)	**1.3220**	1.2713	***n/a***	**1.2957**	1.2986
Euro (EUR)	**1.5083**	*n/a*	**1.5113**	***n/a***	*n/a*
Swiss Franc (CHF)	**1.3277**	*n/a*	**1.3279**	***n/a***	*n/a*

We use 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 10 for details).

5. Business Context

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

Equipment designed for the accessibility market is sold to wheelchair users and to elderly people with mobility challenges for whom stairs and raised building entrances are major obstacles. The Span pressure management products and medical beds are most commonly used in long-term care facilities and, to a lesser extent, in home care settings. These products are well positioned to benefit from the expected growth in the aging population in North America. The number of people requiring accessibility products, pressure management products and medical beds will therefore steadily grow as the population continues to age.

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

Consequently, the number of people requiring accessibility equipment, pressure management products and medical beds will grow, for several reasons. Firstly, the older population is growing and people’s life expectancy increasing. According to an *Organisation for Economic Co-operation and Development* (“OECD”) study titled *Health at a Glance 2017*, some 25 countries now have an average life expectancy of 80 years and over. Secondly, seniors are increasingly well-off and will hence have the means to adapt their own homes in order to remain there. Based on the same 2016 Canadian census as above and the 2010 U.S. census, 93% of Canadians and 96% of Americans 65 years and older lived in private households or dwellings with the balance living in collective dwellings. Finally, the family structure and care of aging people are changing, increasingly requiring accessibility equipment to be installed in these people’s homes and public buildings and increasing the need for medical beds and pressure management products in home care settings.

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

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

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

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

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

6. Vision, Mission and Strategy

Our Vision

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

Our Mission

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

Our Strategy

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

➢ We regularly develop and market new products, providing the most extensive product selection in the industry to our 500 active distributors and our Canadian, American, European and Australian direct sales centers.

Achievements:

- Following Garaventa's acquisition, we can now count on 37 employees in Research and Development dedicated to the development of new products such as platform lifts, elevators, ceiling lifts as well as new vehicle conversions.
- The design of the new M2lift, a convenient and affordable vertical platform lift geared toward the residential market.
- The ongoing design of a new line of safe patient handling products, including a fixed and portable ceiling lift, customizable slings, a complete track system and related accessories which is in development at our research and development center in Magog, Québec.

➢ Savaria stays abreast of business opportunities, 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:

- Acquisition of Florida Lift LLC on February 28, 2019. This company has consistently ranked as one of Savaria's top dealers, and this transaction provides Savaria with the platform to become the dominant player in Florida, an attractive market for high-end residential elevators, such as our Vuelift.
- Purchase of Garaventa Lift on August 31, 2018. This transaction provides us with a global sales infrastructure with 15 additional sales offices across North America and Europe, along with over 100 additional active dealers. On top of benefiting from a more geographically diversified revenue base, the acquisition of Garaventa Lift provides us with additional manufacturing flexibility with complementary production operations in Western Canada and Italy.

- Acquisition of the assets of H.E.S. Elevator Services Inc. ("H.E.S.") in April 2018. This acquisition complements the acquisition of the assets of Visilift LLC ("Visilift") in Colorado, USA and helps strengthen our presence and our direct sales network in this market.
- Purchase of the assets of Master Lifts Pty Ltd ("Master Lifts ") in December 2017. This acquisition provides us with a national sales platform to gain access to the Australian market by leveraging Master Lifts's national sales network.
- Signature in August 2017 of a phased approach agreement, of which the 2nd phase has been completed in July 2018, to purchase the assets of Visilift. This acquisition allowed us to add round and octagonal panoramic glass or acrylic elevators, the *Vuelift* elevator, to our line of residential elevators.
- Purchase of Span in June 2017. This transaction contributed to reaching our long-term strategic growth objectives by penetrating a strategic market in a key territory for us and enabled us to further diversify our accessibility portfolio with highly complementary products, providing customers with a complete comfort and mobility offering. It contributed to significantly strengthen our ability to penetrate government and institutional accounts given Span's vast U.S. sales infrastructure and deep client relationships. It created opportunities to market our new ceiling lifts product line through Span's established distribution channels. With manufacturing capabilities in Ontario (Canada), and Greenville (South Carolina, USA), Span enhances our production footprint and provides us with the flexibility to manufacture locally certain accessibility products for sale into the U.S. market.

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

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

Achievements:

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

The Corporation is exposed to various business risks which could have an impact on its ability to maintain its current market share and profitability, as well as to achieve its short-term and long-term strategic objectives. These risks are described in section 20, *Risks and Uncertainties*.

7. Fourth-Quarter and Fiscal 2018 Highlights

Revenue up 68.5% for Q4 2018, and 55.7% for fiscal 2018: For the 4th quarter of 2018, revenue is up $37.9M, at $93.1M, compared to $55.2M same quarter previous year. For fiscal 2018, revenue is up $102.3M, at $286M, compared with $183.7M in 2017.

Operating income up 11% for Q4 2018, and 17.4% for fiscal 2018: Operating income is up $725,000, at $7.3M for the 4th quarter of 2018, compared to $6.6M same quarter previous year. For fiscal 2018, operating income is up $4M, at $26.6M in 2018 compared with $22.6M in 2017.

Adjusted EBITDA up 37.1% for Q4 2018, and 31.1% for fiscal 2018: Adjusted EBITDA amounted to $13.1M for the 4th quarter of 2018 compared to $9.5M same quarter previous year, an increase of $3.6M. For fiscal 2018, adjusted EBITDA is up $9.7M at $40.8M in 2018 compared with $31.1M in 2017. Reconciliation between net income and adjusted EBITDA is provided in section 9, *Summary of Quarterly Results*.

Dividend: During fiscal 2018, dividend is up 20.6%, at 38 cents per share compared to 31.5 cents in 2017.

Acquisition of H.E.S.: In April 2018, we entered into an agreement to acquire H.E.S.'s assets, an elevator distributor in the region of Denver, Colorado.

Acquisition of Visilift: In July 2018, we completed the acquisition of Visilift's assets, a manufacturer of round and octagonal panoramic glass or acrylic elevators, which allowed us to expand our residential elevators offering.

Acquisition of Garaventa Lift: In August 2018, we acquired all of the issued and outstanding shares of Garaventa Lift. The combination of Savaria and Garaventa Lift created an industry leader with a global foot print, a broad distribution network and one of the most comprehensive portfolios of accessibility products in the market.

8. Overview of the Last Three Years

Selected financial information for the last three years is presented in the table below.

(in thousands, except per-share amounts and percentages)	**2018**	2017 (recast [3])	2016
Revenue	**$286,034**	$183,741	$119,728
Gross margin as a % of revenue	***32.6%***	*34.8%*	*33.9%*
Operating expenses [1]	**$64,305**	$39,672	$22,479
As a % of revenue	***22.5%***	*21.6%*	*18.8%*
Operating income	**$26,579**	$22,636	$17,449
As a % of revenue	***9.3%***	*12.3%*	*14.6%*
EBITDA [2]	**$37,235**	$28,129	$19,714
Adjusted EBITDA [2]	**$40,800**	$31,115	$20,824
Adjusted EBITDA per share – diluted	**$0.92**	$0.77	$0.58
Gain (loss) on foreign exchange	**$861**	$(511)	$265
Net income	**$17,658**	$19,248	$12,301
Earnings per share – diluted	**$0.40**	$0.47	$0.34
Dividends declared per share	**$0.38**	$0.315	$0.215
Weighted average number of common shares outstanding – diluted	**44,442**	40,599	35,916
Total assets	**$398,165**	$220,165	$126,132
Long-term debt (including current portion)	**$101,336**	$39,553	$17,291
Total non-current liabilities	**$130,693**	$50,177	$16,543
Equity	**$198,397**	$138,783	$82,985

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

(2) Reconciliation of EBITDA and adjusted EBITDA with net income provided in section 9.

(3) We adopted IFRS 15 on January 1, 2018. The effect of this adoption is presented in note 3 of the consolidated financial statements. We also made adjustments to the purchase price allocation for the Span and Master Lifts acquisitions. The adjustments are presented in note 4 of the consolidated financial statements.

Revenues significantly increased to record highs in the last two years with 2017 revenues of $183.7M (up 53.5%) and 2018 revenues of $286M (up 55.7%). These increases are primarily due to Span's acquisition in June 2017 and Garaventa Lift in August 2018. New products launch and volume increase of selected products also contributed.

Gross margin followed the same upward trend as revenue in 2017, mainly due to an increase in revenue and also Span's acquisition in June 2017. On the other hand, in 2018 gross margin decreased proportionally to revenue because Span's gross margin decreased in 2018 and because Garaventa Lift's gross margin is lower than Savaria's historic gross margin.

The proportion of operating expenses over revenue increased by 2.8 points between 2016 and 2017 and 0.9 point between 2017 and 2018. This increase is partially due to amortization expense on intangible assets related to the year's acquisitions, at $3M or 1.6% in 2017 and $4.2M or 1.5% in 2018.

As for operating income, it soared by 30% in 2017 and by 17% in 2018, mainly due to an increase in gross margin in spite of an increase in operating expenses and other net charges.

Gains or loss on foreign exchange are mainly related to the variation of the rate of the U.S. dollar relative to the Canadian dollar on the transactions not covered by foreign exchange contracts. The $776,000 decrease in the foreign exchange gain in 2017 is due to an unfavourable variation of 3 basis points in the average foreign exchange rate compared to 2016. In 2018, it's a favourable variation of $1.4M due to an increase of 10 basis points in the end of period rate.

Along with revenue, adjusted EBITDA soared. It went from $20.8M or 17.4% of revenue in 2016 to $31.1M or 16.9% of revenue in 2017 and to a record high of $40.8M or 14.3% of revenue in 2018. These increases are mainly due to the increases in gross margin (+$23.4M in 2017; +$29.2M in 2018) offset by variations in foreign exchange gains and losses in 2017 (-$776,000) and 2018 (+$1.4M) and increases in operating expenses (+$17.2M in 2017; +$24.6M in 2018).

In line with revenue and adjusted EBITDA, dividends declared per share are increasing year after year. The dividend policy in effect between September 2016 and September 2017 was 6.5 cents per share. In September 2017, the dividend per share was increased from 26 cents to 36 cents on an annual basis, now declared monthly, and was increased again in September 2018, to 42 cents on an annual basis.

Total assets increased significantly in 2017 and 2018, mainly due to the acquisitions of Span, Premier Lifts and Master Lifts in 2017 and H.E.S., Visilift and Garaventa Lift in 2018. Long-term debt increased by $22.3M in 2017 following the establishment of a new credit facility for Span's acquisition. It increased by $61.8M in 2018, mainly due to Garaventa Lift's acquisition. Total non-current liabilities excluding the long-term debt increased by $9M in 2017 and $21.3M in 2018, mainly due to the increase in deferred tax liabilities, and the obligation related to the retirement plans resulting from Garaventa Lift's acquisition in 2018.

Equity significantly increased by $55.8M in 2017 and $59.6M in 2018. These increases are primarily due to the issuance of shares to the amounts of $38.4M in 2017 and $57.3M in 2018.

9. Summary of Quarterly Results

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

(in thousands, except per-share amounts and percentages – unaudited)	**2018**				2017			
	Quarter 4	Quarter 3(3)	Quarter 2(4)	Quarter 1	Quarter 4(5)	Quarter 3	Quarter 2(6)	Quarter 1(7)
Revenue (8)	**$93,118**	$72,089	$64,235	$56,592	$55,249	$56,988	$39,841	$31,663
Gross margin as a % of revenue (8)	***30.9%***	*33.2%*	*33.8%*	*33.1%*	*36.3%*	*34.9%*	*32.9%*	*34.3%*
Operating expenses(1)	**$21,142**	$16,406	$13,869	$12,888	$13,318	$12,778	$7,399	$6,177
% of revenue	***22.7%***	*22.8%*	*21.6%*	*22.8%*	*24.1%*	*22.4%*	*18.6%*	*19.5%*
Operating income	**$7,314**	$5,089	$8,680	$5,496	$6,589	$6,932	$4,472	$4,643
% of revenue	***7.9%***	*7.1%*	*13.5%*	*9.7%*	*11.9%*	*12.2%*	*11.2%*	*14.7%*
Gain (loss) on foreign exchange	**$688**	$(146)	$216	$103	$46	$(334)	$(129)	$(94)
Net income	**$4,756**	$2,754	$6,376	$3,772	$8,335	$4,812	$2,764	$3,337
Earnings per share – diluted	**$0.11**	$0.06	$0.14	$0.09	$0.20	$0.11	$0.07	$0.09
EBITDA(2)	**$11,854**	$6,867	$11,162	$7,352	$9,073	$9,017	$4,935	$5,104
Adjusted EBITDA(2)	**$13,076**	$9,694	$10,106	$7,924	$9,537	$9,604	$6,745	$5,229
Adjusted EBITDA per share – diluted	**$0.29**	$0.21	$0.23	$0.19	$0.24	$0.23	$0.17	$0.14
Dividend declared per share	**$0.105**	$0.095	$0.09	$0.09	$0.09	$0.095	$0.065	$0.065

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

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

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

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

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

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

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

(8) Revenue and Gross margin as a % of revenue for 2017 have been restated in order to reflect the change in presentation related to freight revenue in accordance with IFRS 15.

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

Gross margin, which was at 34.8% in 2017, is at 32.6% for fiscal 2018. Span's acquisition in June 2017 has contributed to increase the percentage of gross margin of the 3rd and 4th quarter of 2017. However, the margin in this segment decreased to 29.7% for fiscal 2018, bringing down the consolidated margin. The acquisition of

Garaventa Lift in August 2018 also had a negative impact on the consolidated gross margin. The gross margin of this division is 26.7% for the four-month period since its acquisition. For more details, refer to *Gross Margin* in section 10 *Operating Results*.

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

Adjusted EBITDA of 2017 was at 16.9% of revenue, whereas it is at 14.3% of revenue for fiscal 2018. This decrease is due to the arrival of the new Span segment and the Garaventa Lift division.

Reconciliation of EBITDA and Adjusted EBITDA With Net Income

As indicated in section 3, although EBITDA and adjusted EBITDA are not recognized measures according to IFRS, they are used by management, investors and analysts to assess the Corporation's financial and operating performance. Reconciliation between net income and EBITDA and adjusted EBITDA is provided in the table below.

(in thousands of dollars – unaudited)	2018					2017				
	Total	**Q 4**	Q 3	Q 2	Q 1	Total	Q 4	Q 3	Q 2	Q 1
Net income	**$17,658**	**$4,756**	$2,754	$6,376	$3,772	$19,248	$8,335	$4,812	$2,764	$3,337
Plus:										
Interest costs	**3,341**	**1,254**	868	813	406	1,236	503	399	152	182
Income tax expense (recovery)	**6,942**	**1,857**	1,534	2,216	1,335	1,757	(2,286)	1,386	1,510	1,147
Depreciation of fixed assets	**3,664**	**1,401**	904	709	650	2,199	613	774	444	368
Amortization of intangible assets	**6,153**	**2,608**	1,150	1,203	1,192	3,971	1,911	1,662	211	187
Less:										
Interest income	**523**	**22**	343	155	3	282	3	16	146	117
EBITDA	**$37,235**	**$11,854**	$6,867	$11,162	$7,352	$28,129	$9,073	$9,017	$4,935	$5,104
Plus:										
Stock-based compensation	**1,379**	**480**	389	295	215	890	315	277	212	86
Business acquisition costs, realized and unrealized	**3,040**	**1,033**	887	763	357	1,650	149	199	1,263	39
Settlement of a litigation	**215**	**215**	-	-	-	-	-	-	-	-
Value adjustment on acquired inventories	**331**	**331**	-	-	-	446	-	111	335	-
Restructuring costs for Garaventa Lift's operations in China	**879**	**(672)**	1,551	-	-	-	-	-	-	-
Less:										
Proceeds from insurance claim	**1,776**	**165**	-	1,611	-	-	-	-	-	-
Gain on financial instrument	**503**	**-**	-	503	-	-	-	-	-	-
Adjusted EBITDA	**$40,800**	**$13,076**	$9,694	$10,106	$7,924	$31,115	$9,537	$9,604	$6,745	$5,229

10. Operating Results

Segment Information

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

(in thousands of dollars, except for percentages)	3 months (Unaudited)			12 months		
	2018	2017	Change	**2018**	2017	Change
Revenue						
Accessibility	**$66,115**	$28,248	134%	**$171,079**	$110,117	55%
Adapted vehicles	**6,452**	$6,446	0.1%	**$27,657**	27,447	1%
Span	**21,160**	$20,556	3%	**$89,813**	46,425	93%
Consolidated eliminations	**(609)**	$(1)	*n/a*	**$(2,515)**	(248)	914%
Total	**$93,118**	**$55,249**	69%	**$286,034**	$183,741	56%
EBITDA						
Accessibility	**$9,996**	$5,515	81%	**$30,276**	$22,729	33%
% of revenue	**15.1%**	19.5%	*n/a*	**17.7%**	20.6%	*n/a*
Adapted vehicles	**$432**	$576	(25)%	**$2,079**	$2,696	(23)%
% of revenue	**6.7%**	8.9%	*n/a*	**7.5%**	9.8%	*n/a*
Span	**$2,814**	$2,709	4%	**$11,096**	$4,673	137%
% of revenue	**13.3%**	13.2%	*n/a*	**12.4%**	10.1%	*n/a*
Head office	$(1,388)	$273	(608)%	$(6,216)	$(1,969)	216%
Total	**$11,854**	$9,073	31%	**$37,235**	$28,129	32%
% of revenue	***12.7%***	*16.4%*	*s.o.*	***13%***	*15.3%*	*s.o.*
Adjusted EBITDA						
Accessibility	**$10,394**	$6,623	57%	**$30,821**	$23,107	33%
% of revenue	**15.7%**	23.4%	*n/a*	**18%**	21%	*n/a*
Adapted vehicles	**$432**	$577	(25)%	**$2,079**	$2,696	(23)%
% of revenue	**6.7%**	9%	*n/a*	**7.5%**	9.8%	*n/a*
Span	**$2,610**	$2,707	(4)%	**$9,371**	$6,391	47%
% of revenue	**12.3%**	13.2%	*n/a*	**10.4%**	13.8%	*n/a*
Head office	$(360)	$(370)	(3)%	$(1,471)	$(1,079)	36%
Total	**$13,076**	$9,537	37%	**$40,800**	$31,115	31%
% of revenue	14 %	17.3 %	*n/a*	14.3 %	16.9 %	*n/a*

Revenue of the *Accessibility* segment is up $37.9M in the 4th quarter of 2018, from $28.2M in 2017 to $66.1M in 2018 and up $61M for the twelve-month period from $110.1M in 2017 to $171.1M for the same period of 2018. This increase in revenue results from acquisitions, mainly from the addition of the activities of Master Lifts in the 4th quarter 2017, of H.E.S. in April 2018 and of Garaventa Lift in August 2018. These acquisitions contributed $33,8M for the 4th quarter and $49.6M for the twelve-month period. The remaining comes from organic growth which is 7.4% in the 4th quarter and 5.8% in fiscal 2018, as well as from favourable foreign exchange impact which is 5.3% in the 4th quarter and 2.9% in fiscal 2018. Organic growth comes mainly from residential elevators which

are the products that contribute the most to the gross margins. In terms of units sold, sales of residential elevators have increased by 15% in the 4th quarter and 10% in fiscal 2018.
Revenue for the *Adapted Vehicles* segment is stable in the 4th quarter of 2018, whereas they increased some $210,000 for the twelve-month period, a slight increase of 1%.
Revenue of the *Span* segment increased by $604,000 or 3% in the 4th quarter of 2018 and $43.4M for the twelve-month period of 2018 since it was only present from mid-June 2017 following its acquisition by Savaria.

Adjusted EBITDA for the Accessibility segment is up $3.8M in the 4th quarter of 2018, from $6.6M in 2017 to $10.4M in 2018, and $7.7M in the twelve-month period of 2018, from $23.1M in 2017 to $30.8M in 2018. The increase in percentage of the adjusted EBITDA is lower than the increase in revenue due to an increase in the percentage of the operating expenses for this segment and a decrease in the percentage of the gross margin following the addition of the Garaventa Lift activities, whose percentage of gross profit is lower than that of Savaria without Garaventa Lift. The increase in the percentage of operating expenses also mainly results from the acquisition of Garaventa Lift, which has higher operating expenses compared to its revenue.
The decrease in adjusted EBITDA of the Adapted Vehicles segment of $145,000 for the 4th quarter and $617,000 for the twelve-month period of 2018 is mainly due to a decrease in gross margin due to a less favourable sales mix.
The adjusted EBITDA for the Span segment slightly decreased by $97,000 in the 4th quarter of 2018 whereas it increased by $3M for the twelve-month period of 2018 since this segment has only been present since mid-June 2017. The decreases in adjusted EBITDA as a percentage of revenue are mainly due to decreases in gross margin percentage of 3.8% for the 4th quarter and 3.3% for the twelve-month period due to increases in foam cost, one of the main raw materials of this segment, of direct and indirect labour costs as well as transport costs. See *Gross Margin* section below for more details.

(in thousands of dollars, except for percentages)	As at December 31,		Change
	2018	2017 (recast[1])	
Assets			
Accessibility	**$272,416**	$106,394	156%
Adapted vehicles	**19,483**	20,890	(7)%
Span	**134,207**	122,207	10%
Head Office	**160,735**	151,900	6%
Consolidation eliminations	**(188,676)**	(181,226)	(4)%
Total assets	**$398,165**	$220,165	81%

[1] Recast following the adjustment of the purchase price allocation of the 2017 business acquisitions.

Accessibility segment's assets are up 156% or $166M as at December 31, 2018 compared to December 31, 2017, mainly due to the acquisitions of H.E.S., Visilift and Garaventa Lift. More specifically, the main variations are: an increase in cash (+$7.4M of which $6.6M come from Garaventa Lift), trade and other receivables (+$23.8M of which $21.9M come from Garaventa Lift), inventories (+$29.2M of which $20.2M come from Garaventa Lift and

$6.4M come from the Savaria Concord Lifts Inc. subsidiary following the addition of new products), fixed assets (+$35.1M of which $33.7M come from Garaventa Lift), intangible assets and goodwill (+$76.9M of which $64.6M come from Garaventa Lift and $9.5M come from Visilift), partially offset by a decrease in business acquisition deposits (-$4.4M) and derivative financial instruments (-$2.2M).
Adapted Vehicles segment's assets are down 7% or $1.4M mainly due to a decrease in trade and other receivables (-$1.4M) and lower inventories (-$887,000), partially offset by an increase in cash (+$607,000).
Span segment's assets are up 10% or $12M due to an increase in trade and other receivables (+$3.1M), inventories (+$2.4M), fixed assets (+$3M) and intangible assets and goodwill (+$2.4M).

Analysis of consolidated results

Certain data on consolidated results for the 4th quarter and twelve-month period of 2018 and 2017 are presented in the following tables.

Gross Margin

(in thousands, except for percentages)	3 months (Unaudited)			12 months		
	2018	2017	Change	**2018**	2017	Change
Revenue	**$93,118**	$55,249	68.5%	**$286,034**	$183,741	55.7%
Cost of Sales	**$64,372**	$35,196	82.9%	**$192,929**	$119,816	61%
Gross Margin	**$28,746**	$20,053	43.4%	**$93,105**	$63,925	45.6%
% of revenue	***30.9%***	*36.3%*	*n/a*	***32.6%***	*34.8%*	*n/a*

Revenue for the 4th quarter of 2018 is up by $37.9M or 68.5%, from $55.2M in 2017 to $93.1M in 2018. The addition of the activities of Master Lifts in the 4th quarter 2017, of H.E.S. in April 2018 and of Garaventa Lift in August 2018 contributes $33.8M to revenue increase for the quarter. The favourable variation of the US dollar compared to the Canadian dollar represents approximately $2.2M. Revenue for the twelve-month period of 2018 is up by $102.3M or 55.7% compared to the same period of 2017. The addition of Span's activities in June 2017 and those of the above-mentioned 2018 acquisitions contributed $91.8M to revenue increase for the twelve-month period. For this period, the favourable variation of the US dollar compared to the Canadian dollar represents approximately $4.6M.

Gross margin is up by $8.7M for the 4th quarter and $29.2M for the twelve-month period of 2018 compared to the corresponding periods of 2017. As a percentage of revenue, gross margin decreased from 36.3% to 30.9% for the 4th quarter and from 34.8% to 32.6% for the twelve-month period mainly due to a lower contribution by Span and Garaventa Lift to the consolidated gross margin. Indeed, Span's gross margin decreased by 3.3 percentage points in the twelve-month period of 2018 compared to 6.5 months post-acquisition period of 2017 for the following reasons: a) an increase in the cost of foam, Span's largest volume raw material, which made up 0.4 percentage points of the gross margin decrease, b) an increase in direct labour costs (1.1 margin percentage points) at the Beamsville and Greenville plants due to the minimum wage increase in Ontario, Canada and the tight labour market in Greenville, South Carolina, and c) an increase in manufacturing overhead expenses (1.8 margin percentage points) due to increases in shipping costs, indirect labour costs and lower sales volume in Span's direct custom products business. These increases in raw material, labour and manufacturing overhead expenses, which represent $1.3M on an annual basis, will be offset by an increase of 4% in the selling prices of Span's pressure management products. This price increase began in August 2018 and is being steadily implemented each month as existing contracts expire. It will be fully implemented by June 2019, and we forecast that the price increase will add $2.3M to Span's revenue and gross margin on an annual basis, assuming that all other variables remain the same.The gross margin of Garaventa Lift is 26.7% for the four-month period since its acquisition. Excluding Span's and Garaventa Lift's operations, the consolidated gross margin would have been 35.9% in both the 4th quarter and the twelve-month period.

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

Breakdown of Revenue by Region

(as a percentage of sales)	3 months (Unaudited)			12 months		
	2018	2017	Change	**2018**	2017	Change
Canada	**25.5%**	35.5%	(10)	**28.3%**	36.8%	(8.5)
United States	**55.2%**	60.5%	(5.3)	**60.2%**	58.1%	2.1
Europe	**15.8%**	0.4%	15.4	**6.7%**	1%	5.7
Other regions	**3.5%**	3.6%	(0.1)	**4.8%**	4.1%	0.7

Operating Income

(in thousands of dollars, except percentages)	3 months (Unaudited)			12 months		
	2018	2017	Change	**2018**	2017	Change
Operating costs	**$21,142**	$13,318	58.7%	**$64,305**	$39,672	62.1%
% of revenue	*22.7%*	*24.1 %*	*n/a*	*22.5%*	*21.6 %*	*n/a*
Other net expenses	**$290**	$146	98.6%	**$2,221**	$1,617	37.4%
Operating income	**$7,314**	$6,589	11%	**$26,579**	$22,636	17.4%
% of revenue	***7.9%***	*11.9 %*	*n/a*	***9.3%***	*12.3 %*	*n/a*

Operating expenses increased by $7.8M and $24.6M for the current quarter and the twelve-month period. Business acquisitions accounted for $8.6M and $23.1M respectively. The increase of $24.6M for the twelve-month period includes higher amortization of intangible assets expense of $2.2M. As a percentage of revenue, operating costs increased from 24.1% to 22.7% in the 4th quarter, and from 21.6% to 22.5% for the twelve-month period compared to the corresponding periods of 2017. Were it not for these acquisitions, operating expenses would have decreased by $781,000 for the quarter and increased by $1.5M for the twelve-month period. The decrease for the quarter is mainly due to the capitalization of research and development projects. The increase for the year is mainly due to an increase in selling costs (+$904,000), engineering and research and development expense (+$334,000) and in stock-based compensation expense (+$489,000).

Other net expenses are up $144,000 in the 4th quarter and $604,000 for the twelve-month period of 2018 due to higher acquisition costs (+$884,000 for the quarter and +$1.3M for the twelve-month period) and a variation in the provision for the restructuring of the operations of Garaventa Lift's Chinese subsidiary (-$672,000 for the quarter and +$879,000 for the twelve-month period), litigation settlement costs (+$215,000 for the quarter and the twelve-month period), partially offset by the proceeds from an insurance claim (-$165,000 for the quarter and -$1.8M for the twelve-month period).

The combined effect of the favourable change in gross margin and the unfavourable variation in operating costs and of other net expenses results in an increase in operating income of $725,000 for the 4th quarter and $3.9M for the twelve-month period of 2018 compared to the same periods in 2017.

Net Income

(in thousands of dollars, except for percentages)	3 months (Unaudited)			12 months		
	2018	2017	Change	**2018**	2017	Change
Net finance costs	**$701**	$540	29.8%	**$1,979**	$1,631	21.3%
Income before income tax	**$6,613**	$6,049	9.3%	**$24,600**	$21,005	17.1%
Income tax expense (recovery)	**$1,857**	$(2,286)	(181)%	**$6,942**	$1,757	295%
Net income	**$4,756**	$8,335	(42.9)%	**$17,658**	$19,248	(8.3)%
% of revenue	***5.1%***	*15.1 %*	*n/a*	***6.2%***	*10.5 %*	*n/a*
EBITDA	***$11,854***	$9,073	30.7%	***$37,235***	$28,129	32.4%
% of revenue	***12.7%***	*16.4 %*	*n/a*	***13%***	*15.3 %*	*n/a*
Adjusted EBITDA	**$13,076**	$9,537	37.1%	**$40,800**	$31,115	31.1%
% of revenue	***14%***	*17.3 %*	*n/a*	***14.3%***	*16.9 %*	*n/a*

The unfavourable variation in net finance costs for the 4th quarter of 2018 of $161,000 compared to the same period in 2017 is mainly due to an unfavourable variation in interest on the long-term debt of $795,000 offset by an increase in foreign exchange gain of $643,000. For the twelve-month period of 2018, the unfavourable variation in net financial expense is $348,000 due to an increase in interest expense on the long-term debt of $2.3M, offset by favourable variations in net foreign exchange gains of $1.4M and a gain on a financial instrument of $503,000 (see *Hedging of Interest Rates* in section 10).

The effective income tax rates of 28.1% for the 4th quarter and 28.2% for the twelve-month period of 2018 are higher compared to the rates of -37.8% and 8.4% for the same periods previous year respectively. Those rate differences are mainly explained by the impact of the US tax reform on deferred taxes of 2017, which significantly reduced the tax expense (impact of -54.6% for the 4th quarter and -15.7% for the year 2017). In 2018, the effective tax rates are closer to the statutory rate of 26.7%. Various elements explain the difference of approximately 1.5%, such as non-deductible stock-based compensation (1.5%), unrecognized temporary differences (2.6%), partially offset by the impact of the differences in tax rates of other jurisdictions (-3%).

Net income is down $3.6M for the 4th quarter and $1.6M for the twelve-month period of 2018 compared to the same periods previous year. Adjusted EBITDA is up $3.5M for the 4th quarter of 2018 and $9.7M for the twelve-month period of 2018 compared to the same periods of previous year.

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 December 31, 2018, the Corporation held foreign exchange contracts totaling $64.7M U.S. for a hedging period up to May 2022, at a weighted average rate of 1.2912. As at December 31, 2018, the unrealized loss on the foreign exchange contracts amounted to $3.8M before deferred taxes and is reflected on the statement of financial position under *Derivative financial instruments* of current assets and current and non-current liabilities and is included in the *Accumulated other comprehensive income* balance.

The Corporation designates its US dollar denominated debt as a hedge for its net investment in its new Span subsidiary in the United States. This accounting treatment allows the Corporation to offset the designated portion of foreign exchange gain (or loss) from its debt against the foreign exchange loss (or gain) of its net investment in its subsidiary Span and to present it in other comprehensive income. For the quarter and twelve-month period ended December 31, 2018, foreign exchange gains of $2.3M and $2.4M respectively were recorded in other comprehensive income.

Hedging of Interest Rates

Since its debts bear interest at variable rates, the Corporation decided to enter into interest rate swap agreements to minimize its risk of variation of cash flow related to changes in interest rates on a portion of its long-term debt. Two interest rate swap agreements were terminated during the 2nd quarter of 2018 as it was no longer probable that the related borrowings would continue to exist. Hedge accounting has been discontinued and the cash flow hedge reserve for which future cash flows are no longer expected to be realized, in the amount of $503,000, has been reversed to net income in the 2nd quarter of 2018 under *Finance income*. As at December 31, 2018, the

Corporation held a swap agreement in Canadian dollars at an interest rate of 4.27% including a 1.75% stamping fee on a capital of $50M for a 5-year period (for more details, refer to *Available Sources of Financing* in section 11).

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 December 31, 2018, the unrealized loss on the interest rate swaps is $632,000 before deferred taxes and is presented in the statement of financial position under *Derivative financial instruments* of non-current assets, and is included in *Accumulated other comprehensive income*.

11. Financial Position

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

Working Capital

(in thousands of dollars)	**December 31, 2018**	Garaventa Lift	**December 31, 2018 excluding Garaventa Lift**	December 31, 2017 (recast[1])	Change	
Current assets	**$137,484**	$49,906	**$87,578**	$74,753	$12,825	17.2%
Current liabilities	**$69,075**	$27,351	**$41,724**	$31,205	$10,519	33.7%
Working capital	**$68,409**	$22,555	**$45,854**	$43,548	$2,306	5.3%
Current ratio	**1.99**	1.82	**2.10**	2.40	(0.30)	(12.5) %

[1] Recast following the adjustment of the purchase price allocation of the 2017 business acquisitions.

Current assets increased by $12.8M between December 31, 2017 and December 31, 2018, mainly due to an increase in inventories (+$11.1M, of which $6.4M come from the subsidiary Savaria Concord Lifts Inc. following the addition of new products and $2.9M from the Savaria Huizhou subsidiary following the increase in sales), in trade and other receivables (+$4.7M), offset by a decrease in cash (-$2.8M). See subsection *Cash Flows* in section 12 for details on cash flow variations.

Current liabilities increased by $10.5M between December 31, 2017 and December 31, 2018, mainly due to an increase in trade and other payables (+$3.4M, of which $1.7M come from the Savaria Concord Lifts Inc. subsidiary due to inventory increases), in deferred revenue (+$1.6M), in income taxes payable (+$1.6M), in the current portion of long-term debt (+$2.5M), due to the current portion of a note payable related to the acquisition of Visilift ($2M), and derivative financial instruments (+$835,000) related to a variation in the unrealized gain or loss on foreign exchange contracts.

Note that the number of days required to recover trade receivables was 46 days as at December 31, 2018, compared to 43 days as at December 31, 2017. The increase follows the acquisition of Garaventa Lift, which has a higher average period of recovery than Savaria had before the acquisition.

Non-current Assets and Liabilities and Equity

(in thousands of dollars)	**December 31, 2018**	Garaventa Lift	**December 31, 2018 excluding Garaventa Lift**	December 31, 2017 (recast[(1)])	Change	
Non-current assets	**$260,681**	$100,296	**$160,385**	$145,412	$14,973	10.3%
Non-current liabilities	**$130,693**	$17,622	**$113,071**	$50,177	$62,894	125%
Equity	**$198,397**	*n/a*	**$198,397**	$138,783	$59,614	43%

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

Non-current assets increased by $15M between December 31, 2017 and December 31, 2018, due to 1) the increase in intangible assets and goodwill (+$14.9M), mainly due to the other acquisitions, the increase in the end-of-period exchange rate (+$7.2M) and capitalized costs (+$2.8M), partially offset by amortization expense (-$6.2M), 2) the increase in fixed assets (+$4.6M) and 3) the increase in deferred tax assets (+$2.3M), 4) partially offset by a decrease in the deposit on a business acquisition (-$4.4M) and in derivative financial instruments (-$1.9M) related to a variation in unrealized gains (losses) on foreign exchange contracts.

Non-current liabilities increased by $62.9M between December 31, 2017 and December 31, 2018, mainly due to the increase in the non-current portion of the long-term debt (+$59.1M, of which $50M come from the term facility and $3.7M come from the non-current portion of the note payable related to the acquisition of Visilift) and in derivative financial instruments (+$3.1M) related to a variation in unrealized gains (losses) on foreign exchange contracts.

The $59.6M increase in equity is mainly due to the bought deal investment completed during the 2nd quarter of 2018 (+$54.8M), to the impact of net income (+$17.7M), to the exercise of stock options (+$1.4M) and to the effect of the variation of the foreign exchange rates (+$1.5M) included in accumulated other comprehensive loss offset by declared dividends (-$16.8M).

As at December 31, 2018, Savaria benefited from a sound financial position with total assets of $398.2M, compared with $220.2M as at December 31, 2017, and total liabilities of $199.8M, compared with $81.4M as at December 31, 2017.

Share Information

(in thousands)	December 31,	
	2018	2017
Number of common shares issued and outstanding	**45,010**	41,250

(in thousands)	Quarters ended December 31,		Twelve months ended December 31,	
	2018	2017	**2018**	2017
Weighted average number of common shares outstanding used to calculate basic earnings per share	**44,983**	41,202	**43,680**	39,719
Weighted average number of common shares outstanding used to calculate diluted earnings per share	**45,676**	42,168	**44,442**	40,599

Available Sources of Financing

(in thousands of dollars)	December 31,	
	2018	2017
Credit facilities:		
Authorized	**$110,000**	$110,000
Loans	**44,498**	38,861
Unused credit	**65,502**	71,139
Gross cash	**11,430**	7,719
Total	**$76,932**	$78,858

As shown above, the Corporation had total available funds of $76.9M as at December 31, 2018. This provides us with the flexibility to meet its potential obligations in the near term and to pursue acquisition opportunities.

As per its financing agreement with its financial institution, a revolving line of credit totaling $110M is at the Corporation's disposal. The agreement provides for an additional credit of $50M, available under certain conditions. An amount of $44.5M was drawn as at December 31, 2018. Only interest is payable monthly. This debt is presented as long-term in the consolidated statement of financial position.

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

Exchange Rates in section 10 for details). Only interests are payable monthly. The credit facility is secured by our assets.

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

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

We minimize our exposure to risks of variation of cash flow related to fluctuations in interest rates by keeping most of our debt at fixed rates using swap agreements (see *Hedging of Interest Rates* in section 10).

As at December 31, 2018, our debt-to-equity ratio was 31.2% (18.8% as at December 31, 2017).

Other Data and Ratios

(in thousands of dollars, except per-share amounts - Unaudited)	December 31,		Change
	2018	2017	
Book value per share(1)	**$4.41**	$3.36	31.3%
Cash per share(1)	**$0.25**	$0.19	31.6%
Market capitalization	**$587,836**	$751,583	(21.8)%

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

Book value per share is up as at December 31, 2018 compared to December 31, 2017, mainly due to an increase in equity due to the bought deal investment completed during the 2nd quarter of 2018. Despite the increase in the number of outstanding shares, cash per share increased as a result of the increase in cash position of $3.7M as at December 31, 2018 compared to December 31, 2017. Market capitalization is down due to a decrease in the stock price of our share, which went from $18.22 as at December 31, 2017 to $13.06 as at December 31, 2018, partially offset by the number of outstanding shares.

12. Cash Flows

The following table presents certain cash flow data for the 4th quarter and fiscal 2018 and 2017.

	3 months (Unaudited)			12 months		
(in thousands of dollars)	**2018**	2017	Change	**2018**	2017	Change
Cash at beginning of the periods	**$13,376**	$10,968	$2,408	**$7,719**	$51,230	$(43,511)
Net cash related to operating activities	**5,650**	4,304	1,346	**24,718**	19,085	5,633
Net cash related to investing activities	**(4,886)**	(3,822)	(1,064)	**(101,006)**	(117,313)	16,307
Net cash related to financing activities	**(2,831)**	(3,878)	1,047	**79,789**	55,272	24,517
Unrealized foreign exchange gain (loss) on cash held in foreign currencies	**121**	147	(26)	**210**	(555)	765
Cash as at December 31	**$11,430**	$7,719	$3,711	**$11,430**	$7,719	$3,711

Our cash flow from operating activities is up $1.3M for the 4th quarter and $5.6M for fiscal 2018 compared to the same periods of the previous year. These variations are primarily due to a variation in net income before tax, depreciation, amortization and finance costs (+$2.8M for the quarter, +$9.5M for the twelve-month period), the variation in non-cash items (-$694,000 for the quarter, -$1.3M for the twelve-month period), primarily from variations in inventories, trade and other receivable and trade and other payables, and deferred revenue) and income taxes paid (-$351,000 for the quarter and -$1.3M for the twelve-month period).

Cash flow used in investing activities is up $1.1M in the 4th quarter and down $16.3M for the twelve-month period of 2018 compared to the same periods of the previous year. This is mainly due to a variation in disbursements related to business acquisitions and deposits on acquisitions (-$2.9M for the quarter and -$20M for the twelve-month period), tangible assets acquisitions and deposits on acquisitions (+$2.8M for the quarter and +$2M for the twelve-month period) and intangible assets (+$1.1M for the quarter and +$1.7M for the twelve-month period).

Cash flow used in financing activities is up $1M for 4th quarter compared to the same period of the previous year. This variation is mainly due to higher net receipts of long-term debts (+$4.3M), offset by a higher repayment of bank loans (-$648,000) and a higher payment in dividends (-$2.3M). For the twelve-month period, cash flow is up $24.5M. This variation is mainly due to higher net receipts of long-term debts and rotative credit (+$31.6M), a favourable variation in the receipt of proceeds related to the issuance of shares (+$17.5M) and a lower repayment of long-term debt (+$10.6M), reduced by higher payments of bank loans (-$10.7M), interests (-$2M) and dividends (-$4.9M) and by the absence of funds in 2018 coming from the exercise of warrants (-$7.9M).

13. Significant Accounting Policies and 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 operating segments and the determination of foreign operations' functional currency.

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, including an adjustment for credit risk.

The recoverable amount of goodwill is estimated at the same time each year, or more frequently if there are indications of impairment. For the purposes of assessing impairment of goodwill, goodwill acquired through business acquisitions is allocated to the cash-generating unit ("CGU") or group of CGUs, expected to benefit from the synergies of the acquisition. Each CGU or group of CGUs to which the goodwill is allocated shall represent the lowest level at which goodwill is monitored for internal management purposes and should not be, before allocation of goodwill, greater than an operational segment. The recoverable amounts of these CGUs are based on their value in use. They are determined by discounting the future cash flows generated by the continued use of the units. The calculation of value in use is based on the following key assumptions:

- Cash flows are projected over a period of five years based on past experience and actual operating results using a constant growth rate of 2% for the *Accessibility* segment (2017 – 10%), 1.5% for the *Adapted Vehicles* segment (2017 - 2%) and 3.3% for the *Span* segment;

- The anticipated annual revenue growth included in the cash flow projections are based on the business plan;

- A discount rate of 11.24% (10.33% in 2017) is applied in determining the recoverable amount of the unit. The discount rate used is based on industry weighted average cost of capital, which is based on a possible range of debt leveraging of 13% (15% in 2017) at a market interest rate of 3.44% (3.18% in 2017);

- The values assigned to the key assumptions represent management's assessment of future trends in the accessibility industry and are based on both external and internal sources (historical data).

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.

14. New Accounting Policies

(A) New Accounting Standards and Interpretations Adopted During Fiscal 2018

The following new standards and amendments to standards and interpretations have been applied in preparing the consolidated financial statements as at December 31, 2018. The adoption of these new standards has not had a material impact on the consolidated financial statements, except IFRS 15, which had an impact on the presentation of freight revenue (see *IFRS 15 - Revenue from Contracts with Customers* below for details).

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

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

The amendments provide requirements on the accounting for:

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

IFRS 9 - *Financial Instruments*

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

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

IFRS 9 (2014) presents a few differences with IFRS 9 (2013) that we early adopted on April 1, 2014. We do not expect the standard to have a material impact on our consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers

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

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

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

We identified the differences between both norms and their impact for us. Adoption of this standard will have the following impact:

- Freight revenue and expense: we used to book the net of freight revenue and expense in its cost of sales since it generally invoices customers the same amount as it is charged by freight companies. According to IFRS 15, amounts charged to customers must be presented among revenue while the amounts charged by freight companies must be booked in cost of sales. This change will have no impact on the Corporation's net income but it has increased our revenues and our cost of sales by the same amount. To take this change into account in the comparative results for 2017, revenue and cost of sales increased by $1.1M each for the fourth quarter and $3.2M each for the fiscal ended on December 31, 2017.
- Vehicle conversion and adaptation revenue: we used to book vehicle conversion and adaptation revenue on customer-owned vehicles at the time of delivery of the product. According to IFRS 15, these revenues must be recognized at every period end according to the advancement of work. This change had no significant impact on our net income.
- Maintenance revenue: we used to book revenue related to maintenance contracts on a straight-line basis over the contract period. According to IFRS 15, these revenues must be booked based on when each maintenance service is provided. This change had no significant impact on our net income.
- Initial franchise fees and renewal fees: we used to book revenue from initial franchise fees at the start of the franchise's activities or at the renewal date, whichever applies. According to IFRS 15, these revenues must be spread over the period covered by the agreement. This change will have no significant impact on our net income.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

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

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

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

(B) New Accounting Standards and Interpretations Not Yet Adopted

Several new standards and amendments to standards and interpretations not yet adopted for the years ended December 31, 2018 and 2017 have not been applied in the preparation of these 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 will replace IAS 17 *Leases*.

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

We will adopt IFRS 16 in our consolidated financial statements beginning with fiscal 2019. During fiscal 2018, we conducted went through our inventory of lease contracts and we quantified the significant impacts on our financial statements. We estimate that the adoption of this standard will increase our assets and liabilities by approximately $9.6M. In accordance with the transitional provisions, we have chosen to maintain the valuation of existing finance lease agreements and to apply the new definition of contract lease only to contracts that will be entered into after January 1, 2019. In addition, we have chosen to maintain the modified retrospective method allowing 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.

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.

We intend adopting the Interpretation in our financial statements for the annual period beginning on January 1, 2019. We expect that the adoption of the Interpretation will have no significant impact on our consolidated financial statements.

Annual Improvements to IFRS Standards (2015-2017) Cycle

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

- 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.

We intend to adopt these amendments in our financial statements for the annual period beginning on January 1, 2019. We expect that the adoption of the Interpretation will have no significant impact on our consolidated financial statements.

Definition of a Business (Amendments to IFRS 3)

On October 22, 2018, the IASB issued amendments to IFRS 3 *Business Combinations,* that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

We intend to adopt these amendments to IFRS 3 in our financial statements for the annual period beginning on January 1, 2020. The extent of the impact of adoption of the standard has not yet been determined.

Definition of Material (Amendments to IAS 1 and IAS 8)

On October 31, 2018, the IASB refined its definition of material and removed the definition of material omissions or misstatements from IAS 8. The amendments are effective for annual periods beginning on or after January 1, 2020. Early adoption is permitted.

The definition of material has been aligned across IFRS Standards and the Conceptual Framework for Financial Reporting. The amendments provide a definition and explanatory paragraphs in one place. Pursuant to the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

We intend to adopt these amendments to IAS 1 and 8 in our financial statements for the annual period beginning on January 1, 2020. The extent of the impact of adoption of the standard has not yet been determined.

15. 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.

An evaluation has been conducted to measure the effectiveness of controls and procedures used for the preparation of reporting documents. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures were effective and well designed by the end of the fiscal ended December 31, 2018 and in particular, that the design of these controls and procedures provides reasonable assurance that material information relating to the Corporation is disclosed to them during the period of preparation of these disclosure 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.

Management has evaluated the effectiveness of internal control over financial reporting. To achieve this, it aligned with the criteria set out in the integrated framework of internal control of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") (COSO 2013 framework). Based on this, management and the Chief Executive Officer and the Chief Financial Officer concluded, as at December 31, 2018, that the Corporation's internal controls over financial reporting were effective in providing reasonable assurance as to the reliability of our financial information and the preparation of our financial statements for publication in accordance with IFRS.

Limitation on Scope of Design

We have limited the scope of the disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of Garaventa Lift, acquired not more than 365 days before the last day of the period covered by the interim filing. We elected to exclude it from the scope of certification as allowed by NI 52-109. We intend to evaluate the situation within one year of acquisition of Garaventa Lift.

The table below presents financial information included in our consolidated financial statements for the excluded subsidiary:

(in thousands of dollars)	
Statement of financial positions	
Current assets	$49,906
Non-current assets	$100,296
Current liabilities	$27,351
Non-current liabilities	$17,622
Statement of comprehensive income	
Revenue	$42,395
Net income	$507

Changes to Internal Control over Financial Reporting

No changes in the Corporation's internal control over financial reporting occurred during fiscal 2018 that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

16. Commitments

In addition to the debts appearing in the statement of financial position, we have concluded lease agreements for the rental of certain premises and entered into operating leases for rolling stock and equipment for a total of $9.6M ($6M in 2017).

The Span subsidiary is committed to minimum purchases of $700,000US of Selan® products per year for each calendar year through 2020.

The following table details the Corporation's commitments for the coming years:

(in thousands of dollars)	**Total**	2019	2020	2021	2022	2023	After 2023
Long-term debt obligations, including interest	**$127,341**	$12,904	$10,373	$12,204	$7,897	$7,671	$76,292
Capital leases	**301**	128	107	58	8	-	-
Operating leases	**9,582**	2,918	2,190	1,649	857	553	1,415
Foreign exchange contracts	**87,374**	28,822	24,305	24,192	10,055	-	-
Total contractual obligations	**$224,598**	$44,772	$36,975	$38,103	$18,817	$8,224	$77,707

17. Off-Balance Sheet Arrangements

Other than the operating leases considered in the previous section, *Commitments*, we did not enter into any off-balance sheet arrangements during fiscal 2018.

18. Related Party Transactions

Savaria did not enter into any significant transactions with any related party during fiscal 2018.

19. Financial Instruments

The Corporation periodically uses various financial instruments to manage the risk related to exchange rate fluctuations. It does not hold or issue derivative financial instruments for speculative or trading purposes. Derivative financial instruments are subject to standard credit conditions, financial controls, risk management and monitoring procedures.

(in thousands of dollars)	Assets and liabilities Presented at Fair Value	Assets and liabilities Presented at Amortized Cost	**Total**	**Fair Value**
Financial assets				
Cash	$ -	$11,430	**$11,430**	**$11,430**
Trade and other receivables	-	47,921	**47,921**	**47,921**
Derivative financial instruments	24	-	**24**	**24**
Long-term loans	-	19	**19**	**19**
Total financial assets	$24	$59,370	**$59,394**	**$59,394**
Financial liabilities				
Trade and other payables	$ -	$38,030	**$38,030**	**$38,030**
Derivative financial instruments	4,476	-	**4,476**	**4,476**
Long-term debt	-	101,336	**101,336**	**101,323**
Total financial liabilities	$4,476	$139,366	**$143,842**	**$143,829**

Financial Instrument-Related Risks

The analysis of financial-instrument related risks is provided in the next section, *Risks and Uncertainties*.

20. Risks and Uncertainties

Our ability to implement our strategic plan and to achieve our growth objectives could be impacted by the risks and uncertainties described below. If any of the following risks occurs, our business, financial condition or results of operations could be materially adversely affected.

We caution readers that the risks described below are not the only ones we may face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations and affect our financial condition or results of operations.

Economic Conditions

Our business and financial results are sensitive to global economic conditions, government funding program changes, conditions in the housing market as well as economic factors specific to our industry. Moreover, since a considerable part of our revenue comes from, or our operations depend upon, our business activities abroad, including in the United States and China, our profitability could be affected by any major event having a negative impact on such foreign economies or the trade relations between Canada and such countries.

Similarly, possible downturns in the economy, combined with uncertainties about interest rates, health care reform and tax policy, could cause our customers to delay, reduce or cancel capital expenditure plans which in turn could have a negative effect on our results of operations. Downturns in the economy could also have a material adverse effect on the business or financial condition of one or more of our key customers or distributors or on several customers and distributors that, in the aggregate, account for a material portion of our sales.

Operating Results

There is no assurance that we will achieve profitability in the future or that we will be able to generate sufficient cash from operations or raise sufficient financing to fund our operations. Our annual and quarterly results are affected by a number of factors, which include the level and timing of customer orders, fluctuations in materials costs and the mix of materials costs versus labour and manufacturing overhead costs. Other factors affecting annual and quarterly operating results include price competition, our experience in manufacturing a particular product, the efficiencies we achieved in managing inventories, fixed assets and manufacturing capacity, the timing of expenditures in anticipation of increased sales, the timing of acquisitions and related integration costs, customer product delivery requirements, product defects, shortage of raw materials or labour, expenditures or write-offs related to acquisitions, distribution and marketing costs, expenses relating to expanding existing manufacturing facilities and overall economic conditions in the accessibility and medical equipment industry. Any one of these factors, or a combination thereof, could have a material adverse effect on our business, financial condition or results of operations and could cause variability of results from period to period.

Financing

We may require additional financing in the future and our ability to arrange such financing will depend, in part, upon the prevailing capital market conditions, as well as our business performance. There can be no assurance that we will be successful in our efforts to arrange additional financing when required or on terms commercially favourable or otherwise satisfactory to us. There is also a liquidity risk that we will not be able to meet our obligations as they fall due. If additional financing is raised by the issuance of shares from our treasury, shareholders may suffer additional dilution and our ownership control may change. If adequate funds are not available, or are not available under acceptable terms, we may not be able to take advantage of opportunities, develop new products or otherwise respond to competitive pressures.

Acquisitions

Acquisitions are part of our growth strategy. Nevertheless, there is no guarantee that such opportunities will be available and that we will be able to locate suitable acquisition targets or consummate such transactions on terms and conditions that we deem acceptable. We may also be unable to successfully integrate acquisitions into our business or may incur significant unplanned costs to do so. In addition, the process of integration of the acquired businesses could result in disruption of our existing operations and could result in an interruption or reduction of our business due to, among other factors:

- the loss of key customers or contracts;
- possible inconsistencies in, or conflicts with, the standards, controls, procedures and policies of the combined companies, and the need to apply financial, accounting, computer and other systems to the whole of our operations;
- the inability to maintain or improve the quality of services that have been provided previously; and
- the inability to retain, integrate, hire or recruit employees with the required skills.

Cost savings, synergies, revenue growth or any other anticipated benefits from any acquisition that we initiate may not be realized within the specified time or at all and are subject to several assumptions with respect to timing, execution and associated costs.

Currency Fluctuation

A significant portion of our revenues are in foreign currencies and, accordingly, we are exposed to market risks related to foreign exchange fluctuations. Similarly, our products include a high number of components manufactured by hundreds of suppliers around the world and any volatility in the Canadian dollar may affect our supply cost. As a result, major exchange rate fluctuations may have a significant impact on our revenues, costs and, consequently, on our gross margin.

Market and Competition

We operate in a competitive industry, and many factors could adversely impact our ability to maintain or enhance our profitability. In order to remain competitive, we must successfully execute our strategic initiatives and effectively manage the resulting changes in our operations. However, our assumptions underlying our strategic plan may not be correct, the market may react negatively to these plans, we may be unable to successfully execute these plans, and our actions may not be effective or lead to the anticipated benefits within the expected timeframe. Our ability to compete effectively in the accessibility and the medical markets is thus highly dependent on the implementation of our business strategy as well as on a continuous stream of innovation in the form of new, more effective products at a lower cost.

Business Interruption

The operations of our manufacturing facilities are subject to a number of business interruption risks, including delays in obtaining production materials, plant shutdowns, natural disasters, fire, power or other utility outage, labour disruptions and other similar events. If any of the operations at any one of our facilities were disrupted, our business may suffer serious harm as we may be unable to deliver our products to customers in a timely fashion. The impact on of any such disruption on our operations may be exacerbated if the disruption occurs at a time where we need to rapidly increase capacity to meet increased demand.

Healthcare Reimbursement

Our ability to grow sales of accessibility products, medical equipment and adapted vehicles may depend, in part, on the extent to which reimbursement for the cost of such products will be available from government health administration authorities, private health coverage insurers and other organizations. Third-party payers are increasingly challenging the price of medical equipment. There can be no assurance that third-party coverage will be available to assist potential buyers of our products.

Property Rights

Much of our rights to know-how and technology may not be patentable, though this know-how and technology may constitute trade secrets. There can be no assurance that we will be able to meaningfully protect our rights to trade secrets.

Credit Risk

We are exposed to credit risks related to our accounts receivable in the normal course of business. Trade receivables are presented on the statement of financial position net of an allowance for doubtful accounts, which allowance is based on our best estimate as to the probability of collecting uncertain accounts. Uncertainty regarding the collection of accounts may derive from various indicators, including deterioration in the credit-worthiness of a client or an abnormal delay in payment of past-due invoices.

Interest Rates Fluctuations

Our interest rate risk arises from our long-term loans, bank loans and long-term debt. Borrowings issued at variable rates expose us to risks of cash flow variation related to interest rate fluctuations, whereas borrowings issued at fixed rates expose us to fair value variation due to interest rate fluctuations.

Price Variation

Changes in prices in the market may have a significant impact on the profitability of our business. Our products include a high number of components manufactured by hundreds of suppliers around the world. The price of goods can be influenced by various economic conditions such as demand and production capacity in the market. Moreover, our reliance on suppliers and commodity markets to secure raw materials, parts and components used in our products exposes us to volatility in the prices and availability of these materials. Changes in price for raw materials may not be recoverable through price changes under the contract terms with our customers. The overall impact of price fluctuations is impossible to predict accurately and may adversely affect our competitive position and our profitability.

Dependence on Key Personnel

Our success depends on the experience and industry knowledge of our executive officers and other key employees, and on our ability to retain and attract such personnel in an environment where competition for talent is intense. Any failure on our part in this regard could make it difficult for us to manage our business and meet our objectives.

Dependance on Key Distributors

In general, we do not enter into long-term contracts with major distributors. As a result, and given economic conditions, supply and demand factors in the industry, our performance, internal initiatives of our distributors or other factors, distributors may reduce or eliminate their purchases of our products or services, or may use the competitive environment as leverage to obtain better prices and other concessions from us. More specifically, the loss of a key distributor could cause a decline in revenues, which would likely result in a material decline in our results of operations.

Dependance on Key Suppliers

The success of our manufacturing operations is dependent on the timely supply of raw materials from our manufacturers to ensure the timely delivery of our products to our customers. However, disruptions in our supply chain can impact our ability to deliver on schedule. Moreover, failure by one or more suppliers to meet performance specifications, quality standards or delivery schedules could adversely affect our ability to meet our commitments to customers, in particular if we are unable to purchase the key components and parts from those suppliers upon agreed terms or in a cost-effective manner and if we cannot find alternative suppliers on commercially acceptable terms in a timely manner. We may not be able to recover any costs or liability we incur as a result of any such failure from the applicable supplier, which could have a material adverse effect on our financial condition or results of operations.

Laws and Regulations

We face risks inherent in the regulated nature of some of our operations. These regulations require, among other things, that some of our products meet the requirements of the Canadian Standards Association (CSA), the American Society of Mechanical Engineers (ASME), the British Standards Institute, the European Machinery Directive and the European Innovation Partnership on Active and Healthy Ageing. The medical products must also comply with the Food and Drug Administration (FDA) code or Health Canada depending on whether they are sold in the United States or Canada. The existence of these regulations creates the risk of a product recall and related expenses as well as the risk of any additional expenses required to meet potential new regulatory requirements, as any changes to the specifications for equipment design can materially affect our production, design and implementation processes.

Product Liability

We, like other manufacturing companies, are subject to a variety of potential liabilities connected with our business operations, including potential liabilities and expenses associated with possible product defects. Our products can be highly complex and sophisticated and, from time to time, may contain design and manufacturing defects that are difficult to detect and correct. There can be no assurance that errors will not be found in new products after commencement of commercial shipments or, if discovered, that we will be able to successfully correct such errors in a timely manner or at all.

In addition, there is no assurance that we will be able to fully simulate the environment in which our products will operate. As a result, we may be unable to adequately detect design and manufacturing defects in our products and they may only become apparent after the products are installed. The consequences of such errors and failures could have a material adverse effect on our business, financial condition and results of operations.

Consistent with industry practice, we allow customers to return products for warranty repair, replacement or credit. There is no assurance that such product returns will not exceed taken provisions in the future and, as a result, have a material adverse effect on future operating results. If any of the products distributed by us prove defective, we may be required to refund the price of or replace the product. Replacement or recall of such products may cause us to incur significant expenses and adversely affect our reputation and our products.

We maintain liability and other insurance coverage which we believe to be generally in accordance with industry practices. Nevertheless, such insurance coverage may not be adequate to fully protect us against substantial damage claims which may arise from product defects and failures.

Litigation

In the normal course of our business activities, we may become involved in regulatory proceedings, or become liable for legal, contractual and other claims by various parties, including customers, suppliers, former employees, class action plaintiffs and others. Depending on the nature or duration of any potential proceedings or claims, we may incur substantial costs and expenses and be required to devote significant management time and resources to these matters. Although we are unaware of any material claim against us that has not been reflected in our audited consolidated financial statements, there can be no assurance that third parties will not assert claims against us in the future nor that any such assertion will not result in costly litigation or settlement. Any litigation may have a material adverse effect on our business, reputation and financial condition.

Information System / Cybersecurity

Our operating and financial systems are essential for compiling and managing customer requests, scheduling installations and production, billing and recovering our services. Our financial reporting system is essential to produce accurate and timely financial statements and to analyze our information that will help us manage our operations effectively. Any significant system failure, any complication, any security breach or other system disruption could disturb or delay our operations, adversely affect our reputation, lead to the loss, destruction or inappropriate use of sensitive data or result in the theft of our, our customers' or our suppliers' confidential information. The occurrence of any of the foregoing could result in the loss of customers or additional costs to repair the systems and may affect our ability to manage our activities and to report our financial performance, any of which could have a material adverse effect on our business, financial condition and results of operations.

21. Outlook

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

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

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

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

March 27, 2019

SAVARIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2018 AND 2017

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MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of **SAVARIA CORPORATION (the "Corporation")** are the responsibility of management and have been approved by the Board of Directors.

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and necessarily include some amounts that are based on management's best estimates and judgements.

To discharge its responsibilities, the Corporation has developed and maintains systems of internal controls and has established policies and procedures adapted to the industry in which it operates. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors must ensure that management fulfils its financial reporting responsibilities and is ultimately responsible for reviewing and approving the consolidated financial statements. The Audit Committee meets regularly with management to discuss the internal controls over the financial reporting process and financial reporting issues. The Committee also reviews the annual consolidated financial statements and the external auditors' report, and reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the Corporation's shareholders. The auditors appointed by the shareholders have full access to the Audit Committee, with or without management being present.

The consolidated financial statements as at December 31, 2018 and 2017 and for the years then ended have been audited by the auditors appointed by the shareholders, KPMG LLP.

Marcel Bourassa
Chairman of the Board and Chief Executive Officer

Jean-Marie Bourassa, CPA, CA
Chief Financial Officer

Laval (Québec) Canada
March 27, 2019

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Savaria Corporation

Opinion

We have audited the consolidated financial statements of Savaria Corporation (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017
- the consolidated statements of profit or loss and other comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"*Auditors' Responsibilities for the Audit of the Financial Statements*"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions;
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP*

The engagement partner on the audit resulting in this auditors' report is Girolamo Cordi.

Montréal, Canada

March 27, 2019

*CPA auditor, CA, public accountancy permit No. A109612

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2018 and 2017
(in thousands of Canadian dollars)

	Note	**December 31, 2018**	December 31, 2017 (recast - see note 4)
Assets			
Current assets			
Cash		**$ 11,430**	$ 7,719
Trade and other receivables	*5*	**50,418**	24,483
Income taxes receivable		**643**	86
Derivative financial instruments	*22*	**24**	466
Inventories	*6*	**70,261**	38,931
Prepaid expenses		**4,081**	2,441
Deposit		**627**	627
Total current assets		**137,484**	74,753
Non-current assets			
Derivative financial instruments	*22*	**-**	1,921
Long-term loans		**19**	21
Fixed assets	*7*	**73,640**	35,383
Intangible assets and goodwill	*8*	**180,578**	101,493
Deposit on a business acquisition	*4*	**-**	4,426
Deposits on purchases of fixed assets		**25**	205
Other long-term assets		**392**	196
Deferred tax assets	*18*	**6,027**	1,767
Total non-current assets		**260,681**	145,412
Total assets		**$ 398,165**	$ 220,165
Liabilities			
Current liabilities			
Trade and other payables	*9*	**$ 39,134**	$ 21,651
Dividend payable		**1,775**	1,238
Income taxes payable	*18*	**2,314**	465
Deferred revenues	*10*	**18,322**	5,107
Derivative financial instruments	*22*	**1,361**	279
Current portion of long-term debt	*11*	**4,035**	1,511
Warranty provisions	*12*	**2,134**	954
Total current liabilities		**69,075**	31,205
Non-current liabilities			
Long-term debt	*11*	**97,301**	38,042
Warranty provisions	*12*	**1,843**	740
Other long-term liabilities	*13*	**11,363**	993
Income taxes payable	*18*	**590**	682
Derivative financial instruments	*22*	**3,115**	-
Deferred tax liabilities	*18*	**16,481**	9,720
Total non-current liabilities		**130,693**	50,177
Total liabilities		**199,768**	81,382
Equity			
Share capital	*14*	**179,328**	120,394
Contributed surplus		**4,407**	3,298
Accumulated other comprehensive loss		**(474)**	(1,691)
Retained earnings		**15,136**	16,782
Total equity		**198,397**	138,783
Total liabilities and equity		**$ 398,165**	$ 220,165

The notes on pages 11 to 56 are an integral part of these audited consolidated financial statements.

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF NET INCOME
For the years ended December 31, 2018 and 2017
(in thousands of Canadian dollars, except per share amounts)

	Note	2018	2017 (restated *)
Revenue	26	**$ 286,034**	$ 183,741
Cost of sales		**192,929**	119,816
Gross margin		**93,105**	63,925
Operating expenses			
Administrative		**22,669**	15,029
Selling		**33,937**	20,162
Engineering		**5,526**	3,239
Research and development		**2,173**	1,242
		64,305	39,672
Other net expenses	16	**2,221**	1,617
Operating income		**26,579**	22,636
Finance income	17	**(1,887)**	(282)
Finance costs	17	**3,866**	1,913
Net finance costs		**1,979**	1,631
Income before income tax		**24,600**	21,005
Income tax expense	18	**6,942**	1,757
Net income		**$ 17,658**	$ 19,248
Earnings per share:	19		
Basic		**$ 0.40**	$ 0.48
Diluted		**$ 0.40**	$ 0.47

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

The notes on pages 11 to 56 are an integral part of these audited consolidated financial statements.

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2018 and 2017
(in thousands of Canadian dollars)

	Note	2018	2017
Net income		**$ 17,658**	$ 19,248
Other comprehensive income			
Items that will not be reclassified subsequently to income or loss:			
Remeasurement of defined benefit pension plan obligations	*15*	**34**	-
Deferred income tax	*18*	**(6)**	-
		28	-
Items that are or may be reclassified subsequently to income or loss:			
Change in the fair value of derivative financial instruments designated as cash flow hedges		**(6,693)**	4,383
Deferred income tax	*18*	**1,723**	(1,129)
		(4,970)	3,254
Losses on foreign exchange contracts transferred to net income in the current year		**637**	3,551
Deferred income tax	*18*	**(164)**	(913)
		473	2,638
Gains on interest rate swap agreements transferred to net income in the current year	*22 (D) (ii)*	**(503)**	-
Deferred income tax	*18*	**133**	-
		(370)	-
Net change in fair value of derivative financial instruments designated as cash flow hedges		**(4,839)**	5,892
Unrealized net gains (losses) on translation of financial statements of foreign operations		**8,493**	(4,157)
Net investment hedge, net of tax		**(2,437)**	624
Other comprehensive income, net of income tax		**1,217**	2,359
Total comprehensive income		**$ 18,875**	$ 21,607

The notes on pages 11 to 56 are an integral part of these audited consolidated financial statements.

SAVARIA CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2017
(in thousands of Canadian dollars)

	2017						
	Share capital and warrants			Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number						
	Share capital	Warrants	Amount				
Balance at January 1, 2017	**36,353,947**	**1,866,500**	**$ 72,791**	**$ 2,587**	**$ (4,050)**	**$ 11,657**	**$ 82,985**
Total comprehensive income							
Net income	-	-	-	-	-	19,248	**19,248**
Other comprehensive income:							
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	-	3,254	-	**3,254**
Losses on foreign exchange contracts transferred to net income in the current year, net of tax	-	-	-	-	2,638	-	**2,638**
Unrealized net losses on translation of financial statements of foreign operations	-	-	-	-	(4,157)	-	**(4,157)**
Change in net investment hedge, net of tax	-	-	-	-	624	-	**624**
Other comprehensive income	-	-	-	-	2,359	-	**2,359**
Total comprehensive income	-	-	-	-	2,359	19,248	**$ 21,607**
Transactions with shareholders, recorded directly in equity (note 14 (A) and 21)							
Shares issued in relation to a private placement	2,760,000	-	38,364	-	-	-	**38,364**
Share issue costs, net of tax	-	-	-	-	-	(1,463)	**(1,463)**
Stock-based compensation	-	-	-	890	-	-	**890**
Exercise of stock options	270,001	-	1,306	(179)	-	-	**1,127**
Exercise of warrants	1,866,500	(1,866,500)	7,933	-	-	-	**7,933**
Dividends on common shares	-	-	-	-	-	(12,660)	**(12,660)**
Total transactions with shareholders	4,896,501	(1,866,500)	47,603	711	-	(14,123)	**34,191**
Balance at December 31, 2017	**41,250,448**	**-**	**$ 120,394**	**$ 3,298**	**$ (1,691)**	**$ 16,782**	**$ 138,783**

The notes on pages 11 to 56 are an integral part of these audited consolidated financial statements.

SAVARIA CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2018
(in thousands of Canadian dollars)

	2018					
	Share capital		Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number	Amount				
Balance at January 1, 2018	**41,250,448**	**$ 120,394**	**$ 3,298**	**$ (1,691)**	**$ 16,782**	**$ 138,783**
Total comprehensive income						
Net income	-	-	-	-	17,658	**17,658**
Other comprehensive income:						
Remeasurement of defined benefit pension plans obligations				28		**28**
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	(4,970)	-	**(4,970)**
Losses on foreign exchange contracts transferred to net income in the current year, net of tax	-	-	-	473	-	**473**
Gains on interest rate swap agreements transferred to net income in the current year, net of tax	-	-	-	(370)	-	**(370)**
Unrealized net gains on translation of financial statements of foreign operations	-	-	-	8,493	-	**8,493**
Change in net investment hedge, net of tax	-	-	-	(2,437)	-	**(2,437)**
Other comprehensive income	-	-	-	1,217	-	**1,217**
Total comprehensive income	-	$ -	$ -	$ 1,217	$ 17,658	**$ 18,875**
Transactions with shareholders, recorded directly in equity (note 14 (A) and 21)						
Shares issued in relation to a placement	3,450,000	57,270	-	-	-	**57,270**
Share issue costs, net of tax	-	-	-	-	(2,471)	**(2,471)**
Stock-based compensation	-	-	1,379	-	-	**1,379**
Exercise of stock options	309,998	1,664	(270)	-	-	**1,394**
Dividends on common shares	-	-	-	-	(16,833)	**(16,833)**
Total transactions with shareholders	3,759,998	58,934	1,109	-	(19,304)	**40,739**
Balance at December 31, 2018	**45,010,446**	**$ 179,328**	**$ 4,407**	**$ (474)**	**$ 15,136**	**$ 198,397**

The notes on pages 11 to 56 are an integral part of these audited consolidated financial statements.

SAVARIA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017
(in thousands of Canadian dollars)

	Note	2018	2017
Cash flows related to operating activities			
Net income		**$ 17,658**	$ 19,248
Adjustments for:			
Depreciation of fixed assets	*7*	**3,664**	2,199
Amortization of intangible assets	*8*	**6,153**	3,971
Income tax expense	*18*	**6,942**	1,757
Stock-based compensation	*21*	**1,379**	890
Unrealized foreign exchange losses (gains)		**(1,321)**	590
Finance costs	*17*	**3,341**	1,079
Others		**94**	(66)
		37,910	29,668
Net changes in non-cash operating items	*20*	**(6,680)**	(5,375)
Proceeds from long-term loans		**-**	12
Income tax paid		**(6,512)**	(5,220)
Net cash related to operating activities		**24,718**	19,085
Cash flows related to investing activities			
Business acquisitions	*4*	**(89,650)**	(105,253)
Deposit on a business acquisition	*4*	**-**	(4,426)
Deposits on purchases of fixed assets		**-**	(205)
Additions to fixed assets	*7*	**(7,788)**	(5,597)
Increase in intangible assets	*8*	**(3,568)**	(1,832)
Net cash related to investing activities		**(101,006)**	(117,313)
Cash flows related to financing activities			
Repayment of bank loans		**(10,651)**	-
Increase in long-term debt	*11*	**50,000**	39,495
Repayment of long-term debt	*11*	**(5,743)**	(16,356)
Net change in the revolving credit facility	*11*	**10,517**	-
Interest paid		**(2,885)**	(864)
Transaction costs related to a long-term debt		**(456)**	(1,015)
Proceeds from the issuance of common shares in relation to a placement, net of transaction fees	*14*	**53,908**	36,374
Proceeds from exercise of stock options	*14*	**1,394**	1,127
Proceeds from exercise of warrants	*14*	**-**	7,933
Dividends paid on common shares	*14*	**(16,295)**	(11,422)
Net cash related to financing activities		**79,789**	55,272
Net change in cash		**3,501**	(42,956)
Cash at January 1st		**7,719**	51,230
Unrealized foreign exchange gain (loss) on cash held in foreign currencies		**210**	(555)
Cash at December 31st		**$ 11,430**	$ 7,719

The notes on pages 11 to 56 are an integral part of these audited consolidated financial statements.

1 . Reporting Entity

Savaria Corporation is a company domiciled in Canada. The consolidated financial statements of the Corporation as at and for the years ended December 31, 2018 and 2017 comprise the accounts of Savaria Corporation and its wholly owned subsidiaries (together referred to as the "Corporation" or as "Savaria"). Savaria is one of North America's leaders in the accessibility industry. It provides accessibility solutions for the elderly and physically challenged to increase their comfort, their mobility and their independence. The activities of the Corporation are divided into three operating segments: the *Accessibility* segment, the *Adapted Vehicles* segment and the *Span* segment as described in Note 26 "Operating segments". Taking into account its most recent acquisitions, the Corporation realizes approximately 75% of its revenue outside of Canada, mainly in the United States.

2 . Basis of Presentation

(A) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of annual financial statements.

These consolidated financial statements were approved by the Board of Directors on March 27, 2019.

(B) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments that are measured at fair value in the consolidated statements of financial position.

(C) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

(D) Use of Estimates and Judgements

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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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 ("CGU"), the identification of operating segments and the determination of foreign operations' functional currencies.

3 . Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

(A) Basis of Consolidation

All subsidiaries are wholly owned entities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When relevant, the accounting policies of subsidiaries have been changed to align them with the policies adopted by the Corporation.

Subsidiaries

Savaria Concord Lifts Inc. ("Savaria Concord")
Freedom Motors Inc. ("Freedom")
Garaventa Accessibility AG and its subsidiaries ("Garaventa Lift")
Savaria (Australia) Pty Ltd ("Savaria Australia")
Savaria (Huizhou) Mechanical Equipment Manufacturing Co., LTD ("Savaria Huizhou")
Savaria Lifts Ltd. ("Savaria Lifts")
Savaria Sales, Installation and Service Inc. ("Savaria SIS")
Savaria USA Inc. ("Savaria USA")
Silver Cross Automotive Inc. ("SC Automotive")
Silver Cross Franchising Inc. and its subsidiaries ("Silver Cross")
Span-America Medical Systems, Inc. and Span Medical Products Canada ULC ("Span")
Van-Action (2005) Inc. ("Van-Action")

Intercompany balances and transactions, and any unrealized revenue and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

(B) Foreign Currency

(i) Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Corporation entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are reconverted to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising from those translations are recognized in net income. Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign Operations

The assets and liabilities of foreign operations are translated to Canadian dollars at exchange rates at the reporting date. The revenue and expenses of foreign operations are translated to Canadian dollars at the average exchange rate for the year.

Foreign currency differences are recognized in other comprehensive income in the cumulative translation account.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative account of foreign currency translation differences.

(C) Financial Instruments

The Corporation initially recognizes financial assets on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently recognized at fair value through net income, transaction costs directly attributable to the acquisition or creation of the asset will be included in the initial measurement. Transaction costs directly attributable to other financial assets will be recognized in net income. Upon initial recognition, the Corporation classifies its financial assets as measured at amortized cost or at fair value, depending on its business model for managing the financial assets and the characteristics of their contractual cash flows.

All revenues and expenses related to financial instruments are presented as part of Finance income and Finance costs.

(i) Financial Assets

Financial assets are classified into the following categories, depending on the purpose for which the financial assets were acquired.

Financial Assets Measured at Amortized Cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Corporation currently classifies its cash, trade and other receivables as well as its long-term loans as financial assets measured at amortized cost. Trade receivables and long-term loans are presented on the consolidated statements of financial position net of an allowance for impairment loss. The allowance is based on the Corporation's best estimate as to the probability of collecting uncertain accounts. Uncertainty regarding the collection of accounts may arise from various indicators, including a deterioration in the creditworthiness of a client or an abnormal delay in payment of past-due invoices. Management regularly reviews client accounts, ensures that past-due accounts are followed up and evaluates the relevance of its allowance for doubtful accounts. Impairment is charged to an allowance account for as long as management considers that there is a possibility of collecting the amount owed. Once all collection procedures are exhausted, the loss is charged directly against the carrying amount of trade receivables. Trade receivables are occasionally renegotiated as long-term loans. In these cases, the Corporation requires sufficient securities and personal guarantees to cover the amount of the loan. These loans are recognized at fair value at the time of the transfer from trade receivables to long-term loans.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial Assets Measured at Fair Value

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in net income. However, for investments in equity instruments that are not held for trading, the Corporation may elect at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to net income, and no impairment is recognized in net income. Dividends earned from such investments are recognized in net income, unless the dividend clearly represents a repayment of part of the cost of the investment. The Corporation currently has no financial assets measured at fair value.

3 . Significant Accounting Policies (continued)

(C) Financial Instruments (continued)

(ii) Financial Liabilities

Financial liabilities are classified into the following categories.

Financial Liabilities Measured at Amortized Cost

A financial liability is subsequently measured at amortized cost, using the effective interest method. The Corporation currently classifies its trade and accrued liabilities, its long-term debt as well as its other long-term liabilities as financial liabilities measured at amortized cost.

Financial Liabilities Measured at Fair Value

Financial liabilities at fair value are initially recognized at fair value and are remeasured at each reporting date with any changes therein recognized in net income. The Corporation currently has no financial liabilities measured at fair value.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when and only when the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative Financial Instruments and Hedging Relationships

The Corporation holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. At inception of the hedge, the Corporation formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be highly effective in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivative financial instruments are recognized initially at fair value; attributable transaction costs are recognized in net income as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash Flow Hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable anticipated transaction that could affect net income, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income (loss) in equity. The amount recognized in other comprehensive income is transferred to net income in the same period as the hedged cash flows under the same line item in the consolidated statements of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net income as finance income or finance costs.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in accumulated other comprehensive income (loss) in equity remains there until the anticipated transaction affects net income. If it is probable that the transaction will not occur, then the balance in other comprehensive income is recognized immediately in net income.

3 . Significant Accounting Policies (continued)

(C) Financial Instruments (continued)

Net Investment Hedge

The Corporation designates its US dollar denominated debt as a hedging item in a net investment hedge in its American subsidiary Span. The Corporation applies hedge accounting to differences arising between the functional currency of the foreign operation and the Corporation's functional currency, regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the transition of a financial liability designated as a hedge of a net investment in foreign operations are recognized, net of tax, in other comprehensive income to the extent that the hedge is effective, and are presented in the currency translation differences account within equity. To the extent that the hedge is ineffective, such differences are recognized in net income or loss. When the hedged investment is disposed of, the relevant amount in the translation reserve is transferred to net income or loss as part of the gain or loss on disposal.

Embedded Derivatives

Embedded derivatives are separated from the host contract and accounted for separately if (i) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract; (ii) a separate instrument with the same terms as the embedded derivative meets the definition of a derivative; and (iii) the combined instrument is not measured at fair value through net income. Changes in the fair value of separable embedded derivatives are recognized immediately in net income.

(iv) Fair Value Measurements

Fair value measurements are based on a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly including inputs and quoted prices in markets that are not considered to be active;
- Level 3 – Inputs that are not based on observable market data.

(D) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity.

(E) Fixed Assets

(i) Recognition and Measurement

Items of fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of fixed assets.

Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the carrying amount of fixed assets and are recognized within other income (costs) in net income.

(ii) Subsequent Costs

The cost of replacing a part of an item of fixed assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of fixed assets are recognized in net income as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

3 . Significant Accounting Policies (continued)

(E) Fixed Assets (continued)

(iii) Depreciation (continued)

Depreciation is recognized in net income on a straight-line basis over the estimated useful life of each part of an item of fixed assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful life unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

· Building	20 to 40 years
· Major components related to the building	2 to 30 years
· Machinery and equipment	2 to 20 years
· Office furniture	3 to 10 years
· Rolling stock	3 to 10 years
· Computer hardware	2 to 10 years
· Leasehold improvements	Terms of the leases

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(F) Goodwill and Intangible Assets

(i) Goodwill

Initial measurement

Goodwill that arises from a business combination is measured at initial recognition as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in net income.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. The Corporation assesses periodically whether a provision for impairment in the value of goodwill should be recorded against net income. Goodwill is not amortized, rather it is tested for impairment annually on December 31, and when an event or circumstance occurs that could indicate that it has declined in value.

(ii) Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in net income as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognized in net income as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses. Research and development tax credits and grants are recorded against internally developed intangible assets when they are related to deferred costs. All other tax credits are recorded against the expenses that they relate to.

(iii) Other Intangible Assets

Intangible assets consist of the items listed below.

Intangible assets that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

3 . Significant Accounting Policies (continued)

(F) Goodwill and Intangible Assets (continued)

(iii) Other Intangible Assets (continued)

Amortization is recognized in net income on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

· Trademarks	5 to 20 years
· Client lists	5 to 15 years
· Distribution licences	5 years
· Order backlog	Terms of delivery
· Maintenance contracts	10 years
· Patents	6 to 10 years
· Recovered rights	3 years
· Software	2 to 10 years
· Internally developed intangible assets	3 to 7 years

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(G) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined on the first-in first-out basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(H) Impairment

(i) Financial Assets

The Corporation assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as charges in arrears or economic conditions that correlate with defaults.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statements of comprehensive income.

(ii) Non-financial Assets

The carrying amounts of the Corporation’s non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset or its CGUs recoverable amount is estimated. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Non-financial assets that have an indefinite useful life such as goodwill and certain intangible assets, are not subject to amortization and are therefore tested annually for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired.

3 . Significant Accounting Policies (continued)

(H) Impairment (continued)

(ii) Non-financial Assets (continued)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value minus selling costs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which goodwill is allocated must represent the lowest level at which the goodwill is monitored for internal management purposes and must not be, before allocating the goodwill, larger than an operating segment.

The Corporation’s corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in net income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU or group of CGUs on a *pro rata* basis of the carrying amount of each asset of the CGU that is subject to the impairment test.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(I) Employee benefits

(i) Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income in the periods during which services are rendered by employees.

ii) Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan under which an entity undertakes to pay future benefits to its employees. Plan expenses and obligations are determined based on actuarial valuations. The calculations are based on management's best estimates of various actuarial assumptions such as discount rates, rates of compensation increase, mortality rates and retirement age.

The net asset or net liability of defined benefit pension plans are calculated separately for each plan as the difference between the present value of the future benefits earned by employees in respect of current and prior-period service and the fair value of plan assets. The net asset or net liability, as the case may be, is included in either other long-term assets or other long-term liabilities of the consolidated balance sheet.

The expense related to defined benefit pension plans consists of the following items: current and past-period services cost, net interest on the net plan asset or liability and administration costs, and is recognized as employment benefits in net income.

Remeasurement resulting from defined benefit pension plans represent actuarial gains and losses related to the defined benefit obligation and the actual return on plan assets, excluding net interest determined by applying a discount rate to the net asset or liability of the plans. Remeasurements are immediately recognized in other comprehensive income and will not be subsequently reclassified to net income.

(I) Employee benefits (continued)

(iii) Share-based Payment Transactions

The grant-date fair value of share-based payment awards granted to employees and directors is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees and directors unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

(J) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(K) Revenue from Contracts with Customers

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Given that many products are custom-made, goods, generally, may not be returned.

(ii) Installation and Maintenance Contracts

Revenues from installation contracts are recognized using the percentage-of-completion method based on installation costs incurred versus projected costs. Revenues from maintenance contracts are periodically recognized when each maintenance service is provided. Unrecognized revenues are recorded as deferred revenues.

When more than one product or service is provided to a customer under one arrangement, the Corporation allocates revenue to each element of the arrangement based on the relative selling price as determined using the Corporation’s best estimate of the selling price for that deliverable. Each element of the arrangement is recognized as described above.

(iii) Revenue Realized from the Conversion and Adaptation of Vehicles

Revenues from the conversion and adaptation of vehicles are recognized using the percentage-of-completion method based on costs incurred versus projected costs.

(iv) Revenue Realized from Franchises

Revenue realized from franchises includes initial franchise fees, renewal fees and royalties. Upfront entry fees and renewal fees are recognized as revenue on a straight-line basis over the period of the agreement. Royalties from franchises are recognized periodically based on the sales declared by franchisees.

(v) Revenue Realized from the Identification of Leads

Revenue from the sale of leads' related information is recognized periodically as this information is distributed.

(L) Lease Payments

Payments made under operating leases are recognized in net income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(M) Finance Income and Finance Costs

Finance income comprises interest income on funds invested, fair value gain on financial assets at fair value through net income, and gains on ineffective portion of hedging instruments that are recognized in net income. Interest income is recognized as it accrues in net income, using the effective interest method.

Finance costs comprise interest expense on bank loans and long-term debt, fair value loss on financial assets at fair value through net income, impairment losses recognized on financial assets, and losses on ineffective portion of hedging instruments that are recognized in net income. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net income using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(N) Income Tax

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in net income except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable net income, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse using tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but it is our intent to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(O) Earnings per Share

Basic net earnings per share is calculated by dividing net income applicable to common shares by the weighted average number of shares outstanding during the year. Diluted net earnings per share is calculated by dividing net income applicable to common shares by the weighted average number of shares used in the basic earnings per share calculation plus the weighted number of common shares that would be issued, assuming that all potentially dilutive stock options and warrants outstanding were exercised using the treasury stock method.

(P) Segment Reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. All operating segments' operating results are reviewed regularly by the Corporation's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire fixed and intangible assets, and goodwill.

(Q) New Accounting Standards and Interpretations

The following new standards, and amendments to standards and interpretations have been applied in preparing the consolidated financial statements as at December 31, 2018. The adoption of these new standards has not had a material impact on the consolidated financial statements with the exception of IFRS 15 - *Revenue from Contracts with Customers.*

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

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

The amendments provide requirements on the accounting for:

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

IFRS 9 - *Financial Instruments*

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

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

IFRS 9 (2014) presents a few differences with IFRS 9 (2013), early adopted by the Corporation on April 1, 2014.

(Q) New Accounting Standards and Interpretations (continued)

IFRS 15 - ***Revenue from Contracts with Customers***

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

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

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

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

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

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

Adoption of this standard has the following impact:

- Freight revenue and expense: the Corporation used to book the net of freight revenue and expense in its cost of sales since it generally invoiced customers the same amount as it was charged by freight companies. In line with IFRS 15, it has been determined that freight is a service that is distinct from the sale of goods; amounts charged to customers must, therefore, be booked among revenue while amounts charged by freight companies must be booked in cost of sales. This change has had no impact on the Corporation's net income, but it has increased both revenue and cost of sales in the same amount. In order to take into account this change on the comparative results for 2017, revenue and cost of sales have both been increased by $3,223,000 for the year.
- Vehicle conversion and adaptation revenue: the Corporation used to book vehicle conversion and adaptation revenue on customer-owned vehicles at the time of delivery of the product. In line with IFRS 15, it has been determined that these revenues must be recognized over time according to the advancement of work. This change has had no significant impact on the Corporation's revenue or net income.
- Maintenance revenue: the Corporation used to book revenue related to maintenance contracts on a straight-line basis over the contract period. In line with IFRS 15, it has been determined that these revenues must be booked based on when each maintenance service is provided. This change has had no significant impact on the Corporation's revenue or net income.

(Q) New Accounting Standards and Interpretations (continued)

IFRS 15 - *Revenue from Contracts with Customers (continued)*

- Initial franchise fees and renewal fees: the Corporation used to book revenue from initial franchise fees at the start of the franchise's activities or at the renewal date, whichever applied. In line with IFRS 15, it has been determined that these revenues provide access to the franchisor's intellectual property and must, therefore, be spread over the period covered by the agreement. This change has had no significant impact on the Corporation's revenue or net income.

IFRIC 22 - *Foreign Currency Transactions and Advance Consideration*

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

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

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

(R) New Accounting Standards and Interpretations Not Yet Adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the years ended December 31, 2018 and 2017, and have not been applied in preparing these 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 will replace IAS 17 *Leases*.

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

The Corporation will adopt IFRS 16 in its consolidated financial statements for the year beginning on January 1, 2019. During 2018, the Corporation conducted a survey of its leases in order to quantify the effect on its financial statements. It estimates that the adoption of this standard will have the effect of increasing its assets and liabilities by about $9,600,000. 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 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.

3 . Significant Accounting Policies (continued)

(Q) New Accounting Standards and Interpretations (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.

The Corporation will adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The Corporation does not expect the standard to have a material impact on its consolidated financial statements.

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.

The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2019. The Corporation does not expect the standard to have a material impact on its consolidated financial statements.

Definition of a Business (Amendments to IFRS 3)

On October 22, 2018, the IASB issued amendments to IFRS 3 *Business Combinations*, that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

The Corporation intends to adopt these amendments to IFRS 3 in its financial statements for the annual period beginning on January 1, 2020. The extent of the impact of adoption of the standard has not yet been determined.

3 . Significant Accounting Policies (continued)

(Q) New Accounting Standards and Interpretations (continued)

Definition of Material (Amendments to IAS 1 and IAS 8)

On October 31, 2018, the IASB refined its definition of material and removed the definition of material omissions or misstatements from IAS 8. The amendments are effective for annual periods beginning on or after January 1, 2020. Early adoption is permitted.

The definition of material has been aligned across IFRS Standards and the Conceptual Framework for Financial Reporting. The amendments provide a definition and explanatory paragraphs in one place. Pursuant to the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Corporation intends to adopt these amendments to IAS 1 and 8 in its financial statements for the annual period beginning on January 1, 2020. The extent of the impact of adoption of the standard has not yet been determined.

4 . Business Acquisitions

Acquisitions Completed in 2017

(i) Premier Lifts

On February 10, 2017, the Corporation acquired the assets of Premier Lifts, Inc. ("Premier Lifts") by way of its subsidiary Savaria USA Inc. Premier Lifts is a leading elevator dealer in the Baltimore – Washington area that has been installing Savaria products for the last 15 years. This acquisition offers an opportunity to continue our strong sales and service presence in this marketplace. The total consideration amounts to $3,927,000 (US$3,001,000) of which $3,664,000 (US$2,800,000) has been paid on the date of acquisition and $393,000 (US$300,000) has been deposited into escrow of which $130,000 (US$99,000) has been recovered by the Corporation following a purchase price adjustment. The balance was released during 2018. Acquisition related costs amounting to $72,000 have been included in other expenses in 2016 and 2017. The amounts paid came from the Corporation's available cash on hand.

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

(ii) Span-America Medical Systems, Inc.

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

The total consideration amounts to $107,204,000 (US$81,019,000) paid on the date of acquisition. Acquisition related costs amounting to $1,307,000, of which $1,273,000 has been recognized in 2017 and $34,000 in 2018, have been included in other expenses. In addition to its cash on hand, the Corporation drew from the Corporation's revolving credit facility and a private placement to finance the purchase price payable under this transaction.

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

4 . Business Acquisitions (suite)

Acquisitions Completed in 2017 (continued)

(iii) Master Lifts

On December 14, 2017, the Corporation acquired the assets of Master Lifts Pty Ltd ("Master Lifts") by way of its newly created subsidiary Savaria (Australia) Pty Ltd. Master Lifts is a leading elevator dealer based in Brisbane, Australia. The acquisition of Master Lifts provides Savaria with a national sales platform to gain access to the Australian market. The total consideration amounts to $3,338,000 (AU$3,410,000), having a fair value of $3,316,000 (AU$3,387,000), of which $2,857,000 (AU$2,910,000) has been paid on the date of acquisition and $481,000 (AU$500,000), having a fair value of $459,000 (AU$477,000), will be payable on the second anniversary of the acquisition upon the achievement of certain performance metrics. The fair value of the contingent consideration has been established according to the income approach, which is based on an estimate of the amounts and timing of projected cash flows. Acquisition related costs amounting to $409,000, of which $167,000 have been recorded in 2017 and $242,000 in 2018, have been included in other expenses. The amounts paid came from the Corporation's revolving credit facility.

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

Purchase Price Allocation of Acquisitions Completed in 2017

The following table presents the preliminary allocation of the consideration paid for Span and Master Lifts as presented as at December 31, 2017, the adjustments made during 2018 as well as the final allocation for these two acquisitions and that of Premier Lifts as at December 31, 2018. In conformity with IFRS 3, *Business Combinations*, the acquisitions have been accounted for using the acquisition method and the adjustments to the purchase price allocation for the evaluation period have been booked as at December 31, 2017 (recast).

4 . Business Acquisitions (continued)

Purchase Price Allocation of Acquisitions Completed in 2017 (continued)

	Premier Lifts	Span			Master Lifts		
	Final allocation as at Dec. 31, 2017	Preliminary allocation as at Dec. 31, 2017	Adjustments	Final allocation as at Dec. 31, 2018	Preliminary allocation as at Dec. 31, 2017	Adjustments	Final allocation as at Dec. 31, 2018
Assets acquired							
Current assets	**$ 471**	$ 31,722	$ -	**$ 31,722**	$ 1,510	$ (610)	**$ 900**
Fixed assets	**210**	12,406	-	**12,406**	157	(24)	**133**
Intangible assets :							
Trademarks	**258**	9,195	-	**9,195**	-	389	**389**
Client lists	**609**	28,350	-	**28,350**	-	411	**411**
Backlog of orders	**554**	925	-	**925**	-	154	**154**
Patents	**-**	986	-	**986**	-	-	**-**
Maintenance contracts	**-**	-	-	**-**	-	272	**272**
Goodwill	**2,850**	47,734	465	**48,199**	-	2,340	**2,340**
Intangible assets and goodwill	**-**	-	-	**-**	3,028	(3,028)	**-**
Other non-current assets	**-**	198	-	**198**	-	-	**-**
	$ 4,952	$ 131,516	$ 465	**$ 131,981**	$ 4,695	$ (96)	**$ 4,599**
Liability assumed							
Current liabilities	**1,025**	9,020	-	**9,020**	1,005	-	**1,005**
Other non-current liabilities	**-**	301	726	**1,027**	42	-	**42**
Deferred tax liabilities	**-**	14,991	(261)	**14,730**	-	249	**249**
	$ 1,025	$ 24,312	$ 465	**$ 24,777**	$ 1,047	$ 249	**$ 1,296**
Fair value of net assets acquired	**$ 3,927**	$ 107,204	$ -	**$ 107,204**	$ 3,648	$ (345)	**$ 3,303**
Less:							
cash in acquired businesses	**-**	8,865	-	**8,865**	-	-	**-**
contingent consideration payable	**-**	-	-	**-**	791	(345)	**446**
Plus:							
account receivable	**130**	-	-	**-**	-	-	**-**
Consideration given	**$ 4,057**	$ 98,339	$ -	**$ 98,339**	$ 2,857	$ -	**$ 2,857**

Acquisitions Completed in 2018

i) H.E.S. Elevator Services Inc.

On April 12, 2018, the Corporation acquired the assets of H.E.S. Elevator Services Inc. ("H.E.S.") by way of its subsidiary Savaria USA Inc. H.E.S. is an elevator dealer based in Denver, Colorado. This acquisition complements the asset purchase of luxury elevator maker, Visilift, in Colorado, and helps strengthen our direct sales and installation presence in this market. The total consideration amounts to $1,331,000 (US$1,040,000), of which $1,058,000 (US$840,000) has been paid on the date of acquisition and $273,000 (US$200,000) will be payable twelve months after the date of acquisition. Acquisition related costs amounting to $50,000 have been included in other expenses in 2018. The amounts paid came from the Corporation's available cash on hand.

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

4 . Business Acquisitions (continued)

Acquisitions Completed in 2018 (contined)

ii) Visilift, LLC

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

The total consideration amounts to $6,365,000 (US$5,000,000) of which $4,426,000 (US$3,500,000) has been paid on the date of the agreement and $2,047,000 (US$1,500,000) will be paid upon the completion of certain closing conditions. In addition to the purchase price, Visilift will have the opportunity to earn an additional payment of $4,094,000 (US$3,000,000) upon achieving certain performance metrics over a three-year period. Acquisition related costs amounting to $121,000, of which $118,000 have been recognized in 2017 and $3,000 in 2018, have been included in other expenses. The amounts paid came from the Corporation's revolving credit facility.

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

iii) Garaventa Accessibility AG

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

The total consideration amounts to $91,411,000 (CHF68,460,000). Acquisition-related costs amounting to $1,986,000 have been included in other expenses. To finance the purchase price payable under this transaction, the Corporation completed a bought deal financing (Note 14) and drew from its revolving credit facility (Note 11).

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

Purchase Price Allocation of Acquisitions Completed in 2018

As at December 31, 2018, the Corporation has finalized the allocation of the consideration paid between the identifiable net assets and the goodwill of the acquisitions of H.E.S. and Visilift. The allocation of the consideration paid for Garaventa Lift will be finalized once all missing information will be obtained. The following table presents the final and preliminary allocations, as the case may be, of the consideration paid according to the information gathered to date. In conformity with IFRS 3, *Business combinations,* the acquisitions have been accounted for using the acquisition method.

4 . Business Acquisitions (continued)

Purchase Price Allocation of Acquisitions Completed in 2018 (continued)

	H.E.S.	Visilift	Garaventa Lift	Total
Assets acquired				
Current assets	$ 487	$ 61	$ 45,373	$ 45,921
Fixed assets	180	108	32,687	32,975
Intangible assets:				
Software	-	15	-	15
Trademarks	159	-	14,481	14,640
Client lists	176	-	4,470	4,646
Backlog of orders	53	119	1,347	1,519
Maintenance contracts	-	-	272	272
Internally developed intangible assets	-	3,848	4,211	8,059
Goodwill	744	5,766	39,114	45,624
Deferred tax assets	-	-	1,590	1,590
	$ 1,799	$ 9,917	$ 143,545	$ 155,261
Liabilities assumed				
Current liabilities	366	-	34,353	34,719
Other non-current liabilities	123	152	17,781	18,056
	$ 489	$ 152	$ 52,134	$ 52,775
Fair value of net assets acquired	$ 1,310	$ 9,765	$ 91,411	$ 102,486
Less: Deposit paid in 2017	-	4,426	-	4,426
Future consideration payable	252	5,339	189	5,780
Cash in acquired businesses	-	-	2,630	2,630
Cash flows related to the acquisitions	$ 1,058	$ -	$ 88,592	$ 89,650

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

	Since the date of acquisition		Since January 1st	
	Revenue	Net income	Revenue	Net income
H.E.S. (1)	$ 2,243	$ 73	$ 3,105	$ 191
Visilift	$ 1,044	$ 204	$ 2,475	$ 474
Garaventa Lift (2)	$ 42,395	$ 507	$ 127,184	$ 1,520

(1) Net income since the date of acquisition includes amortization expense on intangible assets in the amount of $94,000 related to the purchase price allocation.

(2) Net income since the date of acquisition includes amortization expense on intangible assets in the amount of $1,283,000 and depreciation expense on fixed assets in the amount of $73,000 related to the purchase price allocation.

5 . Trade and Other Receivables

	2018	2017
Trade receivables	$ 46,948	$ 23,837
Less: Allowance for doubtful accounts	(3,203)	(716)
	$ 43,745	$ 23,121
Sales taxes recoverable	2,497	1,047
Other receivables	4,176	315
	$ 50,418	$ 24,483

The Corporation's exposure to credit risks, currency risks and impairment losses related to trade and other receivables is disclosed in Note 22.

6 . Inventories

	2018	2017
Raw materials and subassembly components	**$ 48,455**	$ 25,669
Work in progress	**4,184**	1,647
Finished goods	**17,622**	11,615
	$ 70,261	**$ 38,931**

In 2018, raw materials, subassembly components and changes in work in progress and finished goods recognized as cost of sales amounted to $159,153,000 (2017-$106,589,000). Write-downs and reversals are included in cost of sales.

The movement in the provisions for inventories during the year was as follows:

	2018	2017
Balance at January 1	**$ 3,033**	$ 3,087
Provisions acquired through business combinations	**1,122**	787
Write-down to net realizable value	**377**	115
Reversal of write-downs	**(179)**	(90)
Provisions used	**(560)**	(842)
Effect of movements in exchange rates	**64**	(24)
Balance at December 31	**$ 3,857**	**$ 3,033**

As at December 31, 2018 and 2017, all of the above inventory was pledged as security for liabilities.

7 . Fixed Assets

	Cost					
	Balance at January 1	Additions [1]	Additions through business combinations (Note 4)	Disposals	Effect of movements in exchange rates	Balance at December 31
2017						
Land	$ 5,679	$ 1,027	$ 622	$ -	$ (31)	$ 7,297
Building	11,611	3,501	9,983	-	(499)	24,596
Machinery and equipment	6,027	519	1,416	(13)	(43)	7,906
Office furniture	440	55	134	(1)	(5)	623
Rolling stock	1,682	633	300	(339)	(15)	2,261
Computer hardware	598	100	277	(5)	(14)	956
Leasehold improvements	630	86	17	(57)	(1)	675
	$ 26,667	**$ 5,921**	**$ 12,749**	**$ (415)**	**$ (608)**	**$ 44,314**
2018						
Land	**$ 7,297**	**$ -**	**$ 9,700**	**$ -**	**$ 50**	**$ 17,047**
Building	**24,596**	**3,062**	**16,729**	**(370)**	**894**	**44,911**
Machinery and equipment	**7,906**	**3,554**	**2,972**	**(228)**	**212**	**14,416**
Office furniture	**623**	**224**	**297**	**(114)**	**21**	**1,051**
Rolling stock	**2,261**	**769**	**2,056**	**(331)**	**142**	**4,897**
Computer hardware	**956**	**214**	**1,058**	**-**	**96**	**2,324**
Leasehold improvements	**675**	**167**	**163**	**-**	**40**	**1,045**
	$ 44,314	**$ 7,990**	**$ 32,975**	**$ (1,043)**	**$ 1,455**	**$ 85,691**

7 . Fixed Assets (continued)

	Depreciation				
	Balance at January 1	Depreciation expense	Disposals	Effect of movements in exchange rates	Balance at December 31
2017					
Building	$ 1,506	$ 908	$ -	$ (1)	$ 2,413
Machinery and equipment	3,952	616	(12)	(1)	4,555
Office furniture	247	81	(1)	-	327
Rolling stock	743	448	(325)	(2)	864
Computer hardware	473	127	(5)	(1)	594
Leasehold improvements	216	19	(57)	-	178
	$ 7,137	**$ 2,199**	**$ (400)**	**$ (5)**	**$ 8,931**
2018					
Building	**$ 2,413**	**$ 1,236**	**$ (250)**	**$ 50**	**$ 3,449**
Machinery and equipment	**4,555**	**1,094**	**(207)**	**94**	**5,536**
Office furniture	**327**	**141**	**(106)**	**21**	**383**
Rolling stock	**864**	**813**	**(277)**	**64**	**1,464**
Computer hardware	**594**	**344**	**(12)**	**58**	**984**
Leasehold improvements	**178**	**36**	**-**	**21**	**235**
	$ 8,931	**$ 3,664**	**$ (852)**	**$ 308**	**$ 12,051**

	Carrying amount at December 31	
	2018	2017
Land	**$ 17,047**	$ 7,297
Building	**41,462**	22,183
Machinery and equipment	**8,880**	3,351
Office furniture	**668**	296
Rolling stock	**3,433**	1,397
Computer hardware	**1,340**	362
Leasehold improvements	**810**	497
	$ 73,640	**$ 35,383**

[(1)] See Note 20 (B) regarding non-cash transactions

Depreciation

Depreciation is recognized as follows:

	2018	2017
Cost of sales	**$ 2,572**	$ 1,568
Administrative expenses	**681**	372
Selling expenses	**301**	259
Engineering expenses	**81**	-
Research and development	**29**	-
	$ 3,664	**$ 2,199**

8 . Intangible Assets and Goodwill

	2018	2017 (recast - see Note 4)
Intangible assets	**$ 69,711**	$ 40,940
Goodwill	**110,867**	60,553
	$ 180,578	**$ 101,493**

(A) Intangible Assets

	Cost					
	Balance at January 1	Additions [1][2]	Additions through business combinations (Note 4)	Write-offs	Effect of movements in exchange rates	Balance at December 31
2017						
Trademarks	$ 505	$ -	$ 9,842	$ -	$ (387)	$ 9,960
Client lists	2,811	-	29,370	-	(1,055)	31,126
Distribution licenses	322	-	-	-	-	322
Backlog of orders	-	-	1,633	-	(68)	1,565
Maintenance contracts	870	-	272	-	-	1,142
Patents	-	30	986	-	(48)	968
Recovered rights	132	-	-	-	-	132
Software	1,072	161	-	-	1	1,234
Internally developed intangible assets	2,516	1,248	-	-	-	3,764
	$ 8,228	**$ 1,439**	**$ 42,103**	**$ -**	**$ (1,557)**	**$ 50,213**
2018						
Trademarks	**$ 9,960**	**$ -**	**$ 14,640**	**$ -**	**$ 779**	**$ 25,379**
Client lists	**31,126**	**-**	**4,646**	**-**	**1,730**	**37,502**
Distribution licenses	**322**	**-**	**-**	**-**	**-**	**322**
Backlog of orders	**1,565**	**-**	**1,519**	**(954)**	**132**	**2,262**
Maintenance contracts	**1,142**	**-**	**272**	**-**	**4**	**1,418**
Patents	**968**	**79**	**-**	**-**	**83**	**1,130**
Recovered rights	**132**	**-**	**-**	**-**	**-**	**132**
Software	**1,234**	**268**	**15**	**-**	**7**	**1,524**
Internally developed intangible assets	**3,764**	**2,891**	**8,059**	**-**	**176**	**14,890**
	$ 50,213	**$ 3,238**	**$ 29,151**	**$ (954)**	**$ 2,911**	**$ 84,559**

	Amortization					Carrying amount at December 31
	Balance at January 1	Amortization expense	Write-offs	Effect of movements in exchange rates	Balance at December 31	
2017						
Trademarks	$ 37	$ 468	$ -	$ (3)	$ 502	$ 9,458
Client lists	2,122	1,414	-	(8)	3,528	27,598
Distribution licenses	322	-	-	-	322	-
Backlog of orders	-	1,357	-	(21)	1,336	229
Maintenance contracts	593	87	-	-	680	462
Patents	-	76	-	(1)	75	893
Recovered rights	55	44	-	-	99	33
Software	819	166	-	-	985	249
Internally developed intangible assets	1,387	359	-	-	1,746	2,018
	$ 5,335	**$ 3,971**	**$ -**	**$ (33)**	**$ 9,273**	**$ 40,940**

[1] See Note 20 (B) regarding non-cash transactions

[2] $58,000 of additions to sofware were internally developed

8 . Intangible Assets and Goodwill (continued)

(A) Intangible Assets (continued)

	Amortization					
	Balance at January 1	Amortization expense	Write-offs	Effect of movements in exchange rates	Balance at December 31	Carrying amount at December 31
2018						
Trademarks	$ 502	$ 881	$ -	$ 63	$ 1,446	$ 23,933
Client lists	3,528	2,677	-	161	6,366	31,136
Distribution licenses	322	-	-	-	322	-
Backlog of orders	1,336	1,451	(954)	112	1,945	317
Maintenance contracts	680	118	-	-	798	620
Patents	75	154	-	15	244	886
Recovered rights	99	33	-	-	132	-
Software	985	157	-	2	1,144	380
Internally developed intangible assets	1,746	682	-	23	2,451	12,439
	$ 9,273	$ 6,153	$ (954)	$ 376	$ 14,848	$ 69,711

Amortization

Amortization is recognized as follows:

	2018	2017
Administrative expenses	$ 408	$ 278
Selling expenses	5,195	3,281
Research and development expenses	550	412
	$ 6,153	$ 3,971

(B) Goodwill

	Note	2018	2017
			(recast - see Note 4)
Balance at January 1		$ 60,553	$ 9,156
Increase through business combinations	*4*	45,624	53,389
Effect of movements in exchange rates		4,690	(1,992)
Balance at December 31		$ 110,867	$ 60,553

Impairment Testing for CGUs Containing Goodwill

For the purpose of impairment testing, goodwill is allocated to the Corporation's CGUs or groups of CGUs that benefit from the synergies of the business combination.

The carrying amount of goodwill allocated to each unit is as follows:

	2018	2017
		(recast - see Note 4)
Accessibility	$ 59,189	$ 11,949
Adapted vehicles	2,287	2,287
Span	49,391	46,317
	$ 110,867	$ 60,553

8 . Intangible Assets and Goodwill (continued)

(B) Goodwill (continued)

Impairment Testing for CGUs Containing Goodwill (continued)

The recoverable amounts of these CGUs are based on their values in use. They have been determined to be higher than their carrying amounts.

Values in use are determined by discounting the future cash flows generated from the CGUs. Values in use in 2018 have been determined similarly as in 2017. The calculations of the values in use are based on the following key assumptions:

· Cash flows are projected over a period of five years with a terminal value based on past experience and actual operating results using a conservative perpetuity growth rate of 2% (2017-10%) for the CGUs grouped in *Accessibility,* 1.5% (2017-2%) for the CGUs grouped in *Adapted Vehicles* and 3.3% for the CGUs grouped in *Span* ;

· The anticipated annual revenue growth included in the cash flow projections are based on the business plan;

· A discount rate of 11.24% (2017-10.33%) is applied in determining the recoverable amount of the unit. The discount rate used is based on an industry weighted average cost of capital, which is based on a possible range of debt leveraging of 13% (2017-15%) at a market interest rate of 3.44% (2017-3.18%);

· The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data).

9 . Trade and Other Payables

	2018	2017
Trade and accrued liabilities	**$ 29,513**	$ 16,225
Salaries and withholding taxes	**6,452**	4,318
Vacations payable	**2,065**	1,015
Sales tax payable	**1,104**	93
	$ 39,134	**$ 21,651**

The Corporation's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 22.

10 . Deferred Revenues

	Note	2018	2017 (recast - see Note 4)
Balance at January 1		**$ 5,107**	$ 2,671
Increase through business combinations	*4*	**11,720**	1,786
Effect of movements in exchange rates		**104**	(45)
Change related to current operations		**1,391**	695
Balance at December 31		**$ 18,322**	**$ 5,107**

11 . Long-term Debt

This note provides information about the contractual terms of the Corporation's interest-bearing long-term debt, which is measured at amortized cost.

	2018	2017 (recast - see Note 4)
Current liabilities		
Current portion of long-term debt	**$ 3,920**	$ 1,483
Current portion of obligations under capital leases	**115**	28
	$ 4,035	**$ 1,511**
Non-current liabilities		
Long-term debt	**$ 97,135**	$ 38,021
Obligations under capital leases	**166**	21
	$ 97,301	**$ 38,042**

11 . **Long-term Debt (continued)**

The details are as follows:

	Effective interest rate as at December 31, 2018	Capital instalments	Maturity	2018	2017
					(recast - see Note 4)
Revolving credit facility having a balance of $4,869,000 for the portion in Canadian dollars and $39,629,000 (US$29,042,000) for the portion in US dollars. Only interest is payable on a monthly basis, at a rate that varies according to certain ratios of the Corporation. The rate is currently prime rate plus 0.25% for funds borrowed in Canadian dollars and US base rate plus 0.25% for funds borrowed in US dollars. The amount available according to this line of credit is $110,000,000 that can be drawn in Canadian dollars, in US dollars or in Euros (currently not used). An additional amount of credit of $50,000,000 is available under certain conditions. (1) (2)	4.20% $CA 5.75% $US	-	April 2023	**$ 43,412**	$ 37,947
Term loan in the amount of $50,000,000. Only interest is payable on a monthly basis, at a rate that varies according to certain ratios of the Corporation. The rate is currently prime rate plus 0.25%. Refer to note 22 (D)(ii) for information on interest rate swaps affecting this loan. (1) (2)	4.20%	-	April 2023	**50,000**	-
Contingent consideration related to a business acquisition with a face value of $6,140,000 (US$4,500,000) and an initial fair value of $5,339,000 (US$4,063,000), bearing no interest. The amount is payable over two payments, a first one of $2,047,000 (US$1,500,000) is due in December 2019 upon the completion of certain closing conditions, and the second payment of $4,094,000 (US$3,000,000) is due in March 2021, at the latest, upon the achievement of certain performance metrics.	4.95%	-	March 2021	**5,657**	-
Contingent consideration related to a business acquisition with an original face value of $273,000 (US$200,000), bearing interest at the US base rate.	5.50%	-	April 2019	**283**	-
Contingent consideration related to a business acquisition with an original face value of $481,000 (AU$500,000) and an initial fair value of $446,000 (AU$454,000), bearing no interest, payable in December 2019 upon the achievement of certain performance metrics.	4.95%	-	December 2019	**459**	446
Note payable related to a business acquisition with an original face value of $2,200,000 and an initial fair value of $1,914,000, bearing no interest. Repayable by way of semi-annual instalments of $275,000 starting in March 2015. (3)	6.50%	-	September 2018	**550**	536
Note payable related to a business acquisition with a face value of $421,000 and an initial fair value of $395,000, bearing no interest. (3)	6.50%	-	August 2011	**421**	421

11 . Long-term Debt (continued)

	Effective interest rate as at December 31, 2018	Capital instalments	Maturity	2018	2017
					(recast - see Note 4)
Note payable related to a business acquisition with a face value and an initial fair value of $195,000, bearing no interest, payable upon the completion of the final acquisition price.	-	$195	-	**$ 195**	$ -
Loans in the total original face value of $566,000. Repayable by monthly and quarterly instalments, including interest.	0% to 4.49%	Monthly $1 to $3 Quarterly $3 to $22	January 2019 to April 2023	**288**	154
Finance lease liabilities with original amounts totalling $159,000. At the end of the lease period, the Corporation has the option of purchasing the equipment at fair market value. Repayable by quarterly instalments.	3.87% to 9.30%	$1 to $10	August 2019 to May 2023	**71**	49
				$ 101,336	**$ 39,553**

(1) A description of sureties given on the various banking agreements provided by the Corporation's financial institution is available in Note 22 (E).

(2) On April 3, 2018, the Corporation entered into an amended and restated credit agreement. The agreement amends and restates the original credit agreement by (i) providing the term facility of $50,000,000 for which the funds were received on April 3, 2018; (ii) adding the option to draw in euros; and (iii) extending by one year the maturity date of the $110,000,000 revolving facility to April 3, 2023. The term facility is covered by an interest rate swap (Note 22 (D) (ii)). Only the interest is payable on a monthly basis.

(3) Payments have been suspended while awaiting a resolution to an ongoing dispute with the creditor.

Finance lease liabilities are payable as follows:

	December 31, 2018			December 31, 2017		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	**$ 127**	**$ 12**	**$ 115**	$ 30	$ 2	$ 28
Between one and five years	**174**	**8**	**166**	22	1	21
	$ 301	**$ 20**	**$ 281**	**$ 52**	**$ 3**	**$ 49**

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

	2018
Balance on January 1	**$ 39,553**
Net increase in the revolving credit facility	**10,517**
Increase in other long-term debts	**50,070**
Contingent consideration payable related to an acquisition during the year	**5,780**
Increase through business combinations	**416**
Repayment of other long-term debts	**(5,743)**
Capitalized finance costs on long-term debt	**155**
Transaction costs related to loans	**(456)**
Reversal of transactions costs related to loans repaid during the year	**283**
Impact of the change in foreign exchange rates on the US dollar debt	**761**
Balance on December 31	**$ 101,336**

12 . **Warranty Provisions**

	2018	2017
Balance at January 1	**$ 1,694**	$ 1,267
Increase through business combinations	**2,174**	503
Provisions made	**1,210**	814
Provisions used	**(1,173)**	(877)
Effect of movements in exchange rates	**72**	(13)
Balance at December 31	**$ 3,977**	**$ 1,694**
Current	**$ 2,134**	$ 954
Non-current	**1,843**	740
	$ 3,977	**$ 1,694**

During the normal course of its business, the Corporation assumes the cost of certain components in replacement of defective components under warranties offered on its products. The warranties cover a period of three (3) months, twelve (12) months or three (3) years on accessibility and adapted transport products while they cover a period of eighteen (18) months to fifteen (15) years on Span products. The provision is based on estimates made from historical warranty data associated with similar products and services. Nevertheless, conditions may change and a significant amount may need to be recorded.

13 . **Other Long-term Liabilities**

	Note	2018	2017
Defined Benefit Obligation	*15*	**$ 8,968**	$ -
Employee indemnity fund		**1,460**	-
Deferred compensation		**870**	952
Other		**65**	41
		$ 11,363	**$ 993**

14 . **Capital and Other Components of Equity**

(A) Share Capital and Warrants

Shares Authorized

Unlimited number of common shares with voting rights, participating and without par value
Unlimited number of first preferred shares without par value and issuable in series
Unlimited number of second preferred shares without par value and issuable in series

On May 4, 2018, the Corporation completed a bought deal financing consisting of 3,450,000 common shares (private bought deal of 2,760,000 common shares in 2017) at a price of $16.60 per share (2017-$13.90), for gross proceeds to the Corporation of $57,270,000 (2017-$38,364,000), and proceeds net of transaction fees of $3,362,000 (2017-$1,990,000) of $53,908,000 (2017-$36,374,000). Transaction fees after tax amount to $2,471,000 (2017-$1,463,000).

During 2018, no warrants were exercised (2017-1,866,500, exchanged for the same number of common shares at a price of $4.25 per share, resulting in an increase in share capital of $7,933,000).

(B) Accumulated Other Comprehensive Income ("AOCI")

At December 31, 2018 and 2017, AOCI is comprised of accumulated foreign currency translation differences arising from the translation of the financial statements of foreign operations, financial assets measured at fair value through OCI, gain or loss on net investment hedge, cash flow hedges, the remeasurement of defined benefit pension plan net obligations and gains upon the cancellation of interest rate swap agreements.

14 . Capital and Other Components of Equity (continued)

(C) Dividends

The following dividends were declared and paid by the Corporation:

For the years ended December 31,

	Declared		Paid	
	2018	**2017**	**2018**	**2017**
Amount per share in cents	**38**	31.5	**37.5**	28.5
Total amount	**$ 16,833**	$ 12,660	**$ 16,295**	$ 11,422

15 . Personnel Expenses

	2018	**2017**
Wages and salaries	**$ 73,208**	$ 32,329
Employment benefits	**10,968**	3,853
Contributions to defined contribution plans	**430**	106
Contributions to defined benefit plans	**444**	-
Compensation expense on share options granted	**1,379**	890
	$ 86,429	**$ 37,178**

Defined Benefit Plans

The Corporation has three defined benefit pension plans in Switzerland that are managed by independent entities (thereafter referred to as "Pension Funds"). The administrators of the Pension Funds have the obligation to act in the best interests of the plan participants and are also responsible for the investment strategy of the plan.

In Switzerland, pension plans are governed in accordance with the Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans ("BVG"), which states that pension plans must be managed by independent legal entities. Furthermore, the BVG stipulates that the plans' Board of Trustees must be composed of an equal number of employee and employer representatives.

Plan participants are insured against the financial consequences of old age, disability, and death. The insurance benefits are subject to regulations, with the BVG specifying the minimum benefits that are to be provided. The employer and employees pay contributions to the pension plan. If a plan is underfunded, various measures can be taken, such as a reduction in benefits or an increase in contributions. The BVG states how the employer and employees have to jointly participate in refunding the plan. In addition, an actuarial report is drawn up annually in accordance with BVG requirements.

The Pension Fund has the legal structure of a foundation. All actuarial risks are borne by the foundation. They consist of demographic risks (primarily life expectancy) and financial risks (primarily the discount rate, future increases in compensation, and the return on plan assets) and are regularly assessed by the Board of Trustees. In addition, an actuarial report is drawn up annually in accordance with BVG requirements. The Board of Trustees defines the investment strategy as often as necessary and at least once annually. When defining the investment strategy, it takes into acount the foundation's objectives, the benefit obligations, and the risk capacity. The investment strategy is defined on the basis of a long-term target asset structure. The aim is to ensure that plan assets and liabilities are aligned in the medium and long term and that actuarial risks are reinsured.

Defined Benefit Obligation

The main driver behind the change in the plan deficit are the remeasurements (change in experience assumptions and change in financial assumptions). The deficit is presented in Other long-term liabilities.

	2018	**2017**
Fair value of plan assets	**$ 20,692**	$ -
Defined benefit obligations	**(29,660)**	-
Plan deficit	**$ (8,968)**	**$ -**

15 . **Personnel Expenses (continued)**

Defined Benefit Plans (continued)

Allocation of the Fair Value of Pension Plan Assets

Plan assets are at market value and are composed of the following elements:

	2018	2017
Equity securities	$ 10,061	$ -
Debt securities	3,387	-
Property	6,530	-
Cash and cash equivalents	714	-
	$ 20,692	$ -

Assets are invested in line with a long-term investment strategy which - as legally required - are conservative or low-risk based.

Cost of Defined Benefit Pension Plans

	2018	2017
Current service cost	$ 310	$ -
Net interest expense	14	-
Expense recognized in Net income	$ 324	$ -
Remeasurements		
Actuarial losses on defined benefit obligation	$ 280	$ -
Return on plan assets [1]	(314)	-
Remeasurements recognized in Other comprehensive income	$ (34)	$ -

[1] Excluding interest income.

Change in the Fair Value of Plan Assets

	2018	2017
Balance at January 1	$ -	$ -
Increase through business combinations	19,119	-
Contributions by the Corporation	164	-
Benefits paid	332	-
Interest income	38	-
Return on plan assets	280	-
Participant contributions	143	-
Effect of movements in exchange rates	616	-
Balance at December 31	$ 20,692	$ -

Change in the Fair Value of Plan Obligations

	2018	2017
Balance at January 1	$ -	$ -
Increase through business combinations	27,612	-
Current service cost	310	-
Benefits paid	332	-
Interest cost	52	-
Actuarial remeasurement	314	-
Participant contributions	143	-
Effect of movements in exchange rates	897	-
Balance at December 31	$ 29,660	$ -
Significant Actuarial Assumptions		
Discount rate	0.6%	-
Rate of increase in compensation	1.0%	-

15 . Personnel Expenses (continued)

Change in the Fair Value of Plan Obligations (continued)

The discount rate and the future increase in compensation have been identified as significant assumptions.

The following table shows the potential impacts of changes to key asssumptions on defined benefit pension plan obligations:

	December 31, 2018		December 31, 2017	
	Increase	Decrease	Increase	Decrease
Impact of a 0.5% change in the discount rate	$ (2,468)	$ 2,468	$ -	$ -
Impact of a 0.5% change in the rate of increase in compensation	$ 591	$ (591)	$ -	$ -

These impacts are hypothetical and should be interpreted with caution as changes in each significant assumption may not be linear.

Projected Benefit Payment in the Next Year

The Corporation expects to contribute $513,000 to its defined benefit pension plans in the next year.

Maturity of Pension Plans

The average duration of the defined benefit obligation as at December 31, 2018 is between 5.6 and 11.7 years, depending on the plan.

16 . Other Net Expenses

	2018	2017
Business acquisition costs, realized and unrealized, related to administrative expenses	$ 3,040	$ 1,650
Restructuring costs of Garaventa's operations in China (1)	879	-
Proceeds from an insurance claim	(1,776)	-
Litigation settlement	215	-
Other	(137)	(33)
	$ 2,221	$ 1,617

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

17 . Finance Income and Finance Costs

	2018	2017
Interest income	$ 523	$ 282
Net gain on foreign currency exchange	861	-
Gain on a financial instrument (Note 22 (D) (ii))	503	-
Finance income	$ 1,887	$ 282
Interest on long-term debt	$ 3,341	$ 1,079
Interest and bank charges	242	157
Financing charges	283	166
Net loss on foreign currency exchange	-	511
Finance costs	$ 3,866	$ 1,913

18 . Income Tax

	2018	2017
Current tax expense		
Current year	$ 8,025	$ 6,222
Deferred tax benefit		
Origination and reversal of temporary differences	(1,083)	(4,465)
Total income tax expense	$ 6,942	$ 1,757

18 . Income Tax (continued)

Tax Recognized in Other Comprehensive Income

	2018			2017		
	Before tax	Tax benefit (expense)	Net of tax	Before tax	Tax benefit (expense)	Net of tax
Remeasurement of defined benefit pension plan obligations	**$ 34**	**$ (6)**	**$ 28**	$ -	$ -	$ -
Change in the fair value of derivative financial instruments designated as cash flow hedges	**(6,693)**	**1,723**	**(4,970)**	4,383	(1,129)	3,254
Losses on foreign exchange contracts transferred to net income in the current year	**637**	**(164)**	**473**	3,551	(913)	2,638
Gains on interest rate swap agreements transferred to net income in the current year	**(503)**	**133**	**(370)**	-	-	-
Unrealized net losses on translation of financial statements of foreign operations	**8,493**	**-**	**8,493**	(4,157)	-	(4,157)
Net investment hedge	**(2,437)**	**-**	**(2,437)**	849	(225)	624
	$ (469)	**$ 1,686**	**$ 1,217**	**$ 4,626**	**$ (2,267)**	**$ 2,359**

Reconciliation of Effective Tax Rate

	2018		2017	
Net income		**$ 17,658**		$ 19,248
Total tax expense		**6,942**		1,757
Income before tax expense		**$ 24,600**		$ 21,005
Tax using the Corporation's domestic tax rate	**26.7%**	**$ 6,568**	26.8%	$ 5,629
Permanent differences	**(0.2)%**	**(39)**	1.5%	316
Income tax withheld on the repatriation of funds from a foreign subsidiary	**0.5%**	**129**	1.3%	281
Impact of differences in tax rates of other jurisdictions	**(3)%**	**(749)**	(4.8)%	(1,008)
Non-deductible stock-based compensation	**1.5%**	**365**	1.1%	240
Foreign exchange losses deductible at 50%	**0.3%**	**65**	1.3%	260
Unrecognized temporary differences	**2.6%**	**648**	-%	-
Use of unrecognised tax losses	**-%**	**-**	(2.4)%	(508)
Impact of the US tax reform	**-%**	**-**	(15.7)%	(3,300)
Other	**(0.2)%**	**(45)**	(0.8)%	(153)
	28.2%	**$ 6,942**	**8.3%**	**$ 1,757**

Unused Tax Losses

The Corporation has unused non-capital tax losses in the amount of $26,497,000 ($6,078,000 in 2017) of which $12,454,000 has not been recognized (2017-nil). These losses are expiring in the following years:

Year of expiry	2018	2017
2019	**$ 207**	$ -
2020	**1,724**	-
2021	**75**	-
2022	**3,492**	-
2024	**6,837**	-
2038	**119**	-

Tax benefits of $3,549,000 (2017-$1,539,000) have been recorded related to unused non-capital tax losses, including $941,000 (2017-$192,000) from foreign subsidiaries. The Corporation also has $1,743,000 (2017-$1,343,000) of unrecognized capital losses and deductible temporary differences that may be carried forward indefinitely. As at December 31, 2018, no deferred tax liability was recognized for temporary differences arising from investments in subsidiaries because the Corporation controls the decisions affecting the realization of such liabilities and it is probable that the temporary differences will not reverse in the foreseeable future.

18 . Income Tax (continued)

Recognized Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are recorded as follows:

	Assets		Liabilities		Net	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
				(recast - see Note 4)		(recast - see Note 4)
Losses carried forward	**$ 3,549**	$ 1,539	**$ -**	$ -	**$ 3,549**	$ 1,539
Internally developed intangible assets	**-**	-	**(1,285)**	(520)	**(1,285)**	(520)
Non-deductible provisions (including warranty and inventory)	**2,023**	918	**-**	-	**2,023**	918
Fixed and intangible assets, and goodwill	**1,824**	1,550	**(19,805)**	(11,458)	**(17,981)**	(9,908)
Investment tax credits	**40**	42	**(79)**	(88)	**(39)**	(46)
Foreign exchange contracts and interest rate swaps	**2,092**	-	**(104)**	(543)	**1,988**	(543)
Gain on US dollar debt which hedged a net investment of a US subsidiary	**-**	-	**-**	(225)	**-**	(225)
Provision for withholding tax on future dividends of a subsidiary	**-**	-	**(410)**	(281)	**(410)**	(281)
Financing expenses	**1,479**	997	**(416)**	(242)	**1,063**	755
Financial assets	**-**	-	**(1,292)**	-	**(1,292)**	-
Obligations related to the defined benefit pension plans	**1,438**	-	**-**	-	**1,438**	-
Other	**860**	427	**(368)**	(69)	**492**	358
Tax assets (liabilities)	**$ 13,305**	$ 5,473	**$ (23,759)**	$ (13,426)	**$ (10,454)**	$ (7,953)
Tax offset	**(7,278)**	(3,706)	**7,278**	3,706	**-**	-
Net tax assets (liabilities)	**$ 6,027**	**$ 1,767**	**$ (16,481)**	**$ (9,720)**	**$ (10,454)**	**$ (7,953)**

Certain subsidiaries incurred losses in the current year and are in a net deferred tax asset position at year-end. The Corporation considers that it will most likely realize these deferred tax assets.

Movement in Recognized Deferred Tax Assets and Liabilities During the Year

	Balance January 1, 2017	**Recognized in net income**	**Increase related to a business combination (Note 4)**	**Increase related to issuance costs related to a private placement**	**Recognized in other comprehensive income**	**Balance December 31, 2017**
Losses carried forward	$ 1,143	$ 396	$ -	$ -	$ -	$ 1,539
Internally developed intangible assets	(262)	(258)	-	-	-	(520)
Non-deductible provisions (including warranty and inventory)	715	203	-	-	-	918
Fixed and intangible assets, and goodwill	(260)	4,697	(14,979)	-	634	(9,908)
Investment tax credits	(40)	(6)	-	-	-	(46)
Foreign exchange contracts and interest rate swaps	1,496	3	-	-	(2,042)	(543)
Gain on US dollar debt which hedged a net investment of a US subsidiary	-	-	-	-	(225)	(225)
Provision for withholding tax on future dividends of a subsidiary	-	(281)	-	-	-	(281)
Financing expenses	556	(330)	-	529	-	755
Other	317	41	-	-	-	358
	$ 3,665	**$ 4,465**	**$ (14,979)**	**$ 529**	**$ (1,633)**	**$ (7,953)**

18 . Income Tax (continued)

Movement in Recognized Deferred Tax Assets and Liabilities During the Year (continued)

	Balance January 1, 2018	Recognized in net income	Increase related to business combinations (Note 4)	Increase related to issuance costs related to a placement	Recognized in other comprehensive income	Balance December 31, 2018
Losses carried forward	$ 1,539	$ 1,139	$ 871	$ -	$ -	$ 3,549
Internally developed intangible assets	(520)	(333)	(432)	-	-	(1,285)
Non-deductible provisions (including warranty and inventory)	918	(756)	1,861	-	-	2,023
Fixed and intangible assets, and goodwill	(9,908)	750	(7,896)	-	(927)	(17,981)
Investment tax credits	(46)	7	-	-	-	(39)
Foreign exchange contracts and interest rate swaps	(543)	713	10	-	1,808	1,988
Gain on US dollar debt which hedged a net investment of a US subsidiary	(225)	-	-	-	225	-
Provision for withholding tax on future dividends of a subsidiary	(281)	(129)	-	-	-	(410)
Financing expenses	755	(583)	-	891	-	1,063
Financial assets	-	16	(1,308)	-	-	(1,292)
Obligations related to the defined benefit pension plans	-	239	1,193	-	6	1,438
Other	358	20	114	-	-	492
	$ (7,953)	$ 1,083	$ (5,587)	$ 891	$ 1,112	$ (10,454)

19 . Earnings per Share

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

	2018	2017
Net income	$ 17,658	$ 19,248
Basic earnings per share:		
Basic weighted average number of common shares outstanding	43,679,698	39,718,496
Basic earnings per share	$ 0.40	$ 0.48
Diluted earnings per share:		
Basic weighted average number of common shares outstanding	43,679,698	39,718,496
Effect of potentially dilutive common shares	762,516	880,331
Diluted weighted average number of common shares outstanding	44,442,214	40,598,827
Diluted earnings per share	$ 0.40	$ 0.47

At December 31, 2018, 810,000 options (2017-570,000) have been excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

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

20 . Cash Flows

(A) Net Changes in Non-cash Operating Items

	2018	2017
Trade and other receivables	$ (3,673)	$ (2,122)
Inventories	(9,776)	(2,407)
Prepaid expenses	(632)	(567)
Trade and other payables	5,940	(898)
Deferred revenues	1,391	695
Warranty provision	70	(76)
	$ (6,680)	$ (5,375)

(B) Non-cash Transactions

In 2018, the following non-cash transactions took place: tax credits receivable applied against income tax payable in the amount of $423,000 (2017-$450,000) and $397,000 (2017-$393,000) against internally developed intangible assets, transfer to business acquisitions of a deposit in the amount of $4,426,000 and transfer to fixed assets of deposits in the amount of $123,000 (2017-$262,000) and to intangible assets in the amount of $67,000 (2017-nil).

21 . Stock-based Payments

The Corporation has a stock option plan for its directors, members of management, employees and consultants, under which the Board of Directors may grant options to purchase common shares of the Corporation at an exercise price established by the Board. The exercise price is the closing price of the day preceding the option grant date. Options generally vest between one and five years from the date of grant and must be exercised within a maximum of six years, except in the event of retirement, termination of employment or death. Exercised options are settled in shares. At December 31, 2018, 311,000 options could still be granted by the Corporation (December 31, 2017-957,000).

The value of each option is estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Year ended December 31	Number of options granted	Risk-free interest rate (1)	Expected dividend yield (1)	Expected volatility (1)	Expected term
2018	**545,000**	**2.32%**	**2.15%**	**30%**	**3 and 6 years**
2017	726,666	1.29%	1.87%	30%	3 and 6 years

(1) Weighted average

The estimated fair value of the options granted in 2018 is $2,216,000 (2017-$2,320,000). This amount is amortized and charged to earnings as the rights to exercise are vested.

In 2018, compensation expense in the amount of $1,379,000 (2017-$890,000) on options granted to employees and directors has been recognized in administrative expenses and credited to contributed surplus. The average closing price of the Corporation's shares on the exercise dates of options exercised during 2018 was $17.27 (2017-$14.18).

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	**2,003,332**	**$ 8.47**	1,556,667	$ 4.73
Granted	**545,000**	**18.19**	726,666	14.93
Exercised	**(309,998)**	**4.49**	(270,001)	4.17
Forfeited	**(65,000)**	**15.69**	(10,000)	11.55
Outstanding at December 31	**2,173,334**	**$ 11.30**	**2,003,332**	**$ 8.47**
Exercisable at December 31	**559,167**	**$ 8.08**	**356,388**	**$ 6.41**

21 . Stock-based Payments (continued)

The following table summarizes certain information on outstanding stock options as at December 31:

2018					
Options outstanding				Options exercisable	
Exercise price range	Number of options	Weighted average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
$1.50 to $1.90	**96,667**	**0.5 years**	**$ 1.78**	**96,667**	**$ 1.78**
$3.45 to $3.65	**303,329**	**1.8 years**	**3.61**	**150,001**	**3.65**
$4.70 to $5.91	**386,671**	**2.6 years**	**5.17**	**33,332**	**5.00**
$6.08 to $11.55	**295,000**	**3.0 years**	**9.41**	**75,000**	**6.08**
$14.04 to $20.03	**1,091,667**	**4.3 years**	**16.96**	**204,167**	**15.56**
$1.50 to $20.03	**2,173,334**	**3.3 years**	**$ 11.30**	**559,167**	**$ 8.08**

2017					
Options outstanding				Options exercisable	
Exercise price range	Number of options	Weighted average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
$1.50 to $1.90	131,667	1.4 years	$ 1.70	64,999	$ 1.71
$3.45 to $3.65	379,998	2.7 years	3.59	73,334	3.65
$4.70 to $5.91	560,000	3.3 years	5.21	50,000	5.50
$6.08 to $11.55	345,000	3.8 years	9.31	100,000	6.08
$14.04 to $16.72	586,667	4.7 years	15.76	68,055	15.01
$1.50 to $16.72	**2,003,332**	**3.6 years**	**$ 8.47**	**356,388**	**$ 6.41**

22 . Financial Instruments

The following table indicates the presentation of the derivative financial instruments on the consolidated statements of financial position.

	2018	2017
Current assets		
Derivative foreign exchange instruments	**$ 24**	**$ 466**
Non-current assets		
Derivative foreign exchange instruments	**$ -**	$ 1,719
Derivative interest rate instruments	**-**	202
	$ -	**$ 1,921**
Current liabilities		
Derivative foreign exchange instruments	**$ 1,361**	**$ 279**
Non-current liabilities		
Derivative foreign exchange instruments	**$ 2,483**	$ -
Derivative interest rate instruments	**632**	-
	$ 3,115	**$ -**

22 . Financial Instruments (continued)

(A) Financial Risk Management

Overview

The Corporation has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Corporation's exposure to each of the above risks and the Corporation's management of capital.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework.

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities.

The Corporation's Audit Committee oversees how management monitors compliance with the Corporation's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Corporation.

(B) Credit Risk

Cash and derivative financial instruments are held or issued by financial institutions with a superior-quality credit rating. Thus, the Corporation considers that the risk of non-performance of such financial institutions is negligible.

The Corporation provides credit to its clients in the normal course of business. It carries out credit checks on its clients on a continual basis and minimizes its credit risks by conducting its operations with a wide variety of clients in several industries.

The Corporation holds personal assets as security on long-term loans.

The Corporation's Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk for loans and trade receivables before allowance for doubtful accounts, at the reporting date by geographic region, is:

	2018	2017
Canada	$ 11,362	$ 7,663
United States	26,153	14,742
Europe	7,164	457
Other regions	2,269	975
	$ 46,948	$ 23,837

Impairment Loss

The aging of trade receivables at the reporting date is:

	2018		2017	
	Gross	Allowance	Gross	Allowance
Current, 0-60 days	$ 34,585	$ 380	$ 19,653	$ -
Past due, 61-90 days	4,440	111	1,961	76
Past due, over 90 days	7,923	2,712	2,223	640
	$ 46,948	$ 3,203	$ 23,837	$ 716

22 . **Financial Instruments (continued)**

(B) Credit Risk (continued)

Impairment Loss (continued)

The movement in the allowance for doubtful accounts during the year was as follows:

	2018	2017
Balance at January 1	$ 716	$ 506
Increase through business combinations	1,882	186
Increase in the allowance for doubtful accounts	468	184
Write-off of receivables:		
Accessibility segment	(33)	(66)
Adapted vehicles segment	-	(84)
Span segment	(7)	(1)
Effect of movements in exchange rates	177	(9)
Balance at December 31	$ 3,203	$ 716

(C) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. Management assesses its liquidity risk on a continual basis to ensure that it has sufficient liquidity to meet its obligations. To ensure that sufficient liquidity is available to meet current obligations, the Corporation maintains similar payment terms with its customers as it has with its suppliers.

As at December 31, 2018, the Corporation had, at its disposal, working capital of $68,409,000 (December 31, 2017-$43,548,000) and unused credit facilities of $65,502,000 (December 31, 2017-$71,139,000).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	2018					
	Carrying amount	Contractual cash flows	1 year	2 to 3 years	4 to 5 years	Over 5 years
Non-derivative financial liabilities						
Trade and other payables	$ 38,030	$ 38,030	$ 38,030	$ -	$ -	$ -
Dividend payable	1,775	1,775	1,775	-	-	-
Long-term debt, including current portion and interest	101,336	127,641	13,031	22,742	15,576	76,292
Other long-term liabilities	11,363	11,363	178	666	574	9,945
	$ 152,504	$ 178,809	$ 53,014	$ 23,408	$ 16,150	$ 86,237
Derivative financial liabilities						
Foreign exchange forward contracts						
Outflow	$ 3,844	$ 87,374	$ 28,822	$ 48,497	$ 10,055	$ -
Inflow	-	(83,539)	(27,480)	(46,460)	(9,599)	-
	$ 3,844	$ 3,835	$ 1,342	$ 2,037	$ 456	$ -

22 . Financial Instruments (continued)

(C) Liquidity Risk (continued)

	2017					
	Carrying amount	Contractual cash flows	1 year	2 to 3 years	4 to 5 years	Over 5 years
	(recast - see Note 4)					
Non-derivative financial liabilities						
Trade and other payables	$ 21,558	$ 21,558	$ 21,558	$ -	$ -	$ -
Dividend payable	1,238	1,238	1,238	-	-	-
Long-term debt, including current portion and interest	39,553	43,730	10,022	16,341	12,402	4,965
Other long-term liabilities	993	993	-	293	209	491
	$ 63,342	**$ 67,519**	**$ 32,818**	**$ 16,634**	**$ 12,611**	**$ 5,456**
Derivative financial liabilities						
Foreign exchange forward contracts						
Outflow	$ 279	$ 67,702	$ 22,592	$ 40,098	$ 5,012	$ -
Inflow	-	(69,606)	(22,778)	(41,600)	(5,228)	-
	$ 279	**$ (1,904)**	**$ (186)**	**$ (1,502)**	**$ (216)**	**$ -**

(D) Market Risk

(i) Currency Risk

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

Management has implemented a policy to manage foreign exchange risk against the Corporation's functional currency. The objective of the policy is to minimize the risks related to foreign currency transactions, more specifically in US dollars, in order to protect the gross margin from significant foreign currency fluctuations in the value of the Canadian dollar and to avoid management speculation on currency values. The Corporation manages this risk exposure by entering into various foreign exchange forward contracts. Pursuant to the policy, a maximum of 75% of anticipated net inflows in US dollars can be hedged.

The following tables summarize the characteristics of the foreign exchange contracts at December 31:

2018			
Maturity	Type	Average exchange rate	Contractual amounts (in thousands of US dollars)
0 to 12 months	Sale	1.2962	$21,200
12 to 24 months	Sale	1.2957	18,000
24 to 36 months	Sale	1.2854	18,000
36 to 41 months	Sale	1.2798	7,500
		1.2912	**$64,700**

2017			
Maturity	Type	Average exchange rate	Contractual amounts (in thousands of US dollars)
0 to 12 months	Sale	1.2654	$18,000
12 to 24 months	Sale	1.2982	18,000
24 to 36 months	Sale	1.3024	14,000
36 to 40 months	Sale	1.3070	4,000
		1.2890	**$54,000**

22 . Financial Instruments (continued)

(D) Market Risk (continued)

(i) Currency Risk

The fair value of derivative financial instruments generally reflects the estimated amounts that the Corporation would pay or receive upon settlement of the contracts at year-end.

No ineffectiveness has been recorded in net income in relation to cash flow hedges since the sources of the ineffectiveness are non-significant. In 2018, the change in value of the hedging instruments in the amount of $6,362,000 (2017-$4,177,000), used for calculating the ineffective portion of the hedging relationship used to cover foreign exchange risks, were identical to the change in value of the covered items used.

The fair value of the derivative financial instruments which are presented as "Accumulated other comprehensive income (loss)", before deferred tax assets of $982,000 (December 31, 2017-deferred tax liabilities of $490,000), is as follows as at December 31:

	2018	2017
Unrealized gains on forward exchange contracts maturing in the next twelve months	$ 24	$ 466
Unrealized losses on forward exchange contracts maturing in the next twelve months	(1,361)	(279)
	$ (1,337)	$ 187
Unrealized gains on forward exchange contracts maturing after the next twelve months	$ -	$ 1,719
Unrealized losses on forward exchange contracts maturing after the next twelve months	(2,483)	-
	$ (2,483)	$ 1,719
	$ (3,820)	$ 1,906

The Corporation does not hold or issue any derivative financial instruments for speculative or trading purposes. Derivative financial instruments are subject to standard credit conditions, financial controls, risk management as well as monitoring procedures.

Sensitivity Analysis

Details of items denominated in US dollars of entities that have a functional currency other than the US dollar are as follows :

(in thousands of US dollars)

	2018	2017
Cash	$ (2,919)	$ (638)
Trade and other receivables	8,451	4,038
Trade and other payables	(1,770)	(1,266)
Total monetary items denominated in US dollars	$ 3,762	$ 2,134

A one-cent increase or decrease in the US dollar at the reporting date, assuming all other variables, in particular interest rates, remain constant, would have increased (decreased) equity and total comprehensive income by the amounts shown below.

(in thousands of US dollars)

	2018		2017	
	1-cent increase	1-cent decrease	1-cent increase	1-cent decrease
Balance sheet exposure	$ 28	$ (28)	$ 15	$ (15)
Interest rate swap agreements and foreign exchange contracts	219	(219)	358	(358)
Net balance sheet exposure	$ 247	$ (247)	$ 373	$ (373)

22 . **Financial Instruments (continued)**

(D) Market Risk (continued)

(ii) Interest Rate Risk

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

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

Maturity	Fixed interest rate	Stamping fee	Initial nominal value	Currency	Balance 2018	Balance 2017
July 2021	1.18%	1.50%	$ 6,200	CA	**$ -**	$ 5,413
June 2022	2.018%	1.50%	$ 13,500	US	**$ -**	$ 16,971
April 2023	2.52%	1.75%	$ 50,000	CA	**$ 50,000**	$ -

These derivative instruments were designated as hedging for accounting purposes. The fair value of the financial instruments which is presented in "Accumulated other comprehensive income (loss)", before deferred income taxes of $167,000 (December 31, 2017-$54,000), is as follows as at December 31:

	2018	2017
Unrealized gains (losses) on interest rate swap agreements applicable to the non-current portion of long-term debt	**$ (632)**	$ 202

No ineffectiveness has been recorded in net income in relation to cash flow hedges since the sources of the ineffectiveness are non-significant. In 2018, the change in value of the hedging instruments in the amount of $331,000 (2017-$206,000), used for calculating the ineffective portion of the hedging relationship used to cover interest rate risks, were identical to the change in value of the covered items used.

The only variable rate monetary items that could have an effect on net income following a variation in interest rates are the revolving line of credit which has a balance of $43,412,000 as at December 31, 2018 (December 31, 2017-$37,947,000) and the term facility which has a balance of $50,000,000 as at December 31, 2018 (December 31, 2017-nil).

Sensitivity Analysis

A 100-basis points increase or decrease in the prime rate or the US base rate at the reporting date, assuming all other variables remain constant, would have increased (decreased) equity and total comprehensive income by the amounts shown below.

	2018		2017	
	100-basis points increase	100-basis points decrease	100-basis points increase	100-basis points decrease
Interest rate swap agreements	**$ 1,498**	**$ (1,498)**	$ 660	$ (660)

As at December 31, 2018 and 2017, with other variables unchanged, an upward or downward change of 100-basis points in the prime rate would only have a negligeable impact on net income (2017-same).

22 . **Financial Instruments (continued)**

(D) Market Risk (continued)

(iii) Price Risk

The Corporation's products include hundreds of components manufactured by numerous suppliers around the world. The price of such components can vary and affect the Corporation's profit margins. However, the Corporation's flexible business model enables it to change supplier if required in order to minimize this risk.

The Corporation does not use derivative products on the price of materials.

Fair Values Versus Carrying Amounts

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. 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.

	2018				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets carried at fair value					
Foreign exchange forward contracts	**$ 24**	**$ -**	**$ 24**	**$ -**	**$ 24**
Liabilities carried at fair value					
Foreign exchange forward contracts	**$ 3,844**	**-**	**3,844**	**-**	**3,844**
Liabilities carried at amortized cost					
Long-term debt	**$ 101,336**	**-**	**-**	**101,323**	**101,323**

	2017				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
	(recast - see Note 4)				
Assets carried at fair value					
Foreign exchange forward contracts	**$ 2,185**	$ -	$ 2,185	$ -	$ 2,185
Interest rate swap agreements	**202**	-	202	-	202
	$ 2,387				
Liabilities carried at fair value					
Foreign exchange forward contracts	**$ 279**	-	279	-	279
Liabilities carried at amortized cost					
Long-term debt	**$ 39,553**	-	-	39,539	39,539

The basis for determining fair value is disclosed in Note 24.

(E) Capital Management

The Corporation defines the components of its capital structure as being long-term debt and bank loans, net of cash, plus equity.

	2018	2017
		(recast - see Note 4)
Cash	**$ (11,430)**	$ (7,719)
Long-term debt, including current portion	**101,336**	39,553
	$ 89,906	$ 31,834
Equity	**198,397**	138,783
Total capital structure	**$ 288,303**	**$ 170,617**

22 . Financial Instruments (continued)

(E) Capital Management (continued)

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, which the Corporation defines as result from operating activities divided by total shareholders' equity. Management also monitors the level of dividend to common shareholders.

The Corporation makes use of a process under which its Canadian dollar and US dollar bank accounts are consolidated in order to optimize the cash requirements and surpluses of the parent company and its subsidiaries. As long as the net balance of its accounts, by currency, is positive, no interest is payable. This process is administered by the Corporation's financial institution.

The Corporation monitors capital based on different financial ratios and non-financial performance indicators.

The Corporation must comply with certain conditions under its various banking arrangements and ensures that it is in compliance with those conditions when required. It was in compliance with all of the ratio requirements of its lenders throughout the year.

Furthermore, the Corporation has given all of its assets as surety on its revolving credit facility.

There were no changes in the Corporation's approach to capital management during the year. Neither the Corporation, nor any of its subsidiaries, are subject to externally imposed capital requirements.

23 . Commitments

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

	2018	2017
Less than 1 year	**$ 2,918**	$ 1,699
Between 1 and 5 years	**5,249**	3,409
More than 5 years	**1,415**	870
	$ 9,582	**$ 5,978**

The Corporation concluded lease agreements for the rental of its premises and entered into operating leases for rolling stock and equipment. The building leases run for remaining periods between 1 and 116 months, with most leases having an option to renew after that date.

During the year ended December 31, 2018, an amount of $1,075,000 (2017-$347,000) was recognized in cost of sales and an amount of $1,545,000 (2017-$874,000) was recognized in operating costs in respect of operating leases.

The Span subsidiary is committed to minimum purchases of $700,000 US of Selan® products per year for each calendar year through 2020 inclusively.

24 . Determination of Fair Values

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(A) Fixed Assets

The fair value of fixed assets recognized as a result of a business combination is based on market values. The fair value of items of equipment, office furniture, rolling stock, computer hardware and leasehold improvements is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

24 . Determination of Fair Values (continued)

(B) Intangible Assets

The fair value of trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the trademarks being owned. The fair value of customer relationships and backlogs of orders acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(C) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the common course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(D) Assets at Amortized Cost

Assets at amortized cost are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(E) Derivatives

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 values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Corporation entity and counterparty when appropriate.

(F) Financial Liabilities at Amortized Cost

Fair value, which is determined for disclosure purposes, 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.

(G) Share-based Payment Transactions

The fair value of the stock options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

25 . Government Assistance

During 2018, the Corporation recorded scientific research and experimental development tax credits of $397,000 (2017-$393,000). An amount of $443,000 has not yet been assessed by the tax authorities.

The Corporation also recorded $25,000 (2017-$25,000) in apprenticeship tax credits which have not yet been assessed by the tax authorities.

The Corporation received a grant from the National Research Council in the amount of $140,000 as financial aid on a development project. This amount has been recorded against internally developed intangible assets.

These credits and grants were accounted for as follows:

	2018	2017
Decrease in internally developed intangible assets	$ 537	$ 393
Decrease in cost of sales	25	25
	$ 562	$ 418

26 . Operating Segments

Information About the Operating Segments

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

	Accessibility	Adapted vehicles	Span	Head office	Inter-segment eliminations	Total
2018						
External revenues	**$ 171,079**	**$ 27,657**	**$ 89,813**	**$ -**	**$ (2,515)**	**$ 286,034**
Income (loss) before income tax, interest, depreciation and amortization	**30,276**	**2,079**	**11,096**	**(6,216)**	**-**	**37,235**
Depreciation and amortization expense	**4,556**	**544**	**4,286**	**431**	**-**	**9,817**
Interest on long-term debt	**3,617**	**-**	**3,116**	**3,023**	**(6,415)**	**3,341**
Interest income	**442**	**-**	**-**	**6,496**	**(6,415)**	**523**
2017						
External revenues (restated) *	$ 110,117	$ 27,447	$ 46,425	$ -	$ (248)	**$ 183,741**
Income (loss) before income tax, interest, depreciation and amortization	22,729	2,696	4,673	(1,969)	-	**28,129**
Depreciation and amortization expense	2,126	392	3,130	522	-	**6,170**
Interest on long-term debt	2,889	1	1,894	1,009	(4,714)	**1,079**
Interest income	22	2	1	4,971	(4,714)	**282**

	Accessibility	Adapted vehicles	Span	Head office	Inter-segment eliminations	Total
2018						
Segment assets	**$ 272,416**	**$ 19,483**	**$ 134,207**	**$ 160,735**	**$ (188,676)**	**$ 398,165**
Segment liabilities	**148,196**	**11,473**	**65,250**	**163,525**	**(188,676)**	**199,768**
Capital expenditures (1)	**6,233**	**574**	**3,564**	**857**	**-**	**11,228**
2017 (recast - see note 4)						
Segment assets	$ 106,394	$ 20,890	$ 122,207	$ 151,900	$ (181,226)	**$ 220,165**
Segment liabilities	91,074	11,717	79,285	80,532	(181,226)	**81,382**
Capital expenditures (1)	1,815	1,076	222	4,249	-	**7,362**

(1) Capital expenditures excluding amounts relating to business acquisitions

26 . Operating Segments (continued)

Desegregation of Revenue

	Accessibility	Adapted vehicles	Span	Inter-segment eliminations	Total
2018					
Revenue by region					
Canada	$ 41,516	$ 27,201	$ 13,277	$ (977)	$ 81,017
United States	100,109	153	73,357	(1,538)	172,081
Europe	18,694	303	291	-	19,288
Other regions	10,760	-	2,888	-	13,648
	$ 171,079	$ 27,657	$ 89,813	$ (2,515)	$ 286,034
Major categories of revenue					
Accessibility equipment	$ 148,743	$ -	$ -	$ (2,484)	$ 146,259
Installation and maintenance	21,932	-	-	-	21,932
Royalties	404	-	-	-	404
Vehicle conversions	-	23,847	-	-	23,847
Vehicle adaptation and maintenance	-	3,810	-	-	3,810
Therapeutic support surfaces	-	-	68,288	-	68,288
Medical beds	-	-	21,525	(31)	21,494
	$ 171,079	$ 27,657	$ 89,813	$ (2,515)	$ 286,034
Timing of revenue recognition					
Goods transferred at a point in time	$ 149,147	$ 27,657	$ 89,813	$ (2,515)	$ 264,102
Services provided over time	21,932	-	-	-	21,932
	$ 171,079	$ 27,657	$ 89,813	$ (2,515)	$ 286,034
2017					
Revenue by region (restated) *					
Canada	$ 35,250	$ 26,537	$ 6,047	$ (247)	$ 67,587
United States	68,555	55	38,179	-	106,789
Europe	978	854	-	-	1,832
Other regions	5,334	-	2,199	-	7,533
	$ 110,117	$ 27,446	$ 46,425	$ (247)	$ 183,741
Major categories of revenue					
Accessibility equipment	$ 99,922	$ -	$ -	$ (247)	$ 99,675
Installation and maintenance	9,485	-	-	-	9,485
Royalties	710	-	-	-	710
Vehicle conversions	-	23,742	-	-	23,742
Vehicle adaptation and maintenance	-	3,704	-	-	3,704
Therapeutic support surfaces	-	-	35,697	-	35,697
Medical beds	-	-	10,728	-	10,728
	$ 110,117	$ 27,446	$ 46,425	$ (247)	$ 183,741
Timing of revenue recognition					
Goods transferred at a point in time	$ 100,632	$ 27,446	$ 46,425	$ (247)	$ 174,256
Services provided over time	9,485	-	-	-	9,485
	$ 110,117	$ 27,446	$ 46,425	$ (247)	$ 183,741

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

27 . Contingencies

Various claims and legal proceedings have been initiated against the Corporation in the normal course of its operating activities. Although the outcome of these proceedings cannot be determined with certainty, management estimates that any payments resulting from their outcome are not likely to have a substantial negative impact on the Corporation's consolidated financial statements.

28 . Related Parties

(A) Key Management Personnel and Director Compensation

	2018	2017
Short-term employee benefits	$ 889	$ 1,231
Share-based payments	774	1,631
	$ 1,663	$ 2,862

(B) Key Management Personnel and Director Transactions

Key management personnel and directors of the Corporation control 33.2% (2017-36%) of the voting shares of the Corporation.

29 . Subsequent Event

On March 1, 2019, the Corporation completed the acquisition of one of its independent dealers, Florida Lifts LLC ("Florida Lifts"), for a purchase price of approximately $7,573,000 (US$5,550,000). Florida Lifts sells, installs and services a full range of elevator and lift products within the central and southern regions of Florida.

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