SAVARIA CORPORATION

Management's Report

For the Three-Month Period Ended March 31, 2016

Contents

1. Basis of Presentation

This management's report is designed to assist the reader in better understanding the business of Savaria Corporation, its business context, its strategies, its risk factors and its key financial results. It notably discusses the Corporation's financial position and operating results for the three-month period ended March 31, 2016, in comparison with that for the corresponding period of fiscal 2015. It also provides a comparison of its statements of financial position as at March 31, 2016 and December 31, 2015. Unless otherwise indicated, the terms "the Corporation", "Savaria", "We" and "Our" refer to Savaria Corporation and its subsidiaries.

Prepared in accordance with *National Instrument 51-102 – Continuous Disclosure Obligations*, this report should be read in conjunction with the unaudited condensed consolidated interim financial statements for the first quarter 2016 and accompanying notes, and with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2015 and the management's report for the same period. Unless otherwise indicated, all amounts are expressed in Canadian dollars and all amounts in tables are in thousands of dollars, except per share amounts.

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

This management's report was prepared as at May 5, 2016. Additional information, including the Annual Information Form, is available on SEDAR's website at www.sedar.com.

2. Forward-Looking Statements and Disclaimer

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

3. Compliance with International Financial Reporting Standards

The Corporation's financial statements have been prepared in accordance with IFRS. However, the Corporation uses non-IFRS measures such as EBITDA, EBITDA per share, working capital, current ratio, book value per share, cash per share and total net debt to invested capital ratio for analysis purposes to measure its financial performance. EBITDA means earnings before interest, income taxes, depreciation and amortization ("EBITDA") while EBITDA per share means EBITDA per average diluted number of common shares outstanding. Reconciliation between net income and EBITDA is provided in section 8, *Summary of Quarterly Results*. Working capital is defined as the result of current assets less current liabilities while the current ratio is defined as the result of current assets divided by current liabilities. Book value per share corresponds to the result of shareholders' equity divided by the number of shares outstanding at the end of each quarter and cash per share corresponds to the result of cash divided by the number of shares outstanding at the end of each period.

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

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

4. Business Overview

Savaria is one of North America's leaders in the accessibility industry. It provides accessibility solutions for the elderly and physically-challenged to increase their mobility and independence. The diversity of its product line, one of the most comprehensive on the market, includes stairlifts, wheelchair lifts, and residential and commercial elevators and the conversion and adaptation of vehicles. The Corporation, whose headquarters along with the plant operated by the subsidiary Van-Action are located in Laval (Quebec), has four other facilities, including a 125,000-square-foot plant in Brampton, Ontario and a 75,000-square-foot plant in Huizhou, China, and two sales offices in London, Ontario, and Calgary, Alberta.

Operating Segments of the Corporation

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

• ***Accessibility* Segment (87 % of revenue in 2015)**

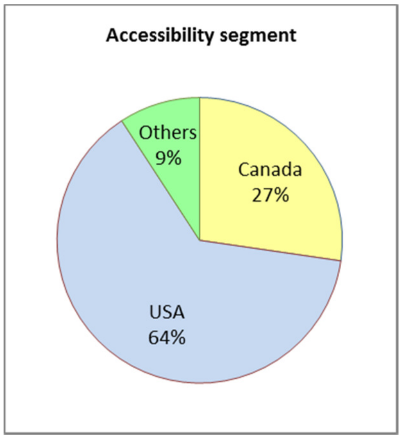
Through its *Accessibility* segment, the Corporation designs, manufactures, distributes and installs accessibility products such as stairlifts for both straight and curved stairs, vertical and inclined wheelchair lifts and elevators for home and commercial use. The products are manufactured, assembled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

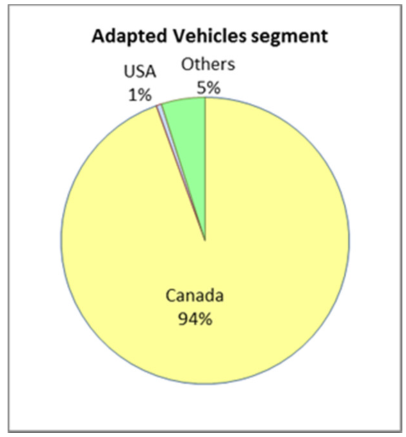
• ***Adapted Vehicles* Segment (13 % of revenue in 2015)**

Through its *Adapted Vehicles* segment, the Corporation converts and adapts minivans to facilitate the transport of mobility challenged people. Its Van-Action (Laval, Quebec) and Freedom Motors (Brampton, Ontario) subsidiaries offer models with rear entry, side entry or dual entry. Via a ramp and a lowered floor, minivans become accessible to people in wheelchairs. They can be for personal or commercial use.

Revenue Breakdown per Segment per Region

During fiscal 2015, Savaria’s total revenue was recorded in the United States (55%), Canada (36%) and, to a lesser extent, outside North America (9%). Revenue breakdown per region by segment is as follows:





Revenue for fiscal 2015 amounts to $82.6 million ("M") for the *Accessibility* segment and $12.7 M for the *Adapted Vehicles* segment, for total revenue of $95.3 M. In this report, unless specifically mentioned, the analysis covers both segments.

The Corporation employs some 440 employees and its shares are listed on the Toronto Stock Exchange under the symbol SIS.

5. Business Context

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

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

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

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

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

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

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

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

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

6. Vision, Mission and Strategy

Our Vision

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

Our Mission

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

Our Strategy

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

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

Achievements:

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

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

Achievements:

- Signature of a purchase agreement for the assets of the automotive division of *Shoppers Home Health Care*. This transaction is expected to be finalized in May 2016 and will enable the *Adapted Vehicles* segment to reach new markets.

- Savaria actively stays at the cutting edge of technology, to remain competitive and to provide its customers innovative tools, allowing it to optimize its business processes and to simplify the work of its dealers.
- Lastly, Savaria constantly strives to optimize its cost structure to increase profitability and production capacity.

Achievements:

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

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

7. First-Quarter 2016 Highlights

Results for 1st quarter have reached unprecedented levels. Revenue, net income and EBITDA surpassed company records to date for a 1st quarter, whereas results for this time of the year are historically lower.

Revenue up 29.6%

For 1st quarter of 2016, revenue is up $6 M, at $26.2 M, compared to $20.2 M same quarter previous year.

Operating income up 108%

Operating income is up $1.9 M, at $3.7 M, for 1st quarter of 2016, compared to $1.8 M same quarter previous year.

Net income up 51.3%

Net income is up $808,000, at $2.4 M, for 1st quarter of 2016, compared to $1.6 M same quarter previous year.

EBITDA up 35.9%

The Corporation's EBITDA amounted to $3.9 M for 1st quarter of 2016 compared to $2.9 M same quarter previous year, an increase of $1 M. Reconciliation between net income and EBITDA is provided in section 8, *Summary of Quarterly Results*.

Dividend

In 1st quarter of 2016, the Board of Directors declared a quarterly dividend of 5 cents ($0.05) per common share, in accordance with its dividend policy.

8. Summary of Quarterly Results

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

(in thousands, except per-share amounts and percentages – unaudited)	**2016**	2015				2014		
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Revenue	**$26,216**	$26,605	$24,002	$24,422	$20,234	$21,497	$21,747	$21,977
Gross margin as a % of revenue	***32.3%***	*32.7%*	*30.6%*	*30.5%*	*30%*	*30.9%*	*31.2%*	*30.6%*
Operating costs (1)	**$4,846**	$5,061	$4,483	$4,373	$4,281	$4,357	$4,384	$4,135
As a % of revenue	***18,5%***	*19%*	*18.7%*	*17.9%*	*21.2%*	*20.3%*	*20.2%*	*18.8%*
Operating income	**$3,729**	$3,678	$2,850	$3,087	$1,790	$2,304	$2,408	$2,579
As a % of revenue	***14.2%***	*13.8%*	*11.9%*	*12.6%*	*8.8%*	*10.7%*	*11.1%*	*11.7%*
Gain (loss) on foreign exchange	**$(338)**	$256	$515	$(29)	$603	$264	$372	$(315)
Net income	**$2,383**	$2,867	$2,352	$2,150	$1,575	$1,714	$1,926	$1,546
Earnings per share – diluted	**$0.07**	$0.09	$0.07	$0.07	$0.05	$0.06	$0.06	$0.06
EBITDA (2)	**$3,884**	$4,372	$3,806	$3,523	$2,858	$3,032	$3,214	$2,698
EBITDA per share – diluted	**$0.12**	$0.13	$0.11	$0.11	$0.10	$0.10	$0.11	$0.10
Dividend declared per share	**$0.05**	$0.05	$0.04	$0.04	$0.04	$0.04	$0.035	$0.035
Weighted average number of common shares outstanding– diluted	**33,684**	33,562	33,746	32,265	30,194	29,875	29,807	28,871

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

(2) Reconciliation of EBITDA with net income provided in the following table

Since 2013, the Corporation has achieved record-breaking revenue every quarter compared to the corresponding quarter previous year. This increase in revenue is primarily due to Savaria launching new products and to an increase in sales of certain existing products.

The gross margin that was reached in 4th quarter of 2015 has continued in 1st quarter of 2016 along with the level of revenue. The increase compared to the average of 30.6% since 2nd quarter of 2014 is mainly due to the very high level of revenue of the last two quarters compared to the average of previous periods of $22.3 million.

Quarterly operating costs for 1st quarter of 2016 of $4.8 M or 18.5% of revenue, are down compared to the average 19.1% in 2015 and 19.7% in 2014, while they are up in terms of dollars compared with a quarterly average of $4.5 million in 2015 and $4.3 million in 2014. Quarterly operating costs are higher since the 2nd quarter of 2014 due to an increase in sales force and travel expenses. Since 3rd quarter of 2014, adding to this is the impact of the acquisition of Silver Cross and of three Silver Cross franchisees during the 3rd quarter of 2015.

At $3.9 M for 1st quarter of 2016 compared to an average of $3.6 M for 2015, quarterly EBITDA increased almost 30% compared to an average of $3 M for fiscal 2014.

Reconciliation of EBITDA with Net Income

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

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

(in thousands of dollars – unaudited)	**2016**	2015				2014		
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Net income	**$2,383**	$2,867	$2,352	$2,150	$1,575	$1,714	$1,926	$1,546
Plus: Interest on long-term debt	**152**	130	140	147	146	146	134	144
Interest and bank charges	**44**	31	68	44	43	70	69	29
Income tax expense	**877**	976	876	774	662	685	703	591
Depreciation of fixed assets	**325**	286	271	255	250	241	257	244
Amortization of intangible assets	**168**	152	170	210	215	223	177	190
Less: Interest Income	**65**	70	71	57	33	47	52	46
EBITDA	**$3,884**	$4,372	$3,806	$3,523	$2,858	$3,032	$3,214	$2,698

The following section provides a detailed analysis of operating results for 1st quarter of 2016, in comparison with the same quarter of 2015. The detailed analysis of prior quarters is provided in the interim reports for fiscal 2015 and 2014, available on SEDAR's website at www.sedar.com.

9. Operating Results

Certain data on results for 1st quarter of 2016 and 2015 are presented in the following tables.

Gross margin

(in thousands of dollars, except percentages - unaudited)	**2016**	2015	Change
Revenue	**$26,216**	$20,234	29.6%
Cost of sales	**$17,749**	$14,163	25.3%
Gross margin	**$8,467**	$6,071	39.5%
As a % of revenue	***32.3%***	*30%*	*n/a*

Revenue for the 1st quarter of 2016 is up by $6 M or 29.6%, from $20.2 in 2015 to $26.2 in 2016, a record for a first quarter. Revenue for the *Accessibility* segment is up 30.9%, from $17.4 M for the 1st quarter of 2015 to $22.8 M for the 1st quarter of 2016, primarily due to an increase in the sale of stairlifts for straight and curved stairways that almost tripled during the period. Revenue for the *Adapted Vehicles* segment is also up, despite a temporary shutdown of operations following the relocation of the Montreal division this past January. They went from $2.8 M in 1st quarter 2015 to $3.5 M in 1st quarter 2016, an increase of 21.5%.

Breakdown of Sales by Geographical Region

(as a percentage of sales - unaudited)	**2016**	2015	Change
Canada	**36 %**	36.6 %	(0.6)
United States	**54 %**	54.4 %	(0.4)
Other regions	**10 %**	9 %	1

Gross margin is up by $2.4 M for the 1st quarter of 2016, compared to the corresponding period of 2015. As a percentage of revenue, gross margin is up, from 30% in 2015 to 32.3%, despite relocation costs of some $250,000 incured by the Montreal division of the *Adapted Vehicles* segment.

The increase in our purchases from Asia allows us to maintain our direct costs at a competitive level. The proportion of purchases made by the subsidiary Savaria Concord for 1st quarter 2016 from the subsidiary Savaria Huizhou and other suppliers in Asia has increased to 59% of purchases of raw materials, compared to 54% for fiscal 2015. Note that 90% of purchases from Asia come from the subsidiary Savaria Huizhou (2015: 89%).

Operating Income

(in thousands of dollars, except percentages - unaudited)	**2016**	2015	Change
Operating costs	**$4,846**	$4,281	13.2%
As a % of revenue	***18.5%***	*21.2%*	*n/a*
Other income	**$108**	$-	100%
Operating income	**$3,729**	$1,790	108%
As a % of revenue	***14.2%***	*8.8%*	*n/a*

The proportion of operating costs relative to revenue decreased in the 1st quarter compared to the same period in 2015, from 21.2% to 18.5% in 2016. In terms of dollars, operating costs increased by $565,000 for the 1st quarter of 2016 compared to the same period in 2015, due mainly to the acquisition of three Silver Cross franchisees in 3rd quarter 2015 (+$169,000), to an increase in the sales force and selling expenses (+$99,000), and engineering and R&D activities (+$205,000).

An income of $108,000 was recorded in 1st quarter 2016 coming from a grant received by the Savaria Huizhou subsidiary linked to a request to be classified as a high-tech company.

The combined effect of the favourable changes in gross margin and other income, and the unfavourable change in operating costs results in a positive effect on operating income with an increase of $1.9 M for the 1st quarter compared to the same period in 2015.

Net Income

(in thousands of dollars, except percentages - unaudited)	**2016**	2015	Change
Net finance income (costs)	**$(469)**	$447	(205)%
Income before income tax	**$3,260**	$2,237	45.7%
Income tax expense	**$877**	$662	32.5%
Net income	**$2,383**	$1,575	51.3%
As a % of revenue	***9.1%***	*7.8%*	*n/a*
EBITDA	**$3,884**	$2,858	35.9%
As a % of revenue	***14.8%***	*14.1%*	*n/a*

The unfavourable variation of $916,000 of net finance income (costs) for 1st quarter 2016 compared to same period of 2015 is primarily due to an unfavourable variation in net foreign exchange gains (losses) of $941,000 partially offset by a favourable variation in interest income of $32,000. Gains and losses on foreign exchange are mostly attributable to the end-of-period translation of monetary items denominated in U.S. dollars.

The effective income tax rate of 26.9% for 1st quarter 2016 is lower than the effective income tax rate of 29.6% for 2015 mainly due to a tax withholding on the repatriation of funds from the Chinese subsidiary in the 1st quarter of 2015.

Net income and EBITDA increased for the 1st quarter 2016 compared to corresponding period of 2015, with an increase of $808,000 of Net income and $1 M of EBITDA.

Hedging of Foreign Exchange Rates

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

As at March 31, 2016, the Corporation held foreign exchange contracts totaling $51.5 M U.S. for a hedging period up to January 31, 2019, at a weighted average rate of 1.1612. At the end of the quarter, the unrealized loss on the foreign exchange contracts amounted to $6.9 M before deferred taxes. This amount is reflected on the statement of financial position under *Derivative financial instruments* of Non-current assets and Current and

Non-current liabilities and is included in the *Accumulated other comprehensive income* balance (see *Available Sources of Financing* in section 10 for details).

Hedging of Interest Rates

The Corporation signed a financing agreement in April 2012 comprising of two long-term debts for a total of $16.6 M. Since those debts bear interest at variable rates, the Corporation decided to enter into interest rate swap agreements to minimize its risk of variation of cash-flows related to changes in interest rates. Therefore, it has signed a first swap related to an original capital amount of $7 M with a fixed interest rate of 3.48%, and a second swap related to an original capital amount of $9.6 M with a fixed interest rate of 3.58%, both for a 5-year period. Those rates include a stamping fee of 1.5%.

Consistent with our currency hedges, the Corporation applies hedge accounting, which enables the recording of unrealized gains and losses related to the derivative financial instrument to *Accumulated other comprehensive income*, while fair value is recorded in the statement of financial position. As at March 31, 2016, the unrealized loss on the interest rate swaps amounts to $122,000 before deferred taxes. This amount is reflected on the statement of financial position under *Derivative financial instruments* of Current and Non-current liabilities and is included in the *Accumulated other comprehensive income* balance.

10. Financial Position

Changes between Statements of Financial Position

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

(in thousands of dollars, except percentages)	**March 31, 2016 (unaudited)**	December 31, 2015	Change	Principal causes of the changes
Current assets				
Cash	**$26,102**	$29,707	$(3,605)	Refer to section 11 *Cash Flows*.
Trade and other receivables	**$13,780**	$12,878	$902	Decrease in the exchange rate used for the conversion of U.S. dollar denominated receivables (-$604), increase in trade receivables (+$1,600), decrease in sales taxes receivable (-$156).
Number of days in receivables (1)	**44**	44	-%	

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

(in thousands of dollars, except percentages)	**March 31, 2016 (unaudited)**	December 31, 2015	Change	Principal causes of the changes
Inventories	**$18,962**	$18,111	$851	Increase in inventory at the Brampton plant (+$890) due to an increase in revenue and to the increase in minimum inventory levels since purchases from faraway regions, in this specific case Asia, have increased.
Inventory turnover rate [1]	**3.73**	3.59	3.9%	See *Inventories* just above. However, sales increased at a faster pace than inventories.
Prepaid expenses	**$1,039**	$717	$322	Period of the year requiring disbursements in advance (taxes and insurance).
Non-current assets				
Derivative financial instruments	**$310**	$-	$310	Unrealized gains on foreign exchange contracts maturing after the next twelve months. As at December 31, 2015, all foreign exchange contracts had unrealised losses.
Deferred tax assets	**$3,851**	$5,422	$(1,571)	Deferred taxes on the change in *Accumulated other comprehensive income (loss)* (-$1,400) and on tax losses (-$148).
Current liabilities				
Income taxes payable	**$95**	$1,440	$(1,345)	Payment of balance due for 2015 (-$1,200).
Derivative financial instruments	**$3,969**	$5,812	$1,843	Favourable change in unrealized losses on foreign exchange contracts maturing in the next twelve months (-$1,800).

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

(in thousands of dollars, except percentages)	**March 31, 2016 (unaudited)**	December 31, 2015	Change	Principal causes of the changes
Current portion of long-term debt	**$3,054**	$2,980	$74	See explanations under *Long-term debt*.
Non-current liabilities				
Long-term debt	**$13,475**	$14,272	$(797)	Normal repayment of the debt (-$473), repayment of a note payable related to a 2014 acquisition (-$275) and other minor changes (includes the change in current portion of long-term debt).
Derivative financial instruments	**$3,356**	$6,723	$(3,367)	Favourable change in unrealized losses on foreign exchange contracts maturing after the next twelve months (-$3,300).
Equity	**$54,001**	$49,213	$4,788	Net income (+$2,400), exercise of share purchase options (+$132), declaration of a dividend (-$1,600) and change in *Accumulated other comprehensive loss* (+$3,800).
Working capital (1)	**$38,778**	$37,028	$1,750	Change in the current portion of derivative financial instruments (+$1,800), increases in trade and other receivables (+$902), in inventories (+$851) and in prepaid expenses ($322), and decrease in income taxes payable (+$1,300), partially offset by a decrease in cash (-$3,600).
Current ratio (1)	**2.83**	2.51	12.7%	See above.

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

As at March 31, 2016, Savaria benefited from a sound financial position, with total assets of $92.9 M, compared with $95.7 M as at December 31, 2015, and total liabilities of $38.9 M, compared with $46.5 M as at December 31, 2015.

Available Sources of Financing

(in thousands of dollars - unaudited)	**March 31, 2016**	December 31, 2015
Credit facilities:		
Authorized	**$7,500**	$7,500
Loans	**-**	(1,125)
Unused credit	**7,500**	6,375
Gross cash	**26,102**	30,832
Total	**$33,602**	$37,207

As shown above, the Corporation had total available funds of $33.6 M as at March 31, 2016. This provides it with the flexibility to meet its potential obligations in the near term and to benefit from investment opportunities.

On August 31, 2015, the Corporation acquired a building at the cost of $4.2 M. On the same date, the Corporation received financing in the form of a construction loan to the amount of $6.2 M, of which $4.2 M was disbursed as at March 31, 2016 and another $1.8 M was disbursed in April 2016. The balance of $200,000 will be disbursed before the end of the second quarter. The construction loan will then be converted into long-term debt. The terms of the financing agreement provide for a 180-month amortization period for the long-term debt with monthly installments of $43,000 in principal for the first 60 months, and of $30,000 for the remaining 120 months.

The Corporation minimizes its exposure to risks of variation of cash-flows related to fluctuations in interest rates by keeping most of its debt at fixed rate using swap agreements (see *Coverage of interest rates* in section 9).

Furthermore, the Corporation has a substitute line enabling it to be exposed to a risk of potential losses on foreign exchange contracts over a hedging period of a maximum of 36 months. The market value is calculated daily by the bank. When the result is a loss of an amount greater than $7.1 M, the bank can realize the collateralized security to cover the additional risk. In this respect, as at March 31, 2016, an amount of $95,000 is reserved to guarantee unrealized losses on foreign exchange contracts, since on the date of the last assessment in 1st quarter of 2016 they amount to $7.2 M.

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

Other Data and Ratios

(in thousands of dollars, except per-share amounts - unaudited)	**March 31, 2016**	December 31, 2015	Change
Book value per share [1]	**$1.65**	$1.51	9.3%
Cash per share [1]	**$0.80**	$0.91	(12.1)%
Market capitalization	**$201,883**	$179,514	12.5%

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

Book value per share is up as at March 31, 2016 compared to December 31, 2015, due to the increase in equity following the decrease of the negative amount in *Accumulated other comprehensive loss* primarily related to the favourable variation in fair value of foreign exchange contracts. Market capitalization is up due to an increase in the value of the common shares of the Corporation, which went from $5.51 as at December 31, 2015 to $6.18 as at March 31, 2016.

11. Cash Flows

The following table presents certain cash flow data for 1st quarter 2016 and 2015.

(in thousands of dollars - unaudited)	**2016**	2015	Change
Net cash from (used in) operating activities	**$(332)**	$2,798	(112)%
Net cash used in investing activities	**$(668)**	$(480)	(39.2)%
Net cash used in financing activities	**$(2,419)**	$(1,923)	(25.8)%

The Corporation's cash flows from operating activities are down $3.1 M for the 1st quarter compared to the corresponding period of previous year. This is mainly due to an unfavourable variation in non-cash items (-$3.5 M), and income tax payments (-$1.3 M), offset by higher cash inflows from operating activities (+$1.7 M).

Cash flows used in investing activities is up by $188,000 in 1st quarter 2016 compared to the same period previous year. This variation is primarily due to an increase in deposits and additions to fixed assets (+$328,000) partially offset by a lower increase in intangible assets (-$131,000).

In regard to financing activities, cash flows used in financing activities is up $496,000 in 1st quarter 2016 compared to the same period previous year, mainly due to higher dividend payments of $450,000.

12. Significant Accounting Policies and Estimates

(A) Accounting Estimates

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

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

(B) New standards and interpretations adopted during first quarter

The following new standards and amendments to standards and interpretations have been applied in preparing the interim condensed consolidated financial statements as at March 31, 2016:

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

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

(C) New standards and interpretations not yet adopted

The following new standards and amendments to standards and interpretations, not yet adopted, have not been applied in preparing the condensed consolidated interim financial statements as at March 31, 2016.

- IFRS 9 (2014) - *Financial Instruments*
- IFRS 15 - *Revenue from Contracts with Customers*
- IFRS 16 - *Leases*

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

13. Internal Control over Financial Reporting

Disclosure Controls and Procedures

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

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

Internal Control over Financial Reporting

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

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

Changes to Internal Control over Financial Reporting

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

14. Off-Balance Sheet Arrangements

Savaria did not enter into any off-balance sheet arrangements during the first quarter of 2016.

15. Related Party Transactions

The Corporation recorded an amount of $21,000 ($4,000 in 2015) for accounting and tax services rendered by an entity whose officer is a director and the chief financial officer of the Corporation.

The Corporation signed a lease with an entity owned by a director and the President and Chief Executive Officer of the Corporation. Under the terms of the lease, an amount of $6,000 (same in 2015) was paid to that company during the first quarter of 2016. The lease expires in October 2016, and the total remaining commitment is $15,000 ($40,000 in 2015).

The terms and conditions attached to the above transactions reflect market conditions.

16. Risks and Uncertainties

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

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

17. Subsequent Event

On 6 April 2016, the Corporation announced the signing of a purchase agreement for the assets of the automotive division of *Shoppers Home Health Care* (a division of *Shoppers Drug Mart*). This division is a distributor of minivan conversions for wheelchairs and adaptation of vehicles for mobility challenged people. The acquisition will cost some $10 million, net of adjustments, and will be paid in cash. The transaction is expected to be finalized in May 2016.

18. Outlook

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

As demonstrated in the first quarter of 2016, sales of accessibility products, especially those of stairlifts, are forecast to double in 2016, as it was the case in 2015. The development of a complementary product, a patient lift, at our research and development center in Magog (Québec) is progressing according to plans; this new product is expected to be launched in September 2016 and will be an exciting addition to our product line, which is one of the most comprehensive on the market.

Regarding the *Adapted Vehicles* segment, the signature of a purchase agreement for the assets of the automotive division of *Shoppers Home Health Care* will open new markets such as Vancouver, Calgary and New Brunswick. The conclusion of this strategic transaction is anticipated in May 2016 and is expected to generate annual revenue of some $15 million and EBITDA of some $1.5 million, excluding synergies from this acquisition.

Savaria continues to stay abreast of strategic acquisition opportunities that would allow it to further its growth and strengthen its key player position in the accessibility market, as it continues to develop new products.

The Corporation maintains its forecast revenue for the twelve-month period ending December 31, 2016, of approximately $107 million and EBITDA in the range of $16.5-$17.5 million, excluding the potential results related to the operations of the automotive division of *Shoppers Home Health Care*.

May 5, 2016