Q2

Quarterly
REPORT

SAVARIA CORPORATION

Quarterly Report

for the six month period ended June 30, 2018

savaria

SAVARIA CORPORATION

Management's Report

For the Three-Month and Six-Month Periods Ended June 30, 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 six-month periods ended June 30, 2018, in comparison with that for the corresponding periods of fiscal 2017. It also provides a comparison of its statements of financial position as at June 30, 2018 and December 31, 2017. Unless otherwise indicated, the terms "the Corporation", "Savaria", "We" and "Our" refer to Savaria Corporation and its subsidiaries.

Prepared in accordance with *National Instrument 51-102 – Continuous Disclosure Obligations*, this report should be read in conjunction with the unaudited condensed consolidated interim financial statements for the second quarter 2018 and accompanying notes, and with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2017 and the Management's Report for the same period. Unless otherwise indicated, all amounts are expressed in Canadian dollars and all amounts in tables are in thousands of dollars, except per share amounts.

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

This management's report was prepared as at August 8, 2018. Additional information, including the Annual Information Form, are available on SEDAR's website at www.sedar.com.

2. Forward-Looking Statements

This MD&A includes certain statements that are "forward-looking statements" within the meaning of the securities laws of Canada. Any statement in this MD&A that is not a statement of historical fact may be deemed to be a forward-looking statement. When used in this MD&A, the words "believe", "could", "should", "intend", "expect", "estimate", "assume" and other similar expressions are generally intended to identify forward-looking statements. It is important to know that the forward-looking statements in this MD&A describe our expectations as at August 8, 2018, which are not guarantees of the future performance of Savaria or its industry, and involve known and unknown risks and uncertainties that may cause Savaria's or the industry's outlook, actual results or performance to be materially different from any future results or performance expressed or implied by such statements. Our actual results could be materially different from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. A change affecting an assumption can also have an impact on other interrelated assumptions, which could increase or diminish the effect of the change. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements do not take into account the effect that transactions or special items announced or occurring after the statements are made may have on our business. For example, they do not include the effect of sales of assets, monetization, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made.

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

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

3. Compliance with International Financial Reporting Standards

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

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

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

4. Business Overview

Savaria is one of North America's leaders in the accessibility industry. It provides accessibility solutions for the physically challenged to increase their comfort, their mobility and their independence. The diversity of its product line, one of the most comprehensive on the market, includes stairlifts, wheelchair lifts, ceiling lifts, residential and commercial elevators and the conversion and adaptation of vehicles. The Corporation entered the Medical Products market through the acquisition of Span-America Medical Systems, Inc. ("Span") in June 2017 (see the *Span Segment* below for details).

The Corporation, whose headquarters along with a vehicle conversion plant are located in Laval, Quebec, in a 57,000-square-foot building, also has a 125,000-square-foot plant in Brampton, Ontario, a 75,000-square-foot plant in Huizhou, China, a 27,000-square-foot plant in Toronto, Ontario as well as 11 sales offices and retail stores throughout Canada and sales offices in Baltimore, Maryland and Denver, Colorado in the United States, and in Brisbane, Australia. Following the acquisition of Span, the Corporation now also has a 188,000-square-foot plant in Greenville, South Carolina and a 50,000-square-foot plant in Beamsville, Ontario.

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 (50% of Revenue in the first six months of 2018; 60% of Revenue in 2017)**

Through its *Accessibility* segment, Savaria designs, manufactures, distributes and installs accessibility products such as stairlifts for both straight and curved stairs, vertical and inclined wheelchair lifts and elevators for home and commercial use. The products are manufactured, assembled and customized at the Brampton, Ontario, plant and are offered through a network of some 400 retailers, which are primarily located in North America. Through the acquisition of Premier Lifts, Inc. ("Premier Lifts") and Master Lifts Australia Pty Ltd ("Master Lifts") in 2017 and of H.E.S. Elevator Services, Inc. ("H.E.S.") in 2018, Savaria has expanded its direct sales territory of residential elevators to the Baltimore-Washington and Denver areas and its sales territory of accessibility products to Australia. 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 (12% of Revenue in the first six months of 2018; 15% of Revenue in 2017)**

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

- ***Span* Segment (38% of Revenue in the first six months of 2018; 25% of Revenue between the acquisition on June 16, 2017 and December 31, 2017)**

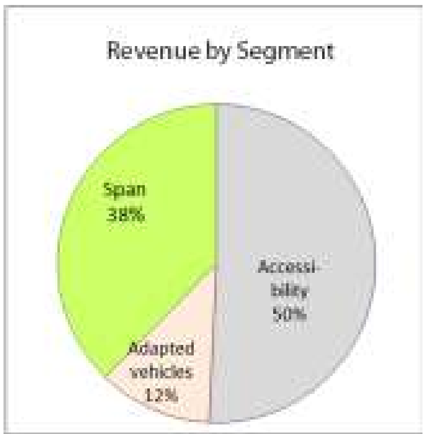
The Corporation entered the medical products market through the acquisition of Span in June 2017. In Greenville, South Carolina, the Corporation designs, manufactures and markets a comprehensive selection of therapeutic support surfaces and other pressure management products for the medical market. Pressure management products made up 57% of total Span revenue in the first six months of 2018. In Beamsville, Ontario, Span manufactures and markets medical beds. Medical beds and related products made up 25% of total Span revenue for the first six months of 2018. Medical products are sold primarily in North America to customers in the major segments of the health care market, including long-term care facilities, acute care hospitals and home health care providers.

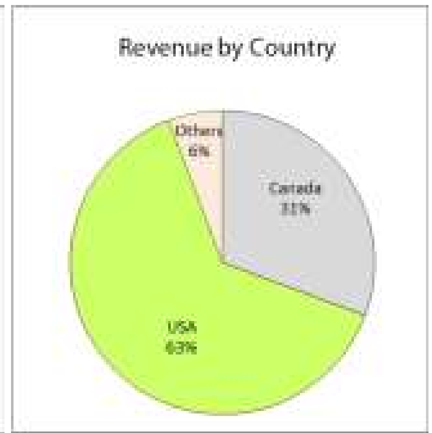
To those two main product lines, secondary products are added. As such, Span manufactures and markets foam mattress overlays and pillows sold to various retail customers in the U.S. market. Consumer sales made up 12% of total Span revenue in the first six months of 2018.

Lastly, Span manufactures and markets certain products for the industrial market, mainly foam products, which are sold to a variety of sectors, including the automotive, packaging and water sports equipment industries. Industrial products made up 6% of total Span revenue in the first six months of 2018.

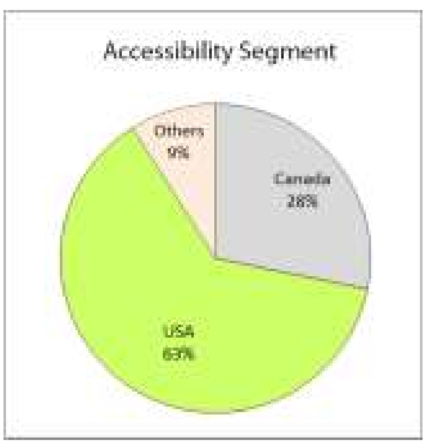
Revenue Breakdown per Segment per Country

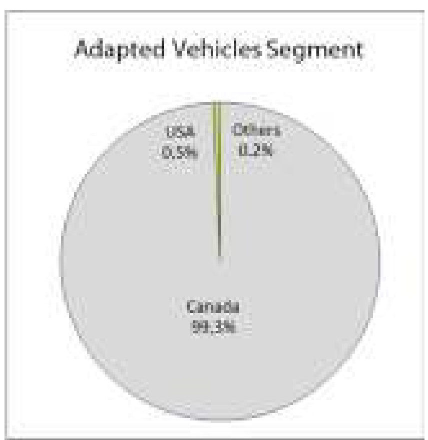
During the first six months of 2018, Savaria's total revenue was recorded in the United States (63%), Canada (31%) and, to a lesser extent, outside North America (6%). Revenue breakdown per segment and country is as follows:

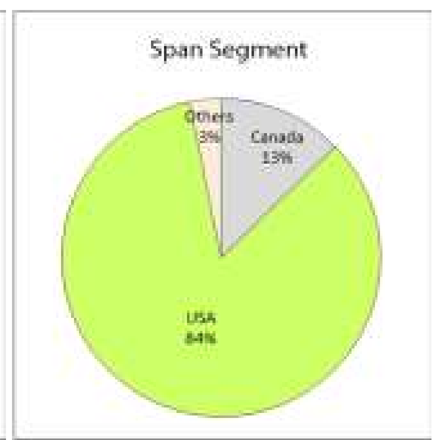




Revenue breakdown per country for the three segments is as follows:







Revenue for first six months of 2018 amounts to $61.4 million ("M") for the *Accessibility* segment, $46.2 M for the *Span* segment and $14.3 M for the *Adapted Vehicles* segment and, for total revenue of $120.8 M, taking into account consolidation eliminations of $1.1 M. In this report, unless specifically mentioned, the analysis covers the three segments.

The Corporation employs some 800 employees and its shares are listed on the Toronto Stock Exchange under the symbol "SIS".

Operations in Foreign Exchange

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

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

	June 30, 2018 (unaudited)	December 31, 2017
USD (Canadian equivalent of U.S. $1)	**1.3133**	1.2571

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

(unaudited)	**Quarters ended June 30**		**Six Months ended June 30**	
	2018	2017	**2018**	2017
USD (Canadian equivalent of U.S. $1)	**1.2911**	1.3449	**1.2781**	1.3343

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

5. Business Context

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

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

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

increase) and is projected to increase to 82.3 million – or 21.7% of the population by 2040 and to 98 million by 2060.

Consequently, the number of people requiring accessibility equipment, pressure management products and medical beds will grow, for several reasons. Firstly, the older population is growing and people's life expectancy increasing. According to an *Organisation for Economic Co-operation and Development* ("OECD") study titled *Health at a Glance 2013*, some 24 countries now have an average life expectancy of 80 years and over. Secondly, seniors are increasingly well-off and will hence have the means to adapt their own homes in order to remain there. Based on the same 2016 Canadian census as above and the 2010 U.S. census, 93% of Canadians and 96% of Americans 65 years and older lived in private households or dwellings with the balance living in collective dwellings. Finally, the family structure and care of aging people are changing, increasingly requiring accessibility equipment to be installed in these people's homes and public buildings and increasing the need for medical beds and pressure management products in home care settings.

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

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

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

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

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

6. Vision, Mission and Strategy

Our Vision

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

Our Mission

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

Our Strategy

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

- Savaria regularly develops and markets new products, providing the most extensive product selection in the industry to its 400 active distributors and its Canadian, American and Australian direct sales centers.

Achievements:

- The design of the new M2lift, a convenient and affordable vertical platform lift geared toward the residential market.
- The ongoing design of a new line of safe patient handling products, including a fixed and portable ceiling lift, customizable slings, a complete track system and related accessories which is in development at our research and development center in Magog, Quebec.

- 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 (see section 15 *Subsequent events*).

Achievements:

- Acquisition of the assets of H.E.S. in April 2018. This acquisition complements the acquisition of Visilift LLC ("Visilift") in Colorado and helps strengthen the Corporation's presence and our direct sales network in this market.
- Purchase of the assets of Master Lifts in December 2017. This acquisition provides Savaria with a national sales platform to gain access to the Australian market by leveraging Master Lifts's national sales network.
- Signature in August 2017 of an agreement to purchase the assets of Visilift (see section 15 *Subsequent events*). This acquisition will allow Savaria to add round and octagonal panoramic glass or acrylic elevators, the *Vuelift* elevator, to its line of residential elevators.
- Purchase of Span in June 2017. This transaction contributes to Savaria reaching its long-term strategic growth objectives by penetrating a strategic market in a key territory for Savaria and had the following key benefits:
    - Further diversified Savaria's accessibility portfolio with highly complementary products, providing customers with a complete comfort and mobility offering.
    - Significantly strengthened Savaria's ability to penetrate government and institutional accounts given Span's vast U.S. sales infrastructure and deep client relationships.
    - Opened the door to market its new ceiling lifts product line, through Span's established distribution channels.
    - Enhanced Savaria's production footprint with extensive U.S.-based manufacturing capabilities and additional production capacity in Ontario.
    - The 188,000-square-foot facility in Greenville also provides Savaria with the flexibility to manufacture locally certain accessibility products for sale into the U.S. market.

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

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

Achievements:

- During the second quarter of 2018, Savaria shifted the production of its ceiling lift products for domestic sale into the U.S. market to Span's facility in Greenville, South Carolina, which will enable the Corporation to reach the U.S. market more efficiently.
- For the same reason, Savaria is in the process to assemble and distribute its K2 straight stair lift for domestic sales into the U.S. market in its facility in Greenville, South Carolina.
- Acquisition in July 2017 of a 27,000-square-foot building in Toronto, Ontario, to consolidate the *Adapted Vehicles* activities of that region under one roof and free up space in the Brampton, Ontario 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 16, *Risks and Uncertainties*.

7. Second-Quarter 2018 Highlights

Second-quarter results reached unprecedented levels for a 2nd quarter in terms of Revenue, Operating Income and Adjusted EBITDA.

Revenue up 61.2%: For the 2nd quarter of 2018, revenue is up $24.4 M, at $64.2 M, compared to $39.8 M same quarter previous year.

Operating income up 94.1%: Operating income is up $4.2 M, at $8.7 M for the 2nd quarter of 2018, compared to $4.5 M same quarter previous year.

Net earnings up 131%: Net earnings are up $3.6 M, at $6.4 M, for the 2nd quarter of 2018, compared to $2.8 M same quarter previous year.

Adjusted EBITDA up 49.8%: The Corporation's adjusted EBITDA amounted to $10.1 M for the 2nd quarter of 2018 compared to $6.7 M same quarter previous year, an increase of $3.4 M. Reconciliation between net income and adjusted EBITDA is provided in section 8, *Summary of Quarterly Results*.

Bought Deal Placement

During the 2nd quarter, the Corporation completed a bought deal placement resulting in the issuance of 3,450,000 common shares and net proceeds of $53.8 M (see A*vailable Sources of Financing* in section 10).

Acquisition of H.E.S. Lift Services Inc.

On April 12, 2018, the Corporation acquired the assets of H.E.S. through its subsidiary Savaria USA Inc. H.E.S. is an elevator distributor based in Denver, Colorado. This acquisition complements the acquisition of the assets of luxury elevator manufacturer Visilift in Colorado and helps strengthen the Corporation's presence and its direct sales network in this market.

8. Summary of Quarterly Results

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

(in thousands, except per-share amounts and percentages – unaudited)	**2018**		2017 [7]				2016 [7]	
	Quarter 2[3]	Quarter 1	Quarter 4[4]	Quarter 3	Quarter 2[5]	Quarter 1[6]	Quarter 4	Quarter 3
Revenue	**$64,235**	$56,592	$55,249	$56,988	$39,841	$31,663	$30,986	$32,440
Gross margin as a % of revenue	***33.8%***	*33.1%*	*36.3%*	*34.9%*	*32.9%*	*34.3%*	*35.9%*	*34.4%*
Operating expenses [1]	**$13,869**	$12,888	$13,318	$12,778	$7,399	$6,177	$6,094	$6,254
% of revenue	***21.6%***	*22.8%*	*24.1%*	*22.4%*	*18.6%*	*19.5%*	*19.7%*	*19.3%*
Operating income	**$8,680**	$5,496	$6,589	$6,932	$4,472	$4,643	$4,999	$4,865
% of revenue	***13.5%***	*9.7%*	*11.9%*	*12.2%*	*11.2%*	*14.7%*	*16.1%*	*15%*
Gain (loss) on foreign exchange	**$216**	$103	$46	$(334)	$(129)	$(94)	$311	$197
Net income	**$6,376**	$3,772	$8,335	$4,812	$2,764	$3,337	$3,740	$3,415
Earnings per share – diluted	**$0.14**	$0.09	$0.20	$0.11	$0.07	$0.09	$0.10	$0.09
EBITDA [2]	**$11,162**	$7,352	$9,073	$9,017	$4,935	$5,104	$5,835	$5,577
Adjusted EBITDA [2]	**$10,106**	$7,924	$9,537	$9,604	$6,745	$5,229	$5,986	$5,721
Adjusted EBITDA per share – diluted	**$0.23**	$0.19	$0.24	$0.23	$0.17	$0.14	$0.16	$0.15
Dividend declared per share	**$0.09**	$0.09	$0.09	$0.10	$0.07	$0.06	$0.07	$0.05

(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 H.E.S., effective on April 12, 2018.

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

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

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

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

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

Gross margin, which was at 34,8% in 2017, is at 33.5% for the first six months of 2018. Span's acquisition in June 2017 has contributed in general to increase the percentage of gross margin. However, in the first six months of 2018, the margin in this segment decreased from 34.5% for the 4th quarter of 2017 to 29.8%, bringing down the consolidated margin. For more details, refer to *Gross Margin* in section 9 *Operating Results*.

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

Adjusted EBITDA of 2017 is at 16.7% of revenue, whereas it is at 14.9% of revenue in the first six months of 2018. This decrease is due to the arrival of the new Span segment.

Reconciliation of EBITDA and Adjusted EBITDA with Net Income

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

(in thousands – unaudited)	**2018**		2017				2016	
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
Net income	**$6,376**	$3,772	$8,335	$4,812	$2,764	$3,337	$3,740	$3,415
Plus: Interest costs	**813**	406	503	399	152	182	187	247
Income tax expense (recovery)	**2,216**	1,335	(2,286)	1,386	1,510	1,147	1,510	1,512
Depreciation of fixed assets	**709**	650	613	774	444	368	353	336
Amortization of intangible assets	**1,203**	1,192	1,911	1,662	211	187	172	179
Less: Interest income	**155**	3	3	16	146	117	127	112
EBITDA	**11,162**	$7,352	$9,073	$9,017	$4,935	$5,104	$5,835	$5,577
Stock-based compensation	**295**	215	315	277	212	86	104	94
Business acquisition costs, realized and unrealized	**763**	357	149	199	1,263	39	47	50
Value adjustment on acquired inventories	-	-	-	111	335	-	-	-
Less: Proceeds from insurance claim	**1,611**	-	-	-	-	-	-	-
Gain on financial instrument	**503**	-	-	-	-	-	-	-
Adjusted EBITDA	**$10,106**	$7,924	$9,537	$9,604	$6,745	$5,229	$5,986	$5,721

9. Operating Results

The following sections provide a detailed analysis of operating results for the 2nd quarter and first six months of 2018 compared with the same periods of 2017. The detailed analysis of prior quarters is provided in the interim reports for fiscal 2018, 2017 and 2016, available on SEDAR's website at www.sedar.com.

Segment Information

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

(in thousands of dollars, except for percentages - unaudited)	3 Months			6 Months		
	2018	2017	Change	**2018**	2017	Change
Revenue						
Accessibility	**$33,536**	$29,495	13.7%	**$61,388**	$54,033	13.6%
Adapted vehicles	**7,276**	7,038	3.4%	**14,289**	14,255	0.2%
Span	**24,126**	3,428	604%	**46,270**	3,428	1,250%
Consolidation eliminations	**(703)**	(120)	(486)%	**(1,120)**	(212)	(428)%
Total	**$64,235**	$39,841	61.2%	**$120,827**	$71,504	69%
EBITDA						
Accessibility	**$7,803**	$5,652	38.1%	**$13,061**	$10,314	26.6%
% of revenue	***23.3%***	*19.2%*	*n/a*	***21.3%***	*19.1%*	*n/a*
Adapted vehicles	**$600**	$576	4.2%	**$1,105**	$1,285	(14)%
% of revenue	***8.2%***	*8.2%*	*n/a*	***7.7%***	*9%*	*n/a*
Span	**$3,868**	$108	3,481%	**$6,386**	$108	5,813%
% of revenue	***16%***	*3.2%*	*n/a*	***13.8%***	*3.2%*	*n/a*
Head Office	**$(1,109)**	$(1,401)	(20.8)%	**$(2,038)**	$(1,668)	22.2%
Total	**$11,162**	$4,935	126%	**$18,514**	$10,039	84.4%
% of revenue	***17.4%***	*12.4%*	*n/a*	***15.3%***	*14%*	*n/a*
Adjusted EBITDA						
Accessibility	**$7,803**	$5,652	38.1%	**$13,061**	$10,354	26.1%
% of revenue	***23.3%***	*19.2%*	*n/a*	***21.3%***	*19.2%*	*n/a*
Adapted vehicles	**$600**	$576	4.2%	**$1,105**	$1,285	(14)%
% of revenue	***8.2%***	*8.2%*	*n/a*	***7.7%***	*9%*	*n/a*
Span	**$2,295**	$443	418%	**$4,813**	$443	986%
% of revenue	***9.5%***	*12.9%*	*n/a*	***10.4%***	*12.9%*	*n/a*
Head Office	**$(592)**	$74	(900)%	**$(949)**	$(108)	779%
Total	**$10,106**	$6,745	49.8%	**$18,030**	$11,974	50.6%
% of revenue	***15.7%***	*16.9%*	*n/a*	***14.9%***	*16.7%*	*n/a*

Revenue of the *Accessibility* segment is up $4 M, from $29.5 M for the 2nd quarter of 2017 to $33.5 M for the 2nd quarter of 2018 and up $7.4 M for the first six months, from $54 M in 2017 to $61.4 M for the same period of 2018. This increase in revenue results from the addition of the activities of Master Lifts in the 4th quarter 2017 and of H.E.S. in April 2018. These acquisitions contributed $1.5 M in the 2nd quarter and $3.6 M for the six-month period. The balance comes from organic growth. Revenue for the *Adapted Vehicles* segment is slightly up by 3.4% in 2nd quarter of 2018 compared to 2nd quarter 2017, at $7.3 M, and is stable for the six-month period, at $14.3 M. The *Span* segment shows revenue up by $20.7 M in the 2nd quarter of 2018 and $42.8 M in the first six months of 2018 since it was present only from mid-June 2017 following its acquisition by Savaria. These results are up 16.7% for the three-month period and 14% for the six-month period compared to the same periods previous year; these increases are primarily attributable to the medical business unit.

Adjusted EBITDA for the *Accessibility* segment increased by $2.1 M in the 2nd quarter of 2018, from $5.7 M in 2017 to $7.8 M in 2018, and $2.7 M in the first six months of 2018, from $10.4 M in 2017 to $13.1 M in 2018. The increase in percentage is higher than the increase in revenue due to an improvement in the percentage of the gross margin of this segment. The increase in adjusted EBITDA of the *Adapted Vehicles* segment is in line with the 2nd quarter revenue increase of 2018 in this segment, while the adjusted EBITDA for the first six months is somewhat down due to a lower gross margin percentage in 2018. The *Span* segment contributed $1.9 M to the increase of the adjusted EBITDA for the 2nd quarter of 2018 and $4.4 M for the first six months of 2018. In spite of the lower adjusted EBITDA percentage of this segment, at 9.5% in the 2nd quarter of 2018 and 10.4% in the first six months of 2018, the consolidated adjusted EBITDA is still very satisfactory thanks to the excellent performance of the *Accessibility* segment, which generated adjusted EBITDA of 23.3% in the 2nd quarter of 2018 and 21.3% in the first six months of 2018, compared to 19.2% for the same periods in 2017.

(in thousands of dollars, except for percentages)	**As at June 30, 2018 (unaudited)**	As at December 31, 2017 (recast [1])	Change
Assets			
Accessibility	**$122,496**	$106,910	14.6%
Adapted vehicles	**21,645**	20,890	3.6%
Span	**130,184**	122,207	6.5%
Head Office	**224,295**	151,900	47.7%
Consolidation eliminations	**(191,821)**	(181,226)	(5.8)%
Total assets	**$306,799**	$220,681	39%

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

Accessibility segment's assets are up 14.6% or $15.6 M as at June 30, 2018 compared to December 31, 2017, mainly due to an increase in cash (+$1 M), inventories in anticipation of the peak season and the launch of new products (+$5.7 M), trade and other receivables (+$1.7 M), fixed assets (+$717,000), intangible assets and goodwill (+$1.7 M), mainly related to the acquisition of H.E.S., and inter-company advances (+1.7 M $). *Adapted Vehicles* segment's assets are up 3.6% or $755,000 mainly due to an increase in cash (+$1.1 M) and trade and other receivables (+$156,000), partially offset by lower inventories (-$862,000). *Span* segment's assets are up 6.5% or $8 M due to an increase in cash (+$1.1 M), trade and other receivables (+$3.5 M) related to an increase in revenue in the 2nd quarter of 2018 compared to the 4th quarter of 2017, inventories (+$1.6 M) and goodwill (+$1.6 M) due to the increase in the end-of-period exchange rate.

Certain data on consolidated results for the 2nd quarter and first six months of 2018 and 2017 are presented in the following tables.

Gross Margin

(in thousands of dollars, except for percentages - unaudited)	3 Months			6 Months		
	2018	2017	Change	**2018**	2017	Change
Revenue	**$64,235**	$39,841	61.2%	**$120,827**	$71,504	69%
Cost of sales	**$42,533**	$26,718	59.2%	**$80,396**	$47,536	69.1%
Gross margin	**$21,702**	$13,123	65.4%	**$40,431**	$23,968	68.7%
% of revenue	***33.8%***	*32.9%*	*n/a*	***33.5%***	*33.5%*	*n/a*

Revenue for the 2nd quarter of 2018 is up by $24.4 M or 61.2%, from $39.8 M in 2017 to $64.2 M in 2018. The addition of Span's activities in the 2nd quarter of 2017 contributed $20.7 M to revenue increase for the quarter. Revenue for the first six months of 2018 is up by $49.3 M or 69% compared to the same period of 2017. The addition of Span's activities contributed $42.8 M to revenue increase for the first six months.

Gross margin is up by $8.6 M for the 2nd quarter and $16.5 M for the first six months of 2018 compared to the corresponding periods of 2017. As a percentage of revenue, gross margin increased from 32.9% to 33.8% for the 2nd quarter and remained stable at 33.5% for the first six months in spite of a lower contribution by Span to the consolidated gross margin, thanks to the good performance of the *Accessibility* segment. Thanks to its increase in revenue, the *Accessibility* segment's gross margin increased from 36.2% in the 2nd quarter of 2017 to 38.9% in the 2nd quarter of 2018, an increase of 2.7 percentage points. However, Span's gross margin was 28.6% in the 2nd quarter of 2018 and 29.8% in the first six months of 2018, compared with 31.5% in the first six months of 2017. Being lower than Savaria's gross margin excluding Span, it brought down the consolidated margin. Indeed, Span's gross margin decreased by 1.7 percentage points in the first six months of 2018 compared to the corresponding period of 2017 for the following reasons: a) the increase in the price of foam (+$494,000), b) the increase in direct labour at the Beamsville plant due to the significant increase in the minimum wage in Ontario (+$138,000) and c) a less profitable mix of sales in the medical business unit due to faster growth in our bed product lines, which tend to have lower gross margins than pressure management products. The increase in expenses, which represents $1.3 M on an annual basis, will be offset by an increase of 4% of the selling prices of pressure management products. This increase will be reflected gradually on revenue over the next year. On an annual basis, the expected increase in revenue is $1.8 M. Excluding Span's operations, in 2018 the consolidated gross margin would have been 36.9% in the 2nd quarter and 35.7% in the first six months.

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

Breakdown of Revenue by Country

(as a percentage of sales -unaudited)	3 Months			6 Months		
	2018	2017	Change	**2018**	2017	Change
Canada	**29.5%**	39.5%	(10)	**30.7%**	41.1%	(10.4)
United States	**65.1%**	53%	12.1	**63.6%**	52.7%	10.9
Other countries	**5.4%**	7.5%	(2.1)	**5.7%**	6.2%	(0.5)

Operating Income

(in thousands of dollars, except percentages - unaudited)	3 Months			6 Months		
	2018	2017	Change	**2018**	2017	Change
Operating costs	**$13,869**	$7,399	87.4%	**$26,757**	$13,576	97.1%
% of revenue	***21.6%***	*18.6%*	*n/a*	***22.1%***	*19%*	*n/a*
Other (income) expenses	**$(847)**	$1,252	(168)%	**$(502)**	$1,277	(139)%
Operating income	**$8,680**	$4,472	94,1%	**$14,176**	$9,115	55.5%
% of revenue	***13.5%***	*11.2%*	*n/a*	***11.7%***	*12.7%*	*n/a*

The proportion of operating expenses relative to revenue increased in the 2nd quarter and first six months of 2018 compared to the same periods in 2017, from 18.6% to 21.6% and from 19% to 22.1% respectively. In terms of dollars, operating expenses increased by $6.5 M and $13.2 M for the same periods, partly due to the acquisition of Premier Lifts during the 1st quarter of 2017, Span during the 2nd quarter of 2017, Master Lifts during the 4th quarter of 2017 and H.E.S. during the 2nd quarter of 2018; this increase includes an amortization expense of intangible assets related to the acquisitions of $864,000 for the 2nd quarter and $1.7 M for the first six months. Were it not for these acquisitions, operating expenses would have increased by $764,000 and $1.4 M for the same periods. These increases are mainly due to an increase in engineering and research and development expense (+$550,000 for the quarter and +$907,000 for the first six months), in stock-based compensation expense (+$83,000 for the quarter and +$212,000 for the first six months) and head office remuneration (+$59,000 for the quarter and +$164,000 for the first six months).

Other (income) expenses in the 2nd quarter and first six months of 2018 include an insurance claim income of $1.6 M for the quarter and six-month period, partially offset by business acquisition costs of $763,000 for the quarter and $1.1 M for the six-month period compared to $1.3 M in the 2nd quarter and first six months of 2017.

The combined effect of the favourable change in gross margin and the unfavourable variation in operating expenses and the favourable variation of other (income) expenses results in an increase in operating income of $4.2 M for the 2nd quarter and $5.1 M for the first six months of 2018 compared to the same periods in 2017.

Net Income

(in thousands of dollars, except percentages - unaudited)	3 Months			6 Months		
	2018	2017	Change	**2018**	2017	Change
Net finance costs	**$88**	$198	(55.6)%	**$477**	$357	33.6%
Income before income tax	**$8,592**	$4,274	101%	**$13,699**	$8,758	56.4%
Income tax expense	**$2,216**	$1,510	46.8%	**$3,551**	$2,657	33.6%
Net income	**$6,376**	$2,764	131%	**$10,148**	$6,101	66.3%
% of revenue	***9.9%***	*6.9%*	*n/a*	***8.4%***	*8.5%*	*n/a*
EBITDA	**$11,162**	$4,935	126%	**$18,514**	$10,039	84.4%
% of revenue	***17.4%***	*12.4%*	*n/a*	***15.3%***	*14%*	*n/a*
Adjusted EBITDA	**$10,106**	$6,745	49.8%	**$18,030**	$11,974	50.6%
% of revenue	***15.7%***	*16.9%*	*n/a*	***14.9%***	*16.7%*	*n/a*

The favourable variation in net finance costs for the 2nd quarter of 2018 of $110,000 compared to the same period in 2017 is mainly due to a favourable variation in net foreign exchange gains of $345,000 and a gain on financial instrument of $503,000 (see *Operations in Foreign Exchange* in section 4), offset by an increase in interest expense on long-term debt of $696,000. The unfavourable variation of $120,000 for the first six months of 2018 compared to the same period of 2017 is mainly due to an increase in interest expense on long-term debt of $957,000 and a decrease in interest income of $105,000, partially offset by a favourable variation in net foreign exchange gains of $542,000 and the gain on financial instrument of $503,000 (see *Operations in Foreign Exchange* in section 4).

The effective income tax rate of 25.8% for the 2nd quarter and 25.9% for the first six months of 2018 has decreased compared to the rates of 35.3% and 30.3% for the same periods previous year.

Net income is up $3.6 M for the 2nd quarter and $4 M for the first six months of 2018 compared to the same periods previous year. Span's positive impact amounts to $1.9 M and $2.2 M of this variation respectively. Adjusted EBITDA is up $3.4 M in the 2nd quarter and $6.1 M for the first six months of 2018 compared to the same periods in 2017; Span's positive impact amounts to $1.9 M and $4.4 M of this variation respectively. In the

Accessibility segment, the Brampton subsidiary contributed $1.4 M and $2.1 M respectively to the increase in the 2nd quarter and first six months.

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 June 30, 2018, the Corporation held foreign exchange contracts totaling $70.5 M U.S. for a hedging period up to May 2022, at a weighted average rate of 1.2931. As at June 30, 2018, the unrealized loss on the foreign exchange contracts amounted to $818,000 before deferred taxes and is reflected on the statement of financial position under *Derivative financial instruments* of current and non-current assets and current and non-current liabilities and is included in the *Accumulated other comprehensive income* balance.

The Corporation designates its US dollar denominated debt as a hedge for its net investment in its new *Span* subsidiary in the United States. This accounting treatment allows the Corporation to offset the designated portion of foreign exchange gain (or loss) from its debt against the foreign exchange loss (or gain) of its net investment in its subsidiary Span and to present it in other comprehensive income. For the quarter and six-month period ended June 30, 2018, foreign exchange gains of $282,000 ($245,000 after tax) and $686,000 ($483,000 after tax) 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 under *Finance income*. As at June 30, 2018, the Corporation held a swap agreement in Canadian dollars at an interest rate of 4.27% including a 1.75% stamping fee on a capital of $50 M for a 5-year period (for more details, refer to *Available Sources of Financing* in section 10).

Consistent with our currency hedges, the Corporation applies hedge accounting, which enables the recording of unrealized gains and losses related to the derivative financial instrument to *Accumulated other comprehensive income*, while fair value is recorded in the statement of financial position. As at June 30, 2018, the unrealized loss on the interest rate swaps is $306,000 before deferred taxes and is presented in the statement of financial position under *Derivative financial instruments* of non-current liabilities, and is included in *Accumulated other comprehensive income*.

10. Financial Position

Working Capital

(in thousands of dollars)	**June 30, 2018 (unaudited)**	December 31, 2017 (recast [1])	Change	
Current assets	**$152,489**	$75,363	$77,126	102%
Current liabilities	**$36,954**	$31,246	$5,708	18.3%
Working capital	**$115,535**	$44,117	$71,418	162%
Current ratio	**4.13**	2.41	1.72	71.4%

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

Current assets increased by $77.1 M between December 31, 2017 and June 30, 2018, mainly due to an increase in cash (+$65.6 M), in inventories (+$6.3 M) and in trade and other receivables (+$4.8 M). See subsection *Cash Flows* in section 11 for details on cash flow variations.

Current liabilities increased by $5.7 M between December 31, 2017 and June 30, 2018, mainly due to an increase in trade and other payables (+$2.8 M), in deferred revenue (+$1.3 M) and in current tax liabilities (+$1.1 M).

Note that the number of days required to recover accounts receivable was stable as at June 30, 2018, at 43 days, compared to December 31, 2017.

Non-current Assets and Liabilities and Equity

(in thousands of dollars)	**June 30, 2018 (unaudited)**	December 31, 2017 (recast [1])	Change	
Non-current assets	**$154,310**	$145,318	$8,992	6.2%
Non-current liabilities	**$72,145**	$50,652	$21,493	42.4%
Equity	**$197,700**	$138,783	$58,917	42.5%

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

Non-current assets increased by $9 M during the first six months of 2018, due to 1) a $5 M deposit for the acquisition of Garaventa Accessibility AG ("Garaventa") (refer to section 15, *Subsequent Events*), 2) the increase in intangible assets and goodwill (+$2.8 M), mainly due to the increase in the end-of-period exchange rate (+$2.9 M), capitalized costs (+$1.3 M) and the acquisition of H.E.S. (+$1 M), partially offset by amortization expense (-$2.4 M), 3) fixed assets (+$1.7 M) and 4) deferred tax assets (+$1.4 M), 5) partially offset by a decrease in derivative financial instruments (- $1.9 M) mainly related to a variation in unrealized gains (losses) on foreign exchange contracts.

Non-current liabilities increased by $21.5 M during the first six months of 2018, mainly due to the increase in the non-current portion of the long-term debt (+$20.9 M) and the variation in the gain (loss) of derivative financial instruments (+$934,000).

The $58.9 M increase in equity is mainly due to the bought deal placement completed during the 2nd quarter of 2018 (+$54.7 M), to the impact of net income (+$10.1 M) and the effect of the variation of the foreign exchange rates (+$974,000) included in accumulated other comprehensive loss offset by declared dividends (-$7.6 M).

As at June 30, 2018, Savaria benefited from a sound financial position with total assets of $306.8 M, compared with $220.7 M as at December 31, 2017, and total liabilities of $109.1 M, compared with $81.9 M as at December 31, 2017.

Share Information

(in thousands)	**June 30, 2018 (unaudited)**	December 31, 2017
Number of common shares issued and outstanding	**44,835**	41,250

(in thousands - unaudited)	**Quarters ended June 30**		**Six Months ended June 30**	
	2018	2017	**2018**	2017
Weighted average number of common shares outstanding used to calculate basic earnings per share	**43,618**	39,658	**42,436**	38,248
Weighted average number of common shares outstanding used to calculate diluted earnings per share	**44,496**	40,641	**43,342**	39,140

Available Sources of Financing

(in thousands of dollars)	**June 30, 2018 (unaudited)**	December 31, 2017
Credit facilities:		
Authorized	**$110,000**	$110,000
Loans	**9,973**	38,861
Unused credit	**100,027**	71,139
Gross cash	**73,336**	7,719
Total	**$173,363**	$78,858

As shown above, the Corporation had total available funds of $173.4 M as at June 30, 2018. This provides it with the flexibility to meet its potential obligations in the near term and to pursue acquisition opportunities.

As per its financing agreement with its financial institution, a revolving line of credit totaling $110 M is at the Corporation's disposal. The agreement provides for an additional credit of $50 M, available under certain conditions. An amount of $10 M was drawn as at June 30, 2018. Only interest is payable monthly. This debt is presented as long-term in the consolidated statement of financial position.

On April 3, 2018, the Corporation entered into an amended and restated credit agreement. This agreement amends and updates the original credit agreement (i) by providing a $50 M 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 $110 M revolving facility to April 3, 2023. The term facility is hedged by an interest rate swap (see *Hedging of Foreign Exchange Rates* in section 9 for details). Only interest is payable monthly. The credit facilitiy is secured by the assets of the Corporation.

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

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

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

As at June 30, 2018, the Corporation's debt-to-equity ratio is nil as the Corporation's cash position is greater than its long-term debt (18.8% as at December 31, 2017).

Other Data and Ratios

(in thousands of dollars, except per-share amounts - unaudited)	**June 30, 2018**	December 31, 2017	Change
Book value per share [(1)]	**$4.41**	$3.36	31.3%
Cash per share [(1)]	**$1.64**	$0.19	763%
Market capitalization	**$718,712**	$751,583	(4.4)%

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

Book value per share is up as at June 30, 2018 compared to December 31, 2017, mainly due to an increase in equity due to the placement completed during the 2nd quarter of 2018. Cash per share increased as a result of the increase of $65.6 M in cash position for the first six months of 2018 related to the receipt of a term loan and the proceeds of the bought deal private placement. Market capitalization is down due to a decrease in the stock price of the Corporation's shares, which went from $18.22 as at December 31, 2017 to $16.03 as at June 30, 2018.

11. Cash Flows

The following table presents certain cash flow data for 2nd quarter and first six months of 2018 and 2017.

	3 Months			6 Months		
(in thousands of dollars - unaudited)	**2018**	2017	Change	**2018**	2017	Change
Cash at the beginning of the periods	**$5,830**	$51,749	$(45,919)	**$7,719**	$51,230	$(43,511)
Net cash related to operating activities	**7,011**	2,511	4,500	**9,142**	5,290	3,852
Net cash related to investing activities	**(8,183)**	(103,211)	95,028	**(9,614)**	(107,915)	98,301
Net cash related to financing activities	**68,635**	55,834	12,801	**65,902**	58,465	7,437
Unrealized foreign exchange gain (loss) on cash held in foreign currencies	**43**	(110)	153	**187**	(297)	484
Cash as at June 30	**$73,336**	$6,773	$66,563	**$73,336**	$6,773	$66,563

The Corporation's cash flows from operating activities are up $4.5 M for the 2nd quarter and $3.9 M in the first six months compared to the same periods of the previous year. These variation are primarily due to a favourable variation in net income before tax, depreciation and financial charges (+$6.3 M for the quarter, +$8.5 M for the six-month period), partially offset by the unfavourable variation in non-cash items (-$1 M for the quarter, -$4.2 M for the six-month period - mainly due to variations in inventories, deferred income, trade and other receivables and trade and other payables).

Cash flow used in investing activities is down $95 M in the 2nd quarter and $98.3 M for the first six months of 2018 compared to the same periods of the previous year. This is mainly due to lower disbursements related to business acquisitions and deposits on acquisitions of $92.2 M for the quarter and $96.3 M for the six-month period, and additions and deposits on additions to fixed assets of $3.2 M for the quarter and $2.4 M for the first six months.

Regarding financing activities, cash flows are up $12.8 M for 2nd quarter and $7.4 M for the first six months of 2018 compared to the same periods of the previous year. These variations are mainly due to the favourable variation in the receipt of proceeds related to the issuance of shares of $17.4 M for the quarter and the first six months of 2018, reduced by the absence of funds coming from the exercise of warrants of $2.3 M for the quarter and $ 7.9 M for the first six months of 2018 and the higher payment in dividends of $1.1 M for the quarter and $2.5 M for the six-month period.

12. Significant Accounting Policies and Estimates

(A) Accounting Estimates

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

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

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

The following new standards and amendments to standards and interpretations have been applied in preparing the interim condensed consolidated financial statements as at June 30, 2018:

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

None of these amendments had a significant impact on the financial statements except for IFRS 15 which had an impact on the presentation of freight revenue. In line with IFRS 15, it has been determined that freight is a service distinct from the sale of goods; the amount invoiced to the customer must thus be added to revenue while the amount invoiced by the carrier must be added to the cost of sales. This change had no impact on the Corporation's net income, but it increased both its revenue and its cost of sales by the same amount. To reflect this change in the comparative results for 2017, revenue and cost of sales were both increased by $707,000 each for the 2nd quarter and $1.2 M each for the first six months.

13. Internal Control over Financial Reporting

Disclosure Controls and Procedures

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

As stated in the 2017 annual Management's Report, an evaluation has been conducted to measure the effectiveness of controls and procedures as of December 31, 2017 used for the preparation of reporting documents.

Internal Control over Financial Reporting

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

As stated in the 2017 annual Management's Report, management has evaluated the effectiveness of internal control over financial reporting as of December 31, 2017.

Changes to Internal Control over Financial Reporting

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

14. Risks and Uncertainties

Savaria is engaged in an industry exposed to various risks and uncertainties. The Corporation's operating results and financial position could be adversely affected by each of the risks and uncertainties described in its 2017 annual Management's Report, which are incorporated herein by reference:

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

15. Subsequent events

On July 10, 2018, Savaria announced that it had entered into an agreement with Garaventa Accessibility AG ("Garaventa") pursuant to which Savaria would acquire all of the issued and outstanding shares of Garaventa, for a total purchase price of approximately $97.8 M (CHF 74 M). Established in 1978 as the accessibility division of the former Garaventa Holding AG (now the Doppelmayr/Garaventa Group), Garaventa 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. This acquisition will be accounted for in accordance with IFRS 3, *Business combinations*. The Corporation paid a deposit of $5 M (CHF 3.8 M) during the 2nd quarter of 2018.

On July 20, 2018, the Corporation completed the acquisition of Visilift, which manufactures and markets round and octagonal panoramic glass or acrylic elevators for the residential market; it had paid a deposit towards the acquisition in August 2017. The total consideration amounts to $6.4 M ($5 M US) of which $4.4 M ($3.5 M US) has been paid on the date of the agreement and $2 M ($1.5 M US) will be paid upon the completion of certain closing conditions. In addition to the Purchase Price, Visilift will have the opportunity to earn an additional payment of $3.9 M ($3 M US) upon achieving certain performance metrics over a three-year period.

16. 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, Quebec. In the United States, these products are distributed by the Span subsidiary, which staffs 33 sales representatives serving this market; marketing began in the first quarter of 2018.

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

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

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.

Factoring in the benefits of the acquisition of Master Lifts that was completed in December 2017, as well as our new *Vuelift* elevators, we forecast revenue of approximately $268 M and adjusted EBITDA in a range of $42.5-$44.5 M for fiscal 2018. These forecasts do not include the acquisition of H.E.S. in April 2018 nor the impact of any acquisitions that might take place in the remainder of 2018.

August 8, 2018

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

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

	Note	June 30, 2018	December 31, 2017 (recast - see note 4)
Assets			
Current assets			
Cash		$ 73,336	$ 7,719
Trade and other receivables		29,240	24,483
Income taxes receivable		423	86
Derivative financial instruments	12	162	466
Inventories		45,832	39,541
Prepaid expenses		2,869	2,441
Deposit		627	627
Total current assets		152,489	75,363
Non-current assets			
Derivative financial instruments	12	70	1,921
Long-term loans		21	21
Fixed assets		37,118	35,407
Intangible assets and goodwill	5	104,165	101,375
Deposit on a business acquisition	14	9,464	4,426
Deposits on purchases of fixed assets		23	205
Other long-term assets		237	196
Deferred tax assets		3,212	1,767
Total non-current assets		154,310	145,318
Total assets		$ 306,799	$ 220,681
Liabilities			
Current liabilities			
Trade and other payables		$ 24,443	$ 21,651
Dividend payable		1,345	1,238
Income taxes payable		1,526	465
Deferred revenues		6,443	5,107
Derivative financial instruments	12	422	279
Current portion of long-term debt	6	1,786	1,552
Warranty provisions		989	954
Total current liabilities		36,954	31,246
Non-current liabilities			
Long-term debt	6	59,367	38,514
Warranty provisions		754	740
Other long-term liabilities		935	993
Income taxes payable		639	682
Derivative financial instruments	12	934	-
Deferred tax liabilities		9,516	9,723
Total non-current liabilities		72,145	50,652
Total liabilities		109,099	81,898
Equity			
Share capital	7	178,320	120,394
Contributed surplus		3,707	3,298
Accumulated other comprehensive loss		(1,087)	(1,691)
Retained earnings		16,760	16,782
Total equity		197,700	138,783
Total liabilities and equity		$ 306,799	$ 220,681

The notes on pages 8 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

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

	Note	Periods of three months ended June 30, 2018	2017 (restated *)	Periods of six months ended June 30, 2018	2017 (restated *)
Revenue	13	**$ 64,235**	$ 39,841	**$ 120,827**	$ 71,504
Cost of sales		**42,533**	26,718	**80,396**	47,536
Gross margin		**21,702**	13,123	**40,431**	23,968
Operating expenses					
Administrative		**4,729**	3,186	**9,330**	5,736
Selling		**7,464**	3,356	**14,088**	6,028
Engineering		**1,199**	622	**2,375**	1,296
Research and development		**477**	235	**964**	516
		13,869	7,399	**26,757**	13,576
Other (income) expenses	8	**(847)**	1,252	**(502)**	1,277
Operating income		**8,680**	4,472	**14,176**	9,115
Finance income	9	**(874)**	(146)	**(980)**	(263)
Finance costs	9	**962**	344	**1,457**	620
Net finance costs		**88**	198	**477**	357
Income before income tax		**8,592**	4,274	**13,699**	8,758
Income tax expense		**2,216**	1,510	**3,551**	2,657
Net income		**$ 6,376**	$ 2,764	**$ 10,148**	$ 6,101
Earnings per share:	10				
Basic		**$ 0.15**	$ 0.07	**$ 0.24**	$ 0.16
Diluted		**$ 0.14**	$ 0.07	**$ 0.23**	$ 0.16

* 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.

The notes on pages 8 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

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

		Periods of three months ended June 30,		Periods of six months ended June 30,	
	Note	**2018**	2017	**2018**	2017
Net income		**$ 6,376**	$ 2,764	**$ 10,148**	$ 6,101
Other comprehensive income (loss)					
Items that are or may be reclassified subsequently to income or loss:					
Change in the fair value of derivative financial instruments designated as cash flow hedges		**(2,228)**	1,553	**(3,230)**	2,156
Deferred income tax		**574**	(400)	**830**	(555)
		(1,654)	1,153	**(2,400)**	1,601
Losses on foreign exchange contracts transferred tc net income in the current period		**327**	1,098	**502**	2,338
Deferred income tax		**(84)**	(282)	**(129)**	(601)
		243	816	**373**	1,737
Gains on interest rate swap agreements transferred to net income in the current period	*12*	**(503)**	-	**(503)**	-
Deferred income tax		**133**	-	**133**	-
		(370)	-	**(370)**	-
Net change in fair value of derivative financial instruments designated as cash flow hedges		**(1,781)**	1,969	**(2,397)**	3,338
Unrealized net gains (losses) on translation of financial statements of foreign operations		**1,330**	(104)	**3,485**	(31)
Net investment hedge, net of tax		**(245)**	-	**(484)**	-
Other comprehensive income (loss), net of income tax		**(696)**	1,865	**604**	3,307
Total comprehensive income		**$ 5,680**	$ 4,629	**$ 10,752**	$ 9,408

The notes on pages 8 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

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

	2017						
	Share capital and warrants			Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number		Amount				
	Share capital	Warrants					
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	-	-	-	-	-	6,101	**6,101**
Other comprehensive income:							
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	-	1,601	-	**1,601**
Losses on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	-	1,737	-	**1,737**
Unrealized net gains on translation of financial statements of foreign operations	-	-	-	-	(31)	-	**(31)**
Other comprehensive income	-	-	-	-	3,307	-	**3,307**
Total comprehensive income	-	-	$ -	$ -	$ 3,307	$ 6,101	**$ 9,408**
Transactions with shareholders, recorded directly in equity							
Shares issued in relation to a private placement (note 7)	2,760,000	-	38,364	-	-	-	**38,364**
Share issue costs, net of tax (note 7)	-	-	-	-	-	(1,406)	**(1,406)**
Stock-based compensation	-	-	-	298	-	-	**298**
Exercise of stock options (note 7)	196,667	-	890	(123)	-	-	**767**
Exercise of warrants (note 7)	1,866,500	(1,866,500)	7,933	-	-	-	**7,933**
Dividends on common shares (note 7)	-	-	-	-	-	(5,037)	**(5,037)**
Total transactions with shareholders	4,823,167	(1,866,500)	47,187	175	-	(6,443)	**40,919**
Balance at June 30, 2017	**41,177,114**	**-**	**$ 119,978**	**$ 2,762**	**$ (743)**	**$ 11,315**	**$ 133,312**

The notes on pages 8 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

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

	2018					
	Share capital		Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number	Amount				
Balance at January 1, 2018	**41,250,448**	**$ 120,394**	**$ 3,298**	**$ (1,691)**	**$ 16,782**	**$ 138,783**
Total comprehensive income						
Net income	-	-	-	-	10,148	**10,148**
Other comprehensive income:						
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	(2,400)	-	**(2,400)**
Losses on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	373	-	**373**
Gains on interest rate swap agreements transferred to net income in the current period	-	-	-	(370)	-	**(370)**
Unrealized net gains on translation of financial statements of foreign operations	-	-	-	3,485	-	**3,485**
Change in net investment hedge, net of tax	-	-	-	(484)	-	**(484)**
Other comprehensive income	-	-	-	604	-	**604**
Total comprehensive income	-	$ -	$ -	$ 604	$ 10,148	**$ 10,752**
Transactions with shareholders, recorded directly in equity						
Shares issued in relation to a placement (note 7)	3,450,000	57,270	-	-	-	**57,270**
Share issue costs, net of tax (note 7)	-	-	-	-	(2,529)	**(2,529)**
Stock-based compensation	-	-	510	-	-	**510**
Exercise of stock options (note 7)	135,001	656	(101)	-	-	**555**
Dividends on common shares (note 7)	-	-	-	-	(7,641)	**(7,641)**
Total transactions with shareholders	3,585,001	57,926	409	-	(10,170)	**48,165**
Balance at June 30, 2018	**44,835,449**	**$ 178,320**	**$ 3,707**	**$ (1,087)**	**$ 16,760**	**$ 197,700**

The notes on pages 8 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

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

	Note	Periods of three months ended June 30, 2018	Periods of three months ended June 30, 2017	Periods of six months ended June 30, 2018	Periods of six months ended June 30, 2017
Cash flows related to operating activities					
Net income		**$ 6,376**	$ 2,764	**$ 10,148**	$ 6,101
Adjustments for:					
Depreciation of fixed assets		**709**	444	**1,359**	812
Amortization of intangible assets		**1,203**	211	**2,395**	398
Income tax expense		**2,216**	1,510	**3,551**	2,657
Stock-based compensation		**295**	212	**510**	298
Unrealized foreign exchange losses (gains)		**(74)**	383	**(189)**	574
Finance costs	9	**891**	152	**1,336**	334
Others		**(49)**	4	**(123)**	(22)
		11,567	5,680	**18,987**	11,152
Net changes in non-cash operating items	11	**(3,032)**	(1,997)	**(6,771)**	(2,607)
Proceeds from long-term loans		**-**	3	**-**	12
Income tax paid		**(1,524)**	(1,175)	**(3,074)**	(3,267)
Net cash related to operating activities		**7,011**	2,511	**9,142**	5,290
Cash flows related to investing activities					
Business acquisitions	4	**(1,058)**	(98,339)	**(1,058)**	(102,396)
Deposit on a business acquisition	14	**(5,038)**	-	**(5,038)**	-
Deposits on purchases of fixed assets		**-**	(3,823)	**-**	(3,891)
Additions to fixed assets		**(1,147)**	(491)	**(2,253)**	(764)
Increase in intangible assets		**(940)**	(558)	**(1,265)**	(864)
Net cash related to investing activities		**(8,183)**	(103,211)	**(9,614)**	(107,915)
Cash flows related to financing activities					
Increase in long-term debt	6	**50,000**	35,333	**50,000**	35,333
Repayment of long-term debt		**(30,786)**	(15,129)	**(29,446)**	(16,036)
Interest paid		**(732)**	(77)	**(1,116)**	(241)
Transaction costs related to a long-term debt		**(387)**	(706)	**(387)**	(706)
Proceeds from the issuance of common shares in relation to a placement, net of transaction fees	7	**53,830**	36,452	**53,830**	36,452
Proceeds from exercise of stock options		**531**	371	**555**	767
Proceeds from exercise of warrants		**-**	2,263	**-**	7,933
Dividends paid on common shares	7	**(3,821)**	(2,673)	**(7,534)**	(5,037)
Net cash related to financing activities		**68,635**	55,834	**65,902**	58,465
Net change in cash		**67,463**	(44,866)	**65,430**	(44,160)
Cash at the beginning of the period		**5,830**	51,749	**7,719**	51,230
Unrealized foreign exchange gain (loss) on cash held in foreign currencies		**43**	(110)	**187**	(297)
Cash at the end of the period		**$ 73,336**	$ 6,773	**$ 73,336**	$ 6,773

The notes on pages 8 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

1 . Reporting Entity

Savaria Corporation is a company domiciled in Canada. The address of its registered office is 4350 Chomedey Highway, Laval, Québec. The condensed consolidated interim financial statements of the Corporation as at and for the periods ended June 30, 2018 and 2017 comprise the accounts of Savaria Corporation and its wholly owned subsidiaries (together referred to as the "Corporation" or as "Savaria"). Savaria is one of North America's leaders in the accessibility industry. It provides accessibility solutions for the elderly and physically challenged to increase their comfort, their mobility and their independence. The activities of the Corporation are divided into three operating segments: the *Accessibility* segment, the *Adapted Vehicles* segment and the *Span* segment as described in note 13 "Operating Segments". The Corporation realizes approximately 66% of its revenue outside of Canada, mainly in the United States.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2017 are available upon request from the Corporation's registered office, at www.savaria.com or on SEDAR’s website at www.sedar.com.

2 . Basis of Presentation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Corporation and the notes thereto for the year ended on December 31, 2017. These condensed consolidated interim financial statements have not been the subject of a review or an audit by the Corporation's auditors; they were approved by the Board of Directors on August 8, 2018.

3 . Significant Accounting Policies

The condensed consolidated interim financial statements have been prepared following the same accounting policies used in the annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new accounting standards as outlined below.

The accounting policies have been applied consistently by the Corporation's entities and to all periods presented in these condensed consolidated interim financial statements, unless otherwise indicated.

New Accounting Standards Adopted

The following new standards, and amendments to standards and interpretations have been applied in preparing the condensed consolidated interim financial statements as at June 30, 2018. The adoption of these new standards has not had a material impact on the financial statements.

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

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

3 . Significant Accounting Policies (continued)

New Accounting Standards Adopted (continued)

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

The amendments provide requirements on the accounting for:

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

IFRS 9 - ***Financial Instruments***

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

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

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

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

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

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

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

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

3 . Significant Accounting Policies (continued)

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

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

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

Adoption of this standard has the following impact:

- Freight revenue and expense: the Corporation used to book the net of freight revenue and expense in its cost of sales since it generally invoiced customers the same amount as it was charged by freight companies. In line with IFRS 15, it has been determined that freight is a service that is distinct from the sale of goods; amounts charged to customers must, therefore, be booked among revenue while amounts charged by freight companies must be booked in cost of sales. This change has had no impact on the Corporation's net income, but it has increased both revenue and cost of sales in the same amount. In order to take into account this change on the comparative results for 2017, revenue and cost of sales have both been increased by $707,000 for the second quarter and by $1,244,000 for the first half of the year.
- Vehicle conversion and adaptation revenue: the Corporation used to book vehicle conversion and adaptation revenue on customer-owned vehicles at the time of delivery of the product. In line with IFRS 15, it has been determined that these revenues must be recognized over time according to the advancement of work. This change has had no significant impact on the Corporation's revenue or net income.
- Maintenance revenue: the Corporation used to book revenue related to maintenance contracts on a straight-line basis over the contract period. In line with IFRS 15, it has been determined that these revenues must be booked based on when each maintenance service is provided. This change has had no significant impact on the Corporation's revenue or net income.
- Initial franchise fees and renewal fees: the Corporation used to book revenue from initial franchise fees at the start of the franchise's activities or at the renewal date, whichever applied. In line with IFRS 15, it has been determined that these revenues provide access to the franchisor's intellectual property and must, therefore, be spread over the period covered by the agreement. This change has had no significant impact on the Corporation's revenue or net income.

IFRIC 22 - *Foreign Currency Transactions and Advance Consideration*

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

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

3 . Significant Accounting Policies (continued)

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

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

4 . Business Acquisitions

(i) Span-America Medical Systems, Inc.

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

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

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

(ii) Master Lifts Pty Ltd

On December 14, 2017, the Corporation acquired the assets of Master Lifts Pty Ltd ("Master Lifts") by way of its newly created subsidiary Savaria (Australia) Pty Ltd. Master Lifts is a leading elevator dealer based in Brisbane, Australia. The acquisition of Master Lifts provides Savaria with a national sales platform to gain access to the Australian market. The total consideration amounts to $3,830,000 ($3,910,000 AU), having a fair value of $3,816,000 ($3,849,000 AU), of which $2,857,000 ($2,910,000 AU) has been paid on the date of acquisition and $973,000 ($1,000,000 AU), having a fair value of $959,000 ($967,000 AU), will be payable over a two-year period upon the achievement of certain annual performance metrics. The fair value of the contingent consideration has been established according to the income approach, which is based on an estimate of the amounts and timing of projected cash flows. Acquisition related costs amounting to $386,000, of which $167,000 have been recorded in 2017 and $219,000 in the first quarter of 2018, have been included in other expenses. The amounts paid came from the Corporation's revolving credit facility.

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

Purchase price allocation of acquisitions completed in 2017

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

(Tabular amounts are expressed in thousands of dollars - Unaudited)

4 . Business Acquisitions (continued)

Purchase price allocation of acquisitions completed in 2017 (continued)

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

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

Purchase price allocation of the acquisition completed in 2018

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 will complement the asset purchase of luxury elevator maker, Visilift, in Colorado, and will help strengthen our direct sales and installation presence in this market. The total consideration amounts to $1,321,000 ($1,040,000 US), of which $1,058,000 ($840,000 US) has been paid on the date of acquisition and $263,000 ($200,000 US) will be payable twelve months after the date of acquisition. Acquisition related costs amounting to $40,000, of which $25,000 have been recorded in the first quarter and $15,000 in the second quarter of 2018, have been included in other expenses. The amounts paid came from the Corporation's available cash on hand.

(Tabular amounts are expressed in thousands of dollars - Unaudited)

4 . Business Acquisitions (continued)

Purchase price allocation of the acquisition completed in 2018 (continued)

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

	2018
Assets acquired	
Current assets	$ 456
Fixed assets	180
Intangible assets and goodwill	1,016
	$ 1,652
Liabilities assumed	
Current liabilities	313
Deferred tax liability	281
	$ 594
Fair value of net assets acquired and cash flows related to the acquisitions	$ 1,058

The following table provides the revenue and net income contributions of the business acquisition that has taken place in 2018, from the date of acquisition and those estimated as if the acquisition had occurred on January 1, 2018. These estimates were prepared using historical information obtained from the acquiree and do not reflect the acquisition costs nor the benefits of integration activities, synergies and changes to historical transactions that may have resulted had the acquisition actually occurred on January 1, 2018. Estimated amounts are not necessarily indicative of the results of operations of the acquired business that would have resulted had the acquisition actually occurred on January 1, 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.	$ 567	$ 36	$ 1,431	$ 79

5 . Intangible Assets and Goodwill

	June 30, 2018	December 31, 2017
		(recast - see note 4)
Intangible assets	$ 40,005	$ 40,134
Goodwill	59,932	58,213
Intangible assets and goodwill from acquisitions (note 4), net of accumulated amortization and foreign exchange reevaluation	4,228	3,028
	$ 104,165	$ 101,375

(Tabular amounts are expressed in thousands of dollars - Unaudited)

5 . Intangible Assets and Goodwill (continued)

Goodwill

	June 30, 2018	December 31, 2017
		(recast - see note 4)
Balance at January 1	**$ 58,213**	$ 9,156
Business acquisitions	**-**	51,049
Effect of movements in exchange rates	**1,719**	(1,992)
Balance at the end of the period	**$ 59,932**	**$ 58,213**

6 . Long-term Debt

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

	2018
Balance as at January 1	**$ 40,066**
Net increase in the revolving credit facility	**(23,961)**
Increase in other long-term debts	**50,009**
Increase through a business combination	**281**
Repayment of other long-term debts	**(5,485)**
Capitalized finance costs on long-term debt	**17**
Transaction costs related to loans	**(387)**
Reversal of transactions costs related to loans repaid during the year	**122**
Impact of the change in foreign exchange rates on the US dollar debt	**491**
Balance as at June 30	**$ 61,153**

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

7 . Share Capital

During the first half of 2018, the Corporation issued 135,001 common shares (2017-196,667) at an average price of $4.10 per share (2017-$3.90) following the exercise of stock options. The average closing price on the exercise dates was $16.68 (2017-$13.19). These exercises resulted in an increase in share capital of $656,000 (2017-$890,000) and a decrease in contributed surplus of $101,000 (2017-$123,000). At June 30, 2018, 2,148,331 options are outstanding (2017-2,009,999) at a weighted average exercise price of $9.92 per share (2017-$8.08). During the same period, no warrants were exercised (2017-1,866,500, exchanged for the same number of common shares at a price of $4.25 per share, resulting in an increase in share capital of $7,933,000).

During the first half of 2018, the Corporation declared dividends totaling 18 cents per share; the same amount per share was paid during this period (2017-$13 cents per share declared and paid).

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 ($13.90 in 2017), for gross proceeds to the Corporation of $57,270,000 ($38,364,000 in 2017), and proceeds net of transaction fees of $3,440,000 ($1,912,000 in 2017) of $53,830,000 ($36,452,000 in 2017). Transaction fees after tax amount to $2,529,000 ($1,406,000 in 2017).

(Tabular amounts are expressed in thousands of dollars - Unaudited)

8 . Other (Income) Expenses

	Periods of three months ended June 30, 2018	2017	Periods of six months ended June 30, 2018	2017
Business acquisition costs, realized and unrealized, related to administrative expenses	**$ 763**	$ 1,263	**$ 1,120**	$ 1,302
Proceeds from an insurance claim	**(1,611)**	-	**(1,611)**	-
Others	**1**	(11)	**(11)**	(25)
	$ (847)	**$ 1,252**	**$ (502)**	**$ 1,277**

9 . Finance Income and Finance Costs

	Note	Periods of three months ended June 30, 2018	2017	Periods of six months ended June 30, 2018	2017
Interest income		**$ 155**	$ 146	**$ 158**	$ 263
Net gain on foreign currency exchange		**216**	-	**319**	-
Gain on a financial instrument	*12*	**503**	-	**503**	-
Finance income		**$ 874**	**$ 146**	**$ 980**	**$ 263**
Interest on long-term debt		**$ 813**	$ 117	**$ 1,219**	$ 262
Interest and bank charges		**78**	35	**117**	72
Financing charges		**71**	63	**121**	63
Net loss on foreign currency exchange		**-**	129	**-**	223
Finance costs		**$ 962**	**$ 344**	**$ 1,457**	**$ 620**

10 . Earnings per Share

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

	Periods of three months ended June 30, 2018	2017	Periods of six months ended June 30, 2018	2017
Net income	**$ 6,376**	$ 2,764	**$ 10,148**	$ 6,101
Basic earnings per share:				
Basic weighted average number of common shares outstanding	**43,617,671**	39,658,364	**42,435,726**	38,247,656
Basic earnings per share	**$ 0.15**	**$ 0.07**	**$ 0.24**	**$ 0.16**
Diluted earnings per share:				
Basic weighted average number of common shares outstanding	**43,617,671**	39,658,364	**42,435,726**	38,247,656
Effect of potentially dilutive common shares	**878,343**	983,088	**906,628**	892,600
Diluted weighted average number of common shares outstanding	**44,496,014**	40,641,452	**43,342,354**	39,140,256
Diluted earnings per share	**$ 0.14**	**$ 0.07**	**$ 0.23**	**$ 0.16**

At June 30, 2018, 320,000 options for the period of three months and none for the period of six months (2017-250,000 and 510,000) 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.

(Tabular amounts are expressed in thousands of dollars - Unaudited)

11 . Net Changes in Non-cash Operating Items

	Periods of three months ended June 30, 2018	Periods of three months ended June 30, 2017	Periods of six months ended June 30, 2018	Periods of six months ended June 30, 2017
Trade and other receivables	**$ (2,557)**	$ (3,506)	**$ (3,954)**	$ (3,487)
Inventories	**(3,374)**	827	**(5,498)**	354
Prepaid expenses	**811**	572	**(395)**	(104)
Trade and other payables	**1,309**	598	**2,092**	507
Deferred revenues	**682**	(480)	**935**	134
Warranty provision	**97**	(8)	**49**	(11)
	$ (3,032)	**$ (1,997)**	**$ (6,771)**	**$ (2,607)**

12 . Financial Instruments

Fair values versus carrying amounts

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

	June 30, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
			(recast - see note 4)	
Assets carried at fair value				
Foreign exchange forward contracts	**$ 232**	**$ 232**	$ 2,185	$ 2,185
Interest rate swap agreements	**-**	**-**	202	202
	$ 232	**$ 232**	**$ 2,387**	**$ 2,387**
Liabilities carried at fair value				
Foreign exchange forward contracts	**$ 1,050**	**$ 1,050**	$ 279	$ 279
Interest rate swap agreements	**306**	**306**	-	-
	$ 1,356	**$ 1,356**	**$ 279**	**$ 279**
Liabilities carried at amortized cost				
Long-term debt	**$ 61,153**	**$ 61,141**	**$ 40,066**	**$ 40,052**

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

	June 30, 2018	December 31, 2017
Current assets		
Foreign exchange derivatives	**$ 162**	**$ 466**
Non-current assets		
Foreign exchange derivatives	**$ 70**	$ 1,719
Interest rate derivatives	**-**	202
	$ 70	**$ 1,921**
Current liabilities		
Foreign exchange derivatives	**$ 422**	**$ 279**
Non-current liabilities		
Foreign exchange derivatives	**$ 628**	**$ -**
Interest rate derivatives	**306**	-
	$ 934	**$ -**

12 . Financial Instruments (continued)

Fair values versus carrying amounts (continued)

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

Risk Management

Currency risk

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

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

The following tables summarize the characteristics of the foreign exchange contracts:

As at June 30, 2018

Maturity	Type	Weighted average exchange rate	Contractual amounts (in thousands of US dollars)
0 to 12 months	Sale	**1.3012**	**$18,000**
12 to 24 months	Sale	**1.2969**	**18,000**
24 to 36 months	Sale	**1.2933**	**18,000**
36 to 47 months	Sale	**1.2799**	**16,500**
		1.2931	**$70,500**

As at December 31, 2017

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

(Tabular amounts are expressed in thousands of dollars - Unaudited)

12 . Financial Instruments (continued)

Interest rate risk

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

The Corporation analyzes its interest risk exposure on a continual basis and examines its renewal and refinancing options in order to minimize risks.

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

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

13 . Operating Segments

Information about the operating segments

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

Period of
three months ended June 30,

	Accessibility	Adapted Vehicles	Span	Head office	Inter-segment eliminations	Total
2018						
External revenues	**$ 33,536**	**$ 7,276**	**$ 24,126**	**$ -**	**$ (703)**	**$ 64,235**
Income (loss) before income tax, interest, depreciation and amortization	**7,803**	**600**	**3,868**	**(1,109)**	**-**	**11,162**
Depreciation and amortization expense	**594**	**144**	**1,069**	**105**	**-**	**1,912**
Interest expense	**7**	**-**	**903**	**790**	**(887)**	**813**
Interest income	**1**	**-**	**-**	**1,041**	**(887)**	**155**

(Tabular amounts are expressed in thousands of dollars - Unaudited)

13 . Operating Segments (continued)

Information about the operating segments (continued)

Period of three months ended June 30,

	Accessibility	Adapted Vehicles	Span	Head office	Inter-segment eliminations	Total
2017						
External revenues (restated) *	$ 29,495	$ 7,038	$ 3,428	$ -	$ (120)	$ 39,841
Income (loss) before income tax, interest, depreciation and amortization	5,652	576	108	(1,401)	-	4,935
Depreciation and amortization expense	377	99	66	113	-	655
Interest expense	21	-	-	96	-	117
Interest income	10	-	-	136	-	146

Periods of six months ended June 30,

	Accessibility	Adapted Vehicles	Span	Head office	Inter-segment eliminations	Total
2018						
External revenues	**$ 61,388**	**$ 14,289**	**$ 46,270**	**$ -**	**$ (1,120)**	**$ 120,827**
Income (loss) before income tax, interest, depreciation and amortization	**13,061**	**1,105**	**6,386**	**(2,038)**	**-**	**18,514**
Depreciation and amortization expense	**1,134**	**308**	**2,103**	**209**	**-**	**3,754**
Interest expense	**19**	**-**	**1,762**	**1,184**	**(1,746)**	**1,219**
Interest income	**1**	**-**	**-**	**1,903**	**(1,746)**	**158**
2017						
External revenues (restated) *	$ 54,033	$ 14,255	$ 3,428	$ -	$ (212)	$ 71,504
Income (loss) before income tax, interest, depreciation and amortization	10,314	1,285	108	(1,668)	-	10,039
Depreciation and amortization expense	725	192	66	227	-	1,210
Interest expense	46	-	-	216	-	262
Interest income	17	1	-	245	-	263

	Accessibility	Adapted Vehicles	Span	Head office	Inter-segment eliminations	Total
June 30, 2018						
Segment's assets	**$ 122,496**	**$ 21,645**	**$ 130,184**	**$ 224,295**	**$ (191,821)**	**$ 306,799**
Segment's liabilities	**96,739**	**11,869**	**90,734**	**101,578**	**(191,821)**	**109,099**
December 31, 2017 (recast - see note 4)						
Segment's assets	$ 106,910	$ 20,890	$ 122,207	$ 151,900	$ (181,226)	$ 220,681
Segment's liabilities	91,590	11,717	79,285	80,532	(181,226)	81,898

(Tabular amounts are expressed in thousands of dollars - Unaudited)

13 . Operating Segments (continued)

Desegregation of Revenue

Periods of three months ended June 30,

	Accessibility	Adapted Vehicles	Span	Inter-segment eliminations	Total
2018					
Revenue by country					
Canada	$ 9,082	$ 7,247	$ 2,874	$ (246)	$ 18,957
United States	21,613	29	20,643	(457)	41,828
Other countries	2,842	-	608	-	3,450
	$ 33,537	$ 7,276	$ 24,125	$ (703)	$ 64,235
Major categories of revenue					
Accessibility equipment	$ 29,913	$ -	$ -	$ (689)	$ 29,224
Installation and maintenance	3,517	-	-	-	3,517
Royalties	107	-	-	-	107
Vehicle conversions	-	6,252	-	-	6,252
Vehicle adaptation and maintenance	-	1,024	-	-	1,024
Therapeutic support surfaces	-	-	18,513	-	18,513
Medical beds	-	-	5,612	(14)	5,598
	$ 33,537	$ 7,276	$ 24,125	$ (703)	$ 64,235
Timing of revenue recognition					
Goods transferred at a point in time	$ 30,020	$ 7,276	$ 24,125	$ (703)	$ 60,718
Services transferred over time	3,517	-	-	-	3,517
	$ 33,537	$ 7,276	$ 24,125	$ (703)	$ 64,235
2017					
Revenue by country (restated) *					
Canada	$ 8,571	$ 6,796	$ 402	$ (120)	$ 15,649
United States	18,256	27	2,888	-	21,171
Other countries	2,668	215	138	-	3,021
	$ 29,495	$ 7,038	$ 3,428	$ (120)	$ 39,841
Major categories of revenue					
Accessibility equipment	$ 26,857	$ -	$ -	$ (120)	$ 26,737
Installation and maintenance	2,460	-	-	-	2,460
Royalties	178	-	-	-	178
Vehicle conversions	-	6,131	-	-	6,131
Vehicle adaptation and maintenance	-	907	-	-	907
Therapeutic support surfaces	-	-	2,733	-	2,733
Medical beds	-	-	695	-	695
	$ 29,495	$ 7,038	$ 3,428	$ (120)	$ 39,841
Timing of revenue recognition					
Goods transferred at a point in time	$ 27,035	$ 7,038	$ 3,428	$ (120)	$ 37,381
Services transferred over time	2,460	-	-	-	2,460
	$ 29,495	$ 7,038	$ 3,428	$ (120)	$ 39,841

(Tabular amounts are expressed in thousands of dollars - Unaudited)

13 . Operating Segments (continued)

Desegregation of Revenue (continued)

Periods of six months ended June 30,

	Accessibility	Adapted Vehicles	Span	Inter-segment eliminations	Total
2018					
Revenue by country					
Canada	**$ 17,430**	**$ 14,193**	**$ 5,859**	**$ (435)**	**$ 37,047**
United States	**38,505**	**74**	**38,934**	**(685)**	**76,828**
Other countries	**5,454**	**22**	**1,476**	**-**	**6,952**
	$ 61,389	**$ 14,289**	**$ 46,269**	**$ (1,120)**	**$ 120,827**
Major categories of revenue					
Accessibility equipment	**$ 54,654**	**$ -**	**$ -**	**$ (1,106)**	**$ 53,548**
Installation and maintenance	**6,525**	**-**	**-**	**-**	**6,525**
Royalties	**210**	**-**	**-**	**-**	**210**
Vehicle conversions	**-**	**12,592**	**-**	**-**	**12,592**
Vehicle adaptation and maintenance	**-**	**1,697**	**-**	**-**	**1,697**
Therapeutic support surfaces	**-**	**-**	**35,195**	**-**	**35,195**
Medical beds	**-**	**-**	**11,074**	**(14)**	**11,060**
	$ 61,389	**$ 14,289**	**$ 46,269**	**$ (1,120)**	**$ 120,827**
Timing of revenue recognition					
Goods transferred at a point in time	**$ 54,864**	**$ 14,289**	**$ 46,269**	**$ (1,120)**	**$ 114,302**
Services transferred over time	**6,525**	**-**	**-**	**-**	**6,525**
	$ 61,389	**$ 14,289**	**$ 46,269**	**$ (1,120)**	**$ 120,827**
2017					
Revenue by country (restated) *					
Canada	$ 15,480	$ 13,544	$ 402	$ (212)	**$ 29,214**
United States	34,932	33	2,888	-	**37,853**
Other countries	3,621	678	138	-	**4,437**
	$ 54,033	$ 14,255	$ 3,428	$ (212)	**$ 71,504**
Major categories of revenue					
Accessibility equipment	$ 49,254	$ -	$ -	$ (212)	**$ 49,042**
Installation and maintenance	4,419	-	-	-	**4,419**
Royalties	360	-	-	-	**360**
Vehicle conversions	-	12,462	-	-	**12,462**
Vehicle adaptation and maintenance	-	1,793	-	-	**1,793**
Therapeutic support surfaces	-	-	2,733	-	**2,733**
Medical beds	-	-	695	-	**695**
	$ 54,033	$ 14,255	$ 3,428	$ (212)	**$ 71,504**
Timing of revenue recognition					
Goods transferred at a point in time	$ 49,614	$ 14,255	$ 3,428	$ (212)	**$ 67,085**
Services transferred over time	4,419	-	-	-	**4,419**
	$ 54,033	$ 14,255	$ 3,428	$ (212)	**$ 71,504**

* 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.

14 . Subsequent Events

On July 10, 2018, Savaria announced that it has entered into an agreement with Garaventa Accessibility AG ("Garaventa") pursuant to which Savaria would acquire all of the issued and outstanding shares of Garaventa, for a total purchase price of approximately $97,813,000 (CHF 74,000,000). Established in 1978 as the accessibility division of the former Garaventa Holding AG (now the Doppelmayr/Garaventa Group), Garaventa 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. This acquisition will be accounted for in accordance with IFRS 3, *Business combinations*. The Corporation paid a deposit of $5,038,000 (CHF 3,750,000) during the second quarter of 2018.

On July 20, 2018, the Corporation completed the acquisition of Visilift, LLC ("Visilift"), which manufactures and markets round and octagonal panoramic glass or acrylic elevators for the residential market; it had paid a deposit towards the acquisition in August 2017. The total consideration amounts to $6,396,000 ($5,000,000 US) of which $4,426,000 ($3,500,000 US) has been paid on the date of the agreement and $1,970,000 ($1,500,000 US) will be paid upon the completion of certain closing conditions. In addition to the Purchase Price, Visilift will have the opportunity to earn an additional payment of $3,940,000 ($3,000,000 US) upon achieving certain performance metrics over a three-year period.

SAVARIA CORPORATION
4350 Highway 13 Laval QC H7R 6E9 Canada
450.681.5655   800.931.5655   **savaria.com**

savaria®