SAVARIA CORPORATION

Management's Report

For the Three-Month and Nine-Month Periods Ended September 30, 2017

Contents

1. Basis of Presentation

This management's report is designed to assist the reader in better understanding the business of Savaria Corporation, its business context, its strategies, its risk factors and its key financial results. It notably discusses the Corporation's financial position and operating results for the three-month and nine-month periods ended September 30, 2017, in comparison with that for the corresponding period of fiscal 2016. It also provides a comparison of its statements of financial position as at September 30, 2017 and December 31, 2016. Unless otherwise indicated, the terms "the Corporation", "Savaria", "We" and "Our" refer to Savaria Corporation and its subsidiaries.

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

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

This management's report was prepared as at November 8, 2017. Additional information, including the Annual Information Form, is available on SEDAR's website at www.sedar.com.

2. Forward-Looking Statements and Disclaimer

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

3. Compliance with International Financial Reporting Standards

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

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

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

4. Business Overview

Savaria is one of North America's leaders in the accessibility industry. It provides accessibility solutions for the 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, patient lifts, residential and commercial elevators and the conversion and adaptation of vehicles. The Corporation entered the Medical Products and Surfaces 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 one sales office in Baltimore, Maryland in the USA. Following the acquisition of Span, the Corporation now also owns a 188,000-square-foot plant in Greenville, South Carolina and 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 (63% of Revenue in 2017 and 80% in 2016)**

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, elevators for home and commercial use, and since the fourth quarter of 2016, patient lifts. The products are manufactured, assembled and customized at the Brampton, Ontario, plant and are offered through a network of some 400 retailers, which are primarily located in North America. The Huizhou, China, plant is the main supplier of parts and components for the Brampton plant; also, it assembles product components and finished products mainly for the benefit of the Corporation and for the sale of products on the Asian and European markets. Operation of this Chinese subsidiary allows Savaria to obtain competitive pricing on its purchases. Through its Silver Cross division, the Corporation operates a network of franchises and corporate stores in which new and recycled accessibility equipment is sold, and a lead generation program to capture and distribute leads on potential customers to our affiliates in North America.

- ***Adapted Vehicles* Segment (17% of Revenue in 2017 and 20% in 2016)**

Through its *Adapted Vehicles* segment, Savaria converts and adapts minivans to facilitate the transport of mobility challenged people via its Van-Action (Laval, Quebec) and Freedom Motors (Toronto, Ontario) subsidiaries. Its Silver Cross Automotive subsidiary, which acquired the assets of the automotive division of *Shoppers Home Health Care* ("SHHC") (a division of *Shoppers Drug Mart*) in May 2016, 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 (20% of Revenue, since the acquisition on June 16, 2017)**

The Corporation entered the Medical Products and Surfaces market through the acquisition of Span-America Medical Systems, Inc. (Span) (Greenville, SC) in June 2017. Through this new segment, the Corporation designs, manufactures and markets a comprehensive selection of therapeutic support surfaces and other pressure management products for the medical market, such as patient positioners that help patients sit and avoid falling over as well as skin care products and polyurethane foam mattress overlays. These products are designed to aid in the prevention and treatment of pressure ulcers and are targeted at the seniors' market. Pressure management products made up 58% of total Span revenues in the nine months ended in September 2017.

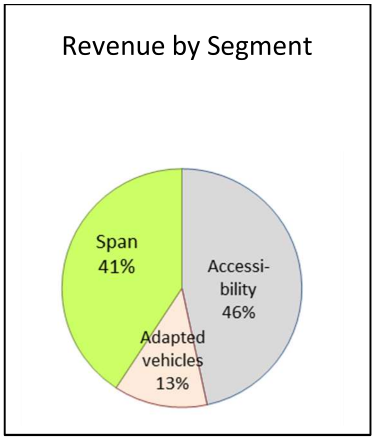
Through its wholly owned subsidiary Span Medical Products Canada Inc. (Beamsville, Ontario), Span also manufactures and markets medical beds as well as related in-room furnishings. Medical beds and related products made up 25% of total Span revenues in the nine months ended in September 2017.

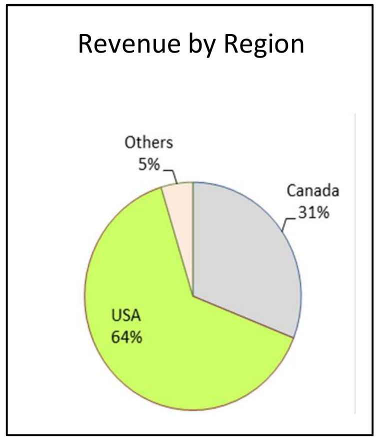
Medical products are sold primarily in North America to customers in the major segments of the health care market, including long-term care facilities, acute care hospitals and home health care providers.

Span manufactures and markets traditional and memory foam mattress overlays and pillows sold to various retail customers in the U.S. market by its consumer products distributor. Consumer sales made up 11% of total Span revenues in the nine months ended in September 2017.

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. Its largest industrial customers manufacture automobiles and specialty packaging products. Most of the industrial products are made to order according to customer specifications and are sold primarily in the southeastern United States. Industrial products made up 6% of total Span revenues in the nine months ended in September 2017.

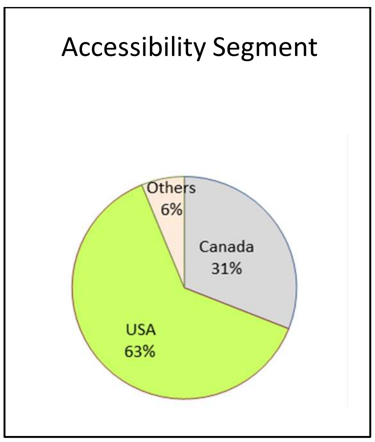
Taking this new segment into account, according to the Corporation's outlook, annual revenues will be henceforth broken down as follows:

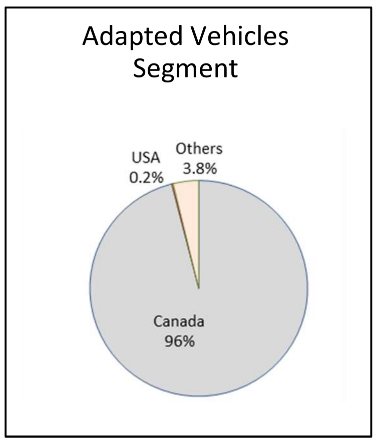


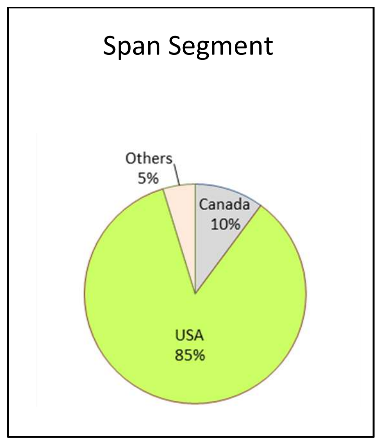


Revenue Breakdown per Segment per Region

During the first nine months of 2017, Savaria's total revenue was recorded in the United States (57%), Canada (38%) and, to a lesser extent, outside North America (5%). Revenue breakdown per region for the three segments is as follows:







Revenue for the first nine months of 2017 amounts to $79.9 million ("M") for the *Accessibility* segment, $21 M for the *Adapted Vehicles* segment and $25.5 M for the *Span* segment, for total revenue of $126.4 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 revenues, expenses, assets and liabilities of its foreign operations and from commercial transactions denominated mainly in U.S. dollars. Transactions denominated in foreign currencies are initially recorded at the functional currency rate of exchange in effect at the date of the transactions, excluding the impact of forward foreign exchange contracts, while the statement of income of foreign operations is converted at the average exchange rate for the period.

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

	September 30, 2017 (Unaudited)	December 31, 2016
USD (Canadian equivalent of U.S. $1)	**1.2480**	1.3427

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

	Quarters ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
USD (Canadian equivalent of U.S. $1)	**1.2528**	1.3046	**1.3074**	1.3213

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

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

Achievements:

- Design of a new product line of patient lifts, the Monarch, which is in development at our research and development center in Magog, Quebec. The full line of products will be completed by the end of the 2nd quarter of 2018.

- Completion of the design and successful crash test of a new vehicle conversion based on the frame of the Chrysler Pacifica.

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

Achievements:

- Signature in August 2017 of an agreement to purchase, in 3 phases, the assets of Visilift LLC ("Visilift"). This acquisition allows Savaria to add round and octagonal panoramic glass or acrylic elevators to its line of residential elevators (see the section *Third Quarter 2017 Highlights* below).
- Purchase of Span in June 2017. This transaction will contribute to Savaria reaching its long-term strategic growth objectives by penetrating a strategic market in a key territory for Savaria and has the following key benefits:
    - Further diversifies Savaria's accessibility portfolio with highly complementary products, providing customers with a complete comfort and mobility offering.
    - Significantly strengthens Savaria's ability to penetrate government and institutional accounts given Span's vast U.S. sales infrastructure and deep client relationships.
    - Opens the door to market its accessibility product line, in particular ceiling lifts, through Span's established distribution channels.
    - Enhances 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 will also provide Savaria with the flexibility to manufacture locally certain accessibility products for sale into the U.S. market.
- Purchase of the assets of Premier Lifts, Inc. ("Premier Lifts"). This acquisition secures our sales and service presence in the Baltimore – Washington marketplace.

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

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

Achievements:

- Acquisition 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. Third Quarter 2017 Highlights

Savaria delivered unprecedented results in the 3rd quarter due to business acquisitions and its existing business.

Revenue up 72.9%: For the 3rd quarter of 2017, revenue is up $23.7 M, at $56.1 M, compared to $32.4 M same quarter previous year.

Operating income up 42.5%: Operating income is up $2.1 M, at $6.9 M for the 3rd quarter of 2017, compared to $4.9 M same quarter previous year.

Adjusted EBITDA up 67.9%: The Corporation's adjusted EBITDA amounted to $9.6 M for 3rd quarter of 2017 compared to $5.7 M same quarter previous year, an increase of $3.9 M. Reconciliation between net income and adjusted EBITDA is provided in section 8, *Summary of Quarterly Results*.

Dividend

On August 10, 2017, the Board of Directors declared a dividend of 6.5 cents ($0.065) per share, in accordance with its dividend policy in effect at that date. On September 11, 2017, the Corporation approved a 10-cent increase of its dividend on an annual basis, raising it from 26 cents ($0.26) to 36 cents ($0.36) per common share. Furthermore, the dividends, formerly paid quarterly, will now be paid monthly. On September 11, 2017, the Corporation declared its first monthly dividend of 3 cents ($0.03) per common share, which has been paid on October 16, 2017.

Agreement to Acquire the Assets of Visilift

On August 24, 2017, Savaria agreed to acquire the assets of Visilift. That company manufactures and markets round and octagonal panoramic glass or acrylic elevators for the residential market. In many homes, the integrated full-view hoistways are an artistic design centerpiece. Visilift elevators can be produced and installed without major modifications to existing home sites and seamlessly integrated into new construction projects. Installation requires less time and expense, as hoistway is included, and pit and machine room are not necessary. This elevator will be an exciting new product for our dealer network both in North America and internationally, especially within the Asian market.

Acquisition of a Building in Toronto, Ontario

in July 2017, the Corporation acquired a 27,000-square-foot building in Toronto, Ontario, to consolidate the *Adapted Vehicles* activities of that region under one roof.

8. Summary of Quarterly Results

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

(in thousands, except per-share amounts and percentages – unaudited)	2017			2016				2015
	Quarter 3	Quarter 2(3)	Quarter 1(4)	Quarter 4	Quarter 3	Quarter 2(5)	Quarter 1	Quarter 4
Revenue	**$56,095**	$39,134	$31,126	$30,986	$32,440	$30,086	$26,216	$26,605
Gross margin as a % of revenue	***35.5%***	*33.5%*	*34.8%*	*35.9%*	*34.4%*	*32.6%*	*32.3%*	*32.7%*
Operating expenses (1)	**$12,778**	$7,399	$6,177	$6,094	$6,254	$5,285	$4,846	$5,061
% of revenue	***22.8%***	*18.9%*	*19.8%*	*19.7%*	*19.3%*	*17.6%*	*18.5%*	*19%*
Operating income	**$6,932**	$4,472	$4,643	$4,999	$4,865	$3,856	$3,729	$3,678
% of revenue	***12.4%***	*11.4%*	*14.9%*	*16.1%*	*15%*	*12.8%*	*14.2%*	*13.8%*
(Loss) gain on foreign exchange	**$(334)**	$(129)	$(94)	$311	$197	$95	$(338)	$256
Net income	**$4,812**	$2,764	$3,337	$3,740	$3,415	$2,763	$2,383	$2,867
Earnings per share – diluted	**$0.11**	$0.07	$0.09	$0.10	$0.09	$0.08	$0.07	$0.09
EBITDA (2)	**$9,018**	$4,935	$5,104	$5,835	$5,577	$4,418	$3,884	$4,372
Adjusted EBITDA (2)	**$9,604**	$6,745	$5,229	$5,986	$5,721	$5,167	$3,950	$4,455
Adjusted EBITDA per share – diluted	**$0.23**	$0.17	$0.13	$0.16	$0.15	$0.14	$0.12	$0.13
Dividend declared per share	**$0.095**	$0.065	$0.065	$0.065	$0.05	$0.05	$0.05	$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 Span, effective on June 16, 2017.

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

(5) The results include the acquisition of SHHC, effective on May 31, 2016.

The Corporation achieved record-breaking revenue every quarter in 2016 compared to the corresponding quarters of the prior year and revenue for nine-month period of 2017 continues along the same trend. The significant increase in sales in the 3rd quarter of 2017 is mainly due to the acquisition of Span in June 2017 whereas the steady growth in revenue in the previous 7 quarters is primarily due to Savaria launching new products and to an increase in sales of certain existing products. The activities acquired from Premier Lifts in February 2017 and from SHHC in May 2016 also contribute in explaining the increase in revenue since these respective acquisition dates.

The increase in gross margin since the 3rd quarter of 2016 is mainly due to the mix of sales and to the high level of revenue compared to the previous quarters.

Operating expenses are up since the 3rd quarter of 2016 compared to the previous quarters mainly because of the impact of the acquisitions mentioned above. Operating expenses are at 18.8% of revenue in 2016 and 20.9% of revenue for the nine-month period on 2017.

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

Reconciliation of EBITDA and Adjusted EBITDA with Net Income

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

(in thousands of dollars – unaudited)	**2017**			2016				2015
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Net income	**$4,812**	$2,764	$3,337	$3,740	$3,415	$2,763	$2,383	$2,867
Plus: Interest costs	**400**	152	182	187	247	195	196	161
Income tax expense	**1,386**	1,510	1,147	1,510	1,512	1,054	877	976
Depreciation of fixed assets	**774**	444	368	353	336	295	325	286
Amortization of intangible assets	**1,662**	211	187	172	179	172	168	152
Less: Interest income	**16**	146	117	127	112	61	65	70
EBITDA	**$9,018**	$4,935	$5,104	$5,835	$5,577	$4,418	$3,884	$4,372
Compensation expense on share options granted	**276**	212	86	104	94	93	66	83
Business acquisition costs, realized and unrealized	**199**	1,263	39	47	50	656	-	-
Value adjustment on acquired inventories	**111**	335	-	-	-	-	-	-
Adjusted EBITDA	**$9,604**	$6,745	$5,229	$5,986	$5,721	$5,167	$3,950	$4,455

The following section provides a detailed analysis of operating results for the 3rd quarter of 2017, in comparison with the same quarter of 2016 and results for the first nine months of 2017. The detailed analysis of prior quarters is provided in the interim reports for fiscal 2017, 2016 and 2015, available on SEDAR's website at www.sedar.com.

9. Operating Results

Segment Results

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

(in thousands of dollars, except for percentages - unaudited)	3 months			9 months		
	2017	2016	Change	**2017**	2016	Change
Revenue						
Accessibility	**$27,253**	$24,162	12.8%	**$79,876**	$71,581	11.6%
Adapted vehicles	**6,745**	8,278	(18.5)%	**21,001**	17,161	22.4%
Span	**22,097**	-	100%	**25,478**	-	100%
Total	**$56,095**	$32,440	72.9%	**$126,355**	$88,742	42.4%
Adjusted EBITDA						
Accessibility	**$5,764**	$5,121	12.6%	**$16,484**	$13,412	22.9%
% of revenue	**21.1%**	21.2%	*n/a*	**20.6%**	18.7%	*n/a*
Adapted vehicles	**$835**	$1,045	(20.1)%	**$2,119**	$2,072	2.3%
% of revenue	**12.4%**	12.6%	*n/a*	**10.1%**	12.1%	*n/a*
Span	**$3,241**	-	100%	**$3,684**	-	100%
% of revenue	**14.7%**	-	*n/a*	**14.5%**	-	*n/a*
Head Office	**$(236)**	$(445)	47%	**$(709)**	$(646)	(9.8)%
Total	**$9,604**	$5,721	67,9%	**$21,578**	$14,838	45.4%
% of revenue	***17.1%***	*17.6%*	*n/a*	***17.1%***	*16.7%*	*n/a*

(in thousands of dollars) **Assets**	**As at September 30, 2017**	As at December 31, 2016
Accessibility	**$56,563**	$63,203
Adapted vehicles	**18,417**	18,021
Span	**126,409**	-
Head Office	**21,101**	44,908
Total assets	**$222,490**	$126,132

Certain data on consolidated results for the 3rd quarter and nine-month period of 2017 and 2016 are presented in the following tables.

Gross Margin

(in thousands of dollars, except percentages - unaudited)	3 Months			9 months		
	2017	2016	Change	**2017**	2016	Change
Revenue	**$56,095**	$32,440	72.9%	**$126,355**	$88,742	42.4%
Cost of sales	**$36,191**	$21,267	70,2%	**$82,483**	$59,307	39.1%
Gross margin	**$19,904**	$11,173	78.1%	**$43,872**	$29,435	49%
% of revenue	***35.5%***	*34.4%*	*n/a*	***34.7%***	*33.2%*	*n/a*

Revenue for the 3rd quarter of 2017 is up by $23.7 M or 72.9%, from $32.4 M in 2016 to $56.1 M in 2017. An unfavourable variation in foreign exchange rates had no noticeable impact on 2017 revenues compared to the 2016 ones thanks to the foreign exchange contracts exercised during the quarter (see Operations in Foreign Exchange in section 4). Revenue of the Accessibility segment is up $3.1 M, from $24.2 M for the 3rd quarter of 2016 to $27.3 M for the 3rd quarter of 2017. This increase in revenue mainly stems from an increase in the sale of residential elevators (+12%) and from the addition in the 1st quarter of 2017 of the activities of Premier Lifts. Revenue for the Adapted Vehicles segment is down $1.5 M or 18.5% in 3rd quarter 2017, from $8.3 M for the same quarter previous year to $6.7 M. This decrease is mainly due to lower sales by the Silver Cross Automotive division, compared to those of last year, which included liquidation sales of surplus inventory that came from the acquisition of SHHC. The newly created Span segment, stemming from the acquisition of Span on June 16, 2017, contributed $22 M to revenue; this result is in line with the Corporation's expectations.

Revenue for the nine-month period of 2017 is up by $37.6 M or 42.4% compared to the same period previous year. A favourable variation of $308,000 comes from the impact of foreign exchange. Revenue of the *Accessibility* segment is up 11.6% or $8.3 M whereas revenue for the *Adapted Vehicles* segment is up 22.4% or $3.8 M compared to the same period previous year, which is mainly due to the addition of Silver Cross Automotive's operations in the 2nd quarter of 2016. As for the new *Span* segment, it contributed $25.5 M to revenues.

Gross margin is up by $8.7 M for the 3rd quarter and $14.4 M for the nine-month period of 2017 compared to the corresponding periods of 2016. As a percentage of revenue, it rose from 34.4% to 35.5% for the 3rd quarter and from 33.2% to 34.7% for the nine-month period. These increases are mainly due to the increase in revenue and to its mix, to productivity improvements and to the added business of Span.

The purchase volume from Asia allows us to maintain our direct costs at a competitive level. The proportion of purchases made by the subsidiary Savaria Concord from the subsidiary Savaria Huizhou and other suppliers in Asia in the 3rd quarter of 2017 remained stable compared to fiscal 2016 at some 56% of purchases of raw materials of the Savaria Concord subsidiary.

Breakdown of Revenue by Geographical Region

(as a percentage of sales, unaudited)	3 months			9 months		
	2017	2016	Change	**2017**	2016	Change
Canada	**33.1%**	46.9%	(13.8)	**37.6%**	41.2%	(3.6)
United States	**62.2%**	47.9%	14.3	**56.9%**	51%	5.9
Other regions	**4.7%**	5.2%	(0.5)	**5.5%**	7.8%	(2.3)

Operating Income

(in thousands of dollars, except percentages - unaudited)	3 Months			9 months		
	2017	2016	Change	**2017**	2016	Change
Operating costs	**$12,778**	$6,254	104%	**$26,354**	$16,385	60.8%
% of revenue	***22.8%***	*19.3%*	*n/a*	***20.9%***	*18.5%*	*n/a*
Other net expenses	**$194**	$54	259%	**$1,471**	$600	145%
Operating income	**$6,932**	$4,865	42.5%	**$16,047**	$12,450	28.9%
% of revenue	***12.4%***	*15%*	*n/a*	***12.7%***	*14%*	*n/a*

The proportion of operating expenses relative to revenue increased in the 3rd quarter and nine-month period of 2017 compared to the same periods in 2016, from 19.3% to 22.8% and from 18.5% to 20.9% respectively in 2017. In terms of dollars, operating expenses increased by $6.5 M and $10 M respectively for the same periods, partly due to the acquisition of SHHC in the 2nd quarter of 2016, of Premier Lifts during the 1st quarter of 2017 and of Span during the 2nd quarter of 2017, including an amortization expense of intangible assets recognized at acquisition of $1.3 M; were it not for these acquisitions, operating expenses would have increased by $209,000 in the 3rd quarter and $1.4 M during the nine-month period. This cost increase is mainly due to an increase in selling expenses of the corporate retail stores operating under the Silver Cross brand (+$66,000 for the 3rd quarter and +$395,000 for the nine-month period) and head office expenses (+$282,000 for the 3rd quarter and +$634,000 for the nine-month period); these have increased due to the hiring of new employees and an increase in stock-based compensation.

Other net expenses includes acquisition expenses of $199,000 in the 3rd quarter of 2017 and $1.5 M for nine-month period, mainly due to the acquisition of Span ($1.3 M), while other net expenses were $600,000 for the nine-month period of 2016, mainly due to the acquisition of SHHC ($706,000).

The combined effect of the favourable change in gross margin and the unfavourable changes in operating expenses and other expenses results in a positive effect on operating income with an increase of $2.1 M for the 3rd quarter and $3.6 M for the nine-month period compared to the same periods in 2016.

Net Income

(in thousands of dollars, except percentages - unaudited)	3 Months			9 months		
	2017	2016	Change	**2017**	2016	Change
Net finance income (costs)	**$(734)**	$62	(1,284)%	**$(1,091)**	$(446)	(145)%
Income before income tax	**$6,198**	$4,927	25.8%	**$14,956**	$12,004	24.6%
Income tax expense	**$1,386**	$1,512	(8.3)%	**$4,043**	$3,443	17.4%
Net income	**$4,812**	$3,415	40.9%	**$10,913**	$8,561	27.5%
% of revenue	***8.6%***	*10.5%*	*n/a*	***8.6%***	*9.6%*	*n/a*
EBITDA	**$9,018**	$5,577	61.7%	**$19,057**	$13,879	37.3%
% of revenue	***16.1%***	*17.2%*	*n/a*	***15.1%***	*15.6%*	*n/a*
Adjusted EBITDA	**$9,604**	$5,721	67.9%	**$21,578**	$14,838	45.4%
% of revenue	***17.1%***	*17.6%*	*n/a*	***17.1%***	*16.7%*	*n/a*

The unfavourable variation of $796,000 of net finance costs for the 3rd quarter of 2017 and $645,000 for the nine-month period compared to the same period of 2016 are mainly due to an unfavourable variation in net foreign exchange losses of $531,000 ($511,000 for the nine-month period) (see *Operations in Foreign Exchange* in section 4) and interest expense of $153,000 ($96,000 for the nine-month period).

The effective income tax rate of 22.4% and 27% respectively for the 3rd quarter and nine-month period of 2017 has decreased compared to the rate of 30.7% and 28.7% in 2016. This is mainly due to differences in tax rates charged by foreign jurisdictions and non-taxable income.

Net income is up $1.4 M for the 3rd quarter of 2017 and up $2.4 M for the nine-month period compared to the same periods previous year. Adjusted EBITDA is up $3.9 M in the 3rd quarter and up $6.7 M for the nine-month period of 2017 compared to the same periods in 2016; the positive impact of Span amounts to $3.2 M and $3.7 M of these variations.

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 September 30, 2017, the Corporation held foreign exchange contracts totaling $58.5 M U.S. for a hedging period up to April 30, 2021, at a weighted average rate of 1.2779. At the end of the quarter, the unrealized gain on the foreign exchange contracts amounted to $1.7 M before deferred taxes. This amount is reflected on the statement of financial position under *Derivative financial instruments* of Non-current assets and Current and Non-current liabilities and is included in the *Accumulated other comprehensive income* balance (see *Available Sources of Financing* in section 10).

Hedging of Interest Rates

Since its debts bear interest at variable rates, the Corporation decided to enter into interest rate swap agreements in July 2016 and in June 2017 to minimize its risk of variation of cash flow related to changes in interest rates on a portion of its long-term debt. Therefore, it has signed a first swap related to an original capital amount of $6.2 M with a fixed interest rate of 2.68% and a second swap related to an original capital amount of $15 M US with a fixed interest rate of 3.52%, both for 5-year periods. These rates include a 1.5% stamping fee.

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 September 30, 2017, the unrealized loss on the interest rate swaps is negligible.

10. Financial Position

Working Capital

(in thousands of dollars)	**September 30, 2017 (Unaudited)**	*Span* Segment	**September 30th excluding Span**	December 31, 2016	Change	
Current assets	**$76,375**	$30,093	**$46,282**	$90,239	$(43,957)	(48.7)%
Current liabilities	**$31,853**	$7,823	**$24,030**	$26,604	$(2,574)	(9.7)%
Working capital	**$44,522**	$22,270	**$22,252**	$63,635	$(41,383)	(65)%
Current ratio	**2.40**	3.85	**1.93**	3.39	(1.46)	(43.1)%

Current assets decreased by $44 M between December 31, 2016 and September 30, 2017, mainly due to a decrease in cash flow (-$49.1 M, includes the payment for the acquisition of Span in the amount of $33.7 M US), offset by an increase in trade and other receivables (+$2.6 M, mainly due to an increase in revenue of some subsidiaries and the addition of Premier Lifts' activities) and inventories (+$2 M, from the addition of the activities of Premier Lifts and an increase in the Savaria Concord subsidiary). See subsection *Cash Flows* in section 11 for details on cash flow variations.

Current liabilities decreased by $2.6 M between December 31, 2016 and September 30, 2017, mainly due to a decrease of derivative financial instruments related to net unrealized loss on foreign exchange contracts ($3.7 M), a decrease in the current portion of long-term debt following a new credit agreement (see subsection *Available Sources of Financing* below) (-$2.4 M) and of current tax liabilities (-$717,000, following the payment of balances due for 2016), partially offset by an increase in deferred revenue (+$1.8 M, of which $1.2 M comes from the addition of the activities of Premier Lifts), in trade and other payables (+$1.2 M) and in dividend payable (+$1.2 M, following the change in the Corporation's dividend policy whereby dividends are now paid monthly).

Note that the number of days required to recover accounts receivable was 40 days as at September 30, 2017, the same as at December 31, 2016. As for accounts payable's average payment time, it was 73 days as at September 30, 2017 compared to 71 days as at December 31, 2016.

Non-current Assets and Liabilities and Equity

(in thousands of dollars)	**September 30, 2017 (Unaudited)**	*Span* Segment	**September 30th excluding Span**	December 31, 2016	Change	
Non-current assets	**$146,115**	$96,317	**$49,798**	$35,893	$13,905	38.7%
Non-current liabilities	**$58,202**	$18,444	**$39,758**	$16,543	$23,215	140%
Equity	**$132,435**	-	**$132,435**	$82,985	$49,450	59.5%

Non-current assets increased by $13.9 M between December 31, 2016 and September 30, 2017, mainly due to the addition of Premier Lifts' assets ($4.3 M), the purchase of a building in Toronto, Ontario ($4 M) and the payment of a deposit on the acquisition of a business ($4.4 M).

Non-current liabilities increased by $23.2 M between December 31, 2016 and September 30, 2017, mainly due to the increase in the non-current portion of the long-term debt following the introduction of a new credit facility (+$25.3 M) (see subsection *Available Sources of Financing* below) partially offset by the decrease in unrealized net loss on foreign exchange contracts of $1.6 M.

The $49.5 M increase in equity is mainly due to the private placement completed in the 2nd quarter of 2017 (+$36.9 M), the issuance of shares in relation to the exercise of warrants (+$7.9 M), the impact of net income (+$10.9 M) and the effect of the variation of the foreign exchange rate (+$1.3 M) included in other comprehensive income offset by declared dividends (-$8.9 M).

As at September 30, 2017, Savaria benefited from a sound financial position with total assets of $222.5 M, compared with $126.1 M as at December 31, 2016, and total liabilities of $90.1 M, compared with $43.1 M as at December 31, 2016.

Share Information

(in thousands)	**September 30, 2017 (Unaudited)**	December 31, 2016
Number of common shares issued and outstanding	**41,177**	36,354

(in thousands - unaudited)	Quarters ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Weighted average number of common shares outstanding used to calculate basic earnings per share	**41,177**	35,340	**39,224**	33,693
Weighted average number of common shares outstanding used to calculate diluted earnings per share	**42,101**	37,676	**40,126**	35,546

Available Sources of Financing

(in thousands of dollars - unaudited)	**September 30, 2017**	December 31, 2016
Credit facilities:		
Authorized	**$110,000**	$10,000
Loans	**40,093**	-
Unused credit	**69,907**	10,000
Gross cash	**10,968**	51,230
Total	**$80,875**	$61,230

As shown above, the Corporation had total available funds of $80.9 M as at September 30, 2017. This provides it with the flexibility to meet its potential obligations in the near term and to pursue from acquisition opportunities.

On June 16, 2017, the Corporation completed a bought deal private placement of 2,760,000 common shares at a price of $13.90 per share for gross proceeds to Savaria of $38.4 M and proceeds net of transaction fees of $36.4 M.

During the 2nd quarter of 2017, the Corporation signed a new financing agreement with its financial institution in the form of a revolving line of credit totaling $110 M of which $40.1 M was drawn as at September 30, 2017, expiring on June 16, 2022. Under this agreement, the balance of the Corporation's existing loans in the amount of $14.7 M was repaid and re-borrowed on the new line of credit on the same day. A process for consolidating bank accounts in Canada in Canadian dollars and US dollars has been put 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. Only interest is payable monthly. This debt is presented as long-term in the consolidated statement of financial position.

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 September 30, 2017, the Corporation's total net debt to invested capital ratio is 18.1% (nil as at December 31, 2016).

Other Data and Ratios

(in thousands of dollars, except per-share amounts unaudited)	**September 30, 2017**	December 31, 2016	Change
Book value per share [1]	**$3.22**	$2.28	41.2%
Cash per share [1]	**$0.27**	$1.41	(80.9)%
Market capitalization	**$573,185**	$395,167	45%

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

Book value per share is up as at September 30, 2017 compared to December 31, 2016, mainly due to the issuance of 2,760,000 shares at $13.90 per share as part of a bought deal private placement and of 1,866,500 shares at $4.25 per share following the exercise of warrants. Cash per share decreased as a result of the disbursement related to the acquisition of Span. Market capitalization is up due to an increase in the value of the common shares of the Corporation, which went from $10.87 as at December 31, 2016 to $13.92 as at September 30, 2017 and to the issuance of common shares previously mentioned.

11. Cash Flows

The following table presents certain cash flow data for 3rd quarter and nine-month period of 2017 and 2016.

(in thousands of dollars - unaudited)	3 Months			9 months		
	2017	2016	Change	**2017**	2016	Change
Cash at the beginning of the periods	**$6,773**	$41,457	$(34,684)	**$51,230**	$29,707	$21,523
Net cash related to operating activities	**9,648**	7,224	2,424	**14,938**	13,443	1,495
Net cash related to investing activities	**(5,576)**	(572)	(5,004)	**(113,491)**	(11,292)	(102,199)
Net cash related to financing activities	**528**	(1,707)	2,235	**58,993**	14,865	44,128
Unrealized foreign exchange (loss) gain on cash held in foreign currencies	**(405)**	78	(483)	**(702)**	(243)	(459)
Cash as at September 30	**$10,968**	$46,480	$(35,512)	**$10,968**	$46,480	$(35,512)

The Corporation's cash flows from operating activities are up $2.4 M for the 3rd quarter and $1.5 M for the nine-month period compared to the corresponding periods of the previous year. This is mainly due to a favourable variation in net income before tax, depreciation and unrealized foreign exchange losses or gains (+$3.8 M for the quarter, +$6 M for the nine-month period), partially offset by an unfavourable variation in non-cash items (-$1.7 M for the quarter, -$4.5 M for the nine-month period).

Cash flow used in investing activities is up $5 M in the 3rd quarter and $102.2 M in the nine-month period compared to the same periods of the previous year. This is mainly due to a deposit for the acquisition of a business (-$4.4 M for the quarter and the nine-month period), higher acquisitions of fixed assets net of changes in deposits (-$142,000 for the quarter, -$3.1 M for the nine-month period) and intangible assets (-$436,000 for the quarter, -$965,000 for the nine-month period); in addition, for the nine-month period, an unfavorable variation in business acquisitions (-$93.7 M).

Regarding financing activities, cash flows from financing activities are up $2.2 M for 3rd quarter 2017 and $44.1 M for the nine-month period compared to the same periods of the previous year. This is mainly due to an increase in the collection of long-term debt (+$4.9 M for the quarter, +$38.2 for the nine-month period), a favourable variation in the proceeds from a private placement (+$17.3 M for the nine-month period), a variation in the exercise of warrants (-$418,000 for the quarter, +$7.4 M for the nine-month period), a variation in repayment of long-term debt (+$577,000 for the quarter, -$14.2 M for the nine-month period) partially offset by higher dividends (-$2.1 M for the quarter, -$3.9 M for the nine-month period) and the payment of transaction fees related to long-term debt (-$309,000 for the quarter, -$1 M for the nine-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 nine months

The following new standards and amendments to standards and interpretations have been applied in preparing the interim condensed consolidated financial statements as at September 30, 2017:

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

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

(C) Adoption of IFRS 15 - *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective to years beginning on or after January 1, 2018. Earlier application is permitted.

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 Corporation has developed a plan to identify the differences between this new standard and the standard it will replace and the impact of these differences on the recognition of its revenues. An analysis is in progress and will be completed by the end of 2017. To date, only one difference that has an impact on the Corporation's revenue recognition has been identified. This is the accounting of the entry and renewal fees charged to the Corporation's franchisees. Under the accounting policy adopted by the Corporation, these revenues are recognized when almost all of the services have been performed, which usually corresponds to the beginning date of the franchise's operations. Under the new standard, these revenues will be recognized over the term of the agreement or its renewal period. The Corporation does not expect this change to have a material impact on its revenues. Furthermore, given the advanced state of the analysis, the Corporation does not expect to discover any other differences that could have a material impact on its financial statements.

13. Internal Control over Financial Reporting

Disclosure Controls and Procedures

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

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

Internal Control over Financial Reporting

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

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

Limitation on Scope of Design

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

Changes to Internal Control over Financial Reporting

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

14. Off-Balance Sheet Arrangements

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

15. Related Party Transactions

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

16. Risks and Uncertainties

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

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

17. Subsequent Event

In line with the dividend policy of the Corporation, its Board of Directors declared a monthly dividend of 3 cents ($0.03) per common share on October 24th. This dividend is payable on November 16, 2017 to shareholders of record of the Corporation at the close of business on November 3rd.

18. Outlook

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

The development of a new product line of patient lifts is following its course at our research and development center in Magog, Quebec, and should be completed by the end of the 2nd quarter of 2018. This new product line called "Monarch" will be an exciting addition to our existing product line, which is one of the most comprehensive on the market. In North America, these products will be distributed by Span, a company acquired in June 2017 which staffs 33 sales representatives serving this market; marketing will begin 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 will begin in the first quarter of 2018. In addition to North America, this product will be available on the international market, such as Australia, China and Europe.

Savaria stays 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 Savaria's two acquisitions since the beginning of the year, Premier Lifts and Span, we forecast revenue of approximately $187 M and adjusted EBITDA in a range of $29.5-$30.5 M for the twelve-month period ending December 31, 2017. These forecasts exclude any additional acquisitions that could take place during the rest of 2017.

November 8, 2017