SAVARIA CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT SEPTEMBER 30, 2016

(Unaudited and not reviewed by the Corporation's independent auditors)

SAVARIA CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of dollars - Unaudited)

	Note	**September 30, 2016**	December 31, 2015
Assets			
Current assets			
Cash	*5*	**$ 46,480**	$ 29,707
Trade and other receivables		**14,107**	12,878
Current portion of long-term loans		**-**	14
Tax credits receivable		**-**	130
Inventories		**22,423**	18,111
Prepaid expenses		**1,203**	717
Total current assets		**84,213**	61,557
Non-current assets			
Derivative financial instruments	*13*	**216**	-
Long-term loans		**32**	37
Fixed assets		**19,584**	18,389
Intangible assets		**2,572**	2,689
Goodwill		**9,485**	7,485
Deposit on purchase of fixed assets		**100**	106
Deferred tax assets		**3,486**	5,422
Total non-current assets		**35,475**	34,128
Total assets		**$ 119,688**	$ 95,685
Liabilities			
Current liabilities			
Trade and other payables		**$ 13,479**	$ 11,140
Income taxes payable		**376**	1,440
Deferred revenues		**2,675**	2,680
Derivative financial instruments	*13*	**3,859**	5,812
Current portion of long-term debt	*7*	**3,429**	2,980
Warranty provisions		**506**	477
Total current liabilities		**24,324**	24,529
Non-current liabilities			
Long-term debt	*7*	**14,454**	14,272
Warranty provisions		**763**	720
Other long-term liabilities		**34**	-
Derivative financial instruments	*13*	**1,752**	6,723
Deferred tax liabilities		**244**	228
Total non-current liabilities		**17,247**	21,943
Total liabilities		**41,571**	46,472
Equity			
Share capital and warrants	*8*	**68,991**	47,878
Contributed surplus		**2,494**	2,265
Accumulated other comprehensive loss		**(3,648)**	(8,548)
Retained earnings		**10,280**	7,618
Total equity		**78,117**	49,213
Total liabilities and equity		**$ 119,688**	$ 95,685

The notes on pages 8 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.

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

	Note	Periods of three months ended September 30, 2016	2015	Periods of nine months ended September 30, 2016	2015
Revenue	9	**$ 32,440**	$ 24,002	**$ 88,742**	$ 68,658
Cost of sales		**(21,267)**	(16,669)	**(59,307)**	(47,794)
Gross margin		**11,173**	7,333	**29,435**	20,864
Operating costs					
Administrative expenses		**(2,777)**	(2,016)	**(6,860)**	(5,669)
Selling expenses		**(2,572)**	(1,809)	**(6,912)**	(5,527)
Engineering expenses		**(657)**	(476)	**(1,945)**	(1,511)
Research and development expenses		**(248)**	(152)	**(668)**	(400)
		(6,254)	(4,453)	**(16,385)**	(13,107)
Other income and costs	10	**(54)**	(30)	**(600)**	(30)
Operating income		**4,865**	2,850	**12,450**	7,727
Finance income	11	**309**	586	**238**	1,250
Finance costs	11	**(247)**	(208)	**(684)**	(588)
Net finance income (costs)		**62**	378	**(446)**	662
Income before income tax		**4,927**	3,228	**12,004**	8,389
Income tax expense		**(1,512)**	(876)	**(3,443)**	(2,312)
Net income		**$ 3,415**	$ 2,352	**$ 8,561**	$ 6,077
Earnings per share:					
Basic		**$ 0.09**	$ 0.07	**$ 0.25**	$ 0.20
Diluted		**$ 0.09**	$ 0.07	**$ 0.24**	$ 0.19

The notes on pages 8 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.

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

	Periods of three months ended September 30,		Periods of nine months ended September 30,	
	2016	2015	**2016**	2015
Net income	**$ 3,415**	$ 2,352	**$ 8,561**	$ 6,077
Other comprehensive income (loss)				
Items that may be reclassified subsequently to income or loss				
Change in the fair value of derivative financial instruments designated as cash flow hedges	**(916)**	(4,673)	**3,404**	(9,281)
Deferred income tax	**236**	1,134	**(875)**	2,321
	(680)	(3,539)	**2,529**	(6,960)
Losses on foreign exchange contracts transferred to net income in the current period	**1,198**	1,164	**3,736**	2,895
Deferred income tax	**(308)**	(300)	**(960)**	(746)
	890	864	**2,776**	2,149
Net change in fair value of derivative financial instruments designated as cash flow hedges	**210**	(2,675)	**5,305**	(4,811)
Unrealized net gains (losses) on translation of financial statements of foreign operations	**12**	135	**(405)**	390
Other comprehensive income (loss), net of income tax	**222**	(2,540)	**4,900**	(4,421)
Total comprehensive income (loss)	**$ 3,637**	$ (188)	**$ 13,461**	$ 1,656

The notes on pages 8 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.

SAVARIA CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period of nine months ended September 30, 2015
(in thousands of dollars - Unaudited)

	2015						
	Share capital and warrants						
	Number						
	Share capital	Warrants	Amount	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
Balance at January 1, 2015	**29,554,614**	**2,875,000**	**$ 33,268**	**$ 2,042**	**$ (3,564)**	**$ 4,710**	**$ 36,456**
<u>Total comprehensive loss</u>							
Net income	-	-	-	-	-	6,077	**6,077**
Other comprehensive loss:							
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	-	(6,960)	-	**(6,960)**
Losses on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	-	2,149	-	**2,149**
Unrealized net gains on translation of financial statements of foreign operations	-	-	-	-	390	-	**390**
Other comprehensive loss	-	-	-	-	(4,421)	-	**(4,421)**
Total comprehensive loss	-	-	$ -	$ -	$ (4,421)	$ 6,077	**$ 1,656**
<u>Transactions with owners, recorded directly in equity</u>							
Shares issued in relation to a private placement	2,875,000	-	14,375	-	-	-	**14,375**
Share issue costs, net of tax	-	-	-	-	-	(620)	**(620)**
Compensation expense on options granted	-	-	-	175	-	-	**175**
Share options exercised (note 8)	125,000	-	195	(31)	-	-	**164**
Dividends on common shares	-	-	-	-	-	(3,787)	**(3,787)**
Total transactions with owners	3,000,000	-	14,570	144	-	(4,407)	**10,307**
Balance at September 30, 2015	**32,554,614**	**2,875,000**	**$ 47,838**	**$ 2,186**	**$ (7,985)**	**$ 6,380**	**$ 48,419**

The notes on pages 8 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.

SAVARIA CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period of nine months ended September 30, 2016
(in thousands of dollars - Unaudited)

	2016						
	Share capital and warrants						
	Number						
	Share capital	Warrants	Amount	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
Balance at January 1, 2016	**32,579,614**	**2,875,000**	**$ 47,878**	**$ 2,265**	**$ (8,548)**	**$ 7,618**	**$ 49,213**
Total comprehensive income							
Net income	-	-	-	-	-	8,561	**8,561**
Other comprehensive income:							
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	-	2,529	-	**2,529**
Losses on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	-	2,776	-	**2,776**
Unrealized net losses on translation of financial statements of foreign operations	-	-	-	-	(405)	-	**(405)**
Other comprehensive income	-	-	-	-	4,900	-	**4,900**
Total comprehensive income	-	-	$ -	$ -	$ 4,900	$ 8,561	**$ 13,461**
Transactions with owners, recorded directly in equity							
Shares issued in relation to a private placement (note 8)	2,600,000	-	20,280	-	-	-	**20,280**
Share issue costs, net of tax (note 8)	-	-	-	-	-	(867)	**(867)**
Compensation expense on options granted	-	-	-	253	-	-	**253**
Share options exercised (note 8)	140,833	-	250	(24)	-	-	**226**
Exercise of warrants (note 8)	137,250	(137,250)	583	-	-	-	**583**
Dividends on common shares	-	-	-	-	-	(5,032)	**(5,032)**
Total transactions with owners	2,878,083	(137,250)	21,113	229	-	(5,899)	**15,443**
Balance at September 30, 2016	**35,457,697**	**2,737,750**	**$ 68,991**	**$ 2,494**	**$ (3,648)**	**$ 10,280**	**$ 78,117**

The notes on pages 8 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.

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

	Note	Periods of three months ended September 30, 2016	2015	Periods of nine months ended September 30, 2016	2015
Cash flows from operating activities					
Net income		**$ 3,415**	$ 2,352	**$ 8,561**	$ 6,077
Adjustments for:					
Depreciation of fixed assets		**336**	271	**956**	776
Amortization of intangible assets		**179**	170	**519**	595
Income tax expense		**1,512**	876	**3,443**	2,312
Compensation expense on share options granted		**94**	82	**253**	175
Gains on foreign exchange contracts cashed in advance and transferred to net income		**-**	-	**-**	(31)
Unrealized foreign exchange losses (gains)		**(162)**	(192)	**135**	(457)
Interest cost	*11*	**247**	208	**638**	588
Others		**41**	-	**41**	-
		5,662	3,767	**14,546**	10,035
Net changes in non-cash operating items	*12*	**2,419**	(1,541)	**2,683**	(2,315)
Proceeds from long-term loans		**1**	33	**19**	100
Income tax paid		**(858)**	(726)	**(3,805)**	(2,351)
Net cash from operating activities		**7,224**	1,533	**13,443**	5,469
Cash flows used in investing activities					
Business acquisition	*4*	**-**	(477)	**(8,675)**	(477)
Proceeds from sale of fixed assets		**-**	-	**13**	-
Deposits on purchase of fixed assets		**(100)**	346	**(100)**	(163)
Additions to fixed assets		**(331)**	(4,403)	**(2,054)**	(4,760)
Increase in intangible assets		**(141)**	(336)	**(476)**	(726)
Net cash used in investing activities		**(572)**	(4,870)	**(11,292)**	(6,126)
Cash flows from (used in) financing activities					
Increase in long-term debt	*7*	**649**	4,200	**2,649**	4,200
Repayment of borrowings		**(875)**	(743)	**(2,086)**	(1,966)
Interest paid		**(225)**	(178)	**(569)**	(494)
Proceeds from the issuance of common shares in relation to a private placement, net of transaction fees	*8*	**(3)**	-	**19,094**	13,527
Proceeds from exercise of share options	*8*	**94**	-	**226**	164
Proceeds from exercise of warrants	*8*	**418**	-	**583**	-
Dividends paid on common shares		**(1,765)**	(1,303)	**(5,032)**	(3,787)
Net cash from (used in) financing activities		**(1,707)**	1,976	**14,865**	11,644
Net change in cash		**4,945**	(1,361)	**17,016**	10,987
Cash at the beginning of the period		**41,457**	28,821	**29,707**	16,280
Unrealized foreign exchange gain (loss) on cash held in foreign currencies		**78**	75	**(243)**	268
Cash at the end of the period		**$ 46,480**	$ 27,535	**$ 46,480**	$ 27,535

The notes on pages 8 to 16 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 September 30, 2016 and 2015 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 accessibilty solutions for the elderly and physically-challenged to increase their mobility and independance. The activities of the Corporation are divided into two operating segments: the *Accessibility* segment and the *Adapted Vehicles* segment as described in note 14 "Operating segments". The Corporation realizes close to 60% of its sales outside of Canada, mainly in the United States.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2015 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, 2015. 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 November 2, 2016.

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, 2015, 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.

(A) 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 September 30, 2016. The adoption of these new standards has not had a material impact on the financial statements.

Annual Improvements to IFRS: (2012-2014) cycle

In September 2014 the International Accounting Standards Board ("IASB") issued narrow-scope amendments to a total of four standards as part of its annual improvements process. Each of the amendments has its own specific transition requirements.

3 . Significant accounting policies (continued)

(A) New accounting standards adopted (continued)

Annual Improvements to IFRS: (2012-2014) cycle **(continued)**

Amendments were made to clarify the following in their respective standards:

- Changes in method for disposal under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
- "Continuing involvement" for servicing contracts and offsetting disclosures in consolidated financial statements under IFRS 7 *Financial Instruments: Disclosures*;
- Discount rate in a regional market sharing the same currency under IAS 19 *Employee Benefits*;
- Disclosure of information "elsewhere in the interim financial report" under IAS 34 *Interim Financial Reporting.*

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

In May 2014, the IASB issued amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. The amendments made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption could be overcome only when revenue and consumption of the economic benefits of the intangible asset are "highly correlated" or when the intangible asset is expressed as a measure of revenue.

Disclosure initiative: amendments to IAS 1

In December 2014, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the “Disclosure Initiative”).

(B) New standards and interpretations not yet adopted

The following new Standards and Interpretations published since December 31, 2015 are not yet effective and have not been applied in preparing these 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. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.

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.

The Corporation intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

3 . Significant accounting policies (continued)

(B) New standards and interpretations not yet adopted (continued)

Disclosure Initiative (Amendments to IAS 7)

On January 7, 2016 the IASB issued *Disclosure Initiative (Amendments to IAS 7)* . The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities.

The Corporation intends to adopt the amendments to IAS 7 in its consolidated financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

On January 19, 2016 the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)* . The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

The Corporation intends to adopt the amendments to IAS 12 in its consolidated financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

4 . Business acquisition

On May 31, 2016, the Corporation acquired the assets of the automotive division of Shoppers Home Health Care (a division of Shoppers Drug Mart) (“SHHC Automotive”) by way of its newly created subsidiary, Silver Cross Automotive Inc. (SC Automotive"). SHHC Automotive has long held the Canadian leadership position as a retailer of wheelchair van conversions and mobility adaptation for vehicles, with a 16-year history in the business. As Canada’s largest manufacturer of wheelchair accessible minivans, Savaria believes that this strategic acquisition will offer new retail distribution opportunities from coast to coast given SHHC Automotive’s established presence in the key markets of Canada.

The total consideration amounts to $8,675,000 paid in one payment on the date of acquisition. Acquisition related costs, amounting to $706,000, of which $656,000 has been included in other costs in the second quarter of 2016 and $50,000 in the third quarter. The amounts paid came from the Corporation’s available cash on hand.

The purchased assets are mainly inventories and goodwill; the latter arising from the synergies between Savaria and SC Automotive and the additional sales of vehicle conversions that will result from them. The goodwill, which will be partially tax deductible, has been allocated to the *Adapted vehicles* operating segment. As at September 30, 2016, 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. The acquisition has been accounted for using the acquisition method, in conformity with IFRS 3, *Business combinations.*

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

4 . Business acquisition (continued)

		2016
Assets acquired		
Current assets	$	6,795
Fixed assets		23
Excess of the consideration paid over net identifiable assets		2,000
	$	8,818
Liability assumed		
Current liabilities		143
Fair value of net assets acquired and cash flows related to the acquisitions	$	8,675

Since the acquisition on May 31, 2016, sales amounted to $5,722,000 while net income was not significant. If the acquisition of SHHC Automotive had taken place on January 1, 2016, management estimates that sales of this business for the first two quarters of 2016 would have been approximately $11,100,000 and net income would not be significant. These estimates were prepared using historical information obtained from the acquiree and do not reflect the benefits of integration activities, synergies or changes to historical transactions that may have resulted had the acquisition actually occured on January 1, 2016. Estimated amounts are not necessarily indicative of the results of operations of the business that would have resulted had the acquisition actually occured on January 1, 2016, or the results that may be obtained in the future.

5 . Cash

		September 30, 2016		December 31, 2015
Bank balances	$	46,480	$	30,832
Bank loans used in cash management		-		(1,125)
Cash	$	46,480	$	29,707

Following the implementation of a process under which Canadian dollar bank accounts of the Corporation and its subsidiairies are consolidated, debit and credit balances are presented in Cash on a net basis.

As at September 30, 2016, no amount (December 31, 2015-$5,120,000) is reserved as surety to cover unrealized losses on foreign exchange forward contracts.

6 . Bank loans

During the second quarter of 2016, the Corporation’s authorized line of credit was increased from $7,500,000 to $10,000,000; the sureties are the same as those described in note 23 (E) of the December 31, 2015 financial statements.

7 . Long-term debt

During the second quarter of 2016, the Corporation received the balance of $2,000,000 on a construction loan related to a building purchased in August 2015 and the improvements thereto. The construction loan totaling $6,200,000 was converted to a term note at the completion of the work according to the terms of the financing agreement signed in 2015. In July 2016, the Corporation entered into an interest rate swap agreement related to this term note (note 13). This derivative instrument has been designated as hedging for accounting purposes.

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

7 . Long-term debt (continued)

During the third quarter 2016, the Corporation entered into an agreement with its financial institution for a long-term debt in the amount of $512,000 US to finance the purchase of fixed assets. The terms of the agreement provide for an amortization period of 60 months with monthly principal installments of $9,000 plus interest, at a fixed rate of 4.6%.

8 . Share capital

During the first three quarters of 2016, the Corporation issued 140,833 common shares (2015-125,000) at an average price of $1.60 per share (2015-$1.32) following the exercise of stock options. The average closing price on the exercise dates was $6,96 (2015-$4,94). These exercises resulted in an increase in share capital of $250,000 (2015-$195,000) and a decrease in contributed surplus of $24,000 (2015-$31,000). At September 30, 2016, 1,531,667 options are outstanding (2015-1,492,500) at a weighted average exercise price of $4.33 per share (2015-$3.79). During the same period, 137,250 warrants were exercised and exchanged for the same number of common shares (nil in 2015) at a price of $4.25 per share. These exercises resulted in an increase in share capital of $583,000 (nil in 2015).

During the first nine months of 2016, the Corporation declared and paid 15 cents in dividends (2015-12 cents).

On June 16, 2016, the Corporation completed a “bought deal” private placement of 2,600,000 common shares at a price of $7.80 per share, for gross proceeds to Savaria of $20,280,000 and proceeds, net of finance costs, of $19,094,000. The common shares issued were subject to a statutory hold period which expired on October 17, 2016.

9 . Revenue

	Periods of three months ended September 30,		Periods of nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Sale of goods	**$ 30,471**	$ 22,273	**$ 83,074**	$ 63,601
Rendering of services	**1,764**	1,525	**5,041**	4,458
Royalties	**205**	204	**627**	599
	$ 32,440	**$ 24,002**	**$ 88,742**	**$ 68,658**

10 . Other income and costs

	Periods of three months ended September 30,		Periods of nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Business acquisition costs related to administrative expenses (note 4)	**$ 50**	$ 30	**$ 706**	$ 30
Grant received [1]	**-**	-	**(98)**	-
Others	**4**	-	**(8)**	-
	$ 54	**$ 30**	**$ 600**	**$ 30**

[1] Grant received by the Savaria Huizhou subsidiary linked to a request to be classified as a high-tech company.

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

11 . Finance income and finance costs

	Periods of three months ended September 30, 2016	2015	Periods of nine months ended September 30, 2016	2015
Interest income	**$ 112**	$ 71	**$ 238**	$ 161
Net gain on foreign currency exchange	**197**	515	**-**	1,089
Finance income	**$ 309**	**$ 586**	**$ 238**	**$ 1,250**
Interest on long-term debt	**$ 162**	$ 140	**$ 459**	$ 433
Interest and bank charges	**85**	68	**179**	155
Net loss on foreign currency exchange	**-**	-	**46**	-
Finance costs	**$ 247**	**$ 208**	**$ 684**	**$ 588**

12 . Net changes in non-cash operating items

	Periods of three months ended September 30, 2016	2015	Periods of nine months ended September 30, 2016	2015
Trade and other receivables	**$ 345**	$ (550)	**$ (634)**	$ (40)
Tax credits receivable	**61**	(58)	**(54)**	(6)
Inventories	**1,407**	(216)	**1,018**	(1,822)
Prepaid expenses	**(268)**	145	**(455)**	(380)
Trade and other payables	**887**	(1,110)	**2,883**	(453)
Deferred revenues	**(44)**	237	**(147)**	350
Warranty provision	**31**	11	**72**	36
	$ 2,419	**$ (1,541)**	**$ 2,683**	**$ (2,315)**

13 . 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.

	September 30, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value				
Foreign exchange forward contracts	**$ 216**	**$ 216**	**$ -**	**$ -**
Assets carried at amortized cost				
Long-term loans	**$ 32**	**$ 32**	**$ 51**	**$ 51**
Liabilities carried at fair value				
Foreign exchange forward contracts	**$ (5,486)**	**$ (5,486)**	$ (12,372)	$ (12,372)
Interest rate swap agreements	**(125)**	**(125)**	(163)	(163)
	$ (5,611)	**$ (5,611)**	**$ (12,535)**	**$ (12,535)**
Liabilities carried at amortized cost				
Long-term debt	**$ (17,883)**	**$ (17,878)**	**$ (17,252)**	**$ (17,243)**

13 . Financial instruments (continued)

The table below indicates the presentation of the derivative financial instruments in the statement of financial position.

	September 30, 2016	December 31, 2015
Non-current assets		
Foreign exchange derivatives	**$ 216**	**$ -**
Current liabilities		
Foreign exchange derivatives	**$ 3,780**	$ 5,686
Interest rate derivatives	**79**	126
	$ 3,859	**$ 5,812**
Non-current liabilities		
Foreign exchange derivatives	**$ 1,706**	$ 6,686
Interest rate derivatives	**46**	37
	$ 1,752	**$ 6,723**

All of these financial instruments are Level 2. The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest rate swap arrangements is estimated by discounting the difference between the contractual interest rate and market rates over the value of the loans. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Corporation entity and counterparty when appropriate.

Risk Management

Currency risk

The Corporation realizes approximately 59% (2015-62%) of its sales in foreign currencies, mainly in US dollars, and, accordingly, is exposed to market risks related to foreign exchange fluctuations. The Corporation partially compensates for these risks by purchasing raw materials in US dollars and by using forward foreign exchange 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 September 30, 2016

Maturity	Type	Weighted average exchange rate	Contractual amounts (in thousands of US dollars)
0 to 12 months	Sale	1.0988	$18,000
12 to 24 months	Sale	1.2206	18,000
24 to 36 months	Sale	1.3041	18,000
		1.2078	**$54,000**

13 . Financial instruments (continued)

Currency risk (continued)

As at December 31, 2015

Maturity	Type	Weighted average exchange rate	Contractual amounts (in thousands of US dollars)
0 to 12 months	Sale	1.0560	$17,500
12 to 24 months	Sale	1.1145	19,000
24 to 36 months	Sale	1.2654	18,000
		1.1456	**$54,500**

Interest rate risk

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

The Corporation analyzes its interest risk exposure on a continual basis and examines its renewal and refinancing options in order to minimize risks. The line of treasury that is at its disposal to cover any potential loss in converting its variable interest rate long-term debt to a fixed rate has been increased from $610,000 to $800,000 in the second quarter of 2016.

In April 2012 and in June 2016, the Corporation contracted financing agreements bearing interest at variable rates. Accordingly, the Corporation decided to enter into interest rate swap contracts to minimize its risk related to changes in interest rates. However, these swap contracts expose the Corporation to changes in fair-value due to fluctuations in interest rates.

Maturity	Fixed interest rate	Original capital amount	Balance September 30, 2016	Balance December 31, 2015
April 2017	1.98%	$ 7,000	$ 2,574	$ 3,321
April 2017	2.08%	$ 9,600	$ 6,774	$ 7,252
Juillet 2021	1.18%	$ 6,200	$ 6,045	$ -

A stamping fee of 1.5% is added to the interest rates stated above.

14 . Operating segments

Information about the operating segments

The Corporation's business structure is divided into two segments that are presented distinctly for financial reporting purposes. Segments are basically structured according to the main market segments that 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, and a lead generation program to distribute the names of potential customers to over 100 affiliates in North America. The *Adapted Vehicles* segment consists of converting, adapting and distributing vehicles for persons with mobility challenges, for personal or commercial use.

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

14 . Operating segments (continued)

Periods of three months ended September 30,

	Accessibility	Adapted Vehicles	Head-office	Total
2016				
External revenues	**$ 24,162**	**$ 8,278**	**$ -**	**$ 32,440**
Income (loss) before income tax	**4,666**	**589**	**(328)**	**4,927**
Depreciation and amortization expense	**316**	**85**	**114**	**515**
Interest expense	**29**	**1**	**132**	**162**
Interest income	**3**	**3**	**106**	**112**
2015				
External revenues	$ 20,795	$ 3,207	$ -	$ 24,002
Income (loss) before income tax	3,277	213	(262)	3,228
Depreciation and amortization expense	334	40	67	441
Interest expense	37	-	103	140
Interest income	1	-	70	71

Periods of nine months ended September 30,

	Accessibility	Adapted Vehicles	Head-office	Total
2016				
External revenues	**$ 71,581**	**$ 17,161**	**$ -**	**$ 88,742**
Income (loss) before income tax	**12,632**	**1,200**	**(1,828)**	**12,004**
Depreciation and amortization expense	**909**	**225**	**341**	**1,475**
Interest expense	**84**	**1**	**374**	**459**
Interest income	**12**	**5**	**221**	**238**
2015				
External revenues	$ 59,169	$ 9,489	$ -	$ 68,658
Income (loss) before income tax	8,316	924	(851)	8,389
Depreciation and amortization expense	1,051	120	200	1,371
Interest expense	114	1	318	433
Interest income	4	-	157	161

	Accessibility	Adapted Vehicles	Head-office	Total
September 30, 2016				
Segment’s assets	**$ 60,906**	**$ 14,881**	**$ 43,901**	**$ 119,688**
Segment’s liabilities	**22,320**	**2,831**	**16,420**	**41,571**
December 31, 2015				
Segment’s assets	$ 48,452	$ 6,460	$ 40,773	$ 95,685
Segment’s liabilities	27,382	1,256	17,834	46,472