SAVARIA CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2011
(Unaudited and not reviewed by the Corporation's independent auditors)

SAVARIA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

	Note	September 30, 2011	December 31, 2010
Assets			
Current assets			
Cash		**$ 1 801 970**	$ 6 040 620
Restricted cash		**400 000**	400 000
Trade and other receivables		**12 564 409**	10 444 163
Foreign exchange forward contracts		**-**	105 395
Current portion of long-term loans		**100 038**	89 516
Tax credits receivable		**808 161**	936 141
Inventories		**13 977 369**	14 536 280
Prepaid expenses		**978 995**	939 701
Current portion of long-term investments	*5*	**772 853**	794 770
Total current assets		**31 403 795**	34 286 586
Non-current assets			
Restricted cash		**800 000**	1 100 000
Tax credits receivable		**413 044**	524 247
Long-term loans		**273 537**	323 809
Fixed assets		**1 762 610**	1 929 945
Goodwill	*4*	**4 051 307**	4 051 307
Intangible assets		**2 788 053**	3 194 209
Long-term investments	*5*	**771 076**	704 095
Deferred tax assets		**1 526 322**	1 256 242
Total non-current assets		**12 385 949**	13 083 854
Total assets		**$ 43 789 744**	$ 47 370 440
Liabilities			
Current liabilities			
Bank loans	*6*	**$ -**	$ 1 990 000
Trade and other payables		**6 279 810**	6 547 381
Deferred revenues		**2 600 401**	2 043 019
Income taxes payable		**191 202**	153 296
Current portion of long-term debt	*7*	**4 966 075**	4 235 713
Warranty provision		**343 142**	356 212
Foreign exchange forward contracts		**191 215**	-
Total current liabilities		**14 571 845**	15 325 621
Non-current liabilities			
Long-term debt	*7*	**8 639 243**	9 156 052
Warranty provision		**422 794**	426 014
Foreign exchange forward contracts		**389 906**	-
Deferred tax liabilities		**142 709**	386 078
Total non-current liabilities		**9 594 652**	9 968 144
Total liabilities		**24 166 497**	25 293 765
Equity			
Share capital	*8*	**13 300 277**	12 629 730
Share capital to be issued		**-**	567 000
Contributed surplus		**2 081 141**	2 063 660
Accumulated other comprehensive income		**473 710**	2 080 560
Retained earnings		**3 768 119**	4 735 725
Total equity		**19 623 247**	22 076 675
Total liabilities and equity		**$ 43 789 744**	$ 47 370 440

The notes on pages 7 to 20 are an integral part of these unaudited condensed consolidated interim financial statements.

SAVARIA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Periods of three months ended September 30		Periods of nine months ended September 30	
	2011	2010	**2011**	2010
Revenue	**$ 17 394 504**	$ 17 681 407	**$ 48 915 946**	$ 47 863 674
Cost of sales	**(12 263 197)**	(12 712 503)	**(35 268 127)**	(34 428 954)
Gross margin	**5 131 307**	4 968 904	**13 647 819**	13 434 720
Operating costs				
Administrative expenses	**(1 870 197)**	(1 894 977)	**(5 391 445)**	(5 124 512)
Selling expenses	**(1 354 673)**	(1 470 682)	**(4 100 545)**	(3 761 094)
Engineering and research and development expenses	**(599 253)**	(616 335)	**(1 796 996)**	(1 668 475)
	(3 824 123)	(3 981 994)	**(11 288 986)**	(10 554 081)
Other income (costs)	**-**	401 921	**(876)**	427 571
Operating income	**1 307 184**	1 388 831	**2 357 957**	3 308 210
Finance income	**641 389**	10 600	**715 782**	459 519
Finance costs	**(175 101)**	(388 879)	**(830 229)**	(834 980)
Net finance income (costs)	**466 288**	(378 279)	**(114 447)**	(375 461)
Income before income tax	**1 773 472**	1 010 552	**2 243 510**	2 932 749
Income tax expense	**(487 235)**	(243 749)	**(640 028)**	(852 759)
Net income for the period	**1 286 237**	766 803	**1 603 482**	2 079 990
Other comprehensive income				
Change in the fair value of foreign exchange contracts designated as cash flow hedges	**(581 120)**	1 117 016	**(552 813)**	2 149 195
Deferred income tax	**147 665**	(302 896)	**140 082**	(597 512)
	(433 455)	814 120	**(412 731)**	1 551 683
Gains on foreign exchange contracts transferred to net income in the current period	**(470 344)**	(716 018)	**(1 757 761)**	(1 542 222)
Deferred income tax	**125 781**	208 576	**470 680**	449 249
	(344 563)	(507 442)	**(1 287 081)**	(1 092 973)
Net change in fair value of derivatives designated as cash flow hedges	**(778 018)**	306 678	**(1 699 812)**	458 710
Unrealized net gains (losses) on translation of financial statements of self-sustaining foreign operations	**108 945**	(14 876)	**92 962**	7 664
Other comprehensive (loss) income for the period, net of income tax	**(669 073)**	291 802	**(1 606 850)**	466 374
Total comprehensive income (loss) for the period	**$ 617 164**	$ 1 058 605	**$ (3 368)**	$ 2 546 364
Earnings per share:				
Basic	**$ 0,056**	$ 0,033	**$ 0,070**	$ 0,093
Diluted	**$ 0,055**	$ 0,033	**$ 0,069**	$ 0,092

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SAVARIA CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period of nine months ended September 30,
(Unaudited)

	2010						
	Share capital		Share capital to be issued	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
	Number	Amount					
Balance at January 1, 2010	**22 158 219**	**$ 12 633 431**	**$ -**	**$ 1 909 785**	**$ 2 011 534**	**$ 4 217 289**	**$ 20 772 039**
<u>Total comprehensive income for the period</u>							
Net Income for the period	-	-	-	-	-	2 079 990	**2 079 990**
Other comprehensive income :							
Change in the fair value of foreign exchange contracts designated as cash flow hedges, net of tax	-	-	-	-	1 551 683	-	**1 551 683**
Gains on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	-	(1 092 973)	-	**(1 092 973)**
Unrealized net gains on translation of financial statements of self-sustaining foreign operations	-	-	-	-	7 664	-	**7 664**
Total other comprehensive income	-	-	-	-	466 374	-	**466 374**
Total comprehensive income for the period	-	$ -	$ -	$ -	$ 466 374	$ 2 079 990	**$ 2 546 364**
<u>Transactions with owners, recorded directly in equity</u>							
Cancelled shares following issuer bid	(111 500)	(63 570)	-	-	-	(37 750)	**(101 320)**
Compensation expense on options granted	-	-	-	124 701	-	-	**124 701**
Dividends on common shares	-	-	-	-	-	(1 868 724)	**(1 868 724)**
Shares to be issued in relation to a business acquisition (note 4)	-	-	567 000	-	-	-	**567 000**
Shares issued in relation to a business acquisition (note 4)	100 000	120 000	-	-	-	-	**120 000**
Total transactions with owners	(11 500)	56 430	567 000	124 701	-	(1 906 474)	**(1 158 343)**
Balance at September 30, 2010	**22 146 719**	**$ 12 689 861**	**$ 567 000**	**$ 2 034 486**	**$ 2 477 908**	**$ 4 390 805**	**$ 22 160 060**

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SAVARIA CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period of nine months ended September 30,
(Unaudited)

	2011						
	Share capital		Share capital to be issued	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
	Number	Amount					
Balance at January 1, 2011	**22 017 564**	**$ 12 629 730**	**$ 567 000**	**$ 2 063 660**	**$ 2 080 560**	**$ 4 735 725**	**$ 22 076 675**
Total comprehensive income for the period							
Net income for the period	-	-	-	-	-	1 603 482	**1 603 482**
Other comprehensive income :							
Change in the fair value of foreign exchange contracts designated as cash flow hedges, net of tax	-	-	-	-	(412 731)	-	**(412 731)**
Gains on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	-	(1 287 081)	-	**(1 287 081)**
Unrealized net gains on translation of financial statements of self-sustaining foreign operations	-	-	-	-	92 962	-	**92 962**
Total other comprehensive income	-	-	-	-	(1 606 850)	-	**(1 606 850)**
Total comprehensive income for the period	-	$ -	$ -	$ -	$ (1 606 850)	$ 1 603 482	**$ (3 368)**
Transactions with owners, recorded directly in equity							
Cancelled shares following issuer bid	(199 400)	(114 563)	-	-	-	(203 559)	**(318 122)**
Compensation expense on options granted	-	-	-	70 591	-	-	**70 591**
Share options exercised	132 500	218 110	-	(53 110)	-	-	**165 000**
Dividends on common shares	-	-	-	-	-	(2 367 529)	**(2 367 529)**
Shares issued in relation to a business acquisition (note 4)	1 000 000	567 000	(567 000)	-	-	-	**-**
Total transactions with owners	933 100	670 547	(567 000)	17 481	-	(2 571 088)	**(2 450 060)**
Balance at September 30, 2011	**22 950 664**	**$ 13 300 277**	**$ -**	**$ 2 081 141**	**$ 473 710**	**$ 3 768 119**	**$ 19 623 247**

The notes on pages 7 to 20 are an integral part of these unaudited condensed consolidated interim financial statements.

SAVARIA CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Note	Periods of three months ended September 30		Periods of nine months ended September 30	
		2011	2010	**2011**	2010
Cash flow from operating activities					
Net income for the period		**$ 1 286 237**	$ 766 803	**$ 1 603 482**	$ 2 079 990
Adjustments for :					
Depreciation of fixed assets		**185 124**	140 084	**537 969**	367 566
Amortization of intangible assets		**200 493**	252 235	**587 557**	570 455
Change in the fair value of restructured notes and put option		**(126 351)**	46 307	**(130 472)**	(13 258)
Income tax expense		**487 235**	243 749	**640 028**	852 759
Capitalized finance costs on long-term debt		**48 938**	124 688	**165 225**	180 927
Compensation expense on share options granted		**14 460**	39 878	**70 591**	124 701
Foreign exchange contracts cashed in advance		**-**	460 000	**-**	2 530 000
Gains on foreign exchange contracts cashed in advance and transferred to net income		**(470 344)**	(709 036)	**(1 624 057)**	(1 410 037)
Loss on the sale of fixed assets		**-**	-	**-**	500
Unrealized foreign exchange gain on non-current monetary items		**247 847**	(79 417)	**161 619**	(35 187)
Business acquisition at a bargain purchase price		**-**	(398 083)	**-**	(398 083)
Income tax paid		**(38 627)**	(15 082)	**(139 856)**	(46 822)
Interest cost		**126 163**	235 993	**419 710**	452 476
		1 961 175	1 108 119	**2 291 796**	5 255 987
Net changes in non-cash operating items	*9*	**(186 292)**	(721 875)	**(1 455 212)**	(1 921 756)
Net cash from operating activities		**1 774 883**	386 244	**836 584**	3 334 231
Cash flows from investing activities					
Business acquisition, net of cash acquired	*4*	**-**	(3 096 498)	**-**	(3 869 281)
Change in long-term investments		**8 360**	2 489 664	**85 408**	4 185 793
Change in restricted cash		**100 000**	100 000	**300 000**	300 000
Proceeds from sales of fixed assets		**27 490**	-	**27 490**	32 160
Additions to fixed assets		**(76 353)**	(67 842)	**(383 385)**	(218 498)
Increase in amortizable intangible assets		**(28 965)**	(55 006)	**(180 999)**	(510 625)
Increase in long-term loans		**-**	-	**(20 888)**	(233 655)
Proceeds from long-term loans		**21 937**	17 330	**76 935**	44 216
Net cash from (used in) investing activities		**52 469**	(612 352)	**(95 439)**	(269 890)
Cash flows from financing activities					
Changes in bank loans		**-**	(400 000)	**(1 990 000)**	(1 080 000)
Increase in long-term debt	*7*	**-**	2 000 000	**2 628 310**	2 040 605
Repayment of borrowings		**(834 919)**	(508 458)	**(2 679 978)**	(1 567 955)
Interest paid		**(123 929)**	(236 684)	**(417 476)**	(453 167)
Repurchase of common shares		**(35 872)**	-	**(318 122)**	(101 320)
Proceeds from exercise of share options		**-**	-	**165 000**	-
Dividends paid on common shares		**-**	-	**(2 367 529)**	(1 868 724)
Net cash (used in) from financing activities		**(994 720)**	854 858	**(4 979 795)**	(3 030 561)
Net change in cash		**832 632**	628 750	**(4 238 650)**	33 780
Cash at the beginning of the period		**969 338**	4 228 194	**6 040 620**	4 823 164
Cash at the end of the period		**$ 1 801 970**	$ 4 856 944	**$ 1 801 970**	$ 4 856 944

The notes on pages 7 to 20 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 2724 Etienne-Lenoir, Laval, Quebec. The condensed consolidated interim financial statements of the Corporation as at and for the periods ended September 30, 2011 comprise the accounts of Savaria Corporation and its wholly owned subsidiaries (together referred to as the "Corporation"). The activities of the Corporation consist of manufacturing, installing and distributing elevators, platforms and stairlifts for people with mobility challenges as well as converting and adapting vehicles also for persons with mobility challenges.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2010 which were prepared under Canadian generally accepted accounting principles ("GAAP") are available upon request from the Corporation's registered office or at www.savaria.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.

An explanation of how the transition to IFRSs has affected the reported financial position and financial performance of the Corporation is provided in note 11. This note includes reconciliations of equity as at September 30, 2010 and total comprehensive income for comparative periods reported under Canadian GAAP to those reported under IFRSs.

Certain information and footnote disclosures which are considered material to the understanding of the Corporation's condensed consolidated interim financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are presented in note 11 along with reconciliations and description of the effect of the transition from Canadian GAAP to IFRS. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements under IFRS and should be read in conjunction with the annual financial statements of the Corporation as well as the consolidated financial statements for the quarters ended March 31 and June 30, 2011 and the notes thereto. These condensed consolidated interim financial statements have not been the subject of a review or an audit by the Corporation's auditors but were approved by the Board of Directors on November 7, 2011.

3 . Significant accounting policies

The condensed consolidated interim financial statements as at September 30, 2011 have been prepared following the same accounting policies used in the condensed consolidated interim financial statements for the periods ended March 31 and June 30, 2011.

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

The accounting policies have been applied consistently by Corporation's entities.

4 . Business acquisitions

(i) Concord Elevator London Ltd ("Concord London")

On February 1, 2010, the Corporation acquired 100% of the outstanding common shares of Concord London, a retailer specialized in the installation and maintenance of elevators and platform lifts in the province of Ontario. The agreement provided for an initial payment of $1,500,000 on the date of acquisition and four annual payments of $600,000 on the anniversary date of the acquisition. This note payable bears no interest and was recorded at its estimated fair value based on the net present value of the future cash flows calculated at a rate of 6.5%. The transaction included a potential 1 million common shares to be issued one year after the signing of the agreement if the condition of a potential union bargaining right being nullified was met. The fair value of the common shares to be issued was based on the listed share price of the Corporation of $0.81 on February 1, 2010, discounted by 12.5% to reflect the one-year period before the share issuance, and also adjusted to reflect the probability that the condition be met.The Corporation estimated at 80% the probability that this condition would be met. The shares to be issued have been recorded in the amount of $567,000 under the heading of share capital to be issued and were issued in February 2011.

Acquisition related costs that include legal fees and due diligence costs amounting to $119,918 have been included in Administrative expenses for the first quarter of 2010. Goodwill in the amount of $2,638,317 has been recognized following this acquisition.

Trade and other receivables are comprised of trade receivables with gross contractual amounts of $984,020 and allowance for bad debt of $24,147 for a net amount of $959,873. The full net amount has been collected.

Revenues and net income in the amount of $3,971,561 ($3,333,778 in 2010) and $413,492 ($264,891 in 2010), respectively, are included in the condensed consolidated statement of comprehensive income for the nine-month period ended on September 30, 2011.

(ii) Concord Elevator (Alberta) Ltd. ("Concord Alberta")

On July 19, 2010, the subsidiary Savaria Lifts Ltd. acquired certain assets and liabilities of Concord Alberta, a retailer specialized in the installation and maintenance of elevators and platform lifts in the province of Alberta. The agreement provides for an initial payment of $240,000 on the date of acquisition as well as a payment of $100,000 on the first anniversary date of the acquisition. The note payable bears no interest and was recorded at its estimated fair value based on the net present value of the future cash flows calculated at a rate of 6.5%. Acquisition related costs that include legal fees and due diligence costs were not significant. Goodwill in the amount of $290,546 has been recognized following this acquisition.

Revenues and net income (loss) in the amount of $850,817 ($119,011 in 2010) and $5,484 (loss of $49,127 in 2010), respectively, are included in the condensed consolidated statement of comprehensive income for the nine-month period ended on September 30, 2011.

(iii) Freedom Motors Inc. ("Freedom")

On August 2, 2010, the Corporation acquired 100% of the outstanding common shares of Freedom, a corporation specialized in the conversion of mini-vans for people with disabilities. The agreement provided for an initial payment of $2,560,000 on the date of acquisition as well as a payment of $500,000 on the first anniversary date of the acquisition. The note payable related to this acquisition bears no interest and was recorded at its estimated fair value based on the net present value of the future cash flows calculated at a rate of 6.5%. Acquisition related costs that include legal fees and due diligence costs amounting to $71,981 have been included in Administrative expenses for the third quarter of 2010. Goodwill in the amount of $616,214 has been recognized following this acquisition.

4 . Business acquisitions (continued)

(iii) Freedom (continued)

Trade and other receivables are comprised of trade receivables with gross contractual amounts of $748,856 and allowance for bad debt of $19,412 for a net amount of $729,444. The full net amount has been collected.

(iv) The Liberty Motor Co. Inc. ("Liberty")

On August 2, 2010, the Corporation acquired 100% of the outstanding common shares of Liberty, a corporation specialized in the conversion of mini-vans for people with disabilities. The agreement provided for the issuance of 100,000 common shares and an initial payment of $250,000 on the date of acquisition as well as two annual payments of $125,000 on the anniversary date of the acquisition. The fair value of the common shares issued was based on the listed share price of the Corporation of $1.20 on August 31, 2010. The note payable related to this acquisition bears no interest and was recorded at its estimated fair value based on the net present value of the future cash flows calculated at a rate of 6.5%. Acquisition related costs that include legal fees and due diligence costs amounting to $83,308 have been included in Administrative expenses for the third quarter of 2010.

Since the net value of the identifiable assets acquired and liabilities assumed exceeded the consideration paid, a gain in the amount of $398,083 has been included in the Other revenues in the third Quarter of 2010. This transaction resulted in a gain because of the recognition of deferred tax assets related to accumulated losses for years prior to the acquisition.

Trade and other receivables are comprised of trade receivables with gross contractual amounts of $580,219 and recoverable sales tax of $112,521. The full amount has been collected.

The operations of Freedom and Liberty have been integrated into one entity as of January 1, 2011. Revenues and net losses for this combined entity in the amount of $3,623,344 ($1,405,529 in 2010) and $274,053 ($68,190 in 2010), respectively, are included in the condensed consolidated statement of comprehensive income for the nine-month period ended on September 30, 2011.

These acquisitions have been accounted for using the purchase method, and the operating results have been included in the consolidated financial statements from the dates of acquisition. The breakdown of the purchase price presented below is final.

	Concord London	Concord Alberta	Freedom	Liberty	Total
Assets acquired					
Cash	$ 727 217	$ -	$ -	$ -	**$ 727 217**
Current asset items	1 497 478	87 795	2 016 070	2 021 988	**5 623 331**
Fixed assets	221 377	9 500	113 998	148 725	**493 600**
Amortizable intangible assets	913 000	170 000	668 000	270 000	**2 021 000**
Deferred tax assets	-	-	-	420 673	**420 673**
Goodwill	2 638 317	290 546	616 214	-	**3 545 077**
	5 997 389	557 841	3 414 282	2 861 386	**12 830 898**
Liability assumed					
Bank indebtedness	-	-	22 038	15 953	**37 991**
Current liability items	1 532 482	205 142	243 247	1 897 143	**3 878 014**
Deferred tax liability	327 479	-	139 864	-	**467 343**
Warranty provision	-	-	54 000	40 000	**94 000**
Note payable	-	-	-	110 207	**110 207**
Long-term debt	35 855	4 192	-	-	**40 047**
	$ 1 895 816	$ 209 334	$ 459 149	$ 2 063 303	**$ 4 627 602**

4 . Business acquisitions (continued)

	Concord London	Concord Alberta	Freedom	Liberty	Total
Fair value of net assets acquired	$ 4 101 573	$ 348 507	$ 2 955 133	$ 798 083	**$ 8 203 296**
Cash (bank indebtedness) in acquired operations	727 217	-	(22 038)	(15 953)	**689 226**
Other income (bargain purchase gain)	-	-	-	398 083	**398 083**
Share capital to be issued	567 000	-	-	-	**567 000**
Share capital issued	-	-	-	120 000	**120 000**
Notes payable, current portion	542 474	100 000	395 133	30 000	**1 067 607**
Note payable, long-term portion	1 492 099	-	-	-	**1 492 099**
Cash flows related to the acquisitions	$ 772 783	$ 248 507	$ 2 582 038	$ 265 953	**$ 3 869 281**

Of the $2,021,000 of acquired intangible assets, $874,000 was assigned to customer lists, $870,000 to maintenance contracts, $260,000 to customer orders and $17,000 to a lease at favourable rate.

The $3,545,077 of goodwill was assigned to the Accessibility and the Adapted vehicles segments in the amounts of $2,928,863 and $616,214, respectively. Of that total amount, $149,840 is deductible for tax purposes. The beginning balance of $506,230, associated with the Accessibility segment, is added to this amount of $3,545,077 for a total amount of goodwill of $4,051,307 as at September 30, 2011.

5 . Long-term investments

	September 30, 2011	December 31, 2010
Restructured notes (face value of $1,933,988, $1,917,356 as of December 31, 2010)	**$ 1 363 632**	$ 1 290 041
Put option	**180 297**	208 824
	1 543 929	1 498 865
Less : Current portion	**772 853**	794 770
	$ 771 076	**$ 704 095**

Restructured Notes

The Corporation holds investments with a face value of $1,933,988 (US$1,845,056) that are invested in restructured notes following the replacement of Asset-Backed Commercial Paper. These investments were valued at their fair value at period end.

Valuation

The fair value estimate of the restructured notes has been calculated based on information provided by BlackRock Canada Ltd., the asset administrator, and other publicly available information.

Using this information, the Corporation was able to determine the key characteristics of each class of restructured notes received: face value, credit rating, interest rate, projected interest payments and maturity date. The Corporation then estimated the return that a prospective investor would require for each class of notes ("Required Yield") in order to calculate the net present value of the future cash flows for each class using the Required Yield as the discount factor.

5 . Long-term investments (continued)

During the first three quarters, the fair value of the restructured notes was affected by a number of factors including a lessening in the perceived risk of the MAV 2 Class C notes, a general improvement in the credit markets, improvements in the net asset value of certain tracking notes, the volatility in the value of the US dollar in relation to the Canadian dollar and the simple passage of time. As a result of its analysis, the Corporation estimated the fair value of these notes to be $1,363,632 (US$1,300,928) as at September 30, 2011. Accordingly, the Corporation recorded a $158,999 gain during the period. Following this change in value, there remains a balance of the reserve for impairment of $570,356 (US$544,128).

It is to be pointed out that these notes are subject to uncertainty as to their eventual cash value. Although management believes that its valuation technique is appropriate under the circumstances, changes in significant assumptions could materially affect the value of the restructured notes in upcoming periods. The resolution of these uncertainties could result in the ultimate value of these investments varying significantly from management's current best estimates.

During the nine-month period, the Corporation received a total of $85,408 (US$87,588) in repayment of certain restructured notes. The amounts received were used as a partial reimbursement on loans secured by the restructured notes. As at September 30, 2011, the face value and estimated fair value of the remaining restructured notes are broken down as follows:

Restructuring categories	**US $**		**Expected maturity date**
	Face value	**Estimated fair value**	
MAV 2 Notes			
A1 (rated A)	835 383	729 066	July 15, 2056
C	25 922	6 554	July 15, 2056
Ineligible asset tracking notes			
MAV 2 - Class 13	131 524	78 246	March 20, 2014
MAV 3 - Class 25	852 227	487 062	December 25, 2036
Total investments	**1 845 056**	**1 300 928**	

In 2009, the Corporation signed two long-term financing agreements with its financial institution to ensure the sufficient availability of liquidity to meet its financial obligations while awaiting the disposal of the restructured notes. These agreements were renewed for an additional year during the second quarter of 2011 and now mature in March 2012 and March 2013. The loans are renewable on a yearly basis up to a maximum of four years for the first agreement and three years for the second agreement.

The Corporation holds an option to assign to the bank the ownership of its ineligible asset-tracking notes as well as any proceeds therefrom as payment of 75% of the principal on the related debt. As at September 30, 2011, the Corporation estimated the fair value of this option at $180,297 (US$172,006). The estimated fair value is based on the balance of the portion of the loan related to this option minus the fair value of the applicable notes.

The Corporation also holds an option to assign to the bank the ownership of its MAV 2 notes as well as any proceeds therefrom as payment of 45% of the principal on the related debt. As at September 30, 2011, the Corporation estimated the fair value of this option to be nil. The estimated fair value is based on the balance of the portion of the loan related to the option minus the fair value of the applicable notes.

6 . Bank Loans

On May 13, 2011, the Corporation entered into an agreement with its financial institution for a line of credit in the amount of $500,000 for its subsidiary Van-Action (2005) Inc. ("Van-Action"). The amount drawn on the line of credit may not exceed 90% of Canadian trade receivables that benefit from a grant, 80% of all other trade receivables and 50% of raw material and finished goods inventory. A movable hypothec from Van-Action in the amount of $2,000,000 on its overall assets and a guarantee pursuant to Section 427 of the *Bank Act* on inventories have been pledged as securities. The line of credit bears interest at prime plus 0.5%. The line of credit in the amount of $1,500,000 that Van-Action previously had has been cancelled.

7 . Long-Term debt

On May 13, 2011, the Corporation entered into an agreement with its financial institution for a long-term debt in the amount of $2,500,000. The terms of the agreement include an amortization period of 36 months with a monthly payment in capital of $41,667 plus interest for the first 24 months and of $125,000 plus interest for the last 12 months and an interest rate of prime plus 1%. The loan is secured by surety bonds in the amount of $2,500,000 by each of the subsidiaries Savaria Concord Lifts Inc., Van-Action and Freedom.

8 . Share capital

In February 2011, in accordance with the purchase agreement for Concord London (note 4), the Corporation issued 1 million common shares at a cost of $0.567 per share. The cost per share was based on the market price that applied on the date of the acquisition but which was discounted to reflect the one-year period before the share issuance and was adjusted to reflect the probability estimated by management that the condition, which had to occur for the issuance of the shares to take place, be met.

During the nine months ended September 30, 2011, the Corporation repurchased 199,400 common shares at an average price of $1.60 per share by way of a normal course issuer bid. The excess of the price paid over the book value of the repurchased shares has been recorded against retained earnings.

9 . Net changes in non-cash operating items

	Periods of three months ended September 30		Periods of nine months ended September 30	
	2011	**2010**	**2011**	**2010**
Trade and other receivables	**$ (629 659)**	$ (381 409)	**$ (2 120 346)**	$ (1 246 103)
Tax credits receivable	**18 991**	(158 947)	**(125 770)**	40 002
Inventories	**537 172**	(137 552)	**558 911**	483 909
Prepaid expenses	**(76 733)**	250 446	**(39 294)**	(64 138)
Trade and other payables	**(287 041)**	(622 726)	**(269 805)**	(1 376 992)
Deferred revenues	**245 358**	177 625	**557 382**	115 647
Warranty provision	**5 620**	150 688	**(16 290)**	125 919
	$ (186 292)	**$ (721 875)**	**$ (1 455 212)**	**$ (1 921 756)**

10 . Operating segments

Information about the operating segments

The Corporation's business structure is divided into two segments: the first consists of manufacturing and distributing residential and commercial accessibility equipment for people with mobility challenges (Accessibility), and the second consists of converting and adapting vehicles for persons with mobility challenges (Adapted Vehicles).

SAVARIA CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

10 . Operating segments (continued)

Periods of three months ended September 30

	2011			2010		
	Accessibility	**Adapted Vehicles**	**Total**	**Accessibility**	**Adapted Vehicles**	**Total**
External revenues	**$ 14 071 493**	**$ 3 323 011**	**$ 17 394 504**	$ 13 276 276	$ 4 405 131	$ 17 681 407
Income (loss) before income tax	**$ 2 144 406**	**$ (34 636)**	**$ 2 109 770**	$ 1 038 650	$ 174 064	$ 1 212 713

Periods of nine months ended September 30

	2011			2010		
	Accessibility	**Adapted Vehicles**	**Total**	**Accessibility**	**Adapted Vehicles**	**Total**
External revenues	**$ 37 776 026**	**$ 11 139 920**	**$ 48 915 946**	$ 37 975 361	$ 9 888 313	$ 47 863 674
Income (loss) before income tax	**$ 3 309 885**	**$ (203 732)**	**$ 3 106 153**	$ 3 516 524	$ 165 394	$ 3 681 918

	September 30, 2011			September 30, 2010		
	Accessibility	**Adapted Vehicles**	**Total**	**Accessibility**	**Adapted Vehicles**	**Total**
Segment's assets	**$ 32 647 128**	**$ 8 814 857**	**$ 41 461 985**	$ 35 711 074	$ 8 463 559	$ 44 174 633
Segment's liabilities	**$ 10 888 516**	**$ 6 621 916**	**$ 17 510 432**	$ 8 659 664	$ 7 975 952	$ 16 635 616

Reconciliations of operating segments and the consolidated balances

	Periods of three months ended September 30		Periods of nine months ended September 30	
	2011	**2010**	**2011**	**2010**
Income before income tax				
Total income of segments, before income tax	**$ 2 109 770**	$ 1 212 713	**$ 3 106 153**	$ 3 681 918
Unallocated amounts:				
Finance costs	**(244 312)**	(41 959)	**(477 317)**	(403 547)
Other corporate expenses (1)	**(91 986)**	(160 202)	**(385 326)**	(345 622)
Income before income tax	**$ 1 773 472**	**$ 1 010 552**	**$ 2 243 510**	**$ 2 932 749**

	September 30	
	2011	**2010**
Assets		
Total assets of segments	**$ 41 461 985**	$ 44 174 633
Unallocated amounts (2)	**2 327 759**	2 571 909
Total consolidated assets	**$ 43 789 744**	**$ 46 746 542**
Liabilities		
Total liabilities of segments	**$ 17 510 432**	$ 16 635 616
Unallocated amounts (2)	**6 656 065**	7 950 866
Total consolidated liabilities	**$ 24 166 497**	**$ 24 586 482**

(1) Salaries, professional fees and other corporate expenses not included in the segments' income

(2) Assets and liabilities not included in the assets and liabilities of the segments

11 . Explanation of transition to IFRS

As stated in note 2, the Corporation's consolidated financial statements have been prepared in accordance with IFRS.

The accounting policies in accordance with IFRS have therefore been applied in preparing the interim financial statements for the three and nine-month periods ended September 30, 2011, the comparative information presented in these interim financial statements for the three and nine-month periods ended September 30, 2010 and the year ended December 31, 2010.

An explanation of how the transition from previous Canadian GAAP to IFRSs has affected the Corporation's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

11 . Explanation of transition to IFRSs (continued)
Reconciliation of equity

	Note	September 30, 2010		
		Canadian GAAP	**IFRS adjustments**	**IFRSs**
Assets				
Current assets				
Cash		$ 4 856 944	$ -	$ 4 856 944
Restricted cash		400 000	-	400 000
Trade and other receivables		11 057 640	-	11 057 640
Foreign exchange forward contracts		42 494	-	42 494
Current portion of long-term loans		47 680	-	47 680
Tax credits receivable		681 485	-	681 485
Inventories		14 889 404	-	14 889 404
Prepaid expenses		1 052 665	-	1 052 665
Deferred tax assets	*c*	209 798	(209 798)	-
Current portion of long-term investments	*d*	-	839 559	839 559
Total current assets		33 238 110	629 761	33 867 871
Non-current assets				
Restricted cash		1 200 000	-	1 200 000
Tax credits receivable		365 202	-	365 202
Long-term loans		348 485	-	348 485
Fixed assets	*a*	1 878 041	116 680	1 994 721
Goodwill	*b*	5 096 791	(922 964)	4 173 827
Other intangible assets	*a*	3 348 470	209 504	3 557 974
Long-term investments	*d*	1 585 250	(839 559)	745 691
Deferred tax assets	*c*	399 839	92 932	492 771
Total non-current assets		14 222 078	(1 343 407)	12 878 671
Total assets		**$ 47 460 188**	**$ (713 646)**	**$ 46 746 542**

11 . Explanation of transition to IFRSs (continued)
Reconciliation of equity (continued)

	Note	September 30, 2010		
		Canadian GAAP	**IFRS adjustments**	**IFRSs**
Liabilities				
Current liabilities				
Trade and other payables	*a*	$ 7 561 051	$ (187 686)	$ 7 373 365
Deferred revenues		1 598 771	-	1 598 771
Income taxes payable		284 219	-	284 219
Current portion of a note payable relating to a business acquisition		1 168 622	-	1 168 622
Current portion of long-term debt	*d*	2 249 436	938 831	3 188 267
Warranty provision		299 719	-	299 719
Deferred tax liabilities		202 506	-	202 506
Total current liabilities		13 364 324	751 145	14 115 469
Non-current liabilities				
Long-term debt	*d*	9 004 492	(938 831)	8 065 661
Warranty provision		356 560	-	356 560
Note payable relating to a business acquisition		1 672 429	-	1 672 429
Deferred tax liabilities		376 363	-	376 363
Total non-current liabilities		11 409 844	(938 831)	10 471 013
Total liabilities		24 774 168	(187 686)	24 586 482
Equity				
Share capital	*a*	12 686 861	3 000	12 689 861
Share capital to be issued	*a*	1 200 000	(633 000)	567 000
Contributed surplus	*e*	1 980 792	53 694	2 034 486
Accumulated other comprehensive income		2 477 908	-	2 477 908
Retained earnings	*f*	4 340 459	50 346	4 390 805
Total equity		22 686 020	(525 960)	22 160 060
Total liabilities and equity		**$ 47 460 188**	**$ (713 646)**	**$ 46 746 542**

11 . Explanation of transition to IFRSs (continued)
Reconciliation of comprehensive income

	Note	Period of three months ended September 30, 2010				Period of nine months ended September 30, 2010			
		Canadian GAAP	IFRS reclassifications	IFRS adjustments	IFRSs	Canadian GAAP	IFRS reclassifications	IFRS adjustments	IFRSs
Revenue		$ 17 681 407	$ -	$ -	$ 17 681 407	$ 47 863 674	$ -	$ -	$ 47 863 674
Cost of sales		(12 621 153)	(91 350)	-	(12 712 503)	(34 182 169)	(246 785)	-	(34 428 954)
Gross margin		5 060 254	(91 350)	-	4 968 904	13 681 505	(246 785)	-	13 434 720
Operation costs									
Administrative expenses	*a*	-	(1 737 367)	(157 610)	(1 894 977)	-	(4 846 984)	(277 528)	(5 124 512)
Selling expenses		-	(1 470 682)	-	(1 470 682)	-	(3 761 094)	-	(3 761 094)
Engineering and research and development expenses		-	(616 335)	-	(616 335)	-	(1 668 475)	-	(1 668 475)
Selling and administrative expenses		(3 523 415)	3 523 415	-	-	(9 585 317)	9 585 317	-	-
		(3 523 415)	(300 969)	(157 610)	(3 981 994)	(9 585 317)	(691 236)	(277 528)	(10 554 081)
Amortization		(392 319)	392 319	-	-	(938 021)	938 021		-
Other income	*a*	-	3 838	398 083	401 921	-	29 488	398 083	427 571
Operating income		1 144 520	3 838	240 473	1 388 831	3 158 167	29 488	120 555	3 308 210
Finance income		-	10 600	-	10 600	-	459 519	-	459 519
Finance costs		-	(388 879)	-	(388 879)	-	(834 980)	-	(834 980)
Other revenues and expenses		(374 441)	374 441	-	-	(345 973)	345 973	-	-
Net finance costs		(374 441)	(3 838)	-	(378 279)	(345 973)	(29 488)	-	(375 461)
Income before income tax		770 079	-	240 473	1 010 552	2 812 194	-	120 555	2 932 749
Income tax expense		(243 749)	-	-	(243 749)	(852 759)	-	-	(852 759)
Net income for the period		**526 330**	**-**	**240 473**	**766 803**	**1 959 435**	**-**	**120 555**	**2 079 990**
Other comprehensive income									
Change in the fair value of foreign exchange contracts designated as cash flow hedges		1 117 016	-	-	1 117 016	2 149 195	-	-	2 149 195
Deferred income tax		(302 896)	-	-	(302 896)	(597 512)	-	-	(597 512)
		814 120	-	-	814 120	1 551 683	-	-	1 551 683
Gains on foreign exchange contracts transferred to net income in the current period		(716 018)	-	-	(716 018)	(1 542 222)	-	-	(1 542 222)
Deferred income tax		208 576	-	-	208 576	449 249	-	-	449 249
		(507 442)	-	-	(507 442)	(1 092 973)	-	-	(1 092 973)
Net change in fair value of derivatives designated as cash flow hedges		306 678	-	-	306 678	458 710	-	-	458 710
Unrealized net (losses) gains on translation of financial statements of self-sustaining foreign operations		(14 876)	-	-	(14 876)	7 664	-	-	7 664
Other comprehensive income, net of income tax		291 802	-	-	291 802	466 374	-	-	466 374
Total comprehensive income		**$ 818 132**	**$ -**	**$ 240 473**	**$ 1 058 605**	**$ 2 425 809**	**$ -**	**$ 120 555**	**$ 2 546 364**
Earnings per share:									
Basic		$ 0,023	$ -	$ 0,010	$ 0,033	$ 0,087	$ -	$ 0,006	$ 0,093
Diluted		$ 0,023	$ -	$ 0,010	$ 0,033	$ 0,086	$ -	$ 0,006	$ 0,092

11 . Explanation of transition to IFRS (continued)

Material adjustments to the statement of cash flows for 2010

Consistent with the Corporation's accounting policy choice under IAS 7, *Statement of Cash Flows* , interest paid and income taxes paid have been moved into the body of the *Statement of Cash Flows* , whereas they were previously disclosed as supplementary information. Acquisition costs of $119,918 in the 1st quarter and of $155,289 in the 3rd quarter of 2010 are presented in the net income for the period, whereas, according to GAAP, they were included in the cost related to a business acquisition. Furthermore, the non-cash items related to a business acquisition at a bargain price, totaling $395,911 and recognized in the 3rd quarter of 2010, have been reclassified in the body of the *Statement of cash flows* .

There are no other material differences between the *Statement of cash flows* presented under IFRSs and the *Statement of cash flows* presented under previous Canadian GAAP.

Notes to the reconciliations

(a) Business combination exemption

The Corporation elected to apply IFRSs retrospectively to all business combinations that occurred on or after January 1, 2010. As a condition under IFRS 1 for applying this exemption, goodwill relating to business combinations that occurred prior to January 1, 2010 was tested for impairment even though no impairment indicators were identified. No impairment existed at the date of transition.

The impact arising from the change is summarized as follows:

	Note		**September 30, 2010**
Consolidated statement of financial position			
Increase in fixed assets	**a.1**		$ 116 680
Decrease in goodwill	**b**		(922 964)
Increase in intangible assets	**a.1**		209 504
Decrease in deferred tax assets	**a.2 , b.2**		(116 866)
Decrease in trade and other payables	**a.3**		187 686
Increase in share capital	**a.4**		(3 000)
Decrease in share capital to be issued	**a.5**		633 000
Increase in retained earnings			**$ 104 040**
Periods of three and nine months ended on September 30, 2010:		3 months	9 months
Consolidated statement of comprehensive income			
Increase in other income	**a.6**	$ (398 083)	$ (398 083)
Increase in administrative expenses	**a.7**	157 610	277 528
Increase in total comprehensive income	**a.8**	**$ (240 473)**	**$ (120 555)**

(a.1) Recognition of a bargain purchase gain instead of reduction of the long-term assets and related deferred tax assets.

(a.2) Recognition of deferred tax liabilities of $62,438 on long-term assets and reversal of deferred tax assets of $54,428 related to the reversal of provisions totaling $187,686.

(a.3) Reversal of non-admissible provisions related to savings in rental expenses of $114,858 for the Freedom subsidiary and of $72,828 for the Liberty subsidiary.

11 . Explanation of transition to IFRS (continued)

Notes to the reconciliations (continued)

(a.4) Difference in the share value calculation related to the share payment.

(a.5) Under IFRS, different factors are taken in account while determining the share value, such as the probability that the condition be met. The share value under IFRS amounted to $567,000 as opposed to $1,200,000 under Canadian GAAP for a difference of $633,000.

(a.6) Recognition of a bargain purchase gain.

(a.7) Acquisition costs of $119,918 in the 1st quarter and of $155,289 in the 3rd quarter recorded in comprehensive income instead of capitalized and amortization of $2,321 in the 3rd quarter related to recognized intangible assets.

(a.8) Net result of the adjustments to the purchase price allocations.

(b) Goodwill

	Note	**September 30, 2010**
Share capital to be issued	*a.6*	633 000 $
Acquisition costs	*b.1*	208 414
Trade and other payables	*b.2*	81 550
Decrease of goodwill		**922 964 $**

(b.1) Acquisition costs recorded in comprehensive income, including $16,515 in 2009 and $119,918 in 2010, instead of being capitalized in the cost of acquisition.

(b.2) Reversal of non-admissible provisions related to savings in rental expenses of $114,858 net of deferred taxes of $33,308.

(c) Deferred tax assets

	Note	**30 septembre 2010**
<u>Deferred tax assets</u>		
Business combinations	*a*	(116 866) $
Reclassification from current to non-current	*c.1*	209 798
Increase in deferred tax assets		**92 932 $**

(c.1) Under IFRS, all deferred taxes are classified as non-current, irrespective of the classification of the underlying assets or liabilities to which they relate, or the expected reversal of the temporary difference. The effect is to reclass the amounts from current deferred tax assets and liabilities to non-current deferred tax assets and liabilities.

(d) Long term debt

Under IFRS, all debts that have matured and have not been renewed by the end of the period must be classified as a current liability as opposed to Canadian GAAP under which the debt must be renewed by the date that the financial statements are finalized to be classified as a non-current liability. The effect of this difference is to reclassify $938,831 as at September 30, 2010 from long-term debt to current portion of long-term debt and $839,559 from the long-term investments given as security to current portion of long-term investments.

11 . Explanation of transition to IFRS (continued)

Notes to the reconciliations (continued)

(e) Share-based compensation

Under IFRS, Savaria records the cost of employee share-based compensation over the vesting period using the graded method of amortization rather than the straight-line method, which was the Corporation's policy under Canadian GAAP. Furthermore, in accordance with IFRS, an estimate is required of the number of options expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to vest, whereas under Canadian GAAP forfeitures of options were recognized as they occurred. The result of this change as at September 30, 2010, is an increase in contributed surplus of $53,964 and a decrease in retained earnings in the same amount.

(f) Retained earnings

The above changes increased retained earnings (net of related tax) as follows:

	Note	**September 30, 2010**
Business combination	*a*	$ 104 040
Share-based compensation	*e*	(53 694)
Increase in retained earnings		**$ 50 346**