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Quarterly
REPORT

SAVARIA CORPORATION

Quarterly Report

For the Three-Month Period Ended March 31, 2019

savaria®

2019

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Management's Report

For the Three-Month Period Ended March 31, 2019

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Contents

1. Basis of Presentation

This management's report is designed to assist the reader in better understanding the business of Savaria Corporation, its business context, its strategies, its risk factors and its key financial results. It notably discusses the Corporation's financial position and operating results for the three-month period ended March 31, 2019, in comparison with that for the corresponding period of fiscal 2018. It also provides a comparison of its statements of financial position as at March 31, 2019 and December 31, 2018. 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 Respecting Continuous Disclosure Obligations*, this report should be read in conjunction with the unaudited condensed consolidated interim financial statements for the first quarter 2019 and accompanying notes, and with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2018 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.

This management's report was prepared as at May 15, 2019. Additional information, including the Annual Information Form, is available on SEDAR's website at www.sedar.com.

2. Forward-Looking Statements

This MD&A includes certain statements that are "forward-looking statements" within the meaning of the securities laws of Canada. Any statement in this MD&A that is not a statement of historical fact may be deemed to be a forward-looking statement. When used in this MD&A, the words "believe", "could", "should", "intend", "expect", "estimate", "assume" and other similar expressions are generally intended to identify forward-looking statements. It is important to know that the forward-looking statements in this MD&A describe our expectations as at May 15, 2019, which are not guarantees of the future performance of Savaria or its industry, and involve known and unknown risks and uncertainties that may cause Savaria's or the industry's outlook, actual results or performance to be materially different from any future results or performance expressed or implied by such statements. Our actual results could be materially different from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. A change affecting an assumption can also have an impact on other interrelated assumptions, which could increase or diminish the effect of the change. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements do not take into account the effect that transactions or special items announced or occurring after the statements are made may have on our business. For example, they do not include the effect of sales of assets, monetization, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made.

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

The foregoing risks and uncertainties include the risks set forth under "Risks and Uncertainties" in this report as well as other risks detailed from time to time in reports filed by Savaria with securities regulators in Canada.

3. Compliance with International Financial Reporting Standards

The Corporation's financial statements are 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 various items, as specified in the table *Reconciliation of EBITDA and Adjusted EBITDA With Net Income* in section 8. 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. 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 period 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 the global leaders in the accessibility industry. It provides accessibility solutions for the physically challenged to increase their comfort, their mobility and their independence. Its product line is one of the most comprehensive on the market. Savaria designs, manufactures, distributes and installs accessibility equipment, such as stairlifts for straight and curved stairs, vertical and inclined wheelchair lifts, elevators for home and commercial use, as well as ceiling lifts. It also manufactures and markets a comprehensive selection of pressure management products for the medical market, medical beds for the long-term care market, mattress overlays and foam pillows for the retail market and certain products for the industrial market. In addition, Savaria converts and adapts vehicles to be wheelchair accessible. Savaria records some 75% of its revenue outside of Canada, primarily in the United States. It operates a sales network of some 500 dealers worldwide and 29 direct sales offices in North America, Europe (Switzerland, Germany, Italy, Czech Republic and Poland), Australia and China. Savaria employs approximately 1,400 people globally and its plants are located in Canada: Laval and Magog (Québec), Brampton, Beamsville and Toronto (Ontario) and Surrey (British Columbia), in the United States at Greenville (South Carolina), in Huizhou (China) and in Milan (Italy).

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 (70% of Revenue in the 1st quarter of 2019; 49% of Revenue in 2018)**

Through its *Accessibility* segment, Savaria designs, manufactures, distributes and installs accessibility products such as stairlifts for both straight and curved stairs, vertical and inclined wheelchair lifts and elevators for home and commercial use. The products are manufactured, assembled and customized at the Brampton, Ontario, plant, and through the acquisition of Garaventa Accessibility AG ("Garaventa Lift") in August 2018, at the Surrey (British Columbia) and Milan (Italy) plants. The products are offered through a network of some 500 dealers worldwide and a network of 29 direct sales offices in North America, Europe (Switzerland, Germany, Italy, Czech Republic and Poland), Australia and China. The Huizhou (China) plant is the main supplier of parts and components for the Brampton plant; also, it assembles product components and finished products mainly for the benefit of the Corporation and for the sale of products on the Asian, European and Australian markets. Operation of this Chinese subsidiary allows Savaria to obtain competitive pricing on its purchases. Through its Silver Cross division, the Corporation operates a network of franchises and corporate stores in which new and recycled accessibility equipment is sold.

- ***Adapted Vehicles* Segment (6% of Revenue in the 1st quarter of 2019; 12% of Revenue in 2018)**

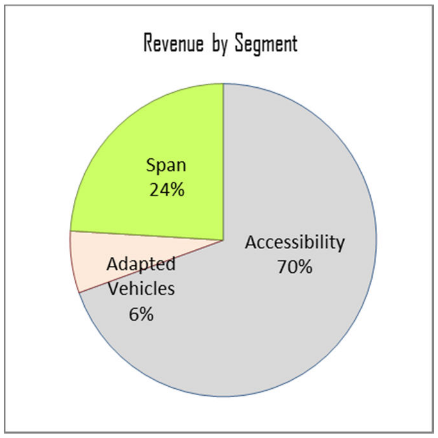
Through its *Adapted Vehicles* segment, Savaria converts and adapts minivans to facilitate the transport of mobility challenged people via its Van-Action (2005) Inc. (Laval, Québec) and Freedom Motors Inc. (Toronto, Ontario) subsidiaries. Its Silver Cross Automotive Inc. subsidiary distributes converted vehicles in the provinces of Ontario, Alberta and British Columbia. 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.

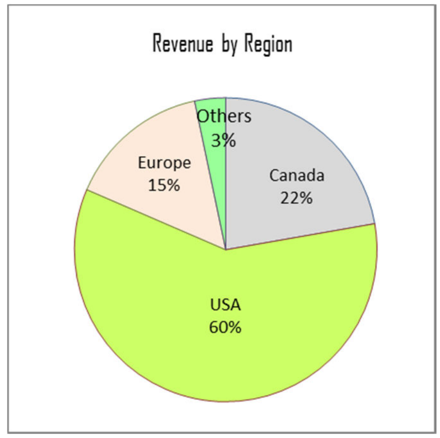
- ***Span* Segment (24% of Revenue in the 1st quarter of 2019; 39% of Revenue in 2018)**

The Corporation entered the medical products market through the acquisition of Span-America Medical Systems Inc. ("Span") in June 2017. In Greenville, South Carolina, the Corporation designs, manufactures and markets a comprehensive selection of therapeutic support surfaces and other pressure management products for the medical market. Pressure management products made up 57% (2018-60%) of total Span revenue in the 1st quarter of 2019. In Beamsville, Ontario, Span manufactures and markets medical beds. Medical beds and related products made up 26% (2018-25%) of total Span revenue in the 1st quarter of 2019. Medical products are sold primarily in North America to customers in the major segments of the health care market, including long-term care facilities, acute care hospitals and home health care providers. To those two main product lines, secondary products are added. As such, Span manufactures and markets foam mattress overlays and pillows sold to various retail customers in the U.S. market. These consumer sales made up 8% (2018-10%) of total Span revenue in the 1st quarter of 2019. Also, 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. These Industrial products made up 5% (2018-same) of total Span revenue for the 1st quarter of 2019. Lastly, following the development of a suite of products allowing the manipulation of patients, the revenue generated by this suite is added to this segment of activities. Revenue from the sale of these products represented 4% of Span's total revenue in the 1st quarter of 2019.

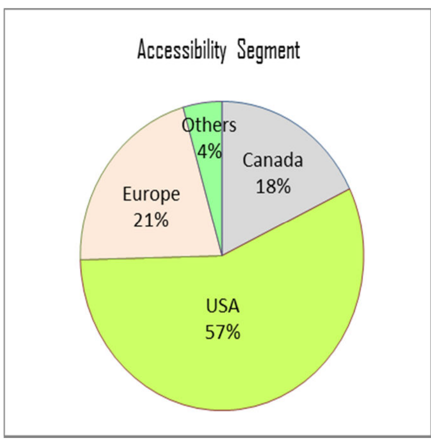
Revenue Breakdown by Segment by Region

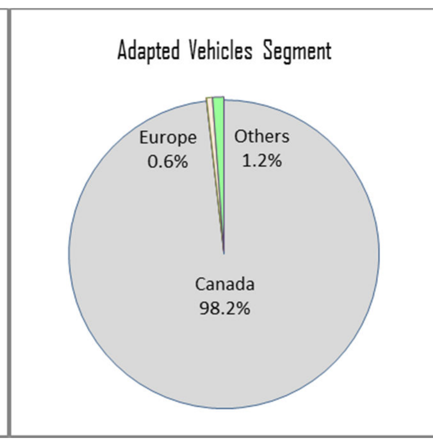
During the 1st quarter of 2019 Savaria's breakdown by segment and by region is as follows:

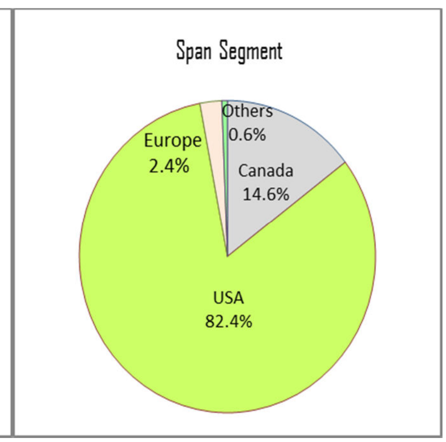




Revenue breakdown per region for the three segments is as follows:







Revenue for the 1st quarter 2019 amounts to $61.3 million ("M") for the *Accessibility* segment, $21M for the *Span* segment and $5.6M for the *Adapted Vehicles* segment, for total revenue of $87.5M, taking into account consolidation eliminations of $0.4M. In this report, unless specifically mentioned, the analysis covers the three segments.

Operations in Foreign Exchange

We are subject to foreign currency fluctuations from the conversion of revenue, expenses, assets and liabilities of its foreign operations and from commercial transactions denominated mainly in U.S. dollars, but also in Swiss francs and in euros. 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:

Canadian equivalent of a currency	**March 31, 2019 (Unaudited)**	December 31, 2018
US Dollar (USD)	**1.3366**	1.3645
Euro (EUR)	**1.5001**	1.5623
Swiss Franc (CHF)	**1.3425**	1.3868

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

Canadian equivalent of a currency	**Quarters ended March 31 (Unaudited)**	
	2019	2018
US Dollar (USD)	**1.3298**	1.2647
Euro (EUR)	**1.5104**	*n/a*
Swiss Franc (CHF)	**1.3342**	*n/a*

We use 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, 5.9M people – representing 16.9% of Canada's population – were 65 years and older compared with 5M or 14.4% at the last census in 2011. These numbers are expected to continue rising, with a projected 10.4M people – or 24% of Canada's population – 65 years and older by 2031 and 12M – 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 46.2M in 2014 (a 28% increase) and is projected to increase to 82.3M – or 21.7% of the population by 2040 and to 98M 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 2017*, some 25 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.

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

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

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

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

6. Vision, Mission and Strategy

Our Vision

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

Our Mission

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

Our Strategy

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

➢ We regularly develop and market new products, providing the most extensive product selection in the industry to our 500 active distributors and our Canadian, American, European and Australian direct sales centers.

Achievements:

- Following Garaventa's acquisition, we can now count on 37 employees in Research and Development dedicated to the development of new products such as platform lifts, elevators, ceiling lifts as well as new vehicle conversions.
- The design of the new M2lift, a convenient and affordable vertical platform lift geared toward the residential market.
- The ongoing design of a new line of safe patient handling products, including a fixed and portable ceiling lift, customizable slings, a complete track system and related accessories which is in development at our research and development center in Magog, Québec.
- In the 1st quarter of 2019, following the successful crash test of a new vehicle conversion, we delivered our first short-floor side-entry conversion vehicles based on the Toyota Sienna chassis.

➢ Savaria stays abreast of business opportunities, 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:

- Acquisition of Florida Lift LLC ("Florida Lifts") on March 1, 2019. This company has consistently ranked as one of Savaria's top dealers, and this transaction provides us with the platform to become the dominant player in Florida, an attractive market for high-end residential elevators, such as our Vuelift.
- Purchase of Garaventa Lift on August 31, 2018. This transaction provides us with a global sales infrastructure with 15 additional sales offices across North America and Europe, along with over 100 additional active dealers. On top of benefiting from a more geographically diversified revenue base,

the acquisition of Garaventa Lift provides us with additional manufacturing flexibility with complementary production operations in Western Canada and Italy.

- Acquisition of the assets of H.E.S. Elevator Services Inc. ("H.E.S.") in April 2018. This acquisition complements the acquisition of the assets of Visilift LLC ("Visilift") in Colorado, USA and helps strengthen our presence and our direct sales network in this market.
- Completion of the acquisition of Visilift's assets in July 2018. This acquisition allowed us to add round and octagonal panoramic glass and acrylic elevators, the *Vuelift* elevator, to our line of residential elevators.

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

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

Achievements:

- During the 2nd quarter of 2018, we shifted the production of our ceiling lift products for domestic sale into the U.S. market to Span's facility in Greenville, South Carolina, USA which will enable us to reach the U.S. market more efficiently.
- For the same reason, during the 3rd quarter of 2018, we transferred the distribution of our K2 straight stair lift for domestic sales into the U.S. market in our facility in Greenville, South Carolina, USA.

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 14, *Risks and Uncertainties*.

7. First Quarter 2019 Highlights

Revenue up 54.6%: For the 1st quarter of 2019, revenue is up $30.9M, at $87.5M, compared to $56.6M same quarter previous year.

Operating income up 26.2%: Operating income is up $1.4M, at $6.9M for the 1st quarter of 2019, compared to $5.5M same quarter previous year.

Adjusted EBITDA up 31.1%: Adjusted EBITDA amounted to $10.4M for the 1st quarter of 2019 compared to $7.9M same quarter previous year, an increase of $2.5M. Reconciliation between net income and adjusted EBITDA is provided in section 8, *Summary of Quarterly Results*.

Acquisition of Florida Lifts: In March 2019, we acquired all of the issued and outstanding shares of Florida Lifts, a distributor of elevators and platform lifts in central and south Florida.

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)	**2019**	2018				2017		
	Quarter 1(4)	Quarter 4	Quarter 3(5)	Quarter 2(6)	Quarter 1	Quarter 4(7)	Quarter 3	Quarter 2(8)
Revenue (1)	$87,477	$93,118	$72,089	$64,235	$56,592	$55,249	$56,988	$39,841
Gross margin as a % of revenue (1)	*30.9%*	*30.9%*	*33.2%*	*33.8%*	*33.1%*	*36.3%*	*34.9%*	*32.9%*
Operating expenses(2)	$20,650	$21,142	$16,406	$13,869	$12,888	$13,318	$12,778	$7,399
% of revenue	*23.6%*	*22.7%*	*22.8%*	*21.6%*	*22.8%*	*24.1%*	*22.4%*	*18.6%*
Operating income	$6,938	$7,314	$5,089	$8,680	$5,496	$6,589	$6,932	$4,472
% of revenue	*7.9%*	*7.9%*	*7.1%*	*13.5%*	*9.7%*	*11.9%*	*12.2%*	*11.2%*
Gain (loss) on foreign exchange	$(141)	$688	$(146)	$216	$103	$46	$(334)	$(129)
Net income	$4,065	$4,756	$2,754	$6,376	$3,772	$8,335	$4,812	$2,764
Earnings per share – diluted	$0.09	$0.11	$0.06	$0.14	$0.09	$0.20	$0.11	$0.07
EBITDA(3)	$10,454	$11,854	$6,867	$11,162	$7,352	$9,073	$9,017	$4,935
Adjusted EBITDA(3)	$10,388	$13,076	$9,694	$10,106	$7,924	$9,537	$9,604	$6,745
Adjusted EBITDA per share – diluted	$0.23	$0.29	$0.21	$0.23	$0.19	$0.24	$0.23	$0.17
Dividend declared per share	$0.105	$0.105	$0.095	$0.09	$0.09	$0.09	$0.095	$0.065

(1) Revenue and Gross margin as a % of revenue for 2017 have been restated in order to reflect the change in presentation related to freight revenue in accordance with IFRS 15.

(2) Operating expenses include administrative, selling, engineering and research and development expenses.

(3) Reconciliation of EBITDA and adjusted EBITDA with net income provided in the table that follows.

(4) The results include the acquisition of Florida Lifts, effective on March 1st, 2019

(5) The results include the acquisition of Garaventa Lift, effective on August 31, 2018.

(6) The results include the acquisition of H.E.S., effective on April 12, 2018.

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

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

The acquisitions of recent years, coupled with organic growth, have generated record revenue from quarter to quarter. The significant increase in revenue since the 3rd quarter of 2017 is mainly due to the acquisition of Span in June 2017, whereas the increase since the 3rd quarter of 2018 is mainly due to the acquisition of Garaventa Lift in August 2018. The activities acquired from Master Lifts in December 2017, from H.E.S. in April 2018 and from Florida Lifts in March 2019 also contributed to the increase, although to a lesser extent. The steady growth in revenue is also due to Savaria launching new products and to an increase in sales of certain existing products.

Gross margin, which was at 34.8% in 2017 and 32.6% in 2018, is at 30.9% for 1st quarter 2019. Span's acquisition in June 2017 has contributed to increase the percentage of gross margin of the 3rd and 4th quarter of 2017.

However, the margin in this segment decreased to 29.7% for fiscal 2018 and slightly increased to 31.2% for 1st quarter 2019, bringing down the consolidated margin. The acquisition of Garaventa Lift in August 2018 also had a negative impact on the consolidated gross margin. The gross margin of this division was 26.7% for the four-month period since its acquisition in 2018 and is 26.4% for the 1st quarter 2019. For more details, refer to *Gross Margin* in section 9 *Operating Results*.

Operating expenses are up between the 2nd quarter of 2017 and the 1st quarter of 2019 mainly because of the impact of the previously mentioned acquisitions and the amortization of the intangible assets related to those acquisitions. In percentage of revenue, they were at 22% in 2017 and remain around 23% in 2018 and 2019.

Adjusted EBITDA of 2017 was at 16.9% of revenue, whereas it was at 14.3% of revenue for fiscal 2018 and is at 11.9% for the 1st quarter 2019. This decrease is due to the arrival of the new Span segment and the Garaventa Lift division.

Reconciliation of EBITDA and Adjusted EBITDA With Net Income

As indicated 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)	2019	2018				2017		
	Q1	Q 4	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2
Net income	**$4,065**	$4,756	$2,754	$6,376	$3,772	$8,335	$4,812	$2,764
Plus:								
Interest costs	**1,270**	1,254	868	813	406	503	399	152
Income tax expense (recovery)	**1,320**	1,857	1,534	2,216	1,335	(2,286)	1,386	1,510
Depreciation of fixed assets	**1,935**	1,401	904	709	650	613	774	444
Amortization of intangible assets	**1,871**	2,608	1,150	1,203	1,192	1,911	1,662	211
Less:								
Interest income	**7**	22	343	155	3	3	16	146
EBITDA	$10,454	$11,854	$6,867	$11,162	$7,352	$9,073	$9,017	$4,935
Plus:								
Stock-based compensation	**321**	480	389	295	215	315	277	212
Business acquisition costs, realized and unrealized	**288**	1,033	887	763	357	149	199	1,263
Settlement of a litigation	-	215	-	-	-	-	-	-
Value adjustment on acquired inventories	**147**	331	-	-	-	-	111	335
Restructuring costs of Garaventa Lift's operations	**324**	(672)	1,551	-	-	-	-	-
Less:								
Proceeds from insurance claim	-	165	-	1,611	-	-	-	-
Gain on financial instrument	**-**	-	-	503	-	-	-	-
Revenue related to the amendment of Visilift purchase agreement	**1,146**	-	-	-	-	-	-	-
Adjusted EBITDA	$10,388	$13,076	$9,694	$10,106	$7,924	$9,537	$9,604	$6,745

9. Operating Results

Segment Information

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

(in thousands of dollars, except for percentages - Unaudited)	**2019**	2018	Change
Revenue			
Accessibility	**$61,330**	$27,852	120%
Adapted vehicles	**5,640**	7,013	(20)%
Span	**20,947**	22,144	(5)%
Consolidated eliminations	**(440)**	(417)	(6)%
Total	**$87,477**	**$56,592**	55%
EBITDA			
Accessibility	**$7,602**	$4,911	55%
% of revenue	***12.4%***	*17.6%*	*n/a*
Adapted vehicles	**$295**	$505	(42)%
% of revenue	***5.2%***	*7.2%*	*n/a*
Span	**$2,204**	$2,518	(12)%
% of revenue	***10.5%***	*11.4%*	*n/a*
Head office	**$353**	$(582)	161%
Total	**$10,454**	$7,352	42%
% of revenue	***12%***	*13%*	*n/a*
Adjusted EBITDA			
Accessibility	**$7,960**	$5,258	51%
% of revenue	***13%***	*18.9%*	*n/a*
Adapted vehicles	**$295**	$505	(42)%
% of revenue	***5.2%***	*7.2%*	*n/a*
Span	**$2,216**	$2,518	(12)%
% of revenue	***10.6%***	*11.4%*	*n/a*
Head office	**$(83)**	$(357)	77%
Total	**$10,388**	$7,924	31%
% of revenue	***11.9%***	*14%*	*n/a*

Revenue of the *Accessibility* segment is up $33.5M in the 1st quarter of 2019, from $27.9M in 2018 to $61.3M in the 1st quarter of 2019 This increase in revenue results from acquisitions, mainly from the addition of the activities of Garaventa Lift in August 2018, but also of H.E.S. in April 2018, of and Florida Lifts in March 2019. These acquisitions contributed $31.4M for the 1st quarter of 2019. The remaining comes from organic growth which is $1.1M or 4% of revenue in the 1st quarter of 2019, as well as from a favourable foreign exchange impact which is $988,000 or 3.6%. Organic growth comes mainly from the sale of elevators which are the products that contribute the most to the gross margin. In terms of units sold, sales of elevators have increased by 17% in the 1st quarter.

Revenue for the *Adapted Vehicles* segment decreased in the 1st quarter of 2019, at $5.6M, a decrease of 20% compared to the same period previous year.

Revenue of the *Span* segment decreased by $1.2M or 5.4% in the 1st quarter of 2019 compared to the same period previous year. This decrease is mainly due to a decrease in sales of therapeutic support surfaces (-$1.3M) and sales of products to consumers (-$512,000), partially offset by the impact of a favourable variation in foreign exchange rates (+$755,000).

Adjusted EBITDA for the *Accessibility* segment is up $2.7M or 51% in the 1st quarter of 2019, from $5.3M in 2018, to $8M in 2019. Growth from acquisitions is $2M or 38%, while the favourable impact of the implementation of IFRS 16 (refer to *IFRS 16 - Leases* in section 12 (B) for details) represents $436,000 or 8%. Increase from existing operations represents $281,000 or 5.4%. Adjusted EBITDA as a percentage of revenue decreased by 5.9% due to Garaventa. Excluding Garaventa and the favourable impact of IFRS 16, *Accessibility* segment's adjusted EBITDA would have been 18%.

The decrease in adjusted EBITDA of the *Adapted Vehicles* segment of $210,000 for the 1st quarter is mainly due to a decrease in revenue.

The adjusted EBITDA for the Span segment decreased by $302,000 in the 1st quarter of 2019. The decrease in adjusted EBITDA of 0.8 as a percentage of revenue is mainly due to a decrease in revenue in spite of an improvement in gross margin in this segment which went from 31.1% in the 1st quarter of 2018 to 31.5% in the 1st quarter of 2019.

(in thousands of dollars, except for percentages)	**As at March 31, 2019 (Unaudited)**	As at December 31, 2018	Change
Assets			
Accessibility	**$288,118**	$272,416	5.8%
Adapted vehicles	**21,100**	19,483	8.3%
Span	**134,518**	134,207	0.2%
Head Office	**175,829**	160,735	9.4%
Consolidation eliminations	**(202,805)**	(188,676)	(7.5)%
Total assets	**$416,760**	$398,165	4.7%

Accessibility segment's assets are up 5.8% or $15.7M as at March 31, 2019 compared to December 31, 2018. The acquisition of Florida Lifts increased the assets of this segment by $10.4M and the adoption of IFRS 16 had the effect of increasing the assets by $7.7M. In addition, inventories increased by $4.1M and prepaid expenses by $1.1M, offset by decreases in cash of $6M and trade and other receivables of $3.7M. *Adapted Vehicles* segment's assets are up 8.3% or $1.6M mainly due to an increase in fixed assets of $1.5M, of which $1.4M comes from the adoption of IFRS 16. *Span* segment's assets remained stable.

Analysis of consolidated results

Certain data on consolidated results for the 1st quarter of 2019 and 2018 are presented in the following tables.

Gross Margin

(in thousands, except for percentages - Unaudited)	**2019**	2018	Change
Revenue	**$87,477**	$56,592	54.6%
Cost of Sales	**$60,423**	$37,863	59.6%
Gross Margin	**$27,054**	$18,729	44.4%
% of revenue	***30.9%***	*33.1%*	*n/a*

Revenue for the 1st quarter of 2019 is up by $30.9M or 54.6%, from $56.6M in 2018 to $87.5M in 2019. The addition of the activities of H.E.S. in April 2018, of Garaventa Lift in August 2018 and Florida Lifts in March 2019 contributes $31.4M to this increase. The favourable variation of the US dollar compared to the Canadian dollar represents approximately $1.8M of revenue. Note that this favourable variation is partially offset by an unfavourable variation in cost of sales.

Gross margin is up by $8.3M for the 1st quarter of 2019 compared to the corresponding period of 2018. As a percentage of revenue, gross margin decreased from 33.1% to 30.9% for the 1st quarter, mainly due to a lower contribution by Garaventa Lift to the consolidated gross margin. Indeed, Garaventa Lift's gross margin is 26.4% for the first quarter of 2019. Excluding Garaventa Lift's operations, the consolidated gross margin would have been 33.4%.

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 Lifts Inc. from the subsidiary Savaria Huizhou and other suppliers in Asia remains high, at above 50% of its raw material purchases for the 1st quarter of 2019.

Breakdown of Revenue by Region

(as a percentage of sales - Unaudited)	**2019**	2018	Change
Canada	**22.3%**	32%	(9.7)
United States	**59.2%**	61.8%	(2.6)
Europe	**15.2%**	0.6%	14.6
Other regions	**3.3%**	5.6%	(2.3)

Operating Income

(in thousands of dollars, except percentages - Unaudited)	**2019**	2018	Change
Operating costs	**$20,650**	$12,888	60.2%
% of revenue	***23.6%***	*22.8%*	*n/a*
Other net (income) expenses	**$(534)**	$345	(255)%
Operating income	**$6,938**	$5,496	26.2%
% of revenue	***7.9%***	*9.7%*	*n/a*

Operating expenses increased by $7.8M or 60.2% for the current quarter compared to the same quarter previous year due to business acquisitions. As a percentage of revenue, operating expenses increased from 22.8% in the 1st quarter of 2018 to 23.6% in the 1st quarter of 2019 compared to the corresponding period of previous year. Were it not for these business acquisitions, operating expenses would have remained stable, both in terms of dollars and percentage of revenue.

Other net (income) expenses varied favourably by $879,000 in the 1st quarter compared to the same quarter previous year due to a gain from an amendment of a business acquisition agreement of $1.1M and lower acquisition expenses of $57,000, partially offset by restructuring costs of Garaventa Lift's operations of $324,000.

The combined effect of the favourable change in gross margin, the unfavourable variation in operating expenses and the favourable variation in other net (income) expenses results in an increase in operating income of $1.4M for the 1st quarter of 2019 compared to the same period in 2018.

Net Income

(in thousands of dollars, except for percentages - Unaudited)	**2019**	2018	Change
Net finance costs	**$1,553**	$389	299%
Income before income tax	**$5,385**	$5,107	5.4%
Income tax expense	**$1,320**	$1,335	(1.1)%
Net income	**$4,065**	$3,772	7.8%
% of revenue	***4.6%***	*6.7%*	*n/a*
EBITDA	**$10,454**	$7,352	42.2%
% of revenue	***12%***	*13%*	*n/a*
Adjusted EBITDA	**$10,388**	$7,924	31.1%
% of revenue	***11.9%***	*14%*	*n/a*

The unfavourable variation in net finance costs of $1.2M for the 1st quarter of 2019 compared to the same period in 2018 is mainly due to an unfavourable variation in interest on the long-term debt of $864,000 and an unfavourable net variation in foreign exchange gains & losses of $244,000 (see *Hedging of Interest Rates* in section 4).

The effective income tax rate of 24.5% for the 1st quarter of 2019 is slightly lower than the effective income tax rate of 26.1% for the same quarter previous year. This is primarily due to an adjustment to the opening balance of deferred tax of an acquired company.

Net income is up $293,000 or 7.8% for the 1st quarter compared to the same period previous year while adjusted EBITDA is up $2.5M for the same period. The addition of the activities of H.E.S. in April 2018, Garaventa Lift in August 2018 and Florida Lifts in March 2019 represented for $2M of the Adjusted EBITDA increase for the quarter while the implementation of IFRS 16 represents $636,000.

Hedging of Foreign Exchange Rates

In conformity with the hedging policy adopted by the Board of Directors, we use 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 March 31, 2019, we held foreign exchange contracts totaling US$57.8M for a hedging period up to May 2022, at a weighted average rate of 1.2901. As at March 31, 2019, the unrealized loss on the foreign exchange contracts amounted to $1.8M before deferred taxes and is reflected on the statement of financial position under *Derivative financial instruments* of current assets and current and non-current liabilities and is included in the *Accumulated other comprehensive income* balance.

We designate our US dollar-denominated debt as a hedge for our net investment in our Span subsidiary in the United States. This accounting treatment allows us to offset the designated portion of foreign exchange gain (or loss) from our debt against the foreign exchange loss (or gain) of our net investment in our subsidiary Span and to present it in other comprehensive income. For the quarter ended March 31, 2019, foreign exchange gains of $636,000 were recorded in other comprehensive income.

Hedging of Interest Rates

Since our debts bear interest at variable rates, we decided to enter into interest rate swap agreements to minimize our risk of variation of cash flow related to changes in interest rates on a portion of our long-term debt. As at March 31, 2019, we held a swap agreement in Canadian dollars at an interest rate of 4.27% including a 1.75% stamping fee on a capital of $50M for an initial 5-year period.

Consistent with our currency hedges, we apply hedge accounting, which enables the recording of unrealized gains and losses related to the derivative financial instrument to *Accumulated other comprehensive income*, while fair value is recorded in the statement of financial position. As at March 31, 2019, the unrealized loss on the interest rate swaps is $1.3M before deferred taxes and is presented in the statement of financial position under *Derivative financial instruments* of non-current assets, and is included in *Accumulated other comprehensive income*.

10. Financial Position

Working Capital

(in thousands of dollars)	**March 31, 2019 (Unaudited)**	December 31, 2018	Change	
Current assets	**$142,442**	$137,484	$4,958	3.6%
Current liabilities	**$69,048**	$69,075	$(27)	-
Working capital	**$73,394**	$68,409	$4,985	7.3%
Current ratio	**2.06**	1.99	0.07	3.5%

Current assets increased by $5M between December 31, 2018 and March 31, 2019, mainly due to an increase in cash flow (+$2.5M), inventories (+$5.1M) and prepaid expenses (+$861,000) offset by a decrease in trade and other receivables (-$3.3M). See subsection *Cash Flows* in section 11 for details on cash flow variations.

Current liabilities have remained stable between December 31, 2018 and March 31, 2019. However, it is still possible to notice increases in deferred revenue (+$3M) and the current part of the long-term debt, related to the adoption of IFRS 16 (+$2.2M), offset by a decrease in trade and other payables (-$3.4M) and current tax liabilities (-$2M).

Note that the number of days required to recover trade receivables was 45 days as at March 31, 2019, compared to 46 days as at December 31, 2018.

Non-current Assets and Liabilities and Equity

(in thousands of dollars)	**March 31, 2019 (Unaudited)**	December 31, 2018	Change	
Non-current assets	**$274,318**	$260,681	$13,637	5.2%
Non-current liabilities	**$149,910**	$130,693	$19,217	14.7%
Equity	**$197,802**	$198,397	$(595)	(0.3)%

Non-current assets increased by $13.6M between December 31, 2018 and March 31, 2019, due to the increase in fixed assets (+$8.9M), especially due to the adoption of IFRS 16 (+$9.9M), and intangible assets and goodwill (+$4.3M), of which +$7.6M comes from Florida Lifts' acquisition).

Non-current liabilities increased by $19.2M between December 31, 2018 and March 31, 2019, mainly due to the increase in the non-current portion of the long-term debt (+$21.5M, of which $7.9M comes from the adoption of IFRS 16) partially offset by a decrease in deferred tax liabilities (-$1.4M) and in derivative financial instruments (-$515,000) related to the variation in unrealized losses on foreign exchange contracts and on the interest rate swap agreements.

The $596,000 decrease in equity is mainly due to the net income (+$4.1M) and the exercise of stock options (+$641,000), offset by declared dividends (-$4.8M) and variations in other comprehensive income (-$866,000).

As at March 31, 2019, Savaria benefited from a sound financial position with total assets of $416.8M, compared with $398.2M as at December 31, 2018, and total liabilities of $219M, compared with $199.8M as at December 31, 2018.

Share Information

(in thousands)	**March 31, 2019 (Unaudited)**	December 31, 2018
Number of common shares issued and outstanding	**45,304**	45,010

(in thousands)	**Quarters ended March 31,**	
	2019	2018
Weighted average number of common shares outstanding used to calculate basic earnings per share	**45,199**	41,254
Weighted average number of common shares outstanding used to calculate diluted earnings per share	**45,784**	42,286

Available Sources of Financing

(in thousands of dollars)	**March 31, 2019 (Unaudited)**	December 31, 2018
Credit facilities:		
Authorized	**$110,000**	$110,000
Loans	**61,920**	44,498
Unused credit	**48,080**	65,502
Gross cash	**13,894**	11,430
Total	**$61,974**	$76,932

As shown above, the Corporation had total available funds of $62M as at March 31, 2019. This provides us with the flexibility to meet its potential obligations in the near term and to pursue acquisition opportunities.

As per its financing agreement with its financial institution, a revolving line of credit totaling $110M is at the Corporation's disposal. The agreement provides for an additional credit of $50M, available under certain conditions. An amount of $61.9M was drawn as at March 31, 2019. Only interest is payable monthly. This debt is presented as long-term in the consolidated statement of financial position.

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

We minimize our exposure to risks of variation of cash flow related to fluctuations in interest rates by keeping part of our debt at fixed rates using swap agreements (see *Hedging of Interest Rates* in section 9).

As at March 31, 2019, our debt-to-equity ratio was 36.2% (31.2% as at December 31, 2018).

Other Data and Ratios

(in thousands of dollars, except per-share amounts - Unaudited)	**March 31, 2019**	December 31, 2018	Change
Book value per share[1]	**$4.37**	$4.41	(0.9)%
Cash per share[1]	**$0.31**	$0.25	24%
Market capitalization	**$689,524**	$587,836	17.3%

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

Cash per share increased as a result of the increase in cash position of $2.5M as at March 31, 2019 compared to December 31, 2018. Market capitalization is up due to an increase in the stock price of our share, which went from $13.06 as at December 31, 2018 to $15.22 as at March 31, 2019.

11. Cash Flows

The following table presents certain cash flow data for the 1st quarter of 2019 and 2018.

(in thousands of dollars - Unaudited)	**2019**	2018	Change
Cash at beginning of the periods	**$11,430**	$7,719	$3,711
Net cash related to operating activities	**838**	2,131	(1,293)
Net cash related to investing activities	**(8,533)**	(1,431)	(7,102)
Net cash related to financing activities	**10,149**	(2,733)	12,882
Unrealized foreign exchange gain on cash held in foreign currencies	**10**	144	(134)
Cash as at March 31	**$13,894**	$5,830	$8,064

Our cash flow from operating activities is down $1.3M for the 1st quarter 2019 compared to the same period of the previous year. This variation is primarily due to a variation in net income before tax, depreciation, amortization and finance costs and gain on an amendment to a business purchase agreement (+$2M), the variation in non-cash items (-$1.1M, primarily from variations in trade and other receivable, inventories and trade and other payables) and income taxes paid (-$2M).

Cash flow used in investing activities is up $7.1M in the 1st quarter of 2019 compared to the same period of the previous year. This is mainly due to a variation in disbursements related to business acquisitions (-$5.7M), additions and deposits on purchases of fixed assets (-$922,000) and intangible assets (-$486,000).

Cash flow from in financing activities is up $12.9M for 1st quarter compared to the same period of the previous year. This variation is mainly due to higher net receipts of long-term debts (+$14.2M) and higher proceeds from the exercise of options (+617,000), offset by a higher dividend (-$1.2M) and interest payments (-$691,000).

12. Significant Accounting Policies and Estimates

(A) Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Assumptions and estimate uncertainties that have a significant risk of resulting in a material adjustment are the measurement of the identifiable assets acquired during business combinations, the warranty provisions, the inventory obsolescence provision and the valuation of defined benefit pension plan obligations. 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 Quarter 2019

The following new standards and amendments to standards and interpretations have been applied in preparing the consolidated financial statements as at March 31, 2019:

- IFRS 16 – *Leases*
- IFRIC 23 - *Uncertainty over Income Tax Treatments*
- Annual Improvements to IFRS Standards - 2015-2017 Cycle

The adoption of these new standards, with the exception of IFRS 16 for which the impact of its adoption is described below, has not had a material impact on the consolidated financial statements.

IFRS 16 – *Leases*

The Corporation leases many assets which are mostly properties and vehicles. As a lessee, the Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities on its balance sheet for most leases. The Corporation presents right-of-use assets in Fixed assets, the same line item as it presents underlying assets of the same nature that it owns.

(i) Accounting policies

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.
The Corporation has applied judgement to determine the lease term for some lease agreements in which a renewal option exists. The assessment of whether the Corporation is reasonably certain to exercise such option impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

(ii) Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities have been measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability.
For leases classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(iii) Impact on the financial statements

(a) Impact on transition

The impact on transition is summarized as follows:

(in thousands of dollars - Unaudited)	**January 1, 2019**
Increase in right-of-use assets presented in fixed assets	**$9,487**
Increase in lease liabilities presented in long-term debt	**$9,577**
Decrease in trade and other payables	**$25**
Decrease in other long-term liabilities	**$65**

When measuring lease liabilities for leases that were classified as operating leases, the Corporation discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 4.07%.

(b) Impact over the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, and including leases added after January 1, 2019, the Corporation recognized $10.5M of right-of-use assets and $10.6M of lease liabilities as at March 31, 2019.
Also in relation to those leases under IFRS 16, the Corporation has recognized depreciation and interest costs, instead of operating lease expense. During the three months ended March 31, 2019, the Corporation recognized $564,000 in depreciation expense and $72,000 in interest costs from these leases. Had IFRS 16 not been implemented, expenses in the amount of $606,000 would have been booked during this same period.

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 2018 annual Management's Report, an evaluation has been conducted to measure the effectiveness of controls and procedures as at December 31, 2018 related to 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 2018 annual Management's Report, management has evaluated the effectiveness of internal controls over reporting as at December 31, 2018.

Limitation on Scope of Design

We have limited the scope of our communication controls and procedures and our internal controls over financial reporting to exclude controls, policies and procedures of Garaventa Lift, acquired not more than 365 days before the last day of the period covered by the interim filing. We elected to exclude it from the scope of certification as allowed by NI 52-109. We intend to evaluate the situation within one year of the acquisition date.

Changes to Internal Control over Financial Reporting

No changes in the Corporation's internal control over financial reporting occurred during the 1st quarter of 2019 that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

14. Risks and Uncertainties

Savaria in 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 2018 annual Management Report, which are incorporated herein by reference:

- Economic Conditions
- Operating Results
- Financing
- Acquisitions
- Currency Fluctuations
- Market and Competition
- Business Interruption
- Health care Reimbursement
- Property Rights
- Credit Risk
- Interest Rates Fluctuations
- Price Variation
- Dependence on Key Personnel
- Dependence on Key Distributors
- Dependence on Key Suppliers
- Laws and Regulations
- Product Liability
- Litigation
- Information Systems & Cybersecurity

15. Subsequent Event

On April 24, 2019, the Corporation completed a bought deal private placement of 5,000,000 common shares at $14.15 per share for gross proceeds to the Corporation of $70.8M.

16. Outlook

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

In September 2018, we acquired Garaventa Lift with the vision to increase our presence on North America's West Coast and to open doors to the European market. This will enable us to sell our products in Europe, after having adapted them to local standards.

Savaria remains abreast of strategic acquisition opportunities that would allow it to further its growth and strengthen its key player position in the accessibility market.

May 15, 2019

2019

SAVARIA CORPORATION

Condensed Consolidated Interim Financial Statements

As at March 31, 2019

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

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

	Note	**March 31, 2019**	December 31, 2018
Assets			
Current assets			
Cash		**$ 13,894**	$ 11,430
Trade and other receivables		**47,139**	50,418
Income taxes receivable		**528**	643
Derivative financial instruments	*12*	**-**	24
Inventories		**75,312**	70,261
Prepaid expenses		**4,942**	4,081
Deposit		**627**	627
Total current assets		**142,442**	137,484
Non-current assets			
Fixed assets		**82,520**	73,640
Intangible assets and goodwill	*5*	**184,898**	180,578
Deposits on purchases of fixed assets		**789**	25
Other long-term assets		**568**	411
Deferred tax assets		**5,543**	6,027
Total non-current assets		**274,318**	260,681
Total assets		**$ 416,760**	$ 398,165
Liabilities			
Current liabilities			
Trade and other payables		**$ 35,728**	$ 39,134
Dividend payable		**1,586**	1,775
Income taxes payable		**340**	2,314
Deferred revenues		**21,359**	18,322
Derivative financial instruments	*12*	**534**	1,361
Current portion of long-term debt	*6*	**7,374**	4,035
Warranty provisions		**2,127**	2,134
Total current liabilities		**69,048**	69,075
Non-current liabilities			
Long-term debt	*6*	**118,835**	97,301
Warranty provisions		**1,799**	1,843
Other long-term liabilities		**10,899**	11,363
Income taxes payable		**714**	590
Derivative financial instruments	*12*	**2,600**	3,115
Deferred tax liabilities		**15,063**	16,481
Total non-current liabilities		**149,910**	130,693
Total liabilities		**218,958**	199,768
Equity			
Share capital	*7*	**180,077**	179,328
Contributed surplus		**4,620**	4,407
Accumulated other comprehensive loss		**(1,340)**	(474)
Retained earnings		**14,445**	15,136
Total equity		**197,802**	198,397
Total liabilities and equity		**$ 416,760**	$ 398,165

The notes on pages 8 to 20 are an integral part of these unaudited condensed consolidated interim financial statements.

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

	Note	Periods of three months ended March 31, 2019	2018
Revenue	13	**$ 87,477**	$ 56,592
Cost of sales		**60,423**	37,863
Gross margin		**27,054**	18,729
Operating expenses			
Administrative		**6,649**	4,601
Selling		**11,495**	6,624
Engineering		**2,024**	1,176
Research and development		**482**	487
		20,650	12,888
Other net (income) expenses	8	**(534)**	345
Operating income		**6,938**	5,496
Finance income	9	**(7)**	(106)
Finance costs	9	**1,560**	495
Net finance costs		**1,553**	389
Income before income tax		**5,385**	5,107
Income tax expense		**1,320**	1,335
Net income		**$ 4,065**	$ 3,772
Earnings per share:	10		
Basic		**$ 0.09**	$ 0.09
Diluted		**$ 0.09**	$ 0.09

The notes on pages 8 to 20 are an integral part of these unaudited condensed consolidated interim financial statements.

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

	Periods of three months ended March 31, 2019	2018
Net income	**$ 4,065**	$ 3,772
Other comprehensive income (loss)		
Items that are or may be reclassified subsequently to income or loss:		
Change in the fair value of derivative financial instruments designated as cash flow hedges	**1,208**	(1,002)
Deferred income tax	**(305)**	256
	903	(746)
(Gains) losses on foreign exchange contracts transferred to net income in the current period	**(94)**	175
Deferred income tax	**24**	(45)
	(70)	130
Net change in fair value of derivative financial instruments designated as cash flow hedges	**833**	(616)
Unrealized net (losses) gains on translation of financial statements of foreign operations	**(2,335)**	2,156
Net investment hedge, net of tax	**636**	(238)
Other comprehensive (loss) income, net of income tax	**(866)**	1,302
Total comprehensive income	**$ 3,199**	$ 5,074

The notes on pages 8 to 20 are an integral part of these unaudited condensed consolidated interim financial statements.

SAVARIA CORPORATION
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
Period of three months ended March 31, 2018
(in thousands of Canadian dollars - Unaudited)

	2018					
	Share capital					
	Number	Amount	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
Balance at January 1, 2018	**41,250,448**	**$ 120,394**	**$ 3,298**	**$ (1,691)**	**$ 16,782**	**$ 138,783**
Total comprehensive income						
Net income	-	-	-	-	3,772	**3,772**
Other comprehensive income:						
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	(746)	-	**(746)**
Losses on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	130	-	**130**
Unrealized net gains on translation of financial statements of foreign operations	-	-	-	2,156	-	**2,156**
Change in net investment hedge, net of tax	-	-	-	(238)	-	**(238)**
Other comprehensive income	-	-	-	1,302	-	**1,302**
Total comprehensive income	-	-	-	1,302	3,772	**$ 5,074**
Transactions with shareholders, recorded directly in equity						
Stock-based compensation	-	-	215	-	-	**215**
Exercise of stock options (Note 7)	6,667	31	(7)	-	-	**24**
Dividends on common shares (Note 7)	-	-	-	-	(3,713)	**(3,713)**
Total transactions with shareholders	6,667	31	208	-	(3,713)	(3,474)
Balance at March 31, 2018	**41,257,115**	**120,425**	**3,506**	**(389)**	**16,841**	**140,383**

The notes on pages 8 to 20 are an integral part of these unaudited condensed consolidated interim financial statements.

SAVARIA CORPORATION
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
Period of three months ended March 31, 2019
(in thousands of Canadian dollars - Unaudited)

	2019					
	Share capital		Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number	Amount				
Balance at January 1, 2019	**45,010,446**	**$ 179,328**	**$ 4,407**	**$ (474)**	**$ 15,136**	**$ 198,397**
Total comprehensive income						
Net income	-	-	-	-	4,065	**4,065**
Other comprehensive income:						
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	903	-	**903**
Losses on foreign exchange contracts transferred to net income in the current year, net of tax	-	-	-	(70)	-	**(70)**
Unrealized net gains on translation of financial statements of foreign operations	-	-	-	(2,335)	-	**(2,335)**
Change in net investment hedge, net of tax	-	-	-	636	-	**636**
Other comprehensive income	-	-	-	(866)	-	**(866)**
Total comprehensive income	-	$ -	$ -	$ (866)	$ 4,065	**$ 3,199**
Transactions with shareholders, recorded directly in equity						
Stock-based compensation	-	-	321	-	-	**321**
Exercise of stock options (Note 7)	293,333	749	(108)	-	-	**641**
Dividends on common shares (Note 7)	-	-	-	-	(4,756)	**(4,756)**
Total transactions with shareholders	293,333	749	213	-	(4,756)	**(3,794)**
Balance at March 31, 2019	**45,303,779**	**$ 180,077**	**$ 4,620**	**$ (1,340)**	**$ 14,445**	**$ 197,802**

The notes on pages 8 to 20 are an integral part of these unaudited condensed consolidated interim financial statements.

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

	Note	Periods of three months ended March 31, 2019	2018
Cash flows related to operating activities			
Net income		**$ 4,065**	$ 3,772
Adjustments for:			
Depreciation of fixed assets		**1,935**	650
Amortization of intangible assets		**1,871**	1,192
Income tax expense		**1,320**	1,335
Gain on amendment to a business purchase agreement		**(1,146)**	-
Stock-based compensation		**321**	215
Unrealized foreign exchange gains		**(483)**	(115)
Finance costs	*9*	**1,270**	445
Others		**45**	(74)
		9,198	7,420
Net changes in non-cash operating items	*11*	**(4,827)**	(3,739)
Income tax paid		**(3,533)**	(1,550)
Net cash related to operating activities		**838**	2,131
Cash flows related to investing activities			
Business acquisitions		**(5,693)**	-
Deposits on purchases of fixed assets		**(747)**	-
Additions to fixed assets		**(1,282)**	(1,106)
Increase in intangible assets		**(811)**	(325)
Net cash related to investing activities		**(8,533)**	(1,431)
Cash flows related to financing activities			
Repayment of long-term debt		**(1,917)**	(57)
Net change in the revolving credit facility		**17,493**	1,397
Interest paid		**(1,075)**	(384)
Transaction costs related to a long-term debt		**(47)**	-
Proceeds from exercise of stock options	*7*	**641**	24
Dividends paid on common shares	*7*	**(4,946)**	(3,713)
Net cash related to financing activities		**10,149**	(2,733)
Net change in cash		**2,454**	(2,033)
Cash at January 1		**11,430**	7,719
Unrealized foreign exchange gain on cash held in foreign currencies		**10**	144
Cash at March 31		**$ 13,894**	$ 5,830

The notes on pages 8 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 condensed consolidated interim financial statements of the Corporation as at and for the periods ended March 31, 2019 and 2018 comprise the accounts of Savaria Corporation and its wholly owned subsidiaries (together referred to as the "Corporation" or as "Savaria"). Savaria is one of the global leaders in the accessibility industry. It provides accessibility solutions for the elderly and physically challenged to increase their comfort, their mobility and their independence. The activities of the Corporation are divided into three operating segments: the *Accessibility* segment, the *Adapted Vehicles* segment and the *Span* segment as described in Note 13 "Operating segments". Taking into account its most recent acquisitions, the Corporation realizes approximately 75% of its revenue outside of Canada, mainly in the United States.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2018 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, 2018. 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 May 15, 2019.

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, 2018, except for the adoption of new accounting standards as outlined below.

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

New Accounting Standards Adopted

The following new standards, and amendments to standards and interpretations have been applied in preparing the condensed consolidated interim financial statements as at March 31, 2019. The adoption of these new standards, with the exception of IFRS 16 for which the impact of its adoption is described below, has not had a material impact on the condensed consolidated interim financial statements.

IFRS 16 - *Leases*

On January 13, 2016 the IASB issued IFRS 16 *Leases*. The new standard is effective for years beginning on or after January 1, 2019. IFRS 16 replaces IAS 17 *Leases*.

3 . Significant Accounting Policies (continued)

New Accounting Standards Adopted (continued)

IFRS 16 - *Leases* (continued)

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional options and practical expedients have also been provided.

In compliance with the transitional options that are available, the Corporation has chosen to maintain the valuation of existing finance leases and to apply the new definition of finance-lease only to agreements entered into after January 1, 2019. In addition, the Corporation will use the modified retrospective approach, which allows for simplification measures, for the application of the new standard. Those simplification measures include the exclusion of agreements with a short remaining term, the reliance on previous assessment of whether leases are onerous immediately before the date of initial application and the use of a single discount rate to a group of leases with similar characteristics.

The Corporation has also elected to apply the following practical expedients available under IFRS 16: the exclusion of agreements that cover periods of 12 months or less and those that are for goods of low value, and the non-separation of lease components from any associated non-lease components.

The Corporation leases many assets which are mostly properties and vehicles. As a lessee, the Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities on its balance sheet for most leases. The Corporation presents right-of-use assets in Fixed assets, the same line item as it presents underlying assets of the same nature that it owns.

(i) Accounting policies

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Corporation has applied judgement to determine the lease term for some lease agreements in which a renewal option exists. The assessment of whether the Corporation is reasonably certain to exercise such option impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

3 . Significant Accounting Policies (continued)

New Accounting Standards Adopted (continued)

IFRS 16 - *Leases* (continued)

(ii) Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability.

For leases classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(iii) Impact on financial statements

(a) Impact on transition

The impact on transition is summarized as follows:

	January 1, 2019
Increase in right-of-use assets presented in fixed assets	$ 9,487
Increase in lease liabilities presented in long-term debt	$ 9,577
Decrease in trade and other payables	$ 25
Decrease in other long-term liabilities	$ 65

When measuring lease liabilities for leases that were classified as operating leases, the Corporation discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 4.07%.

(b) Impact for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, and including leases added after January 1, 2019, the Corporation recognized $10,481,000 of right-of-use assets and $10,571,000 of lease liabilities as at March 31, 2019.

Also in relation to those leases under IFRS 16, the Corporation has recognized depreciation and interest costs, instead of operating lease expense. During the three months ended March 31, 2019, the Corporation recognized $564,000 in depreciation expense and $72,000 in interest costs from these leases. Had IFRS 16 not been implemented, expenses in the amount of $606,000 would have been booked during this same period.

3 . Significant Accounting Policies (continued)

New Accounting Standards Adopted (continued)

IFRIC 23 - *Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019.

The Interpretation requires:

- an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

Annual Improvements to IFRS Standards (2015-2017) Cycle

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective on or after January 1, 2019. Each of the amendments has its own specific transition requirements.

Amendments were made to the following standards:

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12 *Income Taxes* – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and
- IAS 23 *Borrowing Costs* – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

4 . Business Acquisitions

Florida Lifts LLC

On March 1, 2019, the Corporation completed the acquisition of one of its independent dealers, Florida Lifts LLC ("Florida Lifts"). Florida Lifts sells, installs and services a full range of elevator and lift products within the central and southern regions of Florida. The total consideration of $7,342,000 (US$5,576,000) has been paid on the date of acquisition. Acquisition related costs amounting to $122,000, of which $22,000 have been recognized in 2018 and $100,000 in the first quarter of 2019, have been included in other expenses. The amounts paid came from the Corporation's revolving credit facility.

The purchased assets are mainly cash, accounts receivables and work in progress, intangible assets and goodwill. The goodwill is allocated to the *Accessibility* operating segment and will be non-deductible for tax purposes.

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

4 . Business Acquisitions (continued)

Florida Lifts LLC (continued)

As at March 31, 2019, the Corporation hadn't finalized the allocation of the consideration paid between the identifiable net assets and the goodwill of the above business acquisition. The information required to confirm the fair value of certain assets and liabilities has not been obtained yet. The Corporation will finalize the allocation of the consideration paid as it obtains further information. The following table presents the preliminary allocation of the consideration paid according to the information gathered to date. In conformity with IFRS 3, *Business combinations,* the acquisition has been accounted for using the acquisition method*.*

	Florida Lifts
Assets acquired	
Current assets	$ 2,424
Fixed assets	30
Intangible assets and goodwill	7,577
	$ 10,031
Liabilities assumed	
Current liabilities	2,689
	$ 2,689
Fair value of net assets acquired	$ 7,342
Less: Cash in acquired business	1,649
Cash flows related to the acquisition	$ 5,693

The following table provides the revenue and net income contributions of the business acquisition that has taken place in 2019, from the date of acquisition and those estimated as if the acquisition had occurred on January 1, 2019. These estimates were prepared using historical information obtained from the acquiree and do not reflect the acquisition costs nor the benefits of integration activities, synergies and changes to historical transactions that may have resulted had the acquisition actually occurred on January 1, 2019. Estimated amounts are not necessarily indicative of the results of operations of the acquired business that would have resulted had the acquisition actually occurred on January 1, 2019, nor the results that may be obtained in the future.

	Since the date of acquisition		Since January 1st	
	Revenue	Net income	Revenue	Net income
Florida Lifts	$ 550	$ 93	$ 1,526	$ 258

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

5 . Intangible Assets and Goodwill

	March 31, 2019	December 31, 2018
Intangible assets	**$ 68,016**	$ 69,711
Goodwill	**109,305**	110,867
Intangible assets and goodwill from acquisitions (note 4), net of accumulated amortization and foreign exchange reevaluation	**7,577**	-
	$ 184,898	**$ 180,578**

Reconciliation of the items above:

	Intangible assets		Goodwill		Intangible assets and goodwill from acquisitions	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Balance at January 1	**$ 69,711**	$ 40,940	**$ 110,867**	$ 60,553	**$ -**	$ -
Increases	**670**	3,238	**-**	-	**-**	-
Business acquisitions	**-**	29,151	**-**	45,624	**7,577**	-
Effect of movements in exchange rates	**(494)**	2,535	**(1,562)**	4,690	**-**	-
Depreciation expense	**(1,871)**	(6,153)	**-**	-	**-**	-
Balance at the end of the period	**$ 68,016**	**$ 69,711**	**$ 109,305**	**$ 110,867**	**$ 7,577**	**$ -**

6 . Long-term Debt

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

	2019
Balance at January 1	**$ 101,336**
Impact of the adoption of IFRS 16 (Note 3)	**10,571**
Net change in the revolving credit facility	**17,493**
Amendment to a business purchase agreement	**(1,033)**
Repayment of other long-term debts	**(1,343)**
Repayment of lease obligations	**(574)**
Capitalized finance costs on long-term debt	**62**
Transaction costs related to loans	**(47)**
Reversal of transactions costs related to loans repaid during the year	**89**
Impact of the change in foreign exchange rates on the US dollar debt	**(345)**
Balance at March 31	**$ 126,209**

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

7 . Share Capital

During the first quarter of 2019, the Corporation issued 293,333 common shares (2018-6,667) at an average price of $2.18 per share (2018-$3.65) following the exercise of stock options. The average closing price on the exercise dates was $13.70 (2018-$17.36). These exercises resulted in an increase in share capital of $749,000 (2018-$31,000) and a decrease in contributed surplus of $108,000 (2018-$7,000). At March 31, 2019, 2,100,001 options are outstanding (2018-1,981,665) at a weighted average exercise price of $11.60 per share (2018-$8.44).

During the first quarter of 2019, the Corporation declared dividends totaling 10.5 cents (2018-9 cents) per share or $4,756,000 (2018-$3,713,000); an amount of 10.5 cents (2018-9 cents) per share or $4,946,000 (2018-$3,713,000) was paid during this period.

8 . Other net (income) expenses

	Periods of three months ended March 31, 2019	2018
Business acquisition costs, realized and unrealized, related to administrative expenses	**$ 288**	$ 345
Restructuring costs of Garaventa Lift's operations	**324**	-
Gain on amendment to a business purchase agreement	**(1,146)**	-
	$ (534)	**$ 345**

9 . Finance Income and Finance Costs

	Periods of three months ended March 31, 2019	2018
Interest income	**$ 7**	$ 3
Net gain on foreign currency exchange	**-**	103
Finance income	**$ 7**	**$ 106**
Interest on long-term debt	**$ 1,270**	$ 406
Interest and bank charges	**60**	39
Financing charges	**89**	50
Net loss on foreign currency exchange	**141**	-
Finance costs	**$ 1,560**	**$ 495**

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

10 . Earnings per Share

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

	Periods of three months ended March 31, 2019	2018
Net income	**$ 4,065**	$ 3,772
Basic earnings per share:		
Basic weighted average number of common shares outstanding	**45,199,335**	41,253,781
Basic earnings per share	**$ 0.09**	**$ 0.09**
Diluted earnings per share:		
Basic weighted average number of common shares outstanding	**45,199,335**	41,253,781
Effect of potentially dilutive common shares	**584,343**	1,031,909
Diluted weighted average number of common shares outstanding	**45,783,678**	42,285,690
Diluted earnings per share	**$ 0.09**	**$ 0.09**

At March 31, 2019, 1,066,667 options (2018-none) have been excluded from the diluted weighted average number of common shares calculation as their effect would have been antidilutive.

The average market value of the Corporation's shares for purposes of calculating the dilutive effect of stock options is based on quoted market prices for the period during which the options were outstanding.

11 . Net Changes in Non-cash Operating Items

	Periods of three months ended March 31, 2019	2018
Trade and other receivables	**$ 3,804**	$ (1,397)
Inventories	**(4,499)**	(2,124)
Prepaid expenses	**(938)**	(1,206)
Trade and other payables	**(3,681)**	783
Deferred revenues	**511**	253
Warranty provision	**(24)**	(48)
	$ (4,827)	**$ (3,739)**

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

12 . Financial Instruments

Fair values versus carrying amounts

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

	March 31, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value				
Foreign exchange forward contracts	$ -	$ -	$ 24	$ 24
Liabilities carried at fair value				
Foreign exchange forward contracts	$ 1,813	$ 1,813	$ 3,844	$ 3,844
Interest rate swap agreements	1,321	1,321	632	632
	$ 3,134	$ 3,134	$ 4,476	$ 4,476
Liabilities carried at amortized cost				
Long-term debt	$ 126,209	$ 126,203	$ 101,336	$ 101,323

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

	March 31, 2019	December 31, 2018
Current assets		
Foreign exchange derivatives	$ -	$ 24
Current liabilities		
Foreign exchange derivatives	$ 534	$ 1,361
Non-current liabilities		
Foreign exchange derivatives	$ 1,279	$ 2,483
Interest rate derivatives	1,321	632
	$ 2,600	$ 3,115

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

12 . Financial Instruments (continued)

Risk Management

Currency risk

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

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

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

As at March 31, 2019

Maturity	Type	Weighted average exchange rate	Contractual amounts (in thousands of US dollars)
0 to 12 months	Sale	**1.2942**	**$18,800**
12 to 24 months	Sale	**1.2962**	**18,000**
24 to 36 months	Sale	**1.2812**	**18,000**
36 to 38 months	Sale	**1.2808**	**3,000**
		1.2901	**$57,800**

As at December 31, 2018

Maturity	Type	Weighted average exchange rate	Contractual amounts (in thousands of US dollars)
0 to 12 months	Sale	1.2962	$21,200
12 to 24 months	Sale	1.2957	18,000
24 to 36 months	Sale	1.2854	18,000
36 to 41 months	Sale	1.2798	7,500
		1.2912	**$64,700**

Interest rate risk

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

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

The Corporation has entered into the following interest rate swap agreement in order to minimize its risk to a variation in interest rates on a portion of its long-term borrowings:

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

12 . Financial Instruments (continued)

Interest rate risk (continued)

Maturity	Fixed interest rate	Stamping fees	Original capital amount	Currency	Balance March 31, 2019	Balance December 31, 2018
April 2023	2.52%	1.75%	$ 50,000	CA	**$ 50,000**	$ 50,000

13 . Operating Segments

Information about the operating segments

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

Periods of three months ended March 31,

	Accessibility	Adapted Vehicles	Span	Head office	Inter-segment eliminations	Total
2019						
External revenues	**$ 61,330**	**$ 5,640**	**$ 20,947**	**$ -**	**$ (440)**	**$ 87,477**
Income (loss) before income tax, interest, depreciation and amortization	**7,602**	**295**	**2,204**	**353**	**-**	**10,454**
Depreciation and amortization expense	**2,277**	**205**	**1,182**	**142**	**-**	**3,806**
Interest on long-term debt	**245**	**10**	**559**	**1,156**	**(700)**	**1,270**
Interest income	**614**	**-**	**-**	**93**	**(700)**	**7**
2018						
External revenues	$ 27,852	$ 7,013	$ 22,144	$ -	$ (417)	**$ 56,592**
Income (loss) before income tax, interest, depreciation and amortization	4,911	505	2,518	(582)	-	**7,352**
Depreciation and amortization expense	540	164	1,034	104	-	**1,842**
Interest on long-term debt	12	-	859	394	(859)	**406**
Interest income	-	-	-	862	(859)	**3**
March 31, 2019						
Segment's assets	**$ 288,118**	**$ 21,100**	**$ 134,518**	**$ 175,829**	**$ (202,805)**	**$ 416,760**
Segment's liabilities	**145,746**	**12,944**	**64,144**	**198,929**	**(202,805)**	**218,958**
December 31, 2018						
Segment's assets	$ 272,416	$ 19,483	$ 134,207	$ 160,735	$ (188,676)	**$ 398,165**
Segment's liabilities	148,196	11,473	65,250	163,525	(188,676)	**199,768**

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

13 . Operating Segments (continued)

Desegregation of Revenue

Periods of three months ended March 31,

	Accessibility	Adapted Vehicles	Span	Inter-segment eliminations	Total
2019					
Revenue by region					
Canada	**$ 11,091**	**$ 5,538**	**$ 3,067**	**$ (227)**	**$ 19,469**
United States	**34,762**	**1**	**17,254**	**(213)**	**51,804**
Europe	**12,781**	**35**	**498**	**-**	**13,314**
Other regions	**2,696**	**66**	**128**	**-**	**2,890**
	$ 61,330	**$ 5,640**	**$ 20,947**	**$ (440)**	**$ 87,477**
Major categories of revenue					
Accessibility equipment	**$ 52,970**	**$ -**	**$ -**	**$ (440)**	**$ 52,530**
Installation and maintenance	**8,360**	**-**	**-**	**-**	**8,360**
Vehicle conversions	**-**	**4,795**	**-**	**-**	**4,795**
Vehicle adaptation and maintenance	**-**	**845**	**-**	**-**	**845**
Therapeutic support surfaces	**-**	**-**	**11,850**	**-**	**11,850**
Medical beds	**-**	**-**	**5,536**	**-**	**5,536**
Patient lifts	**-**	**-**	**773**	**-**	**773**
Custom products	**-**	**-**	**2,788**	**-**	**2,788**
	$ 61,330	**$ 5,640**	**$ 20,947**	**$ (440)**	**$ 87,477**
Timing of revenue recognition					
Goods transferred at a point in time	**$ 52,970**	**$ 5,640**	**$ 20,947**	**$ (440)**	**$ 79,117**
Services provided over time	**8,360**	**-**	**-**	**-**	**8,360**
	$ 61,330	**$ 5,640**	**$ 20,947**	**$ (440)**	**$ 87,477**
2018					
Revenue by region					
Canada	$ 8,348	$ 6,946	$ 2,985	$ (189)	**$ 18,090**
United States	16,892	45	18,291	(228)	**35,000**
Europe	323	22	-	-	**345**
Other regions	2,289	-	868	-	**3,157**
	$ 27,852	$ 7,013	$ 22,144	$ (417)	**$ 56,592**
Major categories of revenue					
Accessibility equipment	$ 24,741	$ -	$ -	$ (417)	**$ 24,324**
Installation and maintenance	3,008	-	-	-	**3,008**
Royalties	103	-	-	-	**103**
Vehicle conversions	-	6,340	-	-	**6,340**
Vehicle adaptation and maintenance	-	673	-	-	**673**
Therapeutic support surfaces	-	-	12,926	-	**12,926**
Medical beds	-	-	5,462	-	**5,462**
Patient lifts	-	-	398	-	**398**
Custom products	-	-	3,358	-	**3,358**
	$ 27,852	$ 7,013	$ 22,144	$ (417)	**$ 56,592**

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

13 . Operating Segments (continued)

Desegregation of Revenue (continued)

	Accessibility	Adapted Vehicles	Span	Inter-segment eliminations	Total
Timing of revenue recognition					
Goods transferred at a point in time	$ 24,844	$ 7,013	$ 22,144	$ (417)	**$ 53,584**
Services provided over time	3,008	-	-	-	**3,008**
	$ 27,852	$ 7,013	$ 22,144	$ (417)	**$ 56,592**

14 . Subsequent Event

On April 24, 2019, the Corporation completed a private bought deal financing consisting of 5,000,000 common shares at a price of $14.15 per share, for gross proceeds to the Corporation of $70,750,000.

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