SAVARIA CORPORATION

Management's Report

For the Three-Month and Twelve-Month Periods Ended December 31, 2017

Contents

1. Basis of Presentation

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

Prepared in accordance with *National Instrument 51-102 – Continuous Disclosure Obligations*, this report should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2017. 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 March 8, 2018. Additional information, including the Annual Information Form, will be available on SEDAR's website at www.sedar.com.

2. Forward-Looking Statements and Disclaimer

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

3. Compliance with International Financial Reporting Standards

The Corporation's financial statements have been prepared in accordance with IFRS. However, the Corporation uses non-IFRS measures such as EBITDA, EBITDA per share, working capital, current ratio, book value per share, cash per share and total net debt to invested capital ratio for analysis purposes to measure its financial performance. EBITDA means earnings before interest, income taxes, depreciation and amortization ("EBITDA") while EBITDA per share means EBITDA per average diluted number of common shares outstanding. Adjusted EBITDA means EBITDA as defined above before realized and unrealized business acquisition costs, the value adjustment on acquired inventories and the compensation expense on share options granted, while adjusted EBITDA per share means adjusted EBITDA per average diluted number of common shares outstanding. The Corporation uses adjusted EBITDA because it believes that it is a meaningful measure of its operating performance without the effects of acquisition costs. Reconciliation between net income and EBITDA and adjusted EBITDA is provided in section 9, *Summary of Quarterly Results*. Working capital is defined as the result of current assets less current liabilities while the current ratio is defined as the result of current assets divided by current liabilities. Book value per share corresponds to the result of shareholders' equity divided by the number of shares outstanding at the end of each quarter and cash per share corresponds to the result of cash divided by the number of shares outstanding at the end of each period.

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

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

4. Business Overview

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

The Corporation, whose headquarters along with a vehicle conversion plant are located in Laval, Quebec, in a 57,000-square-foot building, also has a 125,000-square-foot plant in Brampton, Ontario, a 75,000-square-foot plant in Huizhou, China, a 27,000-square-foot plant in Toronto, Ontario as well as 11 sales offices and retail stores throughout Canada and one sales office in Baltimore, Maryland in the USA. Following the acquisitions of Span and Master Lifts Australia Pty Ltd ("Master Lifts"), the Corporation now also has a 188,000-square-foot plant in Greenville, South Carolina, a 50,000-square-foot plant in Beamsville, Ontario and a 19,000-square-foot plant in Brisbane, Australia.

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 (60% of Revenue in 2017 and 80% in 2016)**

Through its *Accessibility* segment, Savaria designs, manufactures, distributes and installs accessibility products such as stairlifts for both straight and curved stairs, vertical and inclined wheelchair lifts, elevators for home and commercial use, and ceiling lifts. The products are manufactured, assembled and customized at the Brampton, Ontario, plant and are offered through a network of some 400 retailers, which are primarily located in North America. Through the acquisition of Premier Lifts, Inc. ("Premier Lifts") and Master Lifts, Savaria has expanded its direct sales territory of residential elevators to the Baltimore-Washington area and its sales territory of accessibility products to Australia. The Huizhou, China, plant is the main supplier of parts and components for the Brampton plant; also, it assembles product components and finished products mainly for the benefit of the Corporation and for the sale of products on the Asian, European and Australian markets. Operation of this Chinese subsidiary allows Savaria to obtain competitive pricing on its purchases. Through its Silver Cross division, the Corporation operates a network of franchises and corporate stores in which new and recycled accessibility equipment is sold, and a lead generation program to capture and distribute leads on potential customers to our affiliates in North America.

- ***Adapted Vehicles* Segment (15% of Revenue in 2017 and 20% in 2016)**

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

- ***Span* Segment (25% of Revenue, since the acquisition on June 16, 2017)**

The Corporation entered the Medical Products and Surfaces market through the acquisition of Span-America Medical Systems, Inc. (Span) (Greenville, South Carolina) in June 2017. Through this new segment, the Corporation designs, manufactures and markets a comprehensive selection of therapeutic support surfaces and other pressure management products for the medical market, such as patient positioners that help patients sit and avoid falling over as well as skin care products and polyurethane foam mattress overlays. These products are designed to aid in the prevention and treatment of pressure ulcers and are targeted at the seniors' market. Pressure management products made up 62% of total Span revenue for fiscal 2017.

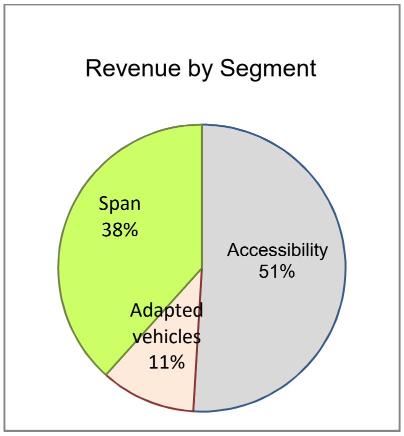
Through its wholly owned subsidiary Span Medical Products Canada Inc. (Beamsville, Ontario), Span also manufactures and markets medical beds as well as related in-room furnishings. Medical beds and related products made up 22% of total Span revenue for fiscal 2017.

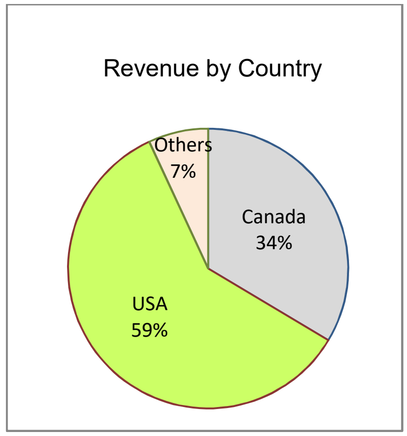
Medical products are sold primarily in North America to customers in the major segments of the health care market, including long-term care facilities, acute care hospitals and home health care providers.

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

Lastly, Span manufactures and markets certain products for the industrial market, mainly foam products, which are sold to a variety of sectors, including the automotive, packaging and water sports equipment industries. Its largest industrial customers manufacture automobiles and specialty packaging products. Most of the industrial products are made to order according to customer specifications and are sold primarily in the southeastern United States. Industrial products made up 5% of total Span revenue for fiscal 2017.

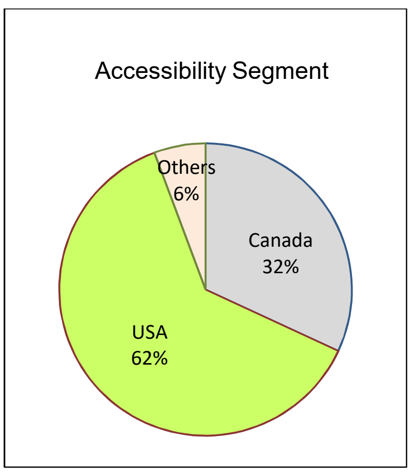
Taking this new segment into account, according to the Corporation's outlook, annual revenue will be henceforth broken down as follows, excluding any new acquisitions:

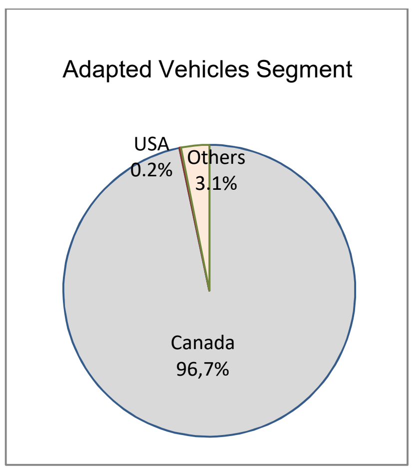


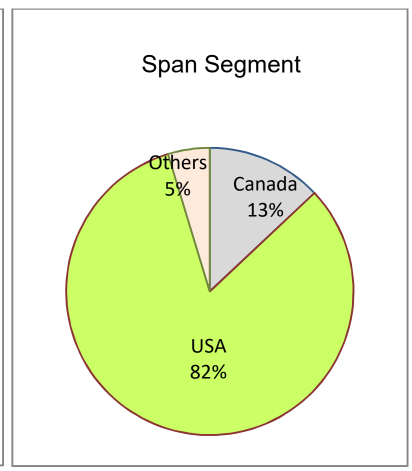


Revenue Breakdown per Segment per Country

During fiscal 2017, Savaria's total revenue was recorded in the United States (58%), Canada (37%) and, to a lesser extent, outside North America (5%). Revenue breakdown per country for the three segments is as follows:







Revenue for fiscal 2017 amounts to $107.6 million ("M") for the *Accessibility* segment, $45.7 M for the *Span* segment and $27.4 M for the *Adapted Vehicles* segment and, for total revenue of $180.5 M, taking into account consolidation eliminations of $0.2 M. In this report, unless specifically mentioned, the analysis covers the three segments.

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

Operations in Foreign Exchange

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

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

	December 31,	
	2017	2016
USD (Canadian equivalent of U.S. $1)	**1.2571**	1.3427

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

	Quarters ended December 31		Twelve months ended December 31	
	2017	2016	**2017**	2016
USD (Canadian equivalent of U.S. $1)	**1.2713**	1.3344	**1.2986**	1.3245

The Corporation uses foreign exchange contracts to reduce the risks related to currency fluctuations, so the variations in the rates presented above may not be representative of the actual impact of exchange rates on financial results (see *Hedging of Foreign Exchange Rates* in section 10 for details).

5. Business Context

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

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

According to a 2016 Canadian census, 5.9 million people – representing 16.9% of Canada's population – were 65 years and older compared with 5 million or 14.4% at the last census in 2011. These numbers are expected to continue rising, with a projected 10.4 million people – or 24% of Canada's population – 65 years and older by 2031 and 12 million – or 26% by 2061. Similar trends, although less pronounced, are noticed in the United States. The population aged 65 and over has increased from 36.2 million in 2004 to 46.2 million in 2014 (a 28% increase) and is projected to increase to 82.3 million – or 21.7% of the population by 2040 and to 98 million by 2060.

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

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

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

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

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

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

6. Vision, Mission and Strategy

Our Vision

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

Our Mission

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

Our Strategy

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

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

Achievement:

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

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

Achievements:

  - Purchase of the assets of Master Lifts in December 2017. This acquisition provides Savaria with a national sales platform to gain access to the Australian market by leveraging Master Lifts' national sales network.
  - Signature in August 2017 of an agreement to purchase, in 3 phases, the assets of Visilift LLC ("Visilift"). This acquisition will allow Savaria to add round and octagonal panoramic glass or acrylic elevators, the *Vuelift* elevator, to its line of residential elevators.
  - Purchase of Span in June 2017. This transaction will contribute to Savaria reaching its long-term strategic growth objectives by penetrating a strategic market in a key territory for Savaria and has the following key benefits:
    - Further diversifies Savaria's accessibility portfolio with highly complementary products, providing customers with a complete comfort and mobility offering.
    - Significantly strengthens Savaria's ability to penetrate government and institutional accounts given Span's vast U.S. sales infrastructure and deep client relationships.
    - Opens the door to market its accessibility product line, in particular ceiling lifts, through Span's established distribution channels.
    - Enhances Savaria's production footprint with extensive U.S.-based manufacturing capabilities and additional production capacity in Ontario.
    - The 188,000-square-foot facility in Greenville will also provide Savaria with the flexibility to manufacture locally certain accessibility products for sale into the U.S. market.
  - Purchase of the assets of Premier Lifts in February 2017. This acquisition secures our sales and service presence in the Baltimore-Washington marketplace.

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

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

Achievement:

  - Acquisition in July 2017 of a 27,000-square-foot building in Toronto, Ontario, to consolidate the *Adapted Vehicles* activities of that region under one roof and free up space in the Brampton, Ontario plant for the *Accessibility* activities which are growing.

The Corporation is exposed to various business risks which could have an impact on its ability to maintain its current market share and profitability, as well as to achieve its short-term and long-term strategic objectives. These risks are described in section 20, *Risks and Uncertainties*.

7. Fourth-Quarter and Fiscal 2017 Highlights

Fourth-quarter reached unprecedented levels due to acquisitions and existing business.

Revenue up 74.8% for Q4 2017, and 50.8% for fiscal 2017: For the 4th quarter of 2017, revenue is up $23.2 M, at $54.2 M, compared to $31 M same quarter previous year. For fiscal 2017, revenue is up $60.8 M, at $180.5 M, compared with $119.7 M in previous year.

Operating income up 31.8% for Q4 2017, and 29.7% for fiscal 2017: Operating income is up $1.6 M, at $6.6 M for the 4th quarter of 2017, compared to $5 M same quarter previous year. For fiscal 2017, operating income is up $5.2 M, at $22.6 M in 2017 compared with $17.4 M in 2016.

Net income up 123% for Q4 2017, and 56.5% for fiscal 2017: Net income is up $4.6 M, at $8.3 M, for the 4th quarter of 2017, compared to $3.7 M same quarter previous year. For fiscal 2017, net income is up $6.9 M, at $19.2 M in 2017 compared with $12.3 M in 2016.

Adjusted EBITDA up 59.3% for Q4 2017, and 49.4% for fiscal 2017: The Corporation's adjusted EBITDA amounted to $9.5 M for the 4th quarter of 2017 compared to $6 M same quarter previous year, an increase of $3.5 M. For fiscal 2017, adjusted EBITDA is up $10.3 M at $31.1 M in 2017 compared with $20.8 M in 2016. Reconciliation between net income and adjusted EBITDA is provided in section 9, *Summary of Quarterly Results*.

Dividend: During fiscal 2017, a total dividend of 31.5 cents per share was declared compared to 21.5 cents in 2016.

Acquisition of Premier Lifts: In February 2017, the Corporation acquired all of Premier Lifts' assets, a leading elevator distributor in the Baltimore-Washington area.

Acquisition of Span: In June 2017, the Corporation acquired all of Span's shares. Refer to the "Span Segment" in section 4.

Acquisition of a building: In July 2017, the Corporation acquired a 27,000-square-foot building in Toronto, Ontario to consolidate under one roof the Toronto area's Adapted Vehicles' activities.

Acquisition of Visilift: In August 2017, the Corporation entered into an agreement to acquire Visilift's assets, a manufacturer of round and octagonal panoramic glass or acrylic elevators, which will allow Savaria to expand its residential elevators offering.

Acquisition of Master Lifts: On December 14, 2017, Savaria acquired, through Savaria (Australia) Pty Ltd, its wholly owned subsidiary, the assets of Master Lifts, a leading elevator dealer based in Brisbane, Australia. This acquisition will provide Savaria with a national sales platform to gain access to the Australian market.

8. Overview of the Last Three Years

Selected financial information for the last three years is presented in the table below.

(in thousands, except per-share amounts and percentages)	**2017**	2016	2015
Revenue	**$180,518**	$119,728	$95,263
Gross margin as a % of revenue	***35.4%***	*33.9%*	*31%*
Operating expenses [(1)]	**$39,672**	$22,479	$18,198
As a % of revenue	***22%***	*18.8%*	*19.1%*
Operating income	**$22,636**	$17,449	$11,405
As a % of revenue	***12.5%***	*14.6%*	*12%*
EBITDA [(2)]	**$28,129**	$19,714	$14,559
Adjusted EBITDA [(2)]	**$31,115**	$20,824	$14,816
Adjusted EBITDA per share – diluted	**$0.77**	$0.58	$0.45
Gain (loss) on foreign exchange	**$(511)**	$265	$1,345
Net income	**$19,248**	$12,301	$8,944
Earnings per share – diluted	**$0.47**	$0.34	$0.28
Dividends declared per share	**$0.315**	$0.215	$0.17
Weighted average number of common shares outstanding – diluted	**40,599**	35,916	32,446
Total assets	**$219,796**	$126,132	$95,685
Long-term debt (including current portion)	**$39,898**	$17,291	$17,252
Total non-current liabilities	**$49,849**	$16,543	$21,943
Equity	**$138,783**	$82,985	$49,213

(1) "Operating expenses" include: administrative, selling, engineering and research and development expenses.
(2) Reconciliation of EBITDA and adjusted EBITDA with net income provided in section 9.

Revenue significantly increased year after year to record highs of $119.7 M in 2016 and $180.5 M in 2017, up 25.7% and 50.8% respectively. This last increase is primarily due to Span's acquisition in June 2017. New products launch and volume increase of selected products also contributed.

Gross margin followed the same trend, mainly due to increased revenue and Span's acquisition in June 2017. Gross margin went from 31% of revenue in 2015 to 35.4% of revenue in 2017.

After remaining stable in 2015 and 2016, the percentage of operating expenses over revenue increased by 3.2 percentage points between 2016 and 2017. This increase is partially due to amortization expense on intangible assets related to the year's acquisitions, amounting to $3 M or 1.6%.

As for operating income, it soared by 53% in 2016 and by 30% in 2017, mainly due to an increase in gross margin in spite of an increase in operating expenses in 2017.

Gains or loss on foreign exchange are mainly related to the variation of the rate of the U.S. dollar relative to the Canadian dollar on the transactions not covered by foreign exchange contracts. The $1 M decrease in the foreign exchange gain in 2016 is due to a favourable variation of 5 basis points in the average foreign exchange rate for 2016 compared to 2015, whereas the variation was of 17 basis points in 2015. On the other hand, it was unfavourable by 3 basis points in 2017 compared to 2016.

Along with revenue, adjusted EBITDA soared, reaching $20.8 M in 2016, or 17.4% of revenue compared to 15.6% in 2015 and reached a record high of $31.1 M in 2017, or 17.2% of revenue. These increases are mainly due to the increases in gross margin (+$11 M in 2016; +$23.4 M in 2017) offset by decreases in foreign exchange gains in 2016 (-$1.1 M) and 2017 (-$0.8 M) and increases in operating expenses (+$4.3 M in 2016; +$17.2 M in 2017).

In line with revenue and adjusted EBITDA, dividends declared per share are increasing year after year. The dividend policy in effect between September 2015 and September 2016 was 5 cents per share. It was subsequently changed to 6.5 cents per share. In September 2017, the dividend per share was increased from 26 cents to 36 cents on an annual basis and is now declared monthly.

Total assets increased significantly in 2016 and 2017, mainly due to the acquisitions of Span, Premier Lifts and Master Lifts. Long-term debt increased by $22.6 M in 2017 following the establishment of a new credit facility for Span's acquisition. Total non-current liabilities excluding the long-term debt increased by $8.7 M mainly due to the increase in deferred tax liabilities, again following Span's acquisition.

Equity significantly increased by $33.8 M in 2016 and $55.8 M in 2017. These increases are primarily due to the issuance of shares related to the private placements to the amounts of $20.3 M in 2016 and $38.4 M in 2017.

9. Summary of Quarterly Results

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

(in thousands, except per-share amounts and percentages – unaudited)	**2017**				2016			
	Quarter 4[3]	Quarter 3	Quarter 2[4]	Quarter 1[5]	Quarter 4	Quarter 3	Quarter 2[6]	Quarter 1
Revenue	**$54,163**	$56,095	$39,134	$31,126	$30,986	$32,440	$30,086	$26,216
Gross margin as a % of revenue	***37%***	*35.5%*	*33.5%*	*34.8%*	*35.9%*	*34.4%*	*32.6%*	*32.3%*
Operating expenses [1]	**$13,318**	$12,778	$7,399	$6,177	$6,094	$6,254	$5,285	$4,846
% of revenue	***24.6%***	*22.8%*	*18.9%*	*19.8%*	*19.7%*	*19.3%*	*17.6%*	*18.5%*
Operating income	**$6,589**	$6,932	$4,472	$4,643	$4,999	$4,865	$3,856	$3,729
% of revenue	***12.2%***	*12.4%*	*11.4%*	*14.9%*	*16.1%*	*15%*	*12.8%*	*14.2%*
(Loss) gain on foreign exchange	**$46**	$(334)	$(129)	$(94)	$311	$197	$95	$(338)
Net income	**$8,335**	$4,812	$2,764	$3,337	$3,740	$3,415	$2,763	$2,383
Earnings per share – diluted	**$0.20**	$0.11	$0.07	$0.09	$0.10	$0.09	$0.08	$0.07
EBITDA [2]	**$9,073**	$9,017	$4,935	$5,104	$5,835	$5,577	$4,418	$3,884
Adjusted EBITDA [2]	**$9,537**	$9,604	$6,745	$5,229	$5,986	$5,721	$5,167	$3,950
Adjusted EBITDA per share – diluted	**$0.24**	$0.23	$0.17	$0.14	$0.16	$0.15	$0.14	$0.12
Dividend declared per share	**$0.09**	$0.095	$0.065	$0.065	$0.065	$0.05	$0.05	$0.05

[1] Operating expenses include administrative, selling, engineering and research and development expenses.

[2] Reconciliation of EBITDA and adjusted EBITDA with net income provided in the table that follows.

[3] The results include the acquisition of Master Lifts, effective on December 14, 2017.

[4] The results include the acquisition of Span, effective on June 16, 2017.

[5] The results include the acquisition of Premier Lifts, effective on February 10, 2017.

[6] The results include the acquisition of SHHC, effective on May 31, 2016.

Since the Corporation is in acquisition mode, it's also in record-breaking revenue mode one quarter after another. The significant increase in sales in the 3rd and 4th quarters of 2017 is mainly due to the acquisition of Span in June 2017 whereas the activities acquired from Premier Lifts in February 2017 and from SHHC in May 2016 also contributed in the increase, although in a lesser extent. The steady growth in revenue is also due to Savaria launching new products and to an increase in sales of certain existing products.

The increase in gross margin since the 1st quarter of 2016 is mainly due to the mix of sales and to the high level of revenue compared to the previous quarters. Span's acquisition in June 2017 also contributed to the increase in gross margin percentage.

Operating expenses are up since the 1st quarter of 2016 mainly because of the impact of the previously mentioned acquisitions and the amortization of the intangible assets related to those acquisitions. Operating expenses are at 18.8% of revenue in 2016 and 22% of revenue in 2017.

Twelve-month adjusted EBITDA's of 2017 and 2016 are at an average of 17% of revenue.

Reconciliation of EBITDA and Adjusted EBITDA with Net Income

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

(in thousands of dollars – unaudited)	2017					2016				
	Total	**Q 4**	Q 3	Q 2	Q 1	Total	Q 4	Q 3	Q 2	Q 1
Net income	**$19,248**	**$8,335**	$4,812	$2,764	$3,337	$12,301	$3,740	$3,415	$2,763	$2,383
Plus: Interest costs	**1,236**	**503**	399	152	182	825	187	247	195	196
Income tax expense	**1,757**	**(2,286)**	1,386	1,510	1,147	4,953	1,510	1,512	1,054	877
Depreciation of fixed assets	**2,199**	**613**	774	444	368	1,309	353	336	295	325
Amortization of intangible assets	**3,971**	**1,911**	1,662	211	187	691	172	179	172	168
Less: Interest Income	**282**	**3**	16	146	117	365	127	112	61	65
EBITDA	**$28,129**	**$9,073**	$9,017	$4,935	$5,104	$19,714	$5,835	$5,577	$4,418	$3,884
Compensation expense on share options granted	**890**	**315**	**277**	212	86	357	104	94	93	66
Business acquisition costs, realized and unrealized	**1,650**	**149**	199	1,263	39	753	47	50	656	-
Value adjustment on acquired inventories	**446**	**-**	111	335	-	-	-	-	-	-
Adjusted EBITDA	**$31,115**	**$9,537**	$9,604	$6,745	$5,229	$20,824	$5,986	$5,721	$5,167	$3,950

The following section provides a detailed analysis of operating results for the 4th quarter of 2017, in comparison with the same quarter of 2016 and results for fiscal 2017 compared to fiscal 2016. The detailed analysis of prior quarters is provided in the interim reports for fiscal 2017 and 2016, available on SEDAR's website at www.sedar.com.

10. Operating Results

Segment Results

Certain financial data on the Corporation's three operating segments for the 4th quarter of 2017 and 2016 and twelve-month period ended on December 31, 2017 and 2016 is presented in the following table. For more information on the segments, refer to subsection *Operating Segments of the Corporation* in section 4.

(in thousands of dollars, except for percentages)	3 months (Unaudited)			12 months		
	2017	2016	Change	**2017**	2016	Change
Revenue						
Accessibility	**$27, 573**	$24,732	11.5%	**$107,607**	$96,416	11.6%
Adapted vehicles	**6,446**	6,319	2%	**27,447**	23,480	16.9%
Span	**20,234**	-	100%	**45,712**	-	100%
Consolidation eliminations	**(90)**	(65)	(38.5)%	**(248)**	(168)	(47.6)%
Total	**$54,163**	$30,986	74.8%	**$180,518**	$119,728	50.8%
Adjusted EBITDA (Unaudited)						
Accessibility	**$6,623**	$5,108	29.6%	**$23,107**	$18,520	24.8%
% of revenue	**24%**	20.7%	*n/a*	**21.5%**	19.2%	*n/a*
Adapted vehicles	**$577**	$1,013	(43)%	**$2,696**	$3,085	(12.6)%
% of revenue	**9%**	16%	*n/a*	**9.8%**	13.1%	*n/a*
Span	**$2,707**	-	100%	**$6,391**	-	100%
% of revenue	**13.4%**	-	*n/a*	**14%**	-	*n/a*
Head Office	**$(370)**	$(135)	(174)%	**$(1,079)**	$(781)	38.2%
Total	**$9,537**	$5,986	59.3%	**$31,115**	$20,824	49.4%
% of revenue	***17.6%***	*19.3%*	*n/a*	***17.2%***	*17.4%*	*n/a*

(in thousands of dollars)	**As at December 31,**	
Assets	**2017**	2016
Accessibility	**$106,490**	$96,834
Adapted vehicles	**20,890**	13,869
Span	**121,742**	-
Head Office	**151,900**	125,008
Consolidation eliminations	**(181,226)**	(109 579)
Total assets	**$219,796**	$126,132

Certain data on consolidated results for the 4th quarter and twelve-month period of 2017 and 2016 are presented in the following tables.

Gross Margin

(in thousands of dollars, except percentages)	3 months (Unaudited)			12 months		
	2017	2016	Change	**2017**	2016	Change
Revenue	**$54,163**	$30,986	74.8%	**$180,518**	$119,728	50.8%
Cost of sales	**$34,110**	$19,852	71,8%	**$116,593**	$79,159	47.3%
Gross margin	**$20,053**	$11,134	80.1%	**$63,925**	$40,569	57.6%
% of revenue	***37%***	*35.9%*	*n/a*	***35.4%***	*33.9%*	*n/a*

Revenue for the 4th quarter of 2017 is up by $23.2 M or 74.8%, from $31 M in 2016 to $54.2 M in 2017. An unfavourable variation of $486,000 results from foreign exchange rates. Revenue of the *Accessibility* segment is up $2.8 M, from $24.7 M for the 4th quarter of 2016 to $27.5 M for the 4th quarter of 2017. This increase in revenue mainly results from an increase in the sale of residential elevators (+7%) and from the addition in the 1st quarter of 2017 of the activities of Premier Lifts. Revenue for the *Adapted Vehicles* segment is slightly up by 2% in 4th quarter 2017, at $6.4 M. The newly created *Span* segment, resulting from the acquisition of Span on June 16, 2017, contributed $20.2 M to revenue; this result is in line with the Corporation's expectations since it's up 5% compared to same quarter previous year.

Revenue for the twelve-month period of 2017 is up by $60.8 M or 50.8% compared to the same period previous year. An unfavourable variation of foreign exchange rates of $178,000 had no significant impact on 2017 sales compared to those of 2016 due to contracts exercised during the year (see *Operations in Foreign Exchange* in section 4). Revenue of the *Accessibility* segment is up 11.5% or $11.1 M whereas revenue for the *Adapted Vehicles* segment is up 16.9% or $4 M compared to the same period previous year, which is mainly due to the addition of Silver Cross Automotive's operations in the 2nd quarter of 2016. As for the new *Span* segment, it contributed $45.7 M to revenue. Mirroring its quarterly results, Span's revenue for fiscal 2017 is up 5% compared to fiscal 2016.

Gross margin is up by $8.9 M for the 4th quarter and $23.4 M for the twelve-month period of 2017 compared to the corresponding periods of 2016. As a percentage of revenue, it rose from 35.9% to 37% for the 4th quarter and from 33.9% to 35.4% for the twelve-month period. These increases are mainly due to the increase in revenue and to its mix, to productivity improvements and to the added business of Span in June 2017.

The purchase volume from Asia allows us to maintain our direct costs at a competitive level. The proportion of purchases made by the subsidiary Savaria Concord from the subsidiary Savaria Huizhou and other suppliers in Asia in the 4th quarter of 2017 remained stable compared to fiscal 2016 at some 57% of purchases of raw materials.

Breakdown of Revenue by Country

(as a percentage of sales, unaudited)	3 months (Unaudited)			12 months		
	2017	2016	Change	**2017**	2016	Change
Canada	**35.6%**	42.7%	(7.1)	**37%**	41.6%	(4.6)
United States	**60.4%**	52.6%	7.8	**58%**	51.4%	6.6
Other country	**4%**	4.7%	(0.7)	**5%**	7%	(2)

Operating Income

(in thousands of dollars, except percentages)	3 months (Unaudited)			12 months		
	2017	2016	Change	**2017**	2016	Change
Operating costs	**$13,318**	$6,094	119%	**$39,672**	$22,479	76.5%
% of revenue	***24.6%***	*19.7%*	*n/a*	***22%***	*18.8%*	*n/a*
Other net expenses	**$146**	$41	256%	**$1,617**	$641	152%
Operating income	**$6,589**	$4,999	31.8%	**$22,636**	$17,449	29.7%
% of revenue	***12.2%***	*16.1%*	*n/a*	***12.5%***	*14.6%*	*n/a*

The proportion of operating expenses relative to revenue increased in the 4th quarter and twelve-month period of 2017 compared to the same periods in 2016, from 19.7% to 24.6% and from 18.8% to 22% respectively in 2017. In terms of dollars, operating expenses increased by $7.2 M and $17.2 M respectively for the same periods, partly due to the acquisition of SHHC in the 2nd quarter of 2016, of Premier Lifts during the 1st quarter of 2017 and of Span during the 2nd quarter of 2017, including an amortization expense of intangible assets related to the acquisitions of $3.1 M for fiscal 2017. Were it not for these acquisitions, operating expenses would have increased by $803,000 in the 4th quarter and $2.2 M during the twelve-month period. Theses cost increases are mainly due to an increase in selling expenses of the corporate retail stores operating under the Silver Cross brand (+$115,000 for the 4th quarter and +$508,000 for the year), an increase in stock-based compensation expense (+$211,000 for the 4th quarter and +$532,000 for the year), an increase in engineering expense (+$295,000 for the 4th quarter and +$353,000 for the year) and for the twelve-month period, an increase in salary expense of the head office and the Brampton subsidiary (+$889,000) due to employee hiring.

Other net expenses includes acquisition expenses of $149,000 in the 4th quarter of 2017 and $1.6 M for the twelve-month period, mainly due to the acquisition of Span ($1.3 M), while other net expenses were $641,000 for the twelve-month period of 2016, mainly due to the acquisition of SHHC ($726,000).

The combined effect of the favourable change in gross margin and the unfavourable changes in operating expenses and other expenses results in a positive effect on operating income with an increase of $1.6 M for the 4th quarter and $5.2 M for the twelve-month period compared to the same periods in 2016.

Net Income

(in thousands of dollars, except percentages)	3 months (Unaudited)			12 months		
	2017	2016	Change	**2017**	2016	Change
Net finance income (costs)	**$(540)**	$251	(315)%	**$(1,631)**	$(195)	(736)%
Income before income tax	**$6,049**	$5,250	15.2%	**$21,005**	$17,254	21.7%
Income tax expense (recovery)	**$(2,286)**	$1,510	(251)%	**$1,757**	$4,953	(64.5)%
Net income	**$8,335**	$3,740	123%	**$19,248**	$12,301	56.5%
% of revenue	***15.4%***	*12.1%*	*n/a*	***10.7%***	*10.3%*	*n/a*
EBITDA	**$9,073**	$5,835	55.5%	**$28,129**	$19,714	42.7%
% of revenue	***16.8%***	*18.8%*	*n/a*	***15.6%***	*16.5%*	*n/a*
Adjusted EBITDA	**$9,537**	$5,986	59.3%	**$31,115**	$20,824	49.4%
% of revenue	***17.6%***	*19.3%*	*n/a*	***17.2%***	*17.4%*	*n/a*

The unfavourable variation of $791,000 of net finance costs for the 4th quarter of 2017 and $1.4 M for the twelve-month period compared to the same period of 2016 are mainly due to an unfavourable variation in net foreign exchange losses of $265,000 for the quarter and $776,000 for the twelve-month period. (see *Operations in Foreign Exchange* in section 4) and an increase in interest expense of $315,000 for the quarter and $411,000 for the twelve-month period.

The effective income tax rates of -37.8% and 8.4% respectively for the 4th quarter and twelve-month period of 2017 have decreased compared to the rates of 28.8% and 28.7% in 2016. This is mainly due to the impact of the U.S. tax reform on deferred taxes (-57.9% for the quarter, -16.7% for the year) and to differences in tax rates charged by foreign jurisdictions (-2.4% for the quarter, -2% for the year).

Net income is up $4.6 M for the 4th quarter of 2017 and up $6.9 M for the twelve-month period compared to the same periods previous year. Adjusted EBITDA is up $3.6 M in the 4th quarter and up $10.3 M for the twelve-month period of 2017 compared to the same periods in 2016; the positive impact of Span amounts to $2.7 M and $6.4 M of these variations.

Hedging of Foreign Exchange Rates

In conformity with the hedging policy adopted by the Board of Directors, the Corporation uses foreign exchange contracts to reduce the risks related to currency fluctuations. It applies hedge accounting, which allows the recognition of gains, losses, revenues and expenses from derivative financial instruments in the same period as those related to the hedged item. Foreign exchange contracts are presented at their fair value in the statement of financial position according to their maturity date. Unrealized gains and losses not recognized as net income are recorded in *Accumulated other comprehensive income*. At the contract maturity, gains and losses are reclassified against revenue in net earnings.

As at December 31, 2017, the Corporation held foreign exchange contracts totaling $54 M U.S. for a hedging period up to April 30, 2021, at a weighted average rate of 1.289. At the end of the twelve-month, the unrealized gain on the foreign exchange contracts amounted to $1.9 M before deferred taxes and is reflected on the statement of financial position under *Derivative financial instruments* of Current and Non-current assets and Current liabilities and is included in the *Accumulated other comprehensive income* balance.

The Corporation designates its US dollar denominated debt as a hedge for its net investment in its new *Span* subsidiary in the United States. This accounting treatment allows the Corporation to offset the designated portion of foreign exchange gain (or loss) from its debt against the foreign exchange loss (or gain) of its net investment in its subsidiary Span and to present it in other comprehensive income. For the quarter ended December 31, 2017, foreign exchange losses of $499,000 ($367,000 after tax) and for fiscal 2017, foreign exchange gains of $849,000 ($624,000 after tax), were recorded in other comprehensive income.

Hedging of Interest Rates

Since its debts bear interest at variable rates, the Corporation decided to enter into interest rate swap agreements to minimize its risk of variation of cash flow related to changes in interest rates on a portion of its long-term debt. As at December 31, 2017, the Corporation held a first swap in Canadian dollars at an interest rate of 2.68% on a capital of $5.4 M and a second swap in US dollars at an interest rate of 3.518% on a capital of $13.5 M, both for 5-year periods. These rates include a 1.5% stamping fee.

Consistent with our currency hedges, the Corporation applies hedge accounting, which enables the recording of unrealized gains and losses related to the derivative financial instrument to *Accumulated other comprehensive income*, while fair value is recorded in the statement of financial position. As at December 31, 2017, the unrealized gain on the interest rate swaps is $202,000 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*.

11. Financial Position

Working Capital

(in thousands of dollars)	**December 31, 2017**	*Span* Segment	**December 31, 2017 excluding Span**	December 31, 2016	Change	
Current assets	**$75,363**	$28,585	**$46,778**	$90,239	$(43,461)	(48.2)%
Current liabilities	**$31,164**	$6,367	**$24,797**	$26,604	$(1,807)	(6.8)%
Working capital	**$44,199**	$22,218	**$21,981**	$63,635	$(41,654)	(65.5)%
Current ratio	**2.42**	4.49	**1.89**	3.39	(1.50)	(44.2)%

Excluding Span's acquisition, current assets decreased by $43.5 M between December 31, 2016 and December 31, 2017, mainly due to a decrease in cash (-$52.2 M including the payment for the acquisition of Span in the amount of $33.7 M US), offset by an increase in trade and other receivables (+$2.5 M, mainly due to an increase in revenue of certain subsidiaries and the addition of Premier Lifts' activities) and inventories (+$5.8 M, from the addition of the activities of Premier Lifts and Master Lifts and an increase in the Savaria Concord subsidiary). See subsection *Cash Flows* in section 11 for details on cash flow variations.

Excluding Span's acquisition, current liabilities decreased by $1.8 M between December 31, 2016 and December 31, 2017, mainly due to a decrease of derivative financial instruments related to net unrealized loss on foreign exchange contracts (-$4 M), a decrease in the current portion of long-term debt following the introduction of a new credit agreement (see subsection *Available Sources of Financing* below) (-$2 M) and of current tax liabilities (-$912,000, following the payment of balances due for 2016). This decrease is partially offset by an increase in deferred revenue (+$2.4 M, of which $1.1 M comes from the addition of the activities of Premier Lifts and $0.8 M from the addition of Master Lifts), in trade and other payables (+$1.3 M) and in dividend payable (+$1.2 M, following the change in the Corporation's dividend policy whereby dividends are now paid monthly).

Note that the number of days required to recover accounts receivable was 43 days as at December 31, 2017, compared to 40 days as at December 31, 2016. As for accounts payable's average payment time, it was 74 days as at December 31, 2017 compared to 71 days as at December 31, 2016.

Non-current Assets and Liabilities and Equity

(in thousands of dollars)	**December 31, 2017**	*Span* Segment	**December 31, 2017 excluding Span**	December 31, 2016	Change	
Non-current assets	**$144,433**	$93,157	**$51,276**	$35,893	$15,383	42.9%
Non-current liabilities	**$49,849**	$9,598	**$40,251**	$16,543	$23,708	143%
Equity	**$138,783**	-	**$138,783**	$82,985	$55,798	67.2%

Non-current assets increased by $15.4 M between December 31, 2016 and December 31, 2017, mainly due to the addition of Premier Lifts' assets (+$3.8 M) and Master Lifts (+$3.2 M), the purchase of a building in Toronto, Ontario (+$4 M) and the payment of a deposit on the acquisition of a business (+$4.4 M) offset by a decrease in deferred tax assets (-$2.3 M) mainly related to the unrealized depreciation on foreign exchange contracts.

Non-current liabilities increased by $23.7 M between December 31, 2016 and December 31, 2017, mainly due to the increase in the non-current portion of the long-term debt following the introduction of a new credit facility (+$24.7 M) (see subsection *Available Sources of Financing* below) partially offset by the decrease in unrealized net loss on foreign exchange contracts of $1.7 M.

The $55.8 M increase in equity is mainly due to the private placement completed in the 2nd quarter of 2017 (+$36.9 M), the issuance of shares in relation to the exercise of warrants (+$7.9 M), the impact of net income (+$19.2 M) and the effect of the variation of the foreign exchange rate (+$2.4 M) included in other comprehensive income offset by declared dividends (-$12.7 M).

As at December 31, 2017, Savaria benefited from a sound financial position with total assets of $219.8 M, compared with $126.1 M as at December 31, 2016, and total liabilities of $81 M, compared with $43.1 M as at December 31, 2016.

Share Information

(in thousands)	**December 31,**	
	2017	2016
Number of common shares issued and outstanding	**41,250**	36,354

(in thousands)	Quarters ended December 31,		Twelve months ended December 31,	
	2017	2016	**2017**	2016
Weighted average number of common shares outstanding used to calculate basic earnings per share	**41,202**	36,003	**39,718**	34,270
Weighted average number of common shares outstanding used to calculate diluted earnings per share	**42,168**	38,073	**40,599**	35,916

Available Sources of Financing

(in thousands of dollars)	**December 31,**	
	2017	2016
Credit facilities:		
Authorized	**$110,000**	$10,000
Loans	**38,861**	-
Unused credit	**71,139**	10,000
Gross cash	**7,719**	51,230
Total	**$78,858**	$61,230

As shown above, the Corporation had total available funds of $78.9 M as at December 31, 2017. This provides it with the flexibility to meet its potential obligations in the near term and to pursue from acquisition opportunities.

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

During the 2nd quarter of 2017, the Corporation signed a new financing agreement with its financial institution in the form of a revolving line of credit totaling $110 M. The agreement provides for an additional credit of $50 M, available under certain conditions. An amount of $38.9 M was drawn as at December 31, 2017. Under this agreement which expires June 16, 2022, the balance of the Corporation's existing loans which was to the amount of $14.7 M was repaid and re-borrowed on the new line of credit on the same day. A process for consolidating Canadian dollars and US dollars bank accounts in Canada has been put in place. Under this process, any daily net debit balance is applied against the balance of the credit line while any daily net credit balance increases the balance of the credit line. Only interest is payable monthly. This debt is presented as long-term in the consolidated statement of financial position.

The Corporation minimizes its exposure to risks of variation of cash flow related to fluctuations in interest rates by keeping most of its debt at fixed rates using swap agreements (see *Hedging of Interest Rates* in section 10).

As at December 31, 2017, the Corporation's total net debt to invested capital ratio is 18.8% (nil as at December 31, 2016).

Other Data and Ratios

(in thousands of dollars, except per-share amounts - Unaudited)	December 31,		Change
	2017	2016	
Book value per share [(1)]	**$3.36**	$2.28	47.4%
Cash per share [(1)]	**$0.19**	$1.41	(86.5)%
Market capitalization	**$751,583**	$395,167	90%

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

Book value per share is up as at December 31, 2017 compared to December 31, 2016, mainly due to the issuance of 2,760,000 shares at $13.90 per share as part of a bought deal private placement and of 1,866,500 shares at $4.25 per share following the exercise of warrants. Cash per share decreased as a result of the disbursement related to the acquisitions. Market capitalization is up due to an increase in the value of the Corporation's common shares, which went from $10.87 as at December 31, 2016 to $18.22 as at December 31, 2017 and to the issuance of common shares previously mentioned.

12. Cash Flows

The following table presents certain cash flow data for 4th quarter and twelve-month period of 2017 and 2016.

(in thousands of dollars)	3 Months (Unaudited)			12 months		
	2017	2016	Change	**2017**	2016	Change
Cash at the beginning of the periods	**$10,968**	$46,480	$(35,512)	**$51,230**	$29,707	$21,523
Net cash related to operating activities	**4,304**	4,642	(338)	**19,242**	18,085	1,157
Net cash related to investing activities	**(3,822)**	(637)	(3,185)	**(117,313)**	(11,929)	(105,384)
Net cash related to financing activities	**(3,878)**	647	(4,525)	**55,115**	15,512	39,603
Unrealized foreign exchange gain (loss) on cash held in foreign currencies	**147**	98	49	**(555)**	(145)	(410)
Cash as at December 31	**$7,719**	$51,230	$(43,511)	**$7,719**	$51,230	$(43,511)

The Corporation's cash flows from operating activities are down $338,000 for the 4th quarter and up $1.2 M for the twelve-month period compared to the corresponding periods of the previous year. This is mainly due to a favourable variation in net income before tax, depreciation and financial expenses (+$3.1 M for the quarter, +$8.3 M for the twelve-month period), partially offset by an unfavourable variation in non-cash items (-$3 M for the quarter coming mainly from suppliers and other payables, dividend payable and receivables and other debtors, -$7.5 M for the twelve-month period, coming mainly from the variation in suppliers and other payables and inventories).

Cash flow used in investing activities is up $3.2 M in the 4th quarter and $105.4 M in the twelve-month period compared to the same periods of the previous year. This is mainly due to business acquisitions (+$2.9 M for the quarter and +$96.6 M for the twelve-month period), higher acquisitions of fixed and intangible assets (+$132,000 for the quarter, +$4.4 M for the twelve-month period).

Regarding financing activities, cash flows are down $4.5 M for 4th quarter 2017 and up $39.6 M for the twelve-month period compared to the same periods of the previous year. This is mainly due to a net change in long-term debt (-$757,000 for the quarter, +$23.2 for the twelve-month period), a favourable variation in the proceeds from a private placement (+$17.3 M for the twelve-month period), a variation in the exercise of warrants (-$3.7 M for the quarter, +$3.6 M for the twelve-month period), partially offset by higher dividends (-$110,000 for the quarter, -$4 M for the twelve-month period).

13. Significant Accounting Estimates

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

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, including an adjustment for credit risk.

The recoverable amount of goodwill is estimated at the same time each year, or more frequently if there are indications of impairment. For the purposes of assessing impairment of goodwill, goodwill acquired through business acquisitions is allocated to the cash-generating unit ("CGU") or group of CGUs, expected to benefit from the synergies of the acquisition. Each CGU or group of CGUs to which the goodwill is allocated shall represent the lowest level at which goodwill is monitored for internal management purposes and should not be, before allocation of goodwill, greater than an operational segment. The recoverable amounts of these CGUs are based on their value in use. They are determined by discounting the future cash flows generated by the continued use of the units. The calculation of value in use is based on the following key assumptions:

- Cash flows are projected over a period of five years with a terminal value based on past experience and actual operating results using a constant growth rate of 10% (2016-same) for the CGUs grouped in Accessibility and 2% for the CGUs grouped in Adapted Vehicles (2016-5%) ;

- The anticipated annual revenue growth included in the cash flow projections are based on the business plan;

- A discount rate of 10.33% (14.02% in 2016) is applied in determining the recoverable amount of the unit. The discount rate used is based on industry weighted average cost of capital, which is based on a possible range of debt leveraging of 15% (19% in 2016) at a market interest rate of 3.18% (3% in 2016);

- The values assigned to the key assumptions represent management's assessment of future trends in the accessibility industry and are based on both external and internal sources (historical data).

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.

14. New Accounting Policies

(A) New Accounting Standards and Interpretations Adopted During Fiscal 2017

The following new standards and amendments to standards and interpretations have been applied in preparing the consolidated financial statements as at December 31, 2017. The adoption of these new standards has not had a material impact on the consolidated financial statements.

Disclosure Initiative (Amendments to IAS 7)

On January 7, 2016, the International Accounting Standards Board ("IASB") issued *Disclosure Initiative (Amendments to IAS 7)*. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities.

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

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

(B) New Accounting Standards and Interpretations Not Yet Adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the years ended December 31, 2017 and 2016, and have not been applied in preparing the consolidated financial statements.

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

On June 20, 2016, the IASB issued amendments to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for:

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

The Corporation intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on January 1, 2018. The Corporation does not expect the standard to have a significant impact on its consolidated financial statements.

IFRS 9 - *Financial Instruments*

In July 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for years beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior years is not required and is only permitted if information is available without the use of hindsight.

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

IFRS 9 (2014) presents a few differences with IFRS 9 (2013), early adopted by the Corporation on April 1, 2014. The Corporation intends to adopt IFRS 9 (2014) in its consolidated financial statements for the year beginning on January 1, 2018. The Corporation does not expect the standard to have a material impact on its consolidated financial statements.

IFRS 15 - *Revenue from Contracts with Customers*

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

IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

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

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

The Corporation will adopt IFRS 15 in its consolidated financial statements for the year beginning on January 1, 2018.

Adoption of this standard will have the following impact:

- Freight revenue and expense: the Corporation books the net of freight revenue and expense in its cost of sales since it generally invoices customers the same amount as it is charged by freight companies. According to IFRS 15, amounts charged to customers must be presented among revenue while the amounts charged by freight companies must be booked in cost of sales. This change will have no impact on the Corporation's net income.
- Vehicle conversion and adaptation revenue: the Corporation books vehicle conversion and adaptation revenue on customer-owned vehicles at the time of delivery of the product. According to IFRS 15, these revenues must be recognized at every period end according to the advancement of work. The Corporation estimates that this change will have no significant impact on its net income.
- Maintenance revenue: the Corporation books revenue related to maintenance contracts on a straight-line basis over the contract period. According to IFRS 15, these revenues must be booked based on when each maintenance service is provided. The Corporation estimates that this change will have no significant impact on its net income.
- Initial franchise fees and renewal fees: the Corporation books revenue from initial franchise fees at the start of the franchise's activities or at the renewal date, whichever applies. According to IFRS 15, these revenues must be spread over the period covered by the agreement. The Corporation estimates that this change will have no significant impact on its net income.

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. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases*.

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 provisions have also been provided.

The Corporation intends to adopt IFRS 16 in its consolidated financial statements for the year beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

IFRIC 22 - *Foreign Currency Transactions and Advance Consideration*

On December 8, 2016, the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018.

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

The Interpretation may be applied either:

- retrospectively; or
- prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after:
    - the beginning of the reporting period in which the entity first applies the Interpretation; or
    - the beginning of a prior reporting period presented as comparative information in the financial statements.

The Corporation will adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2018. The Corporation does not expect the Interpretation to have a material impact on the financial statements.

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. Earlier application is permitted.

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.

The Corporation intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the Interpretation has not yet been determined.

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, with early application permitted. Each of the amendments has its own specific transition requirements.

- 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.

The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the amendments has not yet been determined.

15. Internal Control over Financial Reporting

Disclosure Controls and Procedures

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

An evaluation has been conducted to measure the effectiveness of controls and procedures used for the preparation of reporting documents. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures were effective and well designed at the close of the fiscal year ended December 31, 2017 and, more specifically, that the design of such controls and procedures provides reasonable assurance that they are advised of material information relating to the Corporation during the period in which these reporting documents are prepared.

Internal Control over Financial Reporting

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

Management has evaluated the effectiveness of internal control over financial reporting using the criteria defined in the integrated internal control framework of the *Committee of Sponsoring Organizations of the Treadway Commission* ("COSO") (COSO framework of 2013). Based on that evaluation, management as well as the Chief Executive Officer and the Chief Financial Officer concluded, as at December 31, 2017, that the Corporation's internal control over financial reporting was effective in that it provides reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its financial statements for disclosure purposes in accordance with IFRS.

Limitation on Scope of Design

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

The following table presents a summary of the financial information included in the consolidated financial statements of the excluded subsidiary:

(in thousands of dollars)	
Statement of financial position	
Current assets	$28,585
Non-current assets	$93,157
Current liabilities	$6,367
Non-Current liabilities	$9,598
Statement of comprehensive income	
Revenue	$45,712
Net income	$609

Changes to Internal Control over Financial Reporting

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

16. Commitments

In addition to the debts appearing in the statement of financial position, the Corporation has concluded lease agreements for the rental of certain premises and entered into operating leases for rolling stock and equipment for a total of $6 M ($5.6 M in 2016).

The Span subsidiary is committed to minimum purchases of $700,000 US of Selan® products per year for each calendar year through 2020. This subsidiary has also committed to purchase production equipment totalling $356,000.

The following table details the Corporation's commitments for the coming years:

(in thousands of dollars)	**Total**	2018	2019	2020	2021	2022	After 2022
Long-term debt obligations, including interest	**$44,023**	$10,337	$8,279	$8,040	$7,808	$4,594	$4,965
Capital leases	**52**	30	17	5	-	-	-
Operating leases	**5,978**	1,699	1,395	1,023	730	261	870
Foreign exchange contracts	**67,701**	22,592	22,560	12,525	10,024	-	-
Total contractual obligations	**$117,754**	$34,658	$32,251	$21,593	$18,562	$4,855	$5,835

17. Off-Balance Sheet Arrangements

Other than the operating leases considered in the previous section, *Commitments*, Savaria did not enter into any off-balance sheet arrangements during fiscal 2017.

18. Related Party Transactions

Savaria did not enter into any significant transactions with any related party during fiscal 2017.

19. Financial Instruments

The Corporation periodically uses various financial instruments to manage the risk related to exchange rate fluctuations. It does not hold or issue derivative financial instruments for speculative or trading purposes. Derivative financial instruments are subject to standard credit conditions, financial controls, risk management and monitoring procedures.

(in thousands of dollars)	Assets and liabilities Presented at Fair Value	Assets and Liabilities Presented at Amortized Cost	Total	Fair Value
Financial assets				
Cash	$ -	$7,719	**$7,719**	**$7,719**
Trade and other receivables	-	23,436	**23,436**	**23,436**
Derivative financial instruments	2,387	-	**2,387**	**2,387**
Long-term loans	-	21	**21**	**21**
Total financial assets	$2,387	$31,176	**$33,563**	**$33,563**
Financial liabilities				
Trade and other payables	$ -	21,558	**21,558**	**21,558**
Derivative financial instruments	279	**-**	**279**	**279**
Long-term debt	-	39,898	**39,898**	**39,884**
Total financial liabilities	$279	$61,456	**$61,735**	**$61,721**

Financial Instrument-Related Risks

The analysis of financial-instrument related risks is provided in the next section, *Risks and Uncertainties*.

20. Risks and Uncertainties

The Corporation is confident about its long-term outlook. Nevertheless, the risks and uncertainties described below could have an impact on its ability to implement its strategic plan and to achieve its growth objectives. The following factors should be considered in assessing the Corporation's outlook.

Financial Risk Factors

The Corporation is engaged in an industry exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. In order to minimize the potential adverse effects on its financial performance, the Corporation uses derivative financial instruments to hedge currency risks and interest rate risks. Treasury is managed centrally to allow for the identification, evaluation and hedging of financial risks.

(a) Currency Risk

Currency risk corresponds to the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency.

The Corporation realized approximately 64% (58% in 2016) of its 2017 revenue in foreign currencies and accordingly is exposed to market risks related to foreign exchange fluctuations. Major exchange rate fluctuations could have a significant impact on its revenue and consequently on its gross margin. The Corporation partially compensates for these risks by purchasing materials in U.S. dollars and using derivative financial instruments such as foreign exchange forward contracts. These contracts are contracts under which the Corporation is obligated to sell U.S. 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 U.S. dollars, in order to protect the gross margin from significant fluctuations in the Canadian dollar against foreign currencies and to avoid management speculation on currency values. The Corporation manages this risk exposure by entering into foreign exchange forward contracts. Pursuant to the policy, a maximum of 75% of anticipated net inflows in U.S. dollars must be hedged.

Gains and losses on financial instruments designated as cash flow hedges are recognized in the Corporation's results in the same period as the underlying transactions. Changes in the fair value of non-designated financial instruments are recognized immediately.

As required pursuant to accounting standards, unrealized gains or losses on foreign exchange contracts designated as cash flow hedges at end-of-period dates must be presented, net of taxes, in other comprehensive income. As at December 31, 2017, the Corporation shows a credit amount in *Accumulated other comprehensive income (loss)* of $1.4 M (debit of $4.3 M as at December 31, 2016). The amount of gain or loss actually realized on foreign exchange contracts will depend on the value of the Canadian dollar at the time each contract is cashed in.

Gains (losses) on U.S. dollar denominated monetary items are recognized in Finance income (costs). Major exchange rate fluctuations could have a material impact on the translation of these U.S. dollar denominated monetary items and, accordingly, on Finance income (costs) and net income.

(b) Interest Rate Risk

Interest rate risk corresponds to the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Corporation's interest rate risk arises from its long-term loans and long-term debt. Borrowings issued at variable rates expose the Corporation to risks of cash flow variation related to interest rate fluctuations, whereas borrowings issued at fixed rates expose the Corporation to fair value variation due to interest rate fluctuations.

The majority of the Corporation's debts bear interest at variable rates. The Corporation analyzes interest rate risk exposure on a continuous basis and examines its renewal and refinancing options in order to minimize risks. Along this line, the Corporation signed interest rate swap agreements for some of its long-term loans (see *Hedging of Interest Rates* in section 10 for details). These derivatives were designated as hedges for accounting purposes. The total balance of loans covered by the swap agreements was $22.4 M as at December 31, 2017 ($14.9 M as at December 31, 2016). As at December 31, 2017, the Corporation shows a credit amount of $149,000 in *Accumulated other comprehensive income (loss)* (debit of $3,000 at December 31, 2016).

Interest income and expenses are recognized in Finance income (costs). A major change in interest rates would not have a significant impact on net income but would result in an increase or decrease of "Other comprehensive income (loss)".

(c) Price Risk

The Corporation's products include a high number of components manufactured by hundreds of suppliers around the world. The price of such components can vary and affect the Corporation's profit margins. However, the Corporation's flexible business model enables it to change supplier if required in order to minimize this risk. The Corporation does not make use of derivative products on the price of materials.

The Corporation, through its Chinese subsidiary, is increasing its purchasing volume in Asia to benefit from a better quality-price value. The Corporation analyzes each part individually to determine the best procurement source while considering various factors, including manufacturing costs.

(d) Credit Risk

Cash is held or issued by financial institutions with a superior-quality credit rating. Hence, the Corporation considers that the risk of non-performance of such instruments is negligible.

The Corporation provides credit to its clients in the normal course of business. It carries out credit checks on its clients on a continual basis and minimizes its credit risks by conducting its operations with a wide variety of clients in several industries.

Trade receivables are presented on the statement of financial position net of an allowance for doubtful accounts. The allowance is based on the Corporation's best estimate as to the probability of collecting uncertain accounts. Uncertainty regarding the collection of accounts may derive from various indicators, including deterioration in the credit-worthiness of a client or an abnormal delay in payment of past-due invoices. Management regularly reviews client accounts, ensures that past-due accounts are followed up and evaluates the relevance of its allowance for doubtful accounts.

(e) Liquidity Risk

Liquidity risk represents the risk that the Corporation will not be able to meet its obligations as they fall due. Management assesses its liquidity risk on a continual basis to ensure that it has sufficient liquidity to meet its obligations.

To ensure that sufficient liquidity is available to meet current obligations, the Corporation maintains similar payment terms with its clients as it has with its suppliers. The Corporation has sufficient credit facilities available to make up for temporary lapses in the synchronization of inflows and outflows of funds.

Savaria is involved in an industry subject to various risks and uncertainties. Its operating results and financial position could therefore be adversely affected by the aforementioned financial risks, as well as by the various factors described below. Those risks are not the only ones to which the Corporation is exposed. Thus, its business could potentially be affected by additional risks and uncertainties that are currently unknown or deemed rather insignificant.

Economic Conditions

The purchase of elevators is often a discretionary expense and, accordingly, sensitive to economic fluctuations, government subvention program changes and conditions in the housing market. The Corporation takes measures to control its expenses and to adjust its work force in order to adapt working hours to its order backlog.

Warranties

In the normal course of its business, the Corporation assumes the cost of certain components in replacement of defective components under warranties offered on its products. The warranties cover a period of three (3), twelve (12) or thirty-six (36) months on accessibility and adapted transport products while they cover a period of eighteen (18) months to fifteen (15) years on Span products. Warranty provisions are established on the basis of estimates and assumptions. These provisions are based on management's past experience. If such estimates and assumptions prove inaccurate in the future, the effective costs to respect product warranties could differ from those recorded.

Competition

The Corporation operates in a competitive industry, and many factors could adversely impact the Corporation's ability to maintain or enhance its profitability and could have a material adverse effect on its operating results.

Regarding the accessibility segment, the North American industry consists of about ten companies in fierce competition. Savaria ranks as one of North America's leaders in the accessibility industry. Its large size provides it with major advantages, including: a high profile, an extensive distribution network, economies of scale and many foreign suppliers.

Regarding the Span segment, larger and well-established competitors dominate the market. While we believe we are holding or gaining market share in our largest product lines, larger, well-financed competitors present a formidable challenge. If we are unable to compete effectively with these larger competitors, we could lose market share, and sales could decrease.

Our ability to compete effectively in the accessibility and the medical markets is dependent on a continuous stream of innovation in the form of new, more medically effective and more cost-effective products.

Dependence on Key Distributors and Large Customers

In general, the Corporation does not enter into long-term contracts with its major distributors and customers. As a result, given economic conditions, supply and demand factors in the industry, the Corporation's performance, internal initiatives of the Corporation's customers or other factors, the customers may reduce or eliminate their use of Savaria' services, or may use competitive environment as a leverage to obtain better rates and other concessions from the Corporation. More specifically, the loss of a key distributor or customer in the Corporation's Span segments could cause a decline in sales, which would likely result in a material decline in earnings for this segment. Many of Span's products are sold through large national distributors in the United States and Canada and are supply based on purchase orders that are issued by the customers on a weekly basis.

It is also possible that a non-participating distributor may acquire one or more distributors with whom the Corporation has a relationship, at which time the survivor distributor may decide to terminate the current business relationship.

Economic and capital market conditions may adversely affect the Corporation's customers and their ability to remain solvent. The financial difficulties of the clients could have a negative impact on the Corporation's operating results and financial position.

In general, the concentration of credit risks to which Savaria is exposed remains limited, given the large number of customers and their geographical dispersion across North America. The Corporation also keeps developing strong and enduring relationships with many distributors and client located on the continent and around the world.

Dependence on the U.S. Market and Its Economy

In 2017, the percentage of Savaria's revenue recorded in the United States totaled 58% (51% in 2016). The Corporation's profitability could therefore be affected by any major event having a negative impact on the U.S. economy or the trade relations between Canada and the United States (the reader is referred to *Economic Conditions* above).

Possible downturns in the U.S. economy combined with uncertainties about interest rates, health care reform and tax policy could cause our customers to delay, reduce or cancel capital expenditure plans which in turn could have a negative effect on our earnings.

Downturns in the U.S. and global economies could also have a material adverse effect on the business or financial condition of one or more of our key customers or distributors or on several customers and distributors that, in the aggregate, account for a material portion of our sales.

Fluctuation in Raw Material Prices

Changes in polyurethane foam prices in the market may have a significant impact on the profitability of our Span segment. Polyurethane foam demand can be influenced by economic conditions such as demand and production capacity in the market and other factors. Other factors include interest and foreign exchange rates and inflation. The overall impact of these factors is impossible to predict accurately. In addition, the price of polyurethane foam has, on a few occasions, been subject to very rapid short-term variations due to demand and production activities.

Laws and Regulations

The Corporation faces the risks inherent in the regulated nature of some of our operations, primarily the manufacturing and distribution of medical supplies. These regulations require, among other things, that medical device manufacturers register with the Food and Drug Administration ("FDA") and Health Canada, list devices manufactured by them, and file various forms and reports. In addition, our manufacturing facilities are subject to periodic inspections by regulatory authorities and must comply with "good manufacturing practices" as required by the FDA, the State and Canadian regulatory authorities. Although we believe that we are in substantial compliance with currently applicable regulations, the existence of the regulations creates the risk of a product recall and related expenses as well as the risk of additional expenses required to meet potential new regulatory requirements.

Information System

The Savaria's operating and financial systems are essential for compiling and managing customer requests, scheduling installations and production, billing and recovering the Corporation's services. The Corporation's financial reporting system is essential to produce accurate and timely financial statements and to analyze the Corporation's information that will help it to manage its operations effectively. Any significant system failure, any complication, any security breach or other system disruption could disturb or delay the operations of the

Corporation, adversely affect the reputation of Savaria, resulting in the loss of customers, or additional costs to repair the systems or may affect the Corporation's ability to manage its activities and to report the financial performance of the Corporation, which could have a material adverse effect on the business of the Corporation. While the Corporation has the proper equipment and software to ward off cyberattack and maintain that equipment up to date, the Corporation is not immune from a cyberattack.

Risks Related to Acquisitions and Their Integration

Acquisitions have always been part of the Corporation's growth strategy. The Corporation may not be able to successfully integrate acquisitions into the business of the Corporation, or may incur significant unplanned costs to do so. In addition, the process of integration of the acquired businesses could result in disruption of the Corporation's existing operations and could result in an interruption or reduction of the Corporation's business due to, among other factors and not limited to:

- the loss of key employees, customers or contracts;
- possible inconsistencies in, or conflicts with, the standards, controls, procedures and policies of the combined companies, and the need to apply financial, accounting, computer and other systems to the whole of the Corporation;
- the inability to maintain or improve the quality of services that have been provided previously;
- the inability to retain, integrate, hire or recruit employees with the required skills.

Cost savings, synergies, revenue growth or any other anticipated benefits from any acquisition that the Corporation initiates may not be realized, or not realized within the specified time period. The Corporation's cost savings, synergies, revenue growth or other estimated benefits from acquisitions are subject to a number of assumptions with respect to timing, execution and associated costs. To the realization of such synergies, assumptions are uncertain and involve a wide variety of commercial, economic, geographic and competitive risks.

Tax Credits

Savaria benefits from research and development tax credits as well as apprenticeship tax credits. These could be affected by any legislative change.

Deferred Tax Assets

Deferred tax assets were recognized as it is likely that related loss carry-forwards will be utilized. However, certain events could prevent all the losses from being used prior to their expiry.

Lawsuits

Various claims and legal proceedings have been initiated against the Corporation in the normal course of business. Although the outcome of these proceedings cannot be determined with certainty, management estimates that any payments resulting from their outcome are not likely to have a material negative impact on the Corporation's consolidated financial statements.

The Corporation has received a claim with respect to the non-payment of the note payable already accounted for in the amount of $421,000 related to the acquisition of Freedom in 2010. The former owner of this company is also asking for the right to exercise the 200,000 options that had been issued in relation to his employment agreement. The Corporation has instituted a counterclaim with respect to this same transaction as well as a motion to have the claim related to the employment contract dismissed. This motion was refused and the Corporation is appealing the decision. The outcome of these claims cannot be determined at this time.

For more details on risk factors, refer to the Annual Information Form, available on the SEDAR website at www.sedar.com.

21. Outlook

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

The development of a new product line of ceiling lifts is progressing at our research and development center in Magog, Quebec, and should be completed by the end of the 2nd quarter of 2018. In North America, these products will be distributed by Span, a company acquired in June 2017 which staffs 33 sales representatives serving this market; marketing began in the first quarter of 2018.

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

In December 2017, Savaria purchased the assets of Master Lifts, a reseller of accessibility products and elevators. Master Lifts's purchases of Savaria products from our Chinese subsidiary accounted for 20% of their purchases. We plan to increase this percentage to 75% by the end of June 2018.

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

Factoring in Savaria's acquisitions completed in 2017, Premier Lifts, Span and Master Lifts as well as our new *Vuelift* elevators, we forecast revenue of approximately $268 M and adjusted EBITDA in a range of $42.5-$44.5 M for fiscal 2018. These forecasts exclude any additional acquisitions that could take place in 2018.

March 8, 2018