**SAVARIA CORPORATION**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**AS AT MARCH 31, 2017**

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

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

| | *Note* | **March 31, 2017** | December 31, 2016 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | **$ 51,749** | $ 51,230 |
| Trade and other receivables | | **13,540** | 13,160 |
| Inventories | | **25,416** | 24,792 |
| Prepaid expenses | | **1,785** | 1,057 |
| **Total current assets** | | **92,490** | 90,239 |
| **Non-current assets** | | | |
| Derivative financial instruments | *11* | **213** | 171 |
| Long-term loans | | **24** | 33 |
| Fixed assets | | **19,657** | 19,530 |
| Intangible assets | | **2,944** | 2,893 |
| Goodwill | *4* | **13,497** | 9,156 |
| Deposits on purchases of fixed assets | | **330** | 262 |
| Deferred tax assets | | **3,381** | 3,848 |
| **Total non-current assets** | | **40,046** | 35,893 |
| **Total assets** | | **$ 132,536** | $ 126,132 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **$ 14,234** | $ 14,340 |
| Income taxes payable | | **373** | 1,349 |
| Deferred revenues | | **4,329** | 2,671 |
| Derivative financial instruments | *11* | **3,242** | 4,298 |
| Current portion of long-term debt | *5* | **3,422** | 3,436 |
| Warranty provisions | | **510** | 510 |
| **Total current liabilities** | | **26,110** | 26,604 |
| **Non-current liabilities** | | | |
| Long-term debt | *5* | **12,981** | 13,855 |
| Warranty provisions | | **754** | 757 |
| Other long-term liabilities | | **47** | 49 |
| Derivative financial instruments | *11* | **955** | 1,699 |
| Deferred tax liabilities | | **137** | 183 |
| **Total non-current liabilities** | | **14,874** | 16,543 |
| **Total liabilities** | | **40,984** | 43,147 |
| **Equity** | | | |
| Share capital and warrants | *6* | **78,911** | 72,791 |
| Contributed surplus | | **2,619** | 2,587 |
| Accumulated other comprehensive loss | | **(2,608)** | (4,050) |
| Retained earnings | | **12,630** | 11,657 |
| **Total equity** | | **91,552** | 82,985 |
| **Total liabilities and equity** | | **$ 132,536** | $ 126,132 |

The notes on pages 8 to 14 are an integral part of these unaudited condensed consolidated interim financial statements.

**SAVARIA CORPORATION**
CONSOLIDATED STATEMENTS OF NET INCOME
Periods of three months ended March 31, 2017 and 2016
*(in thousands of dollars, except per share amounts - Unaudited)*

| | *Note* | 2017 | 2016 |
|---|---|---|---|
| **Revenue** | *7* | **$ 31,126** | $ 26,216 |
| **Cost of sales** | | **(20,281)** | (17,749) |
| **Gross margin** | | **10,845** | 8,467 |
| **Operating expenses** | | | |
| Administrative | | **(2,550)** | (1,914) |
| Selling | | **(2,672)** | (2,085) |
| Engineering | | **(674)** | (648) |
| Research and development | | **(281)** | (199) |
| | | **(6,177)** | (4,846) |
| Other income (expenses) | *8* | **(25)** | 108 |
| **Operating income** | | **4,643** | 3,729 |
| Finance income | *9* | **117** | 65 |
| Finance costs | *9* | **(276)** | (534) |
| **Net finance costs** | | **(159)** | (469) |
| **Income before income tax** | | **4,484** | 3,260 |
| Income tax expense | | **(1,147)** | (877) |
| **Net income** | | **$ 3,337** | $ 2,383 |
| **Earnings per share:** | | | |
| Basic | | **$ 0.09** | $ 0.07 |
| Diluted | | **$ 0.09** | $ 0.07 |

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**SAVARIA CORPORATION**
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Periods of three months ended March 31, 2017 and 2016
*(in thousands of dollars - Unaudited)*

| | **2017** | 2016 |
|---|---|---|
| **Net income** | **$ 3,337** | $ 2,383 |
| **Other comprehensive income** | | |
| Items that are or may be reclassified subsequently to income or loss: | | |
| Change in the fair value of derivative financial instruments designated as cash flow hedges | **603** | 4,069 |
| Deferred income tax | **(155)** | (1,046) |
| | **448** | 3,023 |
| Losses on foreign exchange contracts transferred to net income in the current period | **1,240** | 1,452 |
| Deferred income tax | **(319)** | (373) |
| | **921** | 1,079 |
| Net change in fair value of derivative financial instruments designated as cash flow hedges | **1,369** | 4,102 |
| Unrealized net gains (losses) on translation of financial statements of foreign operations | **73** | (263) |
| **Other comprehensive income, net of income tax** | **1,442** | 3,839 |
| **Total comprehensive income** | **$ 4,779** | $ 6,222 |

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**SAVARIA CORPORATION**
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period of three months ended March 31, 2016
*(in thousands of dollars - Unaudited)*

| | 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital and warrants | | | | | | |
| | Number | | | | | | |
| | Share capital | Warrants | Amount | Contributed surplus | Accumulated other comprehensive loss | Retained earnings | Total equity |
| **Balance at January 1, 2016** | **32,579,614** | **2,875,000** | **$ 47,878** | **$ 2,265** | **$ (8,548)** | **$ 7,618** | **$ 49,213** |
| **Total comprehensive income** | | | | | | | |
| **Net income** | - | - | - | - | - | 2,383 | **2,383** |
| **Other comprehensive income:** | | | | | | | |
| Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax | - | - | - | - | 3,023 | - | **3,023** |
| Losses on foreign exchange contracts transferred to net income in the current period, net of tax | - | - | - | - | 1,079 | - | **1,079** |
| Unrealized net losses on translation of financial statements of foreign operations | - | - | - | - | (263) | - | **(263)** |
| **Other comprehensive income** | - | - | - | - | 3,839 | - | **3,839** |
| **Total comprehensive income** | - | - | $ - | $ - | $ 3,839 | $ 2,383 | **$ 6,222** |
| **Transactions with owners, recorded directly in equity** | | | | | | | |
| Compensation expense on options granted | - | - | - | 66 | - | - | **66** |
| Share options exercised (note 6) | 87,500 | - | 145 | (13) | - | - | **132** |
| Dividends on common shares | - | - | - | - | - | (1,632) | **(1,632)** |
| **Total transactions with owners** | 87,500 | - | 145 | 53 | - | (1,632) | **(1,434)** |
| **Balance at March 31, 2016** | **32,667,114** | **2,875,000** | **$ 48,023** | **$ 2,318** | **$ (4,709)** | **$ 8,369** | **$ 54,001** |

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**SAVARIA CORPORATION**
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period of three months ended March 31, 2017
*(in thousands of dollars - Unaudited)*

| | 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital and warrants | | | | | | |
| | Number | | | | Accumulated other comprehensive loss | | |
| | Share capital | Warrants | Amount | Contributed surplus | | Retained earnings | Total equity |
| **Balance at January 1, 2017** | **36,353,947** | **1,866,500** | **$ 72,791** | **$ 2,587** | **$ (4,050)** | **$ 11,657** | **$ 82,985** |
| **Total comprehensive income** | | | | | | | |
| **Net income** | - | - | - | - | - | 3,337 | **3,337** |
| **Other comprehensive income:** | | | | | | | |
| Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax | - | - | - | - | 448 | - | **448** |
| Losses on foreign exchange contracts transferred to net income in the current period, net of tax | - | - | - | - | 921 | - | **921** |
| Unrealized net gains on translation of financial statements of foreign operations | - | - | - | - | 73 | - | **73** |
| **Other comprehensive income** | - | - | - | - | 1,442 | - | **1,442** |
| **Total comprehensive income** | - | - | $ - | $ - | $ 1,442 | $ 3,337 | **$ 4,779** |
| **Transactions with owners, recorded directly in equity** | | | | | | | |
| Compensation expense on options granted | - | - | - | 86 | - | - | **86** |
| Share options exercised (note 6) | 100,000 | - | 450 | (54) | - | - | **396** |
| Exercise of warrants (note 6) | 1,333,999 | (1,333,999) | 5,670 | - | - | - | **5,670** |
| Dividends on common shares (note 6) | - | - | - | - | - | (2,364) | **(2,364)** |
| **Total transactions with owners** | 1,433,999 | (1,333,999) | 6,120 | 32 | - | (2,364) | **3,788** |
| **Balance at March 31, 2017** | **37,787,946** | **532,501** | **$ 78,911** | **$ 2,619** | **$ (2,608)** | **$ 12,630** | **$ 91,552** |

The notes on pages 8 to 14 are an integral part of these unaudited condensed consolidated interim financial statements.

**SAVARIA CORPORATION**
CONSOLIDATED STATEMENTS OF CASH FLOWS
Periods of three months ended March 31, 2017 and 2016
*(in thousands of dollars - Unaudited)*

| | *Note* | **2017** | 2016 |
|---|---|---|---|
| **Cash flows related to operating activities** | | | |
| Net income | | **$ 3,337** | $ 2,383 |
| Adjustments for: | | | |
| Depreciation of fixed assets | | **368** | 325 |
| Amortization of intangible assets | | **187** | 168 |
| Income tax expense | | **1,147** | 877 |
| Compensation expense on share options granted | | **86** | 66 |
| Unrealized foreign exchange losses | | **191** | 212 |
| Finance costs | *9* | **182** | 196 |
| Others | | **(26)** | - |
| | | **5,472** | 4,227 |
| Net changes in non-cash operating items | *10* | **(610)** | (2,595) |
| Proceeds from long-term loans | | **9** | 16 |
| Income tax paid | | **(2,092)** | (1,980) |
| **Net cash related to operating activities** | | **2,779** | (332) |
| **Cash flows related to investing activities** | | | |
| Business acquisition | *4* | **(4,057)** | - |
| Deposits on purchases of fixed assets | | **(68)** | (272) |
| Additions to fixed assets | | **(273)** | (312) |
| Increase in intangible assets | | **(306)** | (84) |
| **Net cash related to investing activities** | | **(4,704)** | (668) |
| **Cash flows related to financing activities** | | | |
| Repayment of borrowings | *5* | **(907)** | (748) |
| Interest paid | | **(164)** | (171) |
| Proceeds from exercise of share options | *6* | **396** | 132 |
| Proceeds from exercise of warrants | *6* | **5,670** | - |
| Dividends paid on common shares | *6* | **(2,364)** | (1,632) |
| **Net cash related to financing activities** | | **2,631** | (2,419) |
| **Net change in cash** | | **706** | (3,419) |
| Cash at the beginning of the period | | **51,230** | 29,707 |
| Unrealized foreign exchange loss on cash held in foreign currencies | | **(187)** | (186) |
| **Cash at the end of the period** | | **$ 51,749** | $ 26,102 |

The notes on pages 8 to 14 are an integral part of these unaudited condensed consolidated interim financial statements.

## 1 . Reporting entity

Savaria Corporation is a company domiciled in Canada. The address of its registered office is 4350 Chomedey Highway, Laval, Québec. The consolidated financial statements of the Corporation as at and for the periods ended March 31, 2017 and 2016 comprise the accounts of Savaria Corporation and its wholly owned subsidiaries (together referred to as the "Corporation" or as "Savaria"). Savaria is one of North America’s leaders in the accessibility industry. It provides accessibility solutions for the elderly and physically challenged to increase their mobility and independence. The activities of the Corporation are divided into two operating segments: the *Accessibility* segment and the *Adapted Vehicles* segment as described in note 12 "Operating segments". The Corporation realizes approximately 60% of its revenue outside of Canada, mainly in the United States.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2016 are available upon request from the Corporation’s registered office, at www.savaria.com or on SEDAR’s website at www.sedar.com.

## 2 . Basis of presentation

### Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Corporation and the notes thereto for the year ended on December 31, 2016. These condensed consolidated interim financial statements have not been the subject of a review or an audit by the Corporation’s auditors; they were approved by the Board of Directors on May 11, 2017.

## 3 . Significant accounting policies

The condensed consolidated interim financial statements have been prepared following the same accounting policies used in the annual consolidated financial statements for the year ended December 31, 2016, except for the adoption of new accounting standards as outlined below.

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

### New accounting standards adopted

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

***Disclosure Initiative (Amendments to IAS 7)***

On January 7, 2016 the 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.

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

**3 . Significant accounting policies (continued)**

**New accounting standards adopted (continued)**

***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.

**4 . Business acquisition**

On February 10, 2017, the Corporation acquired the assets of Premier Lifts, Inc. ("Premier Lifts") by way of its subsidiary Savaria USA Inc. Premier Lifts is a leading elevator dealer in the Baltimore – Washington area that has installed Savaria products for the last 15 years. This acquisition is an opportunity to continue our strong sales and service presence in this marketplace. The total consideration amounts to $4,057,000 ($3,100,000 US) of which $3,664,000 ($2,800,000 US) has been paid on the date of acquisition and $393,000 ($300,000 US) has been deposited into escrow and will be released, under certain conditions, 18 months after the date of acquisition. Acquisition related costs amounting to $64,000, of which $25,000 have been recorded in 2016 and $39,000 in the current quarter, have been included in Other expenses. The amounts paid came from the Corporation’s available cash on hand.

The purchased assets are mainly accounts receivable, inventories, fixed and intangible assets, and goodwill; the latter arising from the synergies between Savaria and Premier Lifts and the additional sales of accessibility products that will result from them. The goodwill has been allocated to the *Accessibility* operating segment. As at March 31, 2017, the Corporation hadn’t finalized the allocation of the consideration paid between the identifiable net assets and the goodwill of this business acquisition. The information required to confirm the fair value of certain assets and liabilities has not been obtained yet. The Corporation will finalize the allocation of the consideration paid as it obtains further information. The following table presents the preliminary allocation of the consideration paid according to the information gathered to date. In conformity with IFRS 3, *Business combinations,* the acquisition has been accounted for using the acquisition method.

| | 2017 |
|---|---|
| **Assets acquired** | |
| Current assets | $ 601 |
| Fixed assets | 209 |
| Excess of the total consideration over the net identifiable assets | 4,272 |
| | $ 5,082 |
| **Liability assumed** | |
| Current liabilities | 1,025 |
| **Fair value of net assets acquired and cash flows related to the acquisitions** | $ 4,057 |

Since the acquisition on February 10, 2017, sales amounted to $1,055,000 while net income amounted to $94,000. If the acquisition of Premier Lifts had taken place on January 1, 2017, management estimates that sales of this business for the first quarter of 2017 would have been approximately $1,500,000 and net income would not be significant. These estimates were prepared using historical information obtained from the acquiree and do not reflect the benefits of integration activities, synergies or changes to historical transactions that may have resulted had the acquisition actually occurred on January 1, 2017. Estimated amounts are not necessarily indicative of the results of operations of the business that would have resulted had the acquisition actually occurred on January 1, 2017, or the results that may be obtained in the future.

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

## 5 . Long-term debt

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

| | | 2017 |
|---|---|---|
| Balance on January 1 | $ | 17,291 |
| Repayment of borrowings | | (907) |
| Capitalized finance costs on long-term debt | | 16 |
| Transaction costs related to loans | | 3 |
| Balance on March 31 | $ | 16,403 |

## 6 . Share capital

During the first quarter of 2017, the Corporation issued 100,000 common shares (2016-87,500) at an average price of $3.96 per share (2016-$1.51) following the exercise of stock options. The average closing price on the exercise dates was $11.37 (2016-$5.35). These exercises resulted in an increase in share capital of $450,000 (2016-$145,000) and a decrease in contributed surplus of $54,000 (2016-$13,000). At March 31, 2017, 1,596,667 options are outstanding (2016-1,575,000) at a weighted average exercise price of $5.36 per share (2016-$4.21). During the same period, 1,333,999 warrants were exercised and exchanged for the same number of common shares (nil in 2016) at a price of $4.25 per share. These exercises resulted in an increase in share capital of $5,670,000 (nil in 2016).

During the first three months of 2017, the Corporation declared and paid 6.5 cents in dividend (2016-5 cents).

## 7 . Revenue

| | Periods of three months ended March 31, | | | |
|---|---|---|---|---|
| | | 2017 | | 2016 |
| Sale of goods | $ | 28,985 | $ | 24,374 |
| Rendering of services | | 1,959 | | 1,647 |
| Royalties | | 182 | | 195 |
| | $ | 31,126 | $ | 26,216 |

## 8 . Other income (expenses)

| | Periods of three months ended March 31, | | | |
|---|---|---|---|---|
| | | 2017 | | 2016 |
| Business acquisition costs related to administrative expenses (note 4) | $ | (39) | $ | - |
| Grant received [1] | | - | | 98 |
| Others | | 14 | | 10 |
| | $ | (25) | $ | 108 |

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

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

## 9 . Finance income and finance costs

| | Periods of three months ended March 31, 2017 | 2016 |
|---|---|---|
| Interest income | **$ 117** | $ 65 |
| **Finance income** | **$ 117** | **$ 65** |
| Interest on long-term debt | **$ 145** | $ 152 |
| Interest and bank charges | **37** | 44 |
| Net loss on foreign currency exchange | **94** | 338 |
| **Finance costs** | **$ 276** | **$ 534** |

## 10 . Net changes in non-cash operating items

| | Periods of three months ended March 31, 2017 | 2016 |
|---|---|---|
| Trade and other receivables | **$ 19** | $ (1,339) |
| Tax credits receivable | **-** | (37) |
| Inventories | **(473)** | (1,146) |
| Prepaid expenses | **(676)** | (332) |
| Trade and other payables | **(91)** | 350 |
| Deferred revenues | **614** | (105) |
| Warranty provision | **(3)** | 14 |
| | **$ (610)** | **$ (2,595)** |

## 11 . Financial instruments

### Fair values versus carrying amounts

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

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Assets carried at fair value** | | | | |
| Foreign exchange forward contracts | **$ 178** | **$ 178** | $ 129 | $ 129 |
| Interest rate swap agreements | **35** | **35** | 42 | 42 |
| | **$ 213** | **$ 213** | **$ 171** | **$ 171** |
| **Assets carried at amortized cost** | | | | |
| Long-term loans | **$ 24** | **$ 24** | **$ 33** | **$ 33** |
| **Liabilities carried at fair value** | | | | |
| Foreign exchange forward contracts | **$ (4,176)** | **$ (4,176)** | $ (5,951) | $ (5,951) |
| Interest rate swap agreements | **(21)** | **(21)** | (46) | (46) |
| | **$ (4,197)** | **$ (4,197)** | **$ (5,997)** | **$ (5,997)** |
| **Liabilities carried at amortized cost** | | | | |
| Long-term debt | **$ (16,403)** | **$ (16,398)** | **$ (17,291)** | **$ (17,287)** |

**11 . Financial instruments (continued)**

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

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| **Non-current assets** | | |
| Foreign exchange derivatives | **$ 178** | $ 129 |
| Interest rate derivatives | **35** | 42 |
| | **$ 213** | **$ 171** |
| **Current liabilities** | | |
| Foreign exchange derivatives | **$ 3,221** | $ 4,252 |
| Interest rate derivatives | **21** | 46 |
| | **$ 3,242** | **$ 4,298** |
| **Non-current liabilities** | | |
| Foreign exchange derivatives | **$ 955** | **$ 1,699** |

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

**Risk Management**

**Currency risk**

The Corporation realizes approximately 56% (2016-63%) of its sales in foreign currencies, mainly in US dollars, and, accordingly, is exposed to market risks related to foreign exchange fluctuations. The Corporation partially compensates for these risks by purchasing raw materials in US dollars and by using forward foreign exchange contracts. Those contracts oblige the Corporation to sell US dollars at a fixed rate.

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

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

**As at March 31, 2017**

| Maturity | Type | Weighted average exchange rate | Contractual amounts (in thousands of US dollars) |
|---|---|---|---|
| 0 to 12 months | Sale | 1.1459 | $18,000 |
| 12 to 24 months | Sale | 1.2853 | 18,000 |
| 24 to 35 months | Sale | 1.2941 | 16,500 |
| | | **1.2403** | **$52,500** |

## 11 . Financial instruments (continued)

### Currency risk (continued)

As at December 31, 2016

| Maturity | Type | Weighted average exchange rate | Contractual amounts (in thousands of US dollars) |
|---|---|---|---|
| 0 to 12 months | Sale | 1.1145 | $19,000 |
| 12 to 24 months | Sale | 1.2654 | 18,000 |
| 24 to 35 months | Sale | 1.2985 | 16,500 |
| | | **1.2220** | **$53,500** |

### Interest rate risk

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

The Corporation analyzes its interest risk exposure on a continual basis and examines its renewal and refinancing options in order to minimize risks. The Corporation has at its disposal a line of credit up to a maximum amount of $800,000 to cover any potential loss in converting its variable interest rate to a fixed rate.

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

| Maturity | Fixed interest rate | Original capital amount | Balance March 31, 2017 | Balance December 31, 2016 |
|---|---|---|---|---|
| April 2017 | 1.98% | $ 7,000 | $ 2,076 | $ 2,324 |
| April 2017 | 2.08% | $ 9,600 | $ 6,455 | $ 6,615 |
| Juillet 2021 | 1.18% | $ 6,200 | $ 5,786 | $ 5,915 |

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

## 12 . Operating segments

### Information about the operating segments

For the purpose of financial reporting, the business is structured into two reporting segments based on the markets they serve. The *Accessibility* segment includes manufacturing and distributing residential and commercial accessibility equipment for people with mobility challenges as well as the operation of a network of franchisees and corporate stores through which new and recycled accessibility equipment is sold, and a lead generation program to distribute the names of potential customers to over 100 affiliates in North America. The *Adapted Vehicles* segment consists of converting, adapting and distributing vehicles for people with mobility challenges, for personal or commercial use.

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

## 12 . Operating segments (continued)

Periods of three months ended March 31,

| | Accessibility | Adapted Vehicles | Head office | Total |
|---|---|---|---|---|
| **2017** | | | | |
| External revenues | **$ 23,908** | **$ 7,218** | **$ -** | **$ 31,126** |
| Income (loss) before income tax | **4,269** | **611** | **(396)** | **4,484** |
| Depreciation and amortization expense | **348** | **93** | **114** | **555** |
| Interest expense | **25** | **-** | **120** | **145** |
| Interest income | **7** | **1** | **109** | **117** |
| **2016** | | | | |
| External revenues | $ 22,762 | $ 3,454 | $ - | $ 26,216 |
| Income (loss) before income tax | 3,483 | 113 | (336) | 3,260 |
| Depreciation and amortization expense | 315 | 67 | 111 | 493 |
| Interest expense | 29 | - | 123 | 152 |
| Interest income | 3 | - | 62 | 65 |

| | Accessibility | Adapted Vehicles | Head office | Total |
|---|---|---|---|---|
| **March 31, 2017** | | | | |
| Segment's assets | **$ 62,674** | **$ 18,468** | **$ 51,394** | **$ 132,536** |
| Segment's liabilities | **22,629** | **3,435** | **14,920** | **40,984** |
| **December 31, 2016** | | | | |
| Segment's assets | $ 63,203 | $ 18,021 | $ 44,908 | $ 126,132 |
| Segment's liabilities | 23,364 | 4,022 | 15,761 | 43,147 |

## 13 . Subsequent event

Savaria announced on May 1, 2017 that it has entered into an agreement with Span-America Medical Systems, Inc. (“Span-America”) (NASDAQ: SPAN) pursuant to which Savaria will acquire Span-America by way of an all-cash tender offer of $29.00 US per share, for a total transaction consideration of $80,200,000 US ($109,500,000 CA). Founded in 1970 and based in Greenville, South Carolina, Span-America manufactures and markets a comprehensive offering of therapeutic support surfaces and pressure management products for the medical market. Through its wholly owned subsidiary Span Medical Products Canada Inc. (“Span-Canada”), based in Beamsville, Ontario, it also manufactures and markets medical beds as well as related in-room furnishing products for the long-term care market.

The all-cash transaction is expected to be financed by Savaria’s available cash, a new $110,000,000 CA revolving credit facility provided by the Corporation’s financial institution and a $38,400,000 CA private placement of subscription receipts. The transaction is expected to close in the second quarter of 2017.