



**SAVARIA CORPORATION  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AS AT SEPTEMBER 30, 2017  
(Unaudited and not reviewed by the Corporation's independent auditors)**

	Note	September 30, 2017	December 31, 2016
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 10,968	\$ 51,230
Trade and other receivables		26,765	13,160
Derivative financial instruments	14	174	-
Income taxes receivable		512	-
Inventories		35,489	24,792
Prepaid expenses		1,840	1,057
Deposit		627	-
<b>Total current assets</b>		<b>76,375</b>	<b>90,239</b>
<b>Non-current assets</b>			
Derivative financial instruments	14	2,341	171
Long-term loans		21	33
Fixed assets	5	35,293	19,530
Intangible assets and goodwill	6	101,560	12,049
Deposit on a business acquisition	7	4,426	-
Deposits on purchases of fixed assets		112	262
Other long-term assets		193	-
Deferred tax assets		2,169	3,848
<b>Total non-current assets</b>		<b>146,115</b>	<b>35,893</b>
<b>Total assets</b>		<b>\$ 222,490</b>	<b>\$ 126,132</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		\$ 22,935	\$ 14,340
Dividend payable	9	1,235	-
Income taxes payable		700	1,349
Deferred revenues		4,436	2,671
Derivative financial instruments	14	647	4,298
Current portion of long-term debt	8	1,023	3,436
Warranty provisions		877	510
<b>Total current liabilities</b>		<b>31,853</b>	<b>26,604</b>
<b>Non-current liabilities</b>			
Long-term debt	8	39,202	13,855
Warranty provisions		759	757
Other long-term liabilities		296	49
Derivative financial instruments	14	147	1,699
Deferred tax liabilities		17,798	183
<b>Total non-current liabilities</b>		<b>58,202</b>	<b>16,543</b>
<b>Total liabilities</b>		<b>90,055</b>	<b>43,147</b>
<b>Equity</b>			
Share capital and warrants	9	119,978	72,791
Contributed surplus		3,038	2,587
Accumulated other comprehensive loss		(2,732)	(4,050)
Retained earnings		12,151	11,657
<b>Total equity</b>		<b>132,435</b>	<b>82,985</b>
<b>Total liabilities and equity</b>		<b>\$ 222,490</b>	<b>\$ 126,132</b>

The notes on pages 8 to 17 are an integral part of these unaudited condensed consolidated interim financial statements.

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



	Note	Periods of three months ended September 30,		Periods of nine months ended September 30,	
		2017	2016	2017	2016
<b>Revenue</b>	10	\$ 56,095	\$ 32,440	\$ 126,355	\$ 88,742
<b>Cost of sales</b>		(36,191)	(21,267)	(82,483)	(59,307)
<b>Gross margin</b>		19,904	11,173	43,872	29,435
<b>Operating expenses</b>					
Administrative		(4,498)	(2,777)	(10,234)	(6,860)
Selling		(7,078)	(2,572)	(13,106)	(6,912)
Engineering		(846)	(657)	(2,142)	(1,945)
Research and development		(356)	(248)	(872)	(668)
		(12,778)	(6,254)	(26,354)	(16,385)
Other expenses	11	(194)	( 54 )	(1,471)	(600)
<b>Operating income</b>		6,932	4,865	16,047	12,450
Finance income	12	16	309	279	238
Finance costs	12	(750)	(247)	(1,370)	(684)
<b>Net finance income (costs)</b>		(734)	62	(1,091)	(446)
<b>Income before income tax</b>		6,198	4,927	14,956	12,004
Income tax expense		(1,386)	(1,512)	(4,043)	(3,443)
<b>Net income</b>		\$ 4,812	\$ 3,415	\$ 10,913	\$ 8,561
<b>Earnings per share:</b>					
Basic		\$ 0.12	\$ 0.09	\$ 0.28	\$ 0.25
Diluted		\$ 0.11	\$ 0.09	\$ 0.27	\$ 0.24

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



	Periods of three months ended September 30,		Periods of nine months ended September 30,	
	2017	2016	2017	2016
<b>Net income</b>	\$ 4,812	\$ 3,415	\$ 10,913	\$ 8,561
<b>Other comprehensive income</b>				
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	2,397	(916)	4,553	3,404
Deferred income tax	(614)	236	(1,169)	(875)
	1,783	(680)	3,384	2,529
Losses on foreign exchange contracts transferred to net income in the current period	657	1,198	2,995	3,736
Deferred income tax	(169)	( 308 )	(770)	(960)
	488	890	2,225	2,776
Net change in fair value of derivative financial instruments designated as cash flow hedges	2,271	210	5,609	5,305
Unrealized net gains (losses) on translation of financial statements of foreign operations	(4,260)	12	(4,291)	(405)
<b>Other comprehensive income (loss), net of income tax</b>	<b>(1,989)</b>	222	<b>1,318</b>	4,900
<b>Total comprehensive income</b>	<b>\$ 2,823</b>	<b>\$ 3,637</b>	<b>\$ 12,231</b>	<b>\$ 13,461</b>

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



	2016						
	Share capital and warrants			Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number		Amount				
	Share capital	Warrants					
<b>Balance at January 1, 2016</b>	<b>32,579,614</b>	<b>2,875,000</b>	<b>\$ 47,878</b>	<b>\$ 2,265</b>	<b>\$ (8,548)</b>	<b>\$ 7,618</b>	<b>\$ 49,213</b>
<b><u>Total comprehensive income</u></b>							
<b>Net income</b>	-	-	-	-	-	8,561	<b>8,561</b>
<b>Other comprehensive income:</b>							
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	-	2,529	-	<b>2,529</b>
Losses on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	-	2,776	-	<b>2,776</b>
Unrealized net losses on translation of financial statements of foreign operations	-	-	-	-	(405)	-	<b>(405)</b>
<b>Other comprehensive income</b>	-	-	-	-	4,900	-	<b>4,900</b>
<b>Total comprehensive income</b>	-	-	\$ -	\$ -	\$ 4,900	\$ 8,561	<b>\$ 13,461</b>
<b><u>Transactions with owners, recorded directly in equity</u></b>							
Shares issued in relation to a private placement (note 9)	2,600,000	-	20,280	-	-	-	<b>20,280</b>
Share issue costs, net of tax (note 9)	-	-	-	-	-	(867)	<b>(867)</b>
Compensation expense on options granted	-	-	-	253	-	-	<b>253</b>
Share options exercised (note 9)	140,833	-	250	(24)	-	-	<b>226</b>
Exercise of warrants (note 9)	137,250	(137,250)	583	-	-	-	<b>583</b>
Dividends on common shares (note 9)	-	-	-	-	-	(5,032)	<b>(5,032)</b>
<b>Total transactions with owners</b>	<b>2,878,083</b>	<b>(137,250)</b>	<b>21,113</b>	<b>229</b>	<b>-</b>	<b>(5,899)</b>	<b>15,443</b>
<b>Balance at September 30, 2016</b>	<b>35,457,697</b>	<b>2,737,750</b>	<b>\$ 68,991</b>	<b>\$ 2,494</b>	<b>\$ (3,648)</b>	<b>\$ 10,280</b>	<b>\$ 78,117</b>

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**SAVARIA CORPORATION**  
**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
 Period of nine months ended September 30, 2017  
 (in thousands of dollars - Unaudited)



	2017						
	Share capital and warrants			Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number		Amount				
	Share capital	Warrants		Amount			
<b>Balance at January 1, 2017</b>	<b>36,353,947</b>	<b>1,866,500</b>	<b>\$ 72,791</b>	<b>\$ 2,587</b>	<b>\$ (4,050)</b>	<b>\$ 11,657</b>	<b>\$ 82,985</b>
<b><u>Total comprehensive income</u></b>							
<b>Net income</b>	-	-	-	-	-	10,913	<b>10,913</b>
<b>Other comprehensive income:</b>							
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	-	3,384	-	<b>3,384</b>
Losses on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	-	2,225	-	<b>2,225</b>
Unrealized net losses on translation of financial statements of foreign operations	-	-	-	-	(4,291)	-	<b>(4,291)</b>
<b>Other comprehensive income</b>	-	-	-	-	1,318	-	<b>1,318</b>
<b>Total comprehensive income</b>	-	-	\$ -	\$ -	\$ 1,318	\$ 10,913	<b>\$ 12,231</b>
<b><u>Transactions with owners, recorded directly in equity</u></b>							
Shares issued in relation to a private placement (note 9)	2,760,000	-	38,364	-	-	-	<b>38,364</b>
Share issue costs, net of tax (note 9)	-	-	-	-	-	(1,470)	<b>(1,470)</b>
Compensation expense on options granted	-	-	-	574	-	-	<b>574</b>
Share options exercised (note 9)	196,667	-	890	(123)	-	-	<b>767</b>
Exercise of warrants (note 9)	1,866,500	(1,866,500)	7,933	-	-	-	<b>7,933</b>
Dividends on common shares (note 9)	-	-	-	-	-	(8,949)	<b>(8,949)</b>
<b>Total transactions with owners</b>	<b>4,823,167</b>	<b>(1,866,500)</b>	<b>47,187</b>	<b>451</b>	<b>-</b>	<b>(10,419)</b>	<b>37,219</b>
<b>Balance at September 30, 2017</b>	<b>41,177,114</b>	<b>-</b>	<b>\$ 119,978</b>	<b>\$ 3,038</b>	<b>\$ (2,732)</b>	<b>\$ 12,151</b>	<b>\$ 132,435</b>

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



	Note	Periods of three months ended September 30,		Periods of nine months ended September 30,	
		2017	2016	2017	2016
<b>Cash flows related to operating activities</b>					
Net income		\$ 4,812	\$ 3,415	\$ 10,913	\$ 8,561
Adjustments for:					
Depreciation of fixed assets		774	336	1,586	956
Amortization of intangible assets		1,662	179	2,060	519
Income tax expense		1,386	1,512	4,043	3,443
Compensation expense on share options granted		276	94	574	253
Unrealized foreign exchange losses (gains)		439	(162)	1,013	135
Finance costs	12	400	247	734	638
Others		(16)	41	(38)	41
		<b>9,733</b>	<b>5,662</b>	<b>20,885</b>	<b>14,546</b>
Net changes in non-cash operating items	13	<b>746</b>	<b>2,419</b>	<b>(1,861)</b>	<b>2,683</b>
Proceeds from long-term loans		-	1	12	19
Income tax paid		(831)	(858)	(4,098)	(3,805)
<b>Net cash related to operating activities</b>		<b>9,648</b>	<b>7,224</b>	<b>14,938</b>	<b>13,443</b>
<b>Cash flows related to investing activities</b>					
Business acquisitions	4	-	-	(102,396)	(8,675)
Deposit on a business acquisition	7	(4,426)	-	(4,426)	-
Deposits on purchases of fixed assets		4,041	(100)	150	(100)
Additions to fixed assets		(4,614)	(331)	(5,378)	(2,041)
Increase in intangible assets		(577)	(141)	(1,441)	(476)
<b>Net cash related to investing activities</b>		<b>(5,576)</b>	<b>(572)</b>	<b>(113,491)</b>	<b>(11,292)</b>
<b>Cash flows related to financing activities</b>					
Increase in long-term debt	8	5,507	649	40,840	2,649
Repayment of borrowings	8	(298)	(875)	(16,334)	(2,086)
Interest paid		(372)	(225)	(613)	(569)
Transaction costs related to a long-term debt	8	(309)	-	(1,015)	-
Proceeds from the issuance of common shares in relation to a private placement, net of transaction fees	9	(88)	(3)	36,364	19,094
Proceeds from exercise of share options	9	-	94	767	226
Proceeds from exercise of warrants	9	-	418	7,933	583
Dividends paid on common shares	9	(3,912)	(1,765)	(8,949)	(5,032)
<b>Net cash related to financing activities</b>		<b>528</b>	<b>(1,707)</b>	<b>58,993</b>	<b>14,865</b>
<b>Net change in cash</b>		<b>4,600</b>	<b>4,945</b>	<b>(39,560)</b>	<b>17,016</b>
Cash at the beginning of the period		6,773	41,457	51,230	29,707
Unrealized foreign exchange (loss) gain on cash held in foreign currencies		(405)	78	(702)	(243)
<b>Cash at the end of the period</b>		<b>\$ 10,968</b>	<b>\$ 46,480</b>	<b>\$ 10,968</b>	<b>\$ 46,480</b>

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## **SAVARIA CORPORATION**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

#### **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 September 30, 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 comfort, their mobility and their independence. The activities of the Corporation are divided into three operating segments: the *Accessibility* segment, the *Adapted Vehicles* segment and the *Span* segment as described in note 15 "Operating segments". Taking into account its most recent acquisition, the Corporation will realize approximately 70% 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](http://www.savaria.com) or on SEDAR's website at [www.sedar.com](http://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 November 8, 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 September 30, 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.

## SAVARIA CORPORATION

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(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 Acquisitions

##### (i) Premier Lifts

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 been installing Savaria products for the last 15 years. This acquisition offered 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 first quarter of 2017, 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.

##### (ii) Span-America

On June 16, 2017, the Corporation acquired the shares of Span-America Medical Systems Inc. ("Span"). Span manufactures and markets a comprehensive line of therapeutic support surfaces and other pressure management products for the medical market, medical beds for the long-term care market as well as foam mattress overlays and pillows for the consumer market and certain products for the industrial market, mainly foam products. This acquisition delivers three key benefits that will help Savaria achieve its long-term strategic growth objectives. Firstly, it adds a complementary product line to its accessibility portfolio. Secondly, it provides it with a new distribution channel into the institutional and government markets, which will complement its existing dealer network and Silver Cross retail outlets. Finally, it increases its US presence, allowing it to be closer to its customer base which is primarily located in this country.

The total consideration amounts to \$107,204,000 (\$81,019,000 US) paid on the date of acquisition. Acquisition related costs amounting to \$1,274,000, have been included in other expenses in the second and third quarters of 2017. In addition to its cash on hand, the Corporation drew from a new revolving credit facility (note 8) and a private placement (note 9) to finance the purchase price payable under this transaction.

The purchased assets are mainly cash, accounts receivable, inventories, fixed and intangible assets, and goodwill; the latter arising from the synergies between Savaria and Span and the additional sales of accessibility products that will result from them. The goodwill has been allocated to the *Span* operating segment.

## SAVARIA CORPORATION

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

#### 4 . Business Acquisitions (continued)

As at September 30, 2017, the Corporation hadn't finalized the allocation of the consideration paid between the identifiable net assets and the goodwill of the above business acquisitions. 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.

	Premier Lifts	Span	Total
<b>Assets acquired</b>			
Current assets	\$ 601	\$ 31,722	\$ 32,323
Fixed assets	209	12,406	12,615
Other long-term assets	-	441	441
Intangible assets and goodwill	4,272	91,241	95,513
	\$ 5,082	\$ 135,810	\$ 140,892
<b>Liability assumed</b>			
Current liabilities	1,025	9,021	10,046
Other long-term liabilities	-	19,585	19,585
	\$ 1,025	\$ 28,606	\$ 29,631
<b>Fair value of net assets acquired and cash flows related to the acquisitions</b>			
Less: Cash in acquired business	\$ 4,057	\$ 107,204	\$ 111,261
<b>Cash flows related to the acquisitions</b>	\$ -	\$ 8,865	\$ 8,865
	\$ 4,057	\$ 98,339	\$ 102,396

The following table provides the revenue and net income contributions of the business acquisitions that have taken place in 2017, from their respective dates of acquisition and those estimated as if these acquisitions had occurred on January 1, 2017. These estimates were prepared using historical information obtained from the acquiree and do not reflect the acquisition costs nor the benefits of integration activities, synergies and changes to historical transactions that may have resulted had the acquisition actually occurred on January 1, 2017. Estimated amounts are not necessarily indicative of the results of operations of the acquired businesses that would have resulted had the acquisitions actually occurred on January 1, 2017, nor the results that may be obtained in the future.

	Since the date of acquisition		Since January 1 <sup>st</sup>	
	Revenue	Net income	Revenue	Net income
Premier Lifts	\$ 4,904	\$ 594	\$ 5,349	\$ 501
Span <sup>(1)</sup>	\$ 25,478	\$ 252	\$ 63,388	\$ 3,315

<sup>(1)</sup> Net income since the date of acquisition includes an inter-company interest charge of \$1,047,000 and an amortization charge on intangible assets of \$1,441,000.

#### 5 . Fixed Assets

On July 7, 2017, the Corporation purchased a building in Toronto, Ontario, for \$4,178,000, including acquisition expenses and renovation costs, for which a deposit of \$225,000 was paid in 2016. This purchase has been financed through the Corporation's new revolving credit facility (note 8).

**SAVARIA CORPORATION****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***(Tabular amounts are expressed in thousands of dollars - Unaudited)***6 . Intangible Assets and Goodwill**

	2017	2016
Intangible assets	\$ 3,444	\$ 2,893
Goodwill	9,156	9,156
Intangible assets and goodwill from acquisitions (note 4), net of accumulated amortization and foreign exchange reevaluation	88,960	-
	<b>\$ 101,560</b>	<b>\$ 12,049</b>

**7 . Deposit on a Business Acquisition**

On August 24, 2017, the Corporation agreed to acquire the assets of Visilift, LLC ("Visilift") in three stages. The company manufactures and markets round and octagonal panoramic glass or acrylic elevators for the residential market. The total consideration amounts to \$6,298,000 (\$5,000,000 US) of which \$4,426,000 (\$3,500,000 US) has been paid on the date of the agreement and \$1,872,000 (\$1,500,000 US) will be paid upon the completion of certain post-closing conditions, including the transfer of production activities to Savaria's manufacturing facilities in Brampton, Ontario. The closing date is expected to be in December 2017. In addition to the Purchase Price, Visilift will have the opportunity to earn an additional payment of \$3,744,000 (\$3,000,000 US) upon achieving certain performance metrics over a three-year period. Costs related to this acquisition agreement amounting to \$110,000 have been included in Other expenses in the third quarter. The amounts paid came from the Corporation's new revolving credit facility (note 8).

**8 . Long-term Debt**

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

	Total
Balance on January 1	\$ 17,291
Net increase in the revolving credit facility	40,769
Increase in other long-term debts	71
Repayment of other long-term debts	(16,334)
Capitalized finance costs on long-term debt	38
Transaction costs related to loans	(1,015)
Reversal of transactions costs related to loans repaid during the year	84
Impact of the change in foreign exchange rates on the US dollar debt	(679)
Balance on September 30	<b>\$ 40,225</b>

During the second quarter of 2017, the Corporation signed a new financing agreement with its financial institution in the form of a revolving line of credit totaling \$110,000,000 of which \$40,093,000 was drawn as at September 30, 2017. The agreement expires on June 16, 2022. Under this agreement, the balance of the Corporation's existing loans in the amount of \$14,717,000 was repaid and re-borrowed on the new line of credit on the same day. A process for consolidating bank accounts in Canada in Canadian dollars and US dollars 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 at the rate provided for in the agreement; this rate can vary according to certain ratios of the Corporation. Since the beginning of the agreement, prime rate has applied. This debt is presented as long-term in the consolidated statement of financial position.

**SAVARIA CORPORATION****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***(Tabular amounts are expressed in thousands of dollars - Unaudited)***9 . Share Capital**

During the first three quarters of 2017, the Corporation issued 196,667 common shares (2016-140,833) at an average price of \$3.90 per share (2016-\$1.60) following the exercise of stock options. The average closing price on the exercise dates was \$13.19 (2016-\$6.96). These exercises resulted in an increase in share capital of \$890,000 (2016-\$250,000) and a decrease in contributed surplus of \$123,000 (2016-\$24,000). At September 30, 2017, 2,026,666 options are outstanding (2016-1,531,667) at a weighted average exercise price of \$8.15 per share (2016-\$4.33). During the same period, 1,866,500 warrants were exercised and exchanged for the same number of common shares (2016-137,250) at a price of \$4.25 per share. These exercises resulted in an increase in share capital of \$7,933,000 (2016-\$583,000).

During the first three quarters of 2017, the Corporation declared dividends totaling 22.5 cents per share of which 19.5 cents per share have been paid during the same period and 3 cents per share have been paid on October 16, 2017 (2016-15 cents per share declared and paid).

On June 16, 2017, the Corporation completed a “bought deal” private placement of 2,760,000 common shares (2016-2,600,000) at a price of \$13.90 per share (2016-\$7.80) for gross proceeds to Savaria of \$38,364,000 (2016-\$20,280,000) and proceeds net of transaction fees of \$36,364,000 (2016-\$19,094,000).

**10 . Revenue**

	Periods of three months ended September 30,		Periods of nine months ended September 30,	
	2017	2016	2017	2016
Sale of goods	\$ 53,383	\$ 30,471	\$ 118,864	\$ 83,074
Rendering of services	2,542	1,764	6,961	5,041
Royalties	170	205	530	627
	<b>\$ 56,095</b>	<b>\$ 32,440</b>	<b>\$ 126,355</b>	<b>\$ 88,742</b>

**11 . Other Expenses**

	Periods of three months ended September 30,		Periods of nine months ended September 30,	
	2017	2016	2017	2016
Business acquisition costs, realized and unrealized, related to administrative expenses (notes 4 and 7)	\$ 199	\$ 50	\$ 1,501	\$ 706
Grant received <sup>(1)</sup>	-	-	-	(98)
Others	(5)	4	(30)	(8)
	<b>\$ 194</b>	<b>\$ 54</b>	<b>\$ 1,471</b>	<b>\$ 600</b>

<sup>(1)</sup> Grant received by the Savaria Huizhou subsidiary linked to a request to be classified as a high-tech company.

**SAVARIA CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
*(Tabular amounts are expressed in thousands of dollars - Unaudited)*
**12 . Finance Income and Finance Costs**

	Periods of three months ended September 30,		Periods of nine months ended September 30,	
	2017	2016	2017	2016
Interest income	\$ 16	\$ 112	\$ 279	\$ 238
Net gain on foreign currency exchange	-	197	-	-
<b>Finance income</b>	<b>\$ 16</b>	<b>\$ 309</b>	<b>\$ 279</b>	<b>\$ 238</b>
Interest on long-term debt	\$ 359	\$ 162	\$ 621	\$ 459
Interest and bank charges	41	85	113	179
Financing charges	16	-	79	-
Net loss on foreign currency exchange	334	-	557	46
<b>Finance costs</b>	<b>\$ 750</b>	<b>\$ 247</b>	<b>\$ 1,370</b>	<b>\$ 684</b>

**13 . Net Changes in Non-cash Operating Items**

	Periods of three months ended September 30,		Periods of nine months ended September 30,	
	2017	2016	2017	2016
Trade and other receivables	\$ (1,125)	\$ 345	\$ (4,612)	\$ (634)
Tax credits receivable	4	61	4	(54)
Inventories	(415)	1,407	(61)	1,018
Prepaid expenses	145	(268)	41	(455)
Trade and other payables	270	887	777	2,883
Deferred revenues	666	(44)	800	(147)
Warranty provision	(34)	31	(45)	72
Dividend payable	1,235	-	1,235	-
	<b>\$ 746</b>	<b>\$ 2,419</b>	<b>\$ (1,861)</b>	<b>\$ 2,683</b>

**14 . Financial Instruments**
**Fair values versus carrying amounts**

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

	September 30, 2017		December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets carried at fair value</b>				
Foreign exchange forward contracts	\$ 2,385	\$ 2,385	\$ 129	\$ 129
Interest rate swap agreements	130	130	42	42
	<b>\$ 2,515</b>	<b>\$ 2,515</b>	<b>\$ 171</b>	<b>\$ 171</b>
<b>Assets carried at amortized cost</b>				
Long-term loans	\$ 21	\$ 21	\$ 33	\$ 33
<b>Liabilities carried at fair value</b>				
Foreign exchange forward contracts	\$ 647	\$ 647	\$ 5,951	\$ 5,951
Interest rate swap agreements	147	147	46	46
	<b>\$ 794</b>	<b>\$ 794</b>	<b>\$ 5,997</b>	<b>\$ 5,997</b>
<b>Liabilities carried at amortized cost</b>				
Long-term debt	\$ 40,225	\$ 38,566	\$ 17,291	\$ 17,287

**SAVARIA CORPORATION****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***(Tabular amounts are expressed in thousands of dollars - Unaudited)***14 . Financial Instruments (continued)**

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

	September 30, 2017	December 31, 2016
<b>Current assets</b>		
Foreign exchange derivatives	\$ 174	\$ -
<b>Non-current assets</b>		
Foreign exchange derivatives	\$ 2,211	\$ 129
Interest rate derivatives	130	42
	<b>\$ 2,341</b>	<b>\$ 171</b>
<b>Current liabilities</b>		
Foreign exchange derivatives	\$ 647	\$ 4,252
Interest rate derivatives	-	46
	<b>\$ 647</b>	<b>\$ 4,298</b>
<b>Non-current liabilities</b>		
Foreign exchange derivatives	\$ -	\$ 1,699
Interest rate derivatives	147	-
	<b>\$ 147</b>	<b>\$ 1,699</b>

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's subsidiary or counterparty when appropriate.

**Risk Management****Currency risk**

During the first three quarters of 2017, the Corporation realized approximately 62% (2016-59%) of its revenue in foreign currencies. Going forward, taking into account its most recent acquisition, the Corporation will realize approximately 70% of its revenue outside of Canada, mainly in US dollars. Accordingly, the Corporation is exposed to market risks related to foreign exchange fluctuations for which it partially compensates 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%.

**SAVARIA CORPORATION**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

**14 . Financial Instruments (continued)**

**Currency risk (continued)**

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

**As at September 30, 2017**

<b>Maturity</b>	<b>Type</b>	<b>Weighted average exchange rate</b>	<b>Contractual amounts (in thousands of US dollars)</b>
0 to 12 months	Sale	1.2206	\$18,000
12 to 24 months	Sale	1.3041	18,000
24 to 36 months	Sale	1.3010	15,500
36 to 43 months	Sale	1.3070	7,000
		<b>1.2779</b>	<b>\$58,500</b>

**As at December 31, 2016**

<b>Maturity</b>	<b>Type</b>	<b>Weighted average exchange rate</b>	<b>Contractual amounts (in thousands of US dollars)</b>
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
		<b>1.2220</b>	<b>\$53,500</b>

**Interest rate risk**

The Corporation's interest rate risk arises from cash, long-term 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 entered into the following interest rate swap agreements in order to minimize its risk to a variation in interest rates on a portion of its long-term borrowings:

<b>Maturity</b>	<b>Fixed interest rate</b>	<b>Original capital amount</b>	<b>Currency</b>	<b>Balance</b>	
				<b>September 30, 2017</b>	<b>December 31, 2016</b>
July 2021	1.18%	\$ 6,200	CA	\$ 5,550	\$ 5,915
June 2022	2.02%	\$ 15,000	US	\$ 15,000	\$ -

Stamping fees of 1.5% are added to the interest rates stated above.

**SAVARIA CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
*(Tabular amounts are expressed in thousands of dollars - Unaudited)*
**15 . Operating Segments**
**Information about the operating segments**

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

Periods of  
three months ended September 30,

	Accessibility	Adapted Vehicles	Span	Head office	Inter-segment eliminations	Total
<b>2017</b>						
External revenues	\$ 27,253	\$ 6,745	\$ 22,097	\$ -	\$ -	\$ 56,095
Income (loss) before income tax, interest, depreciation and amortization	5,573	835	3,122	(512)	-	9,018
Depreciation and amortization expense	411	93	1,790	142	-	2,436
Interest expense	14	-	1,047	345	(1,047)	359
Interest income	5	-	-	1,058	(1,047)	16
<b>2016</b>						
External revenues	\$ 24,162	\$ 8,278	\$ -	\$ -	\$ -	\$ 32,440
Income (loss) before income tax, interest, depreciation and amortization	5,121	995	-	(539)	-	5,577
Depreciation and amortization expense	316	85	-	114	-	515
Interest expense	29	1	-	132	-	162
Interest income	3	3	-	106	-	112

Periods of  
nine months ended September 30,

	Accessibility	Adapted Vehicles	Span	Head office	Inter-segment eliminations	Total
<b>2017</b>						
External revenues	\$ 79,876	\$ 21,001	\$ 25,478	\$ -	\$ -	\$ 126,355
Income (loss) before income tax, interest, depreciation and amortization	16,257	2,119	1,964	(1,283)	-	19,057
Depreciation and amortization expense	1,136	285	1,856	369	-	3,646
Interest expense	60	-	1,047	561	(1,047)	621
Interest income	22	2	-	1,302	(1,047)	279

**SAVARIA CORPORATION**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

**15 . Operating Segments (continued)**

Periods of  
nine months ended September 30,

	<b>Accessibility</b>	<b>Adapted Vehicles</b>	<b>Span</b>	<b>Head office</b>	<b>Inter-segment eliminations</b>	<b>Total</b>
<b>2016</b>						
External revenues	\$ 71,581	\$ 17,161	\$ -	\$ -	\$ -	\$ 88,742
Income (loss) before income tax, interest, depreciation and amortization	13,412	1,366	-	(899)	-	13,879
Depreciation and amortization expense	909	225	-	341	-	1,475
Interest expense	84	1	-	374	-	459
Interest income	12	5	-	221	-	238

	<b>Accessibility</b>	<b>Adapted Vehicles</b>	<b>Span</b>	<b>Head office</b>	<b>Total</b>
<b>September 30, 2017</b>					
Segment's assets	\$ 56,563	\$ 18,417	\$ 126,409	\$ 21,101	\$ 222,490
Segment's liabilities	13,653	2,890	26,267	47,245	90,055
<b>December 31, 2016</b>					
Segment's assets	\$ 63,203	\$ 18,021	\$ -	\$ 44,908	\$ 126,132
Segment's liabilities	23,364	4,022	-	15,761	43,147

**16 . Subsequent Event**

In line with the Corporation's dividend policy, its Board of Directors declared a monthly dividend of 3 cents (\$0.03) per common share on October 24. This dividend is payable on November 16, 2017 to shareholders of record of the Corporation at the close of business on November 3, 2017.