SAVARIA CORPORATION

Management's Report

For the Three and Nine-Month Periods Ended September 30, 2014

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 nine-month periods ended September 30, 2014 in comparison with that for the corresponding periods of fiscal 2013. It also provides a comparison of its statements of financial position as at September 30, 2014 and as at December 31, 2013. 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 unaudited condensed consolidated interim financial statements for third quarter 2014 and accompanying notes, and with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2013. 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 and not reviewed by the auditor of the Corporation.

This management's report was prepared as at November 13, 2014. Additional information, including the Annual Information Form, is 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. Reconciliation between net income and EBITDA is provided in Section 8, *Summary of Quarterly Results*. Working capital is defined as the result of current assets less current liabilities while the current ratio is defined as the result of current assets divided by current liabilities. Book value per share corresponds to the result of shareholders' equity divided by the number of shares outstanding at the end of each 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 Corporation's operations are divided into two reportable segments: *Accessibility* and *Adapted Vehicles.* The *Accessibility* segment designs, manufactures, distributes and installs products meeting the needs of people with mobility challenges, primarily stairlifts, vertical and inclined platform lifts and elevators for home and commercial use. Its plant located in China assembles accessibility product components and finished products mainly for the benefit of the Corporation and for the sale of products on the Asian and European markets. This segment also includes operations that came from the acquisition of Silver Cross in the third quarter of 2014, consisting of the operation of a franchise network through which new and recycled accessibility equipment is sold, and a lead generation program to capture and distribute leads on potential customers to over 100 affiliates in North America. The Corporation ranks as North America's leader in the accessibility industry. Its expanded product line is offered through a network of some 600 retailers located primarily in North America. The *Adapted Vehicles* segment converts and adapts minivans, also for people with mobility challenges. Annual revenues for fiscal 2013 amounted to some $62 million ("M") for the *Accessibility* segment, whereas those in the *Adapted Vehicles* segment amounted to $14 M, bringing aggregate revenues to $76 M. Analyses in this report cover the two business segments unless expressly stated otherwise.

Headquartered in Laval, Quebec, Savaria has five other facilities, including a 125,000-square-foot plant in Brampton, Ontario, a 70,000-square-foot plant in Montreal, Quebec, a 75,000-square-foot plant in Huizhou, China, and two sales offices in London, Ontario, and Calgary, Alberta.

During the first nine months of 2014, Savaria's total revenues were recorded in the United States (52%), Canada (38%) and, to a lesser extent, outside North America (10%). Those of the *Accessibility* segment only were recorded mainly in the United States (62%), Canada (28%) and outside North America (10%), while those of the *Adapted Vehicles* segment were recorded mainly in Canada (88%), outside North America (9%), and to a lesser extend in the United States (3%). The Corporation has some 410 employees and its shares are listed on the Toronto Stock Exchange under the symbol SIS.

5. Business Context

A Fast-Growing Market due to the Unprecedented 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 number of people requiring accessibility products will therefore steadily grow as the population continues to age.

According to a 2011 Canadian census, 5 million people – representing 14.4% of Canada's population – were 65 years and older compared with 3.9 million or 12.6% just a decade earlier. These numbers are expected to continue rising with a projected 8.4 million people – or 20.8% of Canada's population – 65 years and older by 2026. Similar trends are noticed in the United States. A 2011 U.S. census indicated that 40 million people –

representing 12.8% of the U.S. population – was 65 years and older compared with 34 million or 12% a decade earlier. Projections for the year 2025 indicate that 65 million people – representing 18.7% of the U.S. population – are expected to be 65 years and older.

Consequently, the number of people requiring accessibility equipment 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 twenty-four 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 2011 censuses as above, 92% 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.

Alternatively, 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. What's more, 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.

In terms of North American competition, there remain two main companies that offer a similar product line to Savaria. In November 2012, Savaria's main competitor ceased its U.S. operations, which allowed it to increase its market share. Since 85% 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. More than 1,000 outlets sell accessibility products in North America.

6. Vision, Mission and Strategy

Our Vision

Lead the North American market for personal mobility products by distributing the most extensive line of safe and durable products derived from high-quality manufacturing. Develop and maintain a customer-driven culture with customers, end-users and employees. Strategically expand around the world in order to grow revenues and optimize purchasing power.

Our Mission

We design, engineer, manufacture and market high-quality reliable and customized accessibility products and elevators that improve personal well-being and mobility. We aspire to always provide a business culture and environment based on customer-driven principles, teamwork and mutual respect.

Our Strategy

Savaria's strategy consists in providing its 600 distributors and its Canadian direct sales centres with the most extensive product selection in the industry, while offering the most reliable and safest products ever. To achieve this, Savaria regularly develops and markets new products, such as the platform lifts *Delta*, for straight staircases, and *Omega*, for curved staircases, and the new stairlift for curved stairs, the *Stairfriend*.

By acquiring Silver Cross, Savaria intends to strengthen the sales of its products across Canada, mostly in the Toronto area: first, as a franchisor, through its 17 franchisees and the operation of its corporate store in Oakville, Ontario, and secondly, by the operation of a lead generation program to capture and distribute leads to over 700 dealers and affiliates in North America. Savaria also sees an opportunity to significantly grow the number of franchisees in Canada as well as the leads identification program, which will enhance the business of Savaria dealers and Silver Cross franchisees and its affiliates.

As part of the Corporation's commitment to retain its industry leadership position, Savaria is dedicated to leveraging new technologies to improve business operations. The Corporation recently launched a cloud-based quotation, drawing and ordering system for its dealer network. The leading edge system provides a competitive advantage for the Corporation as well as its dealers by improving order processing efficiencies, reducing errors and providing immediate quotes for dealers and their customers. Adding to this, Savaria also launched a tablet-based configurator for the *Stairfriend*, a stairlift for curved stairs, and a tablet-based technical support document management system.

As for the *Adapted Vehicles* segment, Savaria will continue to offer its current range of vehicle conversions, which includes rear, side and dual entry models. Using the same approach as for the *Accessibility* segment, the Corporation regularly offers new products to its customers and keeps abreast of new developments in the vehicles field.

Keeping its eye open for any new business opportunity that may arise, both in the field of accessibility and vehicles, the Corporation intends to retain its position as a leader in the North American market.

7. Third-Quarter 2014 Highlights

Acquisition of Silver Cross

On September 11, 2014, Savaria acquired most of the assets of Silver Cross for a cash consideration of $4.7 M of which $2.5 M has been paid cash and $2.2 M is payable in installments over 4 years. Silver Cross operates a lead generation program to capture and distribute leads to affiliates in North America. It is also a franchisor of stores of both new and recycled home accessibility equipment, predominantly in Canada, but also in the United States.

Revenue up 8.6%

For Q3 2014, revenue is up $1.7 M, at $21.7 M, compared with $20 M for same quarter previous year.

Net income up 27%

Net income is up $409,000, at $1.9 M, for Q3 2014, compared to $1.5 M same quarter previous year.

EBITDA up 19.5%

The Corporation's EBITDA amounted to $3.2 M for Q3 2014 compared to $2.7 M same quarter previous year, an increase of $524,000. Reconciliation between net income and EBITDA is provided in Section 8, *Summary of Quarterly Results*.

Dividend

In Q3 2014, the Board of Directors declared a quarterly dividend of 3.5 cents ($0.035) per common share, in accordance with its dividend policy in effect at that date.

8. Summary of Quarterly Results

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

(in thousands, except per-share amounts and percentages – unaudited)	**2014**			2013				2012
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Revenue	**$21,747**	$21,977	$17,688	$19,120	$20,019	$19,397	$17,203	$17,865
Gross margin as a % of revenue	***31.2%***	*30.6%*	*29.2%*	*28.7%*	*29.6%*	*30.5%*	*28.7%*	*26.5%*
Operating costs [1]	**$4,384**	$4,135	$3,689	$4,110	$3,506	$3,963	$3,506	$3,457
As a % of revenue	***20.2%***	*18.8%*	*20.9%*	*21.5%*	*17.5%*	*20.4%*	*20.4%*	*19.4%*
Operating income	**$2,408**	$2,579	$1,474	$1,375	$2,420	$1,936	$1,778	$1,269
As a % of revenue	***11.1%***	*11.7%*	*8.3%*	*7.2%*	*12.1%*	*10%*	*10.3%*	*7.1%*
Gain (loss) on foreign exchange	**$372**	$(315)	$309	$236	$(128)	$126	$96	$48
Net income	**$1,926**	$1,546	$1,205	$1,125	$1,517	$1,425	$1,232	$952
Earnings per share – diluted	**$0.06**	$0.05	$0.05	$0.05	$0.07	$0.06	$0.05	$0.04
EBITDA [2]	**$3,214**	$2,698	$2,220	$2,045	$2,690	$2,525	$2,278	$1,806
EBITDA per share – diluted	**$0.11**	$0.09	$0.09	$0.09	$0.11	$0.11	$0.10	$0.08
Dividend declared per share	**$0.035**	$0.035	$0.13	$0.02	$0.02	$0.02	$0.08	-
Weighted average number of common shares outstanding–diluted	**29,807**	28,871	23,748	23,855	23,524	23,302	23,109	23,132

[1] "Operating costs" include: administrative expenses, selling expenses, engineering expenses and research and development expenses

[2] Reconciliation of EBITDA with net income provided in the following table

In 2013, the Corporation achieved record-breaking revenue every quarter, and this continues with the same momentum in 2014. This is primarily due to Savaria's main competitor having ceased its U.S. operations in November 2012 and to Savaria launching new products on the market.

While gross margin averaged 29.4% in 2013 and 27.1% in 2012, it increased slightly during first nine months of 2014 to 30.4%. The high level of revenue and the cost reductions due to the relocation of the Brampton operations to a new building in 3rd quarter of 2012 explain the increase in gross margin since 2013.

Quarterly operating costs, which averaged $3.8 M or 19.9% of revenue in 2013, are slightly up in terms of dollars in the first nine months of 2014, at an average of $4.1 M, whereas they are stable in terms of percentage of revenue. Operating costs of 2nd and 3rd quarter of 2014 are higher due to an increase in sales force and travel expenses and the recording of a provision for bonuses in 3rd quarter. Operating costs were higher in 4th quarter of 2013 due to bonuses and a severance pay, as well as an increase in marketing costs.

At $2.7 M, average EBITDA for the first nine months of 2014 has increased compared to the average quarterly EBITDA for fiscal 2013 of $2.4 M in spite of the recording of an income of $350,000 in 2013 from a successful appeal related to sales tax. Note that EBITDA for the 4th quarter of 2013 was lower to those in previous quarters of the same year primarily due to the increase in the operating costs.

Reconciliation of EBITDA with Net Income

As mentioned in Section 3, although EBITDA is not recognized according to IFRS, it is used by management, investors and analysts to assess the Corporation's financial and operating performance.

Reconciliation between net income and EBITDA is provided in the table below.

(in thousands of dollars – unaudited)	**2014**			2013				2012
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Net income	**$1,926**	$1,546	$1,205	$1,125	$1,517	$1,425	$1,232	$952
Plus: Interest on long-term debt	**134**	144	136	135	147	156	174	210
Interest expense and banking fees	**69**	29	22	36	45	24	22	28
Income tax expense	**703**	591	422	319	591	532	478	222
Depreciation of fixed assets	**257**	244	240	230	220	208	173	201
Amortization of intangible assets	**177**	190	197	204	178	182	201	196
Less: Interest Income	**52**	46	2	4	8	2	2	3
EBITDA	**$3,214**	$2,698	$2,220	$2,045	$2,690	$2,525	$2,278	$ 1,806

The following section provides a detailed analysis of operating results for third quarter of 2014, in comparison with the same quarter of 2013 and cumulative results for the first nine months of 2014. The detailed analysis of prior quarters is provided in the interim reports for fiscal 2014, 2013 and 2012, available on SEDAR's website at www.sedar.com.

9. Operating Results

Certain data on results for third quarter (3 months) and for first nine months (9 months) 2014 and 2013 are presented in the following tables.

Gross margin

(in thousands of dollars, except percentages – Unaudited)	3 Months			9 Months		
	2014	2013	Change	**2014**	2013	Change
Revenue	**$21,747**	$20,019	8.6%	**$61,412**	$56,619	8.5%
Cost of sales	**$14,955**	$14,095	6.1%	**$42,743**	$39,848	7.3%
Gross margin	**$6,792**	$5,924	14.7%	**$18,669**	$16,771	11.3%
As a % of revenue	***31.2%***	*29.6%*	*n/a*	***30.4%***	*29.6%*	*n/a*

Revenue for the 3rd quarter of 2014 is up by $1.7 M or 8.6% compared to revenue recorded for same quarter previous year. This increase includes a favourable variation of foreign exchange to the amount of $469,000. In addition to the impact of foreign exchange, revenue for the *Accessibility* segment is up 6.7%, from $17.1 M for the 3rd quarter of 2013 to $18.2 M for the 3rd quarter of 2014, while revenue for the *Adapted Vehicles* segment is up 19.8%, from $2.9 M for the 3rd quarter of 2013 to $3.5 M for the 3rd quarter of 2014, due to an increase in minivan conversion revenues. For the first nine months, revenue is up by $4.8 M or 8.5% compared to revenue recorded for same period previous year. This increase includes a favourable variation of foreign exchange to the amount of $1.3 M. Revenue for the *Accessibility* segment is up 10.9% or $5.1 M, while revenue for the *Adapted Vehicles* segment is down 2.8% or $284,000.

The proportion of revenue from the United States on total revenue is stable during the 3rd quarter at 54% and is slightly up for the first nine months of 2014 compared to the same periods previous year, from 51% in 2013 to 52% in 2014. The proportion of revenue from Canada is up for the 3rd quarter whereas it is slightly down for the first nine months, from 36% and 39% respectively in 2013 to 38% in 2014. The proportion of revenue from outside North America is down for the 3rd quarter, from 10% in 2013 down to 8% in 2014, whereas it is stable for the first nine months at some 10%.

Gross margin is up by $868,000 for the 3rd quarter and $1.9 M for the first nine months of 2014 compared to the corresponding periods of 2013. In percentage of revenue, gross margin is slightly up for both the quarter and the first nine months.

The proportion of purchases from the subsidiary Savaria Huizhou and other suppliers in Asia is up, representing 48% of purchases of raw materials of the subsidiary Savaria Concord for the first nine months of 2014, compared to 41% for the whole fiscal 2013. Note that 86% of the total value of purchases from Asia is from the subsidiary Savaria Huizhou.

Operating Income

(in thousands of dollars, except percentages - unaudited)	3 Months			9 Months		
	2014	2013	Change	**2014**	2013	Change
Operating costs	**$4,384**	$3,506	25%	**$12,208**	$10,975	11.2%
As a % of revenue	***20.2%***	*17.5%*	*n/a*	***19.9%***	*19.4%*	*n/a*
Other income	**$-**	$2	(100)%	**$-**	$338	(100)%
Operating income	**$2,408**	$2,420	(0.5)%	**$6,461**	$6,134	5.3%
As a % of revenue	***11.1%***	*12.1%*	*n/a*	***10.5%***	*10.8%*	*n/a*

The proportion of operating costs relative to revenue increased in the 3rd quarter and for the first nine months of 2014 compared to the same periods in 2013, from 17.5% and 19.4% respectively in 2013 to 20.2% and 19.9% respectively in 2014. In terms of dollars, operating costs increased by $878,000 in the 3rd quarter and by $1.2 M in the first nine months of 2014 compared to the same periods in 2013 due to an increase in the sales force and expenses, to a provision for bonuses and to the cost of acquisition of the assets of Silver Cross.

In 2013, other income included an income of $350,000, recorded in 1st quarter of 2013, resulting from a successful appeal in relation to an assessment related to sales tax.

The combination of the increase in gross margin and of the unfavourable variation in operating costs and other income had a slightly unfavourable net effect on operating income for 3rd quarter (-$12 K) and distinctly favourable effect on the operating income of the first nine months of 2014 (+$327 K) compared to the same periods in 2013. Were it not for the $350,000 income recorded in 2013, operating income for the first nine months would have increased by $677,000 or 11.7%.

Net Income

(in thousands of dollars, except percentages - unaudited)	3 Months			9 Months		
	2014	2013	Change	**2014**	2013	Change
Net finance income (costs)	**$221**	$(312)	171%	**$(68)**	$(359)	81.1%
Income before income tax	**$2,629**	$2,108	24.7%	**$6,393**	$5,775	10.7%
Income tax expense	**$703**	$591	19%	**$1,716**	$1,601	7.2%
Net income	**$1,926**	$1,517	27%	**$4,677**	$4,174	12.1%
As a % of revenue	***8.9%***	*7.6%*	*n/a*	***7.6%***	*7.4%*	*n/a*
EBITDA	**$3,214**	$2,690	19.5%	**$8,132**	$7,493	8.5%
As a % of revenue	***14.8%***	*13.4%*	*n/a*	***13.2%***	*13.2%*	*n/a*

The favourable variation of $533,000 of Net finance income in 3rd quarter of 2014 compared to same period of 2013 is primarily due to a favourable variation in foreign exchange gains and losses of $500,000. For the first nine months, the favourable variation of $291,000 is due to a favourable variation in foreign exchange gains and losses of $272,000 and a favourable variation in interest income of $88,000, partially offset by an unfavourable variation in the fair value of the restructured notes and put option of $103,000. Gains and losses on foreign exchange are mostly attributable to the end-of-period translation of monetary items denominated in U.S dollars.

The effective income tax rate is stable around 27%, compared to the combined statutory corporate rate of 25.2%, mainly due to non-deductible items.

Net income and EBITDA increased for 3rd quarter and first nine months of 2014 compared to corresponding periods of 2013, with increases of net income of $409,000 and $503,000 respectively, and EBITDA of $524,000 and $639,000 respectively. Were it not for the successful sales tax claim of $350,000 in 2013, the increase in EBITDA for the first nine months would have been $989,000.

Hedging of foreing 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*.

As at September 30, 2014, the Corporation held foreign exchange contracts totaling $53 M U.S. for a hedging period up to August 31, 2017, at an average rate of 1.0582. At that date, the unrealized loss on the foreign exchange contracts amounted to $3.7 M. This amount is reflected on the statement of financial position under *Derivative financial instruments* of Current and Non-current liabilities and is included in the *Accumulated other comprehensive income* balance (see *Available Sources of Financing* in Section 10 for details). In addition, a gain before taxes of $52,000 from the sale of foreign exchange contracts before maturity is recorded in *Accumulated other comprehensive income* and will be reversed to net income between now and May 2015, depending on the hedging period of each contract.

Hedging of interest rates

The Corporation signed a financing agreement in April 2012 comprising of two long-term debts for a total of $16.6 M. Since those debts bear interest at variable rates, the Corporation decided to enter into interest rate swap contracts to minimize its risk related to changes in interest rates. Therefore, it has signed a first swap related to an original capital amount of $7 M with a fixed interest rate of 3.48%, and a second swap related to an original capital amount of $9.6 M with a fixed interest rate of 3.58%, both for a 5-year period. Those rates include a stamping fee of 1.5%.

As with 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 September 30, 2014, the unrealized loss on the interest rate swaps amounts to $150,000. This amount is reflected on the statement of financial position under *Derivative financial instruments* of Current and Non-current liabilities and is included in the *Accumulated other comprehensive income* balance.

10. Financial Position

Changes between Statements of Financial Position

The following table shows the key changes in the statements of financial position between September 30, 2014 and December 31, 2013, along with the principal explanations of such changes:

(in thousands of dollars, except percentages and explanations of changes)	**September 30, 2014 (unaudited)**	December 31, 2013	Change	Principal causes of the changes
Current assets				
Cash	**$14,705**	$1,968	$12,737	Net proceeds of $17.5 M following the conclusion of a private placement and disbursement following the acquisition of a business (-$2.5 M).
Trade and other receivables	**$13,371**	$11,711	$1,660	Increase in the exchange rate used for the conversion of U.S. dollar denominated receivables (+$403 K), increase in trade receivables (+$805 K), in sales taxes receivable (+$380 K) and in other receivables (+$72 K).
No. of days in receivables [(1)]	**55**	59	(6.8)%	Note that the number of days in receivables for the 3rd quarter of 2014 is 55 days compared to 61 days for the same quarter of 2013.
Inventories	**$16,687**	$14,179	$2,508	Increase in inventory at the Brampton plant (+$2.2 M) due to an increase in sales as well as an increase in minimum inventory levels since purchases from faraway regions such as Asia have increased.
Inventory turnover rate [(1)]	**3.73**	3.94	(5.3)%	See above.

[(1)] Based on the average of the last four quarters

(in thousands of dollars, except percentages and explanations of changes)	**September 30, 2014 (unaudited)**	December 31, 2013	Change	Principal causes of the changes
Non-current assets				
Fixed assets	**$11,968**	$12,302	$(334)	Depreciation (-$741 K) and additions (+$392 K).
Intangible assets	**$1,408**	$1,679	$(271)	Amortization (-$564 K) and increase (+$293 K).
Goodwill and intangible assets acquired	**$4,490**	$ -	$4,490	Acquisition of Silver Cross. The amount will partly be reallocated to other non-current assets when the Corporation will have completed its allocation of the purchase price.
Deferred tax assets	**$2,828**	$1,960	$868	Deferred taxes on transaction fees related to a private placement (+$307 K), on interest calculated on the present value of the note payable related to the acquisition of Silver Cross (+$74 K) and on the change in Accumulated other comprehensive income (+$441 K).
Current liabilities				
Trade and other payables	**$9,815**	$7,413	$2,402	Increase in the exchange rate used for the conversion of U.S. dollar denominated payables (+$222 K), increase in trade (+$1.3 M) and in salaries and benefits payable (+$370 K).
Income taxes payable	**$1,054**	$775	$279	Increase due to current tax expense (+$1.9 M), application of tax credits receivable (-$449 K) and tax payments (-$1.1 M).
Derivative financial instruments	**$1,745**	$1,113	$632	Favourable change in unrealized losses on interest rate swaps related to the current portion of long-term debt (-$18 K) and unfavourable change in unrealized losses on foreign exchange contracts maturing in the next twelve months (+$650 K).

(in thousands of dollars, except percentages and explanations of changes)	**September 30, 2014 (unaudited)**	December 31, 2013	Change	Principal causes of the changes
Current portion of long-term debt	**$2,810**	$2,864	$(54)	See explanations under *Long-term debt*.
Non-current liabilities				
Long-term debt	**$12,855**	$12,731	$124	Normal repayment of the debt (-$1.4 M), final repayment of a note payable related to a 2010 acquisition (-$600 K), new note payable related to the acquisition of Silver Cross (+1.9 M), new debt (+$139 K) and other minor variations (includes the change in current portion of long-term debt).
Derivative financial instruments	**$2,080**	$1,146	$934	Unfavourable change in unrealized losses on interest rate swaps related to the non-current portion of long-term debt (+$9 K) and in unrealized losses on foreign exchange contracts maturing after the next twelve months (+$925 K).
Equity	**$36,913**	$20,233	$16,680	Net income (+$4.7 M), share issue in relation to a private placement, net of transaction fees and related taxes (refer to section 10 *Available Sources of Financing* for details) (+$17.9 M), exercise of share purchase options (+$481 K), declaration of dividends (-$5.2 M) and change in Accumulated other comprehensive income (-$1.2 M).
Working capital	**$27,895**	$14,749	$13,146	Increase is mainly due to the conclusion of the private placement in the 2nd quarter (+$17.9 M) net of the disbursement related to the acquisition of Silver Cross in the 3rd quarter (-$2.5 M).
Current ratio	**2.58**	2.04	26.5%	See above.

As at September 30, 2014, Savaria benefited from a sound financial position, with total assets of $70.4 M, compared with $49 M as at December 31, 2013, and total liabilities of $33.5 M, compared with $28.8 M as at December 31, 2013.

Available Sources of Financing

(in thousands of dollars - unaudited)	**September 30, 2014**	December 31, 2013
Credit facilities:		
Authorized	**$7,500**	$5,000
Loans	**(3,825)**	-
Unused credit	**3,675**	5,000
Cash	**18,530**	1,968
Total	**$22,205**	$6,968

As shown above, the Corporation had total available funds of $22.2 M as at September 30, 2014. This provides the Corporation with the flexibility to meet its potential obligations in the near term and to benefit from investment opportunities.

On April 15, 2014, the Corporation completed a bought deal private placement of 5,750,000 units at a price of $3.25 per unit, for gross proceeds to Savaria of $18.7 M and proceeds net of transaction fees of $17.5 M. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of Savaria at an exercise price of $4.25 until April 15, 2017.

The Corporation minimizes its exposure to fluctuations in interest rates by keeping most of its debt at fixed rate using swap contracts (see *Coverage of interest rates* in section 9 for details).

Furthermore, the Corporation can incur potential risks of loss on foreign exchange contracts for up to a maximum of $6.4 M over a maximum hedging period of 36 months. This amount is the maximum amount of unrealized losses, as defined by the bank, that foreign exchange contracts held by the Corporation can represent at one time; however, beyond an amount of $4.8 M, the bank could realize the collateralized security to cover such risk.

As at September 30, 2014, the Corporation's total net debt to invested capital ratio stood at 2.5% (40.2% as at December 31, 2013).

Other Data and Ratios

(in thousands of dollars, except per-share amounts - unaudited)	**September 30, 2014**	December 31, 2013	Change
Book value per share	**$1.25**	$0.86	45.3%
Cash per share	**$0.50**	$0.08	525%
Market capitalization	**$107,874**	$68,360	57.8%

Book value and Cash per share are up as at September 30, 2014 compared to December 31, 2013, due to the impact of the private placement on equity and on cash, partially offset by dividend declarations in the first nine months of 2014. Market capitalization is also up due to the issuance of shares for said private placement and to an increase in the value of the common shares of the Corporation, which went from $2.92 as at December 31, 2013 to $3.65 as at September 30, 2014.

11. Cash Flows

The following table presents certain cash flow data for the third quarter and the first nine months of fiscal 2014.

(in thousands of dollars – unaudited)	3 Months			9 Months		
	2014	2013	Change	**2014**	2013	Change
Net cash from operating activities	**$2,120**	$2,066	2.6%	**$5,408**	$5,451	(0.8)%
Net cash used in investing activities	**$(2,732)**	$(285)	(859)%	**$(3,156)**	$(1,122)	(181)%
Net cash (used in) from financing activities	**$(1,704)**	$(375)	354%	**$10,485**	$(4,441)	336%

The Corporation's cash flows from operating activities are up by $54,000 for the 3^{rd} quarter and down by $43,000 for first nine months of 2014 over the corresponding periods of previous year. These differences are mainly due to a favourable variation from operations (+$765 K for the quarter, +$955 K for the first nine months), partially offset by higher income taxes paid (-$326 K for the quarter, -$883 K for the first nine months) and lower inflows from long-term loans (-$105 K for the quarter, -$231 K for the first nine months). Also contributing: an unfavourable variation in non-cash operating items for the first nine months (-$247 K).

Cash flows used in investing activities is up by $2.4 M in 3^{rd} quarter of 2014 and up $2 M for the first nine months of 2014 compared to same period previous year, primarily due to the initial cash consideration of $2.5 M related to the acquisition of Silver Cross slightly offset by a decrease in additions to fixed and intangible assets (+$53 K for the quarter, +$505 K for the first nine months).

In regard to financing activities, the cash flows used in financing activities is up $1.3 M in 3rd quarter 2014 compared to the same period in 2013. This difference is mainly due to an unfavourable variation in the amount of dividends paid of $566,000, in proceeds from the exercise of stock options of $440,000, and in the cashing of long-term debt of $557,000, partially offset by a favourable variation of bank loans of $259,000. For the first nine months, the cash flows generated from financing activities is up $14.9 M compared to the same period in 2013. This variation is primarily due to the reception of net proceeds of $17.5 M following a private placement partially offset by an increase in dividends paid (-$2.4 M).

12. Significant Accounting Policies and Estimates

(A) Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are the measurement of the fair value of derivative financial instruments, the goodwill and the deferred taxes.

These estimates are based on management's knowledge of current events and on the measures the Corporation could take in the future. Actual results may differ from these estimates.

(B) Changes in accounting policies adopted during first nine months

The following new standards and amendments to standards and interpretations have been applied in preparing the interim condensed consolidated financial statements as at September 30, 2014:

- IFRS 9 (2013) - *Financial Instruments*
- Amendments to IAS 32 - *Offsetting Financial Assets and Liabilities*
- Amendments to IAS 39 - *Novation of Derivatives and Continuation of Hedge Accounting*
- IFRIC 21 – *Levies*

None of these amendments had a significant impact on the financial statements.

(C) Future Accounting Changes

The following new standards and amendments to standards and interpretations, not yet adopted, have not been applied in preparing the condensed consolidated interim financial statements as at September 30, 2014.

- *Annual Improvements to IFRS* 2010-2012 and 2011-2013 cycles
- IFRS 15 - *Revenue from Contracts with Customers*

More information on adopted and future accounting changes is available in notes 3 of the Consolidated Financial Statements as at December 31, 2013 and of the Condensed Consolidated Interim Financial Statements as at September 30, 2014.

13. Internal Control over Financial Reporting

Disclosure Controls and Procedures

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

As stated in the 2013 annual Management's Report, an evaluation has been conducted to measure the effectiveness of controls and procedures as of December 31, 2013 used for the preparation of reporting documents.

Internal Control over Financial Reporting

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

As stated in the 2013 annual Management's Report, management has evaluated the effectiveness of internal control over financial reporting as of December 31, 2013.

Changes to Internal Control over Financial Reporting

No changes in the Corporation's internal control over financial reporting occurred during the first nine months of 2014 that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

14. Off-Balance Sheet Arrangements

Savaria did not enter into any off-balance sheet arrangements during the first nine months of 2014.

15. Related Party Transactions

In the first nine months of 2014, the Corporation recorded an amount of $45,000 ($29,000 in 2013) for accounting and tax services rendered by an entity whose officer is a director and the chief financial officer of the Corporation.

In 2013, the Corporation signed a lease with an entity owned by a director and the President and Chief Executive Officer of the Corporation. Under the terms of the lease, an amount of $19,000 was paid to that company in 2014 (2013-nil). The lease expires in October 2016, and the total remaining commitment is $53,000.

The terms and conditions attached to the above transactions reflect market conditions.

16. Risks and Uncertainties

Savaria is engaged in an industry exposed to various risks and uncertainties. The Corporation's operating results and financial position could be adversely affected by each of the risks and uncertainties described in its 2013 annual management's report, which refer to the following:

- Exchange rates
- Interest rates
- Prices
- Credit
- Liquidity
- Economic conditions
- Warranties
- Tax credits
- Deferred tax assets
- Competition
- Dependence on the U.S. market
- Environment
- Lawsuits

For further details regarding risk factors, the reader is also referred to the Annual Information Form available on SEDAR's website at www.sedar.com.

17. Outlook

The first nine months of 2014 reflects our continued growth initiated in 2013 and the positive impact of the launch in the market of our new stairlift for curved staircases, the *Stairfriend*, in 3rd quarter of 2013.

Through its new Silver Cross division, Savaria intends to grow the number of franchisees as well as the leads identification program, which will increase EBITDA as early as in 2015.

We look toward the future with enthusiasm, given that the demand for accessibility products from people with mobility challenges should continue to grow. Ultimately, our strong financial position and the injection of new cash to the amount of $17.5 M, following the conclusion of the private placement in April 2014, will allow us to further product development, to develop new markets and to undertake expansion projects.

November 13, 2014