SAVARIA CORPORATION CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2012 (Unaudited and not reviewed by the Corporation's independent auditors)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of dollars - Unaudited)

		Sent	ember 30,	December 31,
	Note	-	2012	2011
Assets	11010			
Current assets				
Cash		\$	2,759	\$ 3,931
Restricted cash			-	400
Trade and other receivables			10,854	9,120
Derivative financial instruments	4		-	83
Current portion of long-term loans			267	328
Tax credits receivable			542	526
Inventories			13,083	14,371
Prepaid expenses			798	633
Current portion of long-term investments	5		647	710
Total current assets			28,950	30,102
Non-current assets				
Restricted cash			-	700
Derivative financial instruments	4		-	44
Tax credits receivable			226	509
Long-term loans			135	347
Fixed assets	7		12,024	1,741
Goodwill			4,051	4,051
Intangible assets			2,268	2,797
Long-term investments	5		749	753
Other assets			-	16
Deferred tax assets			1,779	1,353
Total non-current assets			21,232	12,311
Total assets		\$	50,182	\$ 42,413
Liabilities Current liabilities				
Bank loans	6	\$	2,075	\$ 75
Trade and other payables	U	Ψ	7,479	6,123
Income taxes payable			247	382
Deferred revenues			2,328	1,930
Current portion of long-term debt	7		3,683	4,877
Warranty provision			332	338
Total current liabilities			16,144	13,725
Non-current liabilities				
Long-term debt	7		14,875	7,984
Warranty provision	,		441	417
Derivative financial instruments	4		315	-
Deferred tax liabilities			124	142
Total non-current liabilities			15,755	8,543
Total liabilities			31,899	22,268
				,
Equity				
Share capital	8		13,279	13,260
Contributed surplus			2,137	2,114
Accumulated other comprehensive income			353	665
Retained earnings			2,514	4,106
Total equity			18,283	20,145
				1 .
Total liabilities and equity		\$	50,182	\$ 42,413

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in thousands of dollars, except per share amounts - Unaudited)

			Perio	ods of				ods of	
		th	ree months end	ded S		ni	ne months end	ed Se	
	Note		2012		2011		2012		2011
Revenue	9	\$	16,166	\$	17,395	\$	48,869	\$	48,916
Cost of sales	10		(12,714)		(12,263)		(36,461)		(35,268)
Gross margin			3,452		5,132		12,408		13,648
Operating costs									
Administrative expenses	10		(1,775)		(1,870)		(5,128)		(5,391)
Selling expenses			(1,331)		(1,355)		(4,003)		(4,101)
Engineering expenses			(302)		(351)		(1,129)		(1,152)
Research and development expenses			(180)		(249)		(515)		(645)
			(3,588)		(3,825)		(10,775)		(11,289)
Other income (costs)			1		-		28		(1)
Operating income (loss)			(135)		1,307		1,661		2,358
Finance income	11		10		641		27		470
Finance costs	11		(441)		(175)		(713)		(585)
Net finance (costs) income			(431)		466		(686)		(115)
Income (loss) before income tax			(566)		1,773		975		2,243
Recovery of Income tax (expense)			141		(487)		(349)		(640)
Net income (loss)			(425)		1,286		626		1,603
			(420)		1,200		020		1,000
Other comprehensive income Change in the fair value of derivative financial									
instruments designated as cash flow hedges			731		(581)		551		(553)
Deferred income tax			(186)		148		(135)		140
			545		(433)		416		(413)
Gains on foreign exchange contracts transferred					. ,				
to net income in the current period			(103)		(470)		(917)		(1,757)
Deferred income tax			26		125		232		470
			(77)		(345)		(685)		(1,287)
Net change in fair value of derivative financial									
instruments designated as cash flow hedges			468		(778)		(269)		(1,700)
Unrealized net gains (losses) on translation of financial statements of self-sustaining foreign operations			(29)		109		(43)		93
Other comprehensive income (loss), net of income tax	,		439		(669)		(312)		(1,607)
	L	¢		¢		¢		¢	
Total comprehensive income (loss)		\$	14	\$	617	\$	314	\$	(4)
Earnings per share:									
Basic		\$	(0.02)	\$	0.06	\$	0.03	\$	0.07
Diluted		\$	(0.02)	\$	0.06	\$	0.03	\$	0.07
		Ľ	()			<u> </u>		<u> </u>	

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

							2011						
	Share Number	capita Ai	l nount	Share c to be is			ntributed urplus	or compre	mulated ther ehensive come		tained rnings	Tot	al equity
Balance at January 1, 2011	22,017,564	\$	12,630	\$	567	\$	2,064	\$	2,081	\$	4,736	\$	22,078
Total comprehensive income	,- ,	Ť	,	Ť		Ť	_,	*	_,	Ť	.,	•	,
Net Income	-		-		-		-		-		1,603		1,603
Other comprehensive income : Change in the fair value of derivative financial instruments designated as											,		
cash flow hedges, net of tax Gains on foreign exchange contracts transferred to net income in the current	-		-		-		-		(413)				(413)
period, net of tax Unrealized net losses on translation of financial statements of self-sustaining	-		-		-		-		(1,287)		-		(1,287)
foreign operations	-		-		-		-		93		-		93
Other comprehensive income	-		-		-		-		(1,607)		-		(1,607)
Total comprehensive income	-	\$	-	\$	-	\$	-	\$	(1,607)	\$	1,603	\$	(4)
Transactions with owners, recorded directly in equity													
Cancelled shares following issuer bid	(199,400)		(115)		-		-		-		(203)		(318)
Compensation expense on options granted	-		-		-		70		-		-		70
Share options exercised	132,500		218		-		(53)		-		-		165
Dividend on common shares Shares issued in relation to a business	-		-		-		-		-		(2,368)		(2,368)
acquisition	1,000,000	<u> </u>	567		(567)		-		-		-		-
Total transactions with owners	933,100	<u> </u>	670		(567)		17		-		(2,571)		(2,451)
Balance at September 30, 2011	22,950,664	\$	13,300	\$	-	\$	2,081	\$	474	\$	3,768	\$	19,623

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

	2012										
	Share Number		al Amount		ntributed surplus	com	cumulated other prehensive ncome		etained arnings	To	tal equity
Balance at January 1, 2012	22,880,864	\$	13,260	\$	2,114	\$	665	\$	4,106	\$	20,145
Total comprehensive income											
Net income	-		-		-		-		626		626
Other comprehensive income :											
Change in the fair value of derivative											
financial instruments designated as											
cash flow hedges, net of tax	-		-		-		416		-		416
Gains on foreign exchange contracts											
transferred to net income in the current											
period, net of tax	-		-		-		(685)		-		(685)
Unrealized net losses on translation of											
financial statements of self-sustaining											
foreign operations	-		-		-		(43)		-		(43)
Other comprehensive income	-		-		-		(312)		-		(312)
Total comprehensive income	-	\$	-	\$	-	\$	(312)	\$	626	\$	314
Transactions with owners, recorded directly in equity											
Cancelled shares following issuer bid	(50,800)		(29)		-		-		(43)		(72)
Compensation expense on options granted	-		-		32		-		-		32
Share options exercised	57,500		48		(9)		-		-		39
Dividend on common shares	-		-		-		-		(2,175)		(2,175)
Total transactions with owners	6,700		19		23		-		(2,218)		(2,176)
Balance at September 30, 2012	22,887,564	\$	13,279	\$	2,137	\$	353	\$	2,514	\$	18,283

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of dollars - Unaudited)

		throa		ods of	tombor 20	nino		ods of	tombor 20
	Note		e months end	· · ·	2011		months end	eu Sep	2011
Cash flows from (used in) operating activities	Note		2012		2011		2012		2011
		¢	(405)	¢	4 000	<b>~</b>	<b>600</b>	¢	4 000
Net income (loss)		\$	(425)	\$	1,286	\$	626	\$	1,603
Adjustments for :					405		500		
Depreciation of fixed assets			235		185		588		538
Amortization of intangible assets			176		201		556		588
Change in the fair value of restructured notes and put					(100)		•		(400)
option			63		(126)		6		(130)
(Recovery of) income tax expense			(141) 50		487 49		349 134		640 165
Capitalized finance costs on long-term debt			50 11		49 14		32		70
Compensation expense on share options granted Foreign exchange contracts cashed in advance			786		14				70
Gains on foreign exchange contracts cashed in advance			100		-		700		-
and transferred to net income			(12)		(470)		(710)		(1 624)
Gain on the sale of fixed assets			(43)		(470)		(26)		(1,624)
Unrealized foreign exchange loss (gain) on non-current			-		-		(20)		-
monetary items			(67)		248		(80)		162
Interest cost			177		126		455		420
			822		2,000		2,716		2,432
Net changes in non-cash operating items	12		ozz 541		2,000 (186)		2,710		(1,455)
Increase in long-term loans	12		- 541		(100)		000		(1,455) (21)
Proceeds from long-term loans			82		- 22		257		(21)
Income tax paid			(55)		(39)		(288)		(140)
Net cash from operating activities			1,390		1,797		3,570		893
Net cash from operating activities			1,390		1,797		3,570		093
Cash flows from (used in) investing activities									
Receipts of long-term investments			30		8		61		85
Change in restricted cash			-		100		1,100		300
Proceeds from sales of fixed assets			-		27		59		27
Additions to fixed assets	7		(799)		(76)		(10,910)		(383)
Increase in intangible assets			(27)		(29)		(27)		(181)
Net cash from (used in) investing activities			(796)		30		(9,717)		(152)
( , <b>)</b>			. ,						
Cash flows from (used in) financing activities									
Changes in bank loans	6		625		-		2,000		(1,990)
Increase in long-term debt	7		-		-		15,631		2,628
Repayment of borrowings	7		(444)		(835)		(9,916)		(2,680)
Interest paid			(177)		(123)		(458)		(417)
Transaction costs related to a long-term debt	7		(10)		-		(74)		-
Repurchase of common shares			(21)		(36)		(72)		(318)
Proceeds from exercise of share options			-		-		39		165
Dividend paid on common shares			-		-		(2,175)		(2,368)
Net cash from (used in) financing activities			(27)		(994)		4,975		(4,980)
Net change in cash			567		833		(1,172)		(4,239)
Cash at the beginning of the period			2,192		969		3,931		6,041
Cash at the end of the period		\$	2,759	\$	1,802	\$	2,759	\$	1,802

The notes on pages 7 to 12 are an integral part of these unaudited condensed consolidated interim financial statements.

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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 2724 Etienne-Lenoir, Laval, Quebec. The condensed consolidated interim financial statements of the Corporation as at and for the periods ended September 30, 2012 and 2011 comprise the accounts of Savaria Corporation and its wholly owned subsidiaries (together referred to as the "Corporation"). The activities of the Corporation consist of manufacturing, installing and distributing elevators, platform lifts and stairlifts for people with mobility challenges as well as converting and adapting vehicles also for persons with mobility challenges.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2011 are available upon request from the Corporation's registered office or at www.savaria.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. 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 13, 2012.

#### 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 years ended December 31, 2011 and 2010.

The accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements, unless otherwise indicated.

The accounting policies have been applied consistently by the Corporation's entities.

### 4 . Derivative financial instruments

Derivative financial instruments' fair values are as follows :

	-	ember 30, 2012	nber 31, 011
Current assets Foreign exchange derivatives	\$	-	\$ 83
Non-current assets Foreign exchange derivatives	\$	-	\$ 44
Non-current liabilities Interest rate derivatives	\$	315	\$ -

During the second quarter of 2012, the Corporation entered into interest rate swaps on its new long-term debt in order to minimize its exposure to changes in interest rates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*Tabular amounts are expressed in thousands of dollars - Unaudited*)

#### 5 . Long-term investments

	Sep	tember 30, 2012	ember 31, 2011
Restructured notes (face value of \$1,744,000, \$1,863,000 as of December 31, 2011) Put option	\$	1,315 81	\$ 1,282 181
Less : Current portion		1,396 647	1,463 710
	\$	749	\$ 753

#### **Restructured Notes**

The Corporation holds investments with a face value of \$1,744,000 (US\$1,774,000) that are invested in restructured notes following the replacement of Asset-Backed Commercial Paper. These investments are valued at their fair value at period-end.

During the first three quarters, the fair value of the restructured notes was affected by several factors including a reduction in risks associated with assets underlying the notes, a decrease in value of the US dollar in relation to the Canadian dollar and the simple passage of time. As a result of its analysis, the Corporation estimates the fair value of these notes to be \$1,315,000 (US\$1,338,000) as at September 30, 2012. The Corporation recorded a \$94,000 (2011-\$159,000) gain during the first three quarters. Following this change in value, there remains a balance of the reserve for impairment of \$429,000 (2011-\$570,000) (US\$436,000, 2011-US\$544,000).

During the nine-month period, the Corporation received a total of \$61,000 (2011-\$85,000) (US\$62,000, 2011-US\$88,000) in repayment of certain restructured notes. The amounts received were used as a partial reimbursement on loans secured by the restructured notes. As at September 30, 2012, the face value and estimated fair value of the remaining restructured notes are broken down as follows:

	in	thousand	s of US	6 dollars				
Restructuring categories		ce value		nated fair value	Expected maturity date			
MAV 2 Notes								
A1 (rated A)	\$	835	\$	752	July 15, 2056			
С		26		10	July 15, 2056			
Ineligible asset tracking notes								
MAV 2 - Class 13		132		89	March 20, 2014			
MAV 3 - Class 25		781		487	December 25, 2036			
Total investments	\$	1,774	\$	1,338				

In 2009, the Corporation signed two long-term financing agreements with its financial institution to ensure the sufficient availability of liquidity to meet its financial obligations while awaiting the disposal of the restructured notes. These agreements were renewed for an additional year during the first quarter of 2012 and now mature in March 2013 and March 2014. The loans are renewable on a yearly basis up to a maximum of three years for the first agreement and two years for the second agreement.

The Corporation holds an option to assign to the bank the ownership of its ineligible asset-tracking notes as well as any proceeds therefrom as payment of 75% of the principal on the related debt. As at September 30, 2012, the Corporation estimated the fair value of this option at \$81,000 (2011-\$180,000) (US\$82,000; 2011-US\$172,000). The estimated fair value is based on the balance of the portion of the loan related to this option minus the fair value of the applicable restructured notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*Tabular amounts are expressed in thousands of dollars - Unaudited*)

#### 5 . Long-term investments (continued)

The Corporation also holds an option to assign to the bank the ownership of its MAV 2 notes as well as any proceeds therefrom as payment of 45% of the principal on the related debt. As at September 30, 2012, the Corporation estimated the fair value of this option to be nil. The estimated fair value is based on the balance of the portion of the loan related to the option minus the fair value of the applicable restructured notes.

#### 6 . Bank loans

On March 22, 2012, the Corporation entered into an agreement with its financial institution for the replacement of its lines of credit formerly held by Savaria Concord Lifts for \$2,000,000 and Van-Action for \$500,000, into a single line of credit in the amount of \$5,000,000.

## 7 . Long-Term debt

On March 22, 2012, following the purchase of a building located in Brampton, Ontario, for an amount of \$8,600,000, the Corporation entered into an agreement with its financial institution for a long-term debt in the amount of \$9,600,000, of which \$8,600,000 is disbursed as at September 30, 2012, to finance the purchase as well as certain improvements. \$1,679,000 in improvements were incurred as at September 30, 2012. The terms of the agreement include an amortization period of 180 months with a monthly payment in capital of \$53,000 plus interest, at a rate fixed for five years of 3.58% according to an interest rate swap, as mentioned in note 4.

The financing agreement also includes the refinancing of four long-term loans into one single loan in the amount of \$7,000,000. The terms of the agreement include an amortization period of 84 months with a monthly payment in capital of \$83,000 plus interest, at a rate fixed for five years of 3.48% also according to an interest rate swap, as mentioned in note 4. Furthermore, the Corporation is no longer required to maintain a minimum cash balance in its bank accounts.

Financing costs in the amount of \$74,000 related to this agreement have been recorded in reduction of long-term debt and will be reversed to net income over the reimbursement period of the debt.

## 8 . Share capital

During the nine months ended September 30, 2012, the Corporation repurchased 50,800 common shares at an average price of \$1.42 per share by way of a normal course issuer bid. The excess of the price paid over the book value of the repurchased shares has been recorded against retained earnings.

#### 9. Revenue

		Periods of			Periods			
	thre	three months ended September 30			0 nine months ende			ptember 30
		2012		2011		2012		2011
Sale of goods Rendering of services	\$	14,891 1,275	\$	16,087 1,307	\$	45,071 3,797	\$	45,181 3,735
J	\$	16,166	\$	17,395	\$	48,869	\$	48,916

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Tabular amounts are expressed in thousands of dollars - Unaudited)

#### 10 . Cost of sales and administrative expenses

Moving cost incurred following the transfer of operations in Brampton, Ontario to a new building, in the amount of \$857,000 for the period of three months and \$1,016,000 for the period of nine months, are presented as follows :

		Peri	f	Periods of				
	thre	ee months en	September 30	nir	ne months end	ded September 3		
		2012		2011	2012			2011
Cost of sales								
Excluding moving costs	\$	11,944	\$	12,263	\$	35,540	\$	35,268
Moving costs		770		-		921		-
Total	\$	12,714	\$	12,263	\$	36,461	\$	35,268
Administrative expenses								
Excluding moving costs	\$	1,688	\$	1,870	\$	5,033	\$	5,391
Moving costs		87		-		95		-
Total	\$	1,775	\$	1,870	\$	5,128	\$	5,391

# 11 . Finance income and finance costs

	Periods of					Peri	ods of			
	three	months en	ded Se	ptember 30	nine	months end	ed September 30			
		Periods of ee months ended September 30 Periods nine months ended 30   2012 2011 2012   10 \$ 2 \$   - 513 -   - 126 -   10 \$ 641 \$   204 \$ 149 \$					2011			
Interest income	\$	10	\$	2	\$	27	\$	25		
Net gain on foreign currency exchange		-		513		-		315		
Change in the fair value of restructured notes and put option		-		126		-		130		
Finance income	\$	10	\$	641	\$	27	\$	470		
Interest on long-term debt	\$	204	\$	149	\$	522	\$	430		
Interest expense and bank charges		23		26		68		155		
Net loss on foreign currency exchange		151		-		117		-		
Change in the fair value of restructured notes and put option		63		-		6		-		
Finance costs	\$	441	\$	175	\$	713	\$	585		

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

	Peri	ods of	Periods of			
three	months en	ded September 30	nine months end	led September 30		
	2012 2011		2012	2011		
\$	(374)	\$ (629)	\$ (1.734)	\$ (2,120)		
·	(112)	19	(273)	(126)		
	(97)	537	1,288	559		
	122	(77)	(171)	(39)		
	924	(287)	1,359	(270)		
	53	245	398	557		
	25	6	18	(16)		
\$	541	\$ (186)	\$ 885	\$ (1,455)		
	\$	three months en 2012 \$ (374) (112) (97) 122 924 53 25	\$ (374) \$ (629) (112) 19 (97) 537 122 (77) 924 (287) 53 245 25 6	three months ended September 30     nine months end       2012     2011     2012       \$ (374)     \$ (629)     \$ (1,734)       (112)     19     (273)       (97)     537     1,288       122     (77)     (171)       924     (287)     1,359       53     245     398       25     6     18		

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*Tabular amounts are expressed in thousands of dollars - Unaudited*)

# 13 . Operating segments

## Information about the operating segments

The Corporation's business structure is divided into two operating segments, the first consists of manufacturing and distributing residential and commercial accessibility equipment for people with mobility challenges (Accessibility), and the second consists of converting and adapting vehicles for persons with mobility challenges (Adapted Vehicles).

	Periods of three months ended September 30														
	2012							2011							
	Ac	cessibility		Adapted Vehicles	Total		Accessibility		Adapted Vehicles			Total			
External revenues	\$	12,388	\$	3,778	\$	16,166	\$	14,072	\$	3,323	\$	17,395			
Income (loss) before income tax and unallocated amounts	\$	(36)	\$	351	\$	315	\$	2,396	\$	161	\$	2,557			

		Periods of											
		nine months ended September 30											
			2012										
	Ac	Accessibility Adapted Vehicles			Total	Accessibility		Adapted Vehicles			Total		
External revenues Income before income tax	\$	37,849	\$	11,020	\$	48,869	\$	37,776	\$	11,140	\$	48,916	
and unallocated amounts	\$	2,347	\$	945	\$	3,292	\$	4,070	\$	370	\$	4,440	

	September 30, 2012							September 30, 2011							
	Accessibility		Adapted Vehicles		Total		Accessibility		Adapted Vehicles			Total			
Segment's assets Segment's liabilities	\$ \$	30,920 10,014	\$ \$	7,495 1,161	\$ \$	38,415 11,175	\$ \$	32,545 8,043	\$ \$	8,917 2,849	\$ \$	41,462 10,892			

#### Reconciliations of operating segments and the consolidated balances

	three		ods of ded Se	eptember 30	nir		ods of led September 30	
		2012	2011			2012		2011
Income before income tax								
Total income of segments, before income tax and unallocated								
amounts	\$	315	\$	2,557	\$	3,292	\$	4,440
Unallocated amounts:								
Depreciation and amortization		(411)		(386)		(1,144)		(1,126)
Net finance costs		(199)		(179)		(461)		(435)
Other corporate expenses <sup>(1)</sup>		(271)		(219)		(712)		(636)
Income (loss) before income tax	\$	(566)	\$	1,773	\$	975	\$	2,243

<sup>(1)</sup> Salaries, professional fees and other corporate expenses not included in the segments' income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*Tabular amounts are expressed in thousands of dollars - Unaudited*)

# 13 . Operating segments (continued)

# Reconciliations of operating segments and the consolidated balances (continued)

	September 30				
	2012	2011			
Assets					
Total assets of segments	\$ 38,415	\$	41,462		
Unallocated amounts <sup>(1)</sup>	11,767		2,328		
Total consolidated assets	\$ 50,182	\$	43,790		
Liabilities					
Total liabilities of segments	\$ 11,175	\$	10,892		
Unallocated amounts <sup>(2)</sup>	20,724		13,274		
Total consolidated liabilities	\$ 31,899	\$	24,166		

<sup>(1)</sup> Corporate assets, including a building with a net value of \$10,213,000, not included in the assets of the segments.

<sup>(2)</sup> Corporate liabilities, including long-term debt in the amount of \$16,647,000, not included in the liabilities of the segments.