# SAVARIA CORPORATION CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2015

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of dollars - Unaudited)

	Note	M	arch 31,	Dec	ember 31,
			2015		2014
Assets					
Current assets					
Cash	4	\$	16,904	\$	16,280
Trade and other receivables			11,026		12,168
Current portion of long-term loans			101		99
Tax credits receivable			182		264
Inventories			17,904		16,694
Prepaid expenses			1,124		635
Total current assets			47,241		46,140
Non-current assets					
Long-term loans			52		64
Fixed assets			12,116		12,122
Intangible assets			2,609		2,661
Goodwill			7,253		7,253
	5		101		23
Deposit on purchase of fixed assets	5				_
Deferred tax assets			4,464		3,157
Total non-current assets			26,595		25,280
Total assets		\$	73,836	\$	71,420
Liabilities					
Current liabilities					
Trade and other payables		\$	10,871	\$	9,677
Income taxes payable		Ι Ψ	1,186	Ψ	1,198
Deferred revenues			1,973		2,045
Derivative financial instruments	10		4,149		2,295
Current portion of long-term debt	10		2,819		2,833
Warranty provisions			447		454
Total current liabilities					
rotal current liabilities			21,445		18,502
Non-current liabilities			44.040		40.504
Long-term debt			11,842		12,521
Warranty provisions			682		681
Derivative financial instruments	10		5,676		2,991
Deferred tax liabilities			233		269
Total non-current liabilities			18,433		16,462
Total liabilities			39,878		34,964
Equity					
Share capital and warrants	6		33,463		33,268
Contributed surplus	-		2,044		2,042
Accumulated other comprehensive loss			(6,652)		(3,564)
Retained earnings			5,103		4,710
Total equity			33,958		36,456
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The notes on pages 7 to 11 are an integral part of these unaudited condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Periods of three months ended March 31,

(in thousands of dollars, except per share amounts - Unaudited)

	Note	2015	2014
Revenue	7	\$ 20,234	\$ 17,688
Cost of sales		(14,163)	(12,525)
Gross margin		6,071	5,163
Operating costs			
Administrative expenses		(1,820)	(1,604)
Selling expenses		(1,819)	(1,357)
Engineering expenses Research and development expenses		(513) (129)	(562) (166)
Nesearch and development expenses		(4,281)	(3,689)
Operating income		1,790	1,474
Finance income	8	636	311
Finance costs	8	(189)	(158)
Net finance income		447	153
Income before income tax		2,237	1,627
Income tax expense		(662)	(422)
Net income		1,575	1,205
Other comprehensive loss Items that may be reclassified subsequently to income or loss			
Change in the fair value of derivative financial instruments designated as cash flow hedges		(5,437)	(2,176)
Deferred income tax		1,401	551
Losses on foreign exchange contracts transferred to		(4,036)	(1,625)
net income in the current period		880	359
Deferred income tax		(227)	(90)
		653	269
Net change in fair value of derivative financial instruments			
designated as cash flow hedges		(3,383)	(1,356)
Unrealized net gains on translation of financial statements			
of foreign operations		295	3
Other comprehensive loss, net of income tax		(3,088)	(1,353)
Total comprehensive loss		\$ (1,513)	\$ (148)
Earnings per share:			
Basic		\$ 0.05	\$ 0.05
Diluted		\$ 0.05	\$ 0.05

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY Period of three months ended March 31,

(in thousands of dollars - Unaudited)

					2014						
	Share	capita	al	Accumulated other contributed comprehensive		Retained					
	Number	A	mount		surplus		loss	ea	rnings	То	tal equity
Balance at January 1, 2014	23,410,864	\$	13,969	\$	2,079	\$	(1,314)	\$	5,499	\$	20,233
Total comprehensive loss											
Net income	-		-		-		-		1,205		1,205
Other comprehensive loss:											
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-		_		-		(1,625)		-		(1,625)
Losses on foreign exchange contracts transferred to net income in the current period, net of tax	-		_		-		269		-		269
Unrealized net gains on translation of financial statements of foreign operations	-		-		-		3		-		3
Other comprehensive loss	-		-		-		(1,353)		-		(1,353)
Total comprehensive loss	-	\$	-	\$	-	\$	(1,353)	\$	1,205	\$	(148)
<u>Transactions with owners, recorded</u> <u>directly in equity</u>											
Compensation expense on options granted	-		-		5		-		-		5
Share options exercised (note 6)	393,750		611		(130)		-		-		481
Dividends on common shares	-		-		-		-		(3,095)		(3,095)
Total transactions with owners	393,750		611		(125)		-		(3,095)		(2,609)
Balance at March 31, 2014	23,804,614	\$	14,580	\$	1,954	\$	(2,667)	\$	3,609	\$	17,476

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period of three months ended March 31,

(in thousands of dollars - Unaudited)

	2015															
	Share capital and warrants			Accumulated												
	Num	ber		Comenibustasi	Contributed	Contributed	Contributed	Contributed	Contributed	Contributed	Contributed		other	other comprehensive	Retained	
	Share capital	Warrants	Amount	surplus	loss	earnings	Total equity									
Balance at January 1, 2015	29,554,614	2,875,000	33,268	2,042	(3,564)	4,710	\$ 36,456									
Total comprehensive loss																
Net income	-	-	-	-	-	1,575	1,575									
Other comprehensive loss:																
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	-	(4,036)	-	(4,036)									
Losses on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	-	653	-	653									
Unrealized net gains on translation of financial statements of foreign operations	-	-	-	-	295	-	295									
Other comprehensive loss	-	-	-	-	(3,088)	-	(3,088)									
Total comprehensive loss	-	-	\$ -	\$ -	\$ (3,088)	\$ 1,575	\$ (1,513)									
Transactions with owners, recorded directly in equity																
Compensation expense on options granted	-	-	-	33	-	-	33									
Share options exercised (note 6)	125,000	-	195	(31)	-	-	164									
Dividends on common shares	-	-	-	-	-	(1,182)	(1,182)									
Total transactions with owners	125,000	-	195	2	-	(1,182)	(985)									
Balance at March 31, 2015	29,679,614	2,875,000	\$ 33,463	\$ 2,044	\$ (6,652)	\$ 5,103	\$ 33,958									

The notes on pages 7 to 11 are an integral part of these unaudited condensed consolidated interim financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Periods of three months ended March 31,

(in thousands of dollars - Unaudited)

	Note	2015	2014
Cash flows from operating activities			
Net income		\$ 1,575	\$ 1,205
Adjustments for:			
Depreciation of fixed assets		250	240
Amortization of intangible assets		215	197
Income tax expense		662	422
Compensation expense on share options granted		33	5
Gains on foreign exchange contracts cashed in advance and			
transferred to net income		(19)	(65)
Unrealized foreign exchange loss (gain) on non-current monetary			
items		242	(3)
Interest cost	8	189	158
		3,147	2,159
Net changes in non-cash operating items	9	525	(436)
Proceeds from long-term loans		20	48
Income tax paid		(665)	(91)
Net cash from operating activities		3,027	1,680
Cash flows used in investing activities			
Proceeds from sales of fixed assets		4	-
Deposit on purchase of fixed assets	5	(101)	-
Additions to fixed assets		(168)	(64)
Increase in intangible assets		(215)	(6)
Net cash used in investing activities		(480)	(70)
Cash flows used in financing activities			
Increase in long-term debt		_	21
Repayment of borrowings		(750)	(1,063)
Interest paid		(155)	(154)
Proceeds from exercise of share options	6	`164 <sup>´</sup>	`481 <sup>´</sup>
Dividends paid on common shares		(1,182)	-
Net cash used in financing activities		(1,923)	(715)
Net change in cash		624	895
Cash at the beginning of the period		16,280	1,968
Cash at the end of the period		\$ 16,904	\$ 2,863

The notes on pages 7 to 11 are an integral part of these unaudited condensed consolidated interim financial statements.

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 Étienne-Lenoir Street, Laval, Québec. The condensed consolidated interim financial statements of the Corporation as at and for the periods ended March 31, 2015 and 2014 comprise the accounts of Savaria Corporation and its wholly owned subsidiaries (together referred to as the "Corporation"). The activities of the Corporation are divided into two operating segments. The *Accessibility* segment consists of designing, manufacturing, installing and distributing elevators, platform lifts and stairlifts for people with mobility challenges as well as the operation of a network of franchisees and a lead generation program. The *Adapted vehicle* segment consists of converting and adapting vans also for persons with mobility challenges.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2014 are available upon request from the Corporation's registered office, at www.savaria.com or on SEDAR's website at www.sedar.com.

# 2 . Basis of presentation

## Statement of compliance

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

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Corporation and the notes thereto for the year ended on December 31, 2014. These condensed consolidated interim financial statements have not been the subject of a review or an audit by the Corporation's auditors; they were approved by the Board of Directors on May 13, 2015.

# 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, 2014, except for the adoption of new accounting standards as outlined below.

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

# New accounting standards adopted

The following new standards, and amendments to standards and interpretations have been applied in preparing the condensed consolidated interim financial statements as at March 31, 2015. The adoption of these new standards has not had a material impact on the financial statements.

# Annual Improvements to IFRS (2010-2012) and (2011-2013) cycles

In December 2013 the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS.

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)

Annual Improvements to IFRS (2010-2012) and (2011-2013) cycles (continued)

Amendments were made to clarify the following in their respective standards:

- · Definition of "vesting condition" in IFRS 2 Share-based Payment;
- · Classification and measurement of contingent consideration; and scope exclusion for the formation of joint arrangements in IFRS 3 *Business Combinations*;
- · Disclosures on the aggregation of operating segments in IFRS 8 Operating segments;
- \* Measurement of short-term receivables and payables; and scope of portfolio exception in IFRS 13 Fair Value Measurement;
- Restatement of accumulated depreciation (amortization) on revaluation in IAS 16 *Property, Plant and Equipment and IAS 38 Intangible Assets*;
- · Definition of "related party" in IAS 24 Related Party Disclosures; and
- · Inter-relationship of IFRS 3 and IAS 40 in IAS 40 Investment Property.

Special transitional requirements have been set for amendments to IFRS 2, IAS 16, IAS 38 and IAS 40.

#### 4. Cash

	2015		2014
Bank balances Bank loans used in cash management	\$	16,904 -	\$ 18,280 (2,000)
Cash	\$	16,904	\$ 16,280

Following the implementation of a process under which Canadian dollar bank accounts of the Corporation and its subsidiairies are consolidated, debit and credit balances are presented in Cash on a net basis.

As at March 31, 2015, an amount of \$4,445,000 (December 31, 2014-\$540,000) is reserved as surety to cover unrealized losses on foreign exchange forward contracts.

# 5. Deposit on purchase of fixed assets

On February 24, 2015, the Corporation made an offer for the purchase of a building, which was accepted by the sellers, in the amount of \$4,200,000. The Corporation intends to obtain the financing necessary to meet its obligations. A deposit of \$101,000 was paid during the first quarter of 2015.

# 6 . Share capital

During the first quarter of 2015, the Corporation issued 125,000 common shares (2014-393,750) at an average price of \$1.32 per share (2014-\$1.22) following the exercise of stock options. These exercises resulted in an increase in share capital of \$195,000 (2014-\$611,000) and a decrease in contributed surplus of \$31,000 (2014-\$130,000). At March 31, 2015, 1,092,500 options are outstanding (2014-732,500) at a weighted average exercise price of \$3.27 per share (2014-\$2.25).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

# 7. Revenue

Periods of three months ended March 31,

		2015	2014
Sale of goods Rendering of services	,	\$ 18,650 1,423	\$ 16,155 1,533
Royalties		161	-
		\$ 20,234	\$ 17,688

# 8 . Finance income and finance costs

Periods of three months ended March 31,

	2015		2014
Interest income Net gain on foreign currency exchange	\$	33 \$	S 2 309
Finance income		36 \$	
Interest on long-term debt Interest expense and bank charges	\$	46 \$ 43	136
Finance costs	\$	89 \$	450

# 9 . Net changes in non-cash operating items

Periods of three months ended March 31,

	2015		2014
Trade and other receivables	\$ 1,142	\$	(271)
Tax credits receivable	(34	)	(52)
Inventories	(1,210	)	(998)
Prepaid expenses	(489	)	(277)
Trade and other payables	1,194		938
Deferred revenues	(72	)	217
Warranty provision	(6	)	7
	\$ 525	\$	(436)

# 10 . Financial instruments

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

	March 31 2015	,	Dec	cember 31, 2014
Current liabilities				
Foreign exchange derivatives	\$ 4,0	15	\$	2,213
Interest rate derivatives	1	34		82
	\$ 4,1	49	\$	2,295
Non-current liabilities				
Foreign exchange derivatives	\$ 5,5	52	\$	2,925
Interest rate derivatives	1	24		66
	\$ 5,6	76	\$	2,991

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

## 10 . Financial instruments (continued)

## **Risk Management**

## **Currency risk**

The Corporation realizes approximately 63% (2014-59%) of its sales in foreign currencies and, accordingly, is exposed to market risks related to foreign exchange fluctuations. The Corporation partially compensates for these risks by purchasing raw materials in US dollars and by using forward foreign exchange contracts. Those contracts oblige the Corporation to sell US dollars at a fixed rate.

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

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

As at March 31, 2015

Maturity	Туре	Weighted average exchange rate	Contractual amounts (in thousands of US dollars)
010	0 -	4.0400	<b>#</b> 40.000
0 to 12 months	Sale	1.0438	\$18,000
12 to 24 months	Sale	1.0733	18,500
24 to 35 months	Sale	1.1366	16,500
		1.0830	\$53,000
			•

As at December 31, 2014

Maturity	Туре	Weighted average exchange rate	Contractual amounts (in thousands of US dollars)
0 to 12 months 12 to 24 months	Sale Sale	1.0407 1.0560	\$18,000 17,500
24 to 36 months	Sale	1.1145 1.0713	19,000 <b>\$54,500</b>

# Interest rate risk

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

The Corporation analyzes its interest risk exposure on a continual basis and examines its renewal and refinancing options in order to minimize risks.

The Corporation signed a financing agreement in April 2012 comprising of two long-term debts. 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

# 10 . Financial instruments (continued)

# Interest rate risk (continued)

	Maturity	Fixed interest rate	Original	Balance					
			capital amount	March 31, 2015	December 31, 2014				
	April 2017 April 2017	1.98% 2.08%	\$7,000 \$9,600	\$4,068 \$7,729	\$4,317 \$7,888				

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

# 11 . Operating segments

# Information about the operating segments

The Corporation's business structure is divided into two segments that are presented distinctly for financial reporting purposes. Segments are basically structured according to the main market segments that 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 through which new and recycled accessibility equipment is sold, and a lead generation program to distribute the name of potential customers to over 100 affiliates in North America. The *Adapted vehicles* segment consists of converting and adapting vehicles for persons with mobility challenges, for personal or commercial use (taxis).

Periods of three months ended March 31.

	Accessibility		Adapted Vehicles		Head-office		Total	
2015 External revenues Income (loss) before income tax	\$	17,392 2,184	\$	2,842 356	\$	- (303)	\$	20,234 2,237
2014 External revenues Income (loss) before income tax	\$	14,781 1,573	\$	2,907 222	\$	- (168)	\$	17,688 1,627

	Acce	Accessibility		Adapted Vehicles		Head-office		Total	
rch 31, 2015									
Segment's assets	\$	48,482	\$	6,880	\$	18,474	\$	73,836	
Segment's liabilities	\$	25,822	\$	1,457	\$	12,599	\$	39,878	
December 31, 2014									
Segment's assets	\$	39,709	\$	6,924	\$	24,787	\$	71,420	
Segment's liabilities	\$	18,635	\$	1,236	\$	15,093	\$	34,964	

# 12 . Subsequent event

On April 20, 2015, the Corporation entered into an agreement with a syndicate of underwriters for the purchase, on a bought deal private placement basis, of 2,875,000 common shares at a price of \$5.00 per share, for gross proceeds to Savaria of \$14,375,000 and proceeds, net of the commission, of \$13,719,000. The transaction closed on May 13, 2015.