



**SAVARIA CORPORATION
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THIRD QUARTER ENDED SEPTEMBER 30, 2019
(Unaudited and not reviewed by the Corporation's independent auditors)**

SAVARIA CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars - Unaudited)



	Note	September 30, 2019	December 31, 2018
Assets			
Current assets			
Cash		\$ 45,679	\$ 11,430
Trade and other receivables		50,883	50,418
Income taxes receivable		972	643
Derivative financial instruments	12	-	24
Inventories		75,219	70,261
Prepaid expenses and other current assets		6,661	4,081
Deposit		627	627
Total current assets		180,041	137,484
Non-current assets			
Fixed assets		73,836	73,640
Intangible assets and goodwill	5	191,601	180,578
Deposits on purchases of fixed assets		228	25
Other long-term assets		1,255	411
Deferred tax assets		8,136	6,027
Total non-current assets		275,056	260,681
Total assets		\$ 455,097	\$ 398,165
Liabilities			
Current liabilities			
Trade and other payables		\$ 34,520	\$ 39,134
Dividend payable		1,933	1,775
Income taxes payable		4,551	2,314
Deferred revenues		23,939	18,322
Derivative financial instruments	12	462	1,361
Current portion of long-term debt	6	2,334	4,035
Current portion of lease liabilities	7	3,764	-
Warranty provisions		2,257	2,134
Total current liabilities		73,760	69,075
Non-current liabilities			
Long-term debt	6	58,243	97,301
Lease liabilities	7	23,824	-
Warranty provisions		1,558	1,843
Other long-term liabilities		11,719	11,363
Income taxes payable		702	590
Derivative financial instruments	12	2,486	3,115
Deferred tax liabilities		13,440	16,481
Total non-current liabilities		111,972	130,693
Total liabilities		185,732	199,768
Equity			
Share capital	8	251,501	179,328
Contributed surplus		5,539	4,407
Accumulated other comprehensive loss		(2,179)	(474)
Retained earnings		14,504	15,136
Total equity		269,365	198,397
Total liabilities and equity		\$ 455,097	\$ 398,165

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands of Canadian dollars, except per share amounts and numbers of shares - Unaudited)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
Revenue	13	\$ 96,434	\$ 72,089	\$ 277,903	\$ 192,916
Cost of sales		64,300	48,161	186,675	128,557
Gross margin		32,134	23,928	91,228	64,359
Operating expenses					
Administrative		7,704	6,058	21,568	15,388
Selling		10,608	8,155	34,295	22,243
Engineering		1,463	1,508	5,468	3,883
Research and development		658	685	1,822	1,649
Other net expenses	9	304	2,433	733	1,931
Total operating expenses		20,737	18,839	63,886	45,094
Net Finance costs	10	1,407	801	4,579	1,278
Earnings before income tax		9,990	4,288	22,763	17,987
Income tax expense		2,163	1,534	5,380	5,085
Net Earnings		\$ 7,827	\$ 2,754	\$ 17,383	\$ 12,902
Earnings per share:					
Basic		\$ 0.16	\$ 0.06	\$ 0.37	\$ 0.30
Diluted		\$ 0.16	\$ 0.06	\$ 0.36	\$ 0.29
Basic weighted average number of shares		50,409,889	44,864,337	47,681,416	43,245,264
Diluted weighted average number of shares		50,817,104	45,726,469	48,125,835	44,070,645

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net Earnings	\$ 7,827	\$ 2,754	\$ 17,383	\$ 12,902
Items that may be reclassified subsequently to earnings or loss:				
Net change in fair value of derivative financial instruments designated as cash flow hedges (net of tax)	(478)	1,734	1,123	(663)
Unrealized net (losses) gains on translation of financial statements of foreign operations	1,078	(1,618)	(3,855)	1,867
Net investment hedge (net of tax)	(519)	477	1,027	(7)
Other comprehensive (loss) income	81	593	(1,705)	1,197
Total comprehensive income	\$ 7,908	\$ 3,347	\$ 15,678	\$ 14,099

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

SAVARIA CORPORATION

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period of nine months ended September 30, 2018
(in thousands of Canadian dollars - Unaudited)

	2018					
	Share capital		Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number	Amount				
Balance at January 1, 2018	41,250,448	\$ 120,394	\$ 3,298	\$ (1,691)	\$ 16,782	\$ 138,783
Total comprehensive income						
Net Earnings	-	-	-	-	12,902	12,902
Other comprehensive income:						
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	(741)	-	(741)
Losses on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	448	-	448
Gains on interest rate swap agreements transferred to net income in the current period, net of tax	-	-	-	(370)	-	(370)
Unrealized net gains on translation of financial statements of foreign operations	-	-	-	1,867	-	1,867
Change in net investment hedge, net of tax	-	-	-	(7)	-	(7)
Other comprehensive income	-	-	-	1,197	-	1,197
Total comprehensive income	-	\$ -	\$ -	\$ 1,197	\$ 12,902	\$ 14,099
Transactions with shareholders, recorded directly in equity						
Shares issued in relation to a placement (Note 8)	3,450,000	57,270	-	-	-	57,270
Share issue costs, net of tax (Note 8)	-	-	-	-	(2,529)	(2,529)
Stock-based compensation	-	-	899	-	-	899
Exercise of stock options (Note 8)	271,664	1,430	(238)	-	-	1,192
Dividends on common shares (Note 8)	-	-	-	-	(11,908)	(11,908)
Total transactions with shareholders	3,721,664	58,700	661	-	(14,437)	44,924
Balance at September 30, 2018	44,972,112	\$ 179,094	\$ 3,959	\$ (494)	\$ 15,247	\$ 197,806

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SAVARIA CORPORATION

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period of nine months ended September 30, 2019
(in thousands of Canadian dollars - Unaudited)

	2019					
	Number	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
		Amount				
Balance at January 1, 2019	45,010,446	\$ 179,328	\$ 4,407	\$ (474)	\$ 15,136	\$ 198,397
Total comprehensive income						
Net Earnings	-	-	-	-	17,383	17,383
Other comprehensive income:						
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	1,262	-	1,262
Gains on foreign exchange contracts transferred to net income in the current period, net of tax	-	-	-	(139)	-	(139)
Unrealized net losses on translation of financial statements of foreign operations	-	-	-	(3,855)	-	(3,855)
Change in net investment hedge, net of tax	-	-	-	1,027	-	1,027
Other comprehensive income	-	-	-	(1,705)	-	(1,705)
Total comprehensive income	-	\$ -	\$ -	\$ (1,705)	\$ 17,383	\$ 15,678
Transactions with shareholders, recorded directly in equity						
Shares issued in relation to a private placement (Note 8)	5,000,000	70,750	-	-	-	70,750
Share issue costs, net of tax (Note 8)	-	-	-	-	(2,507)	(2,507)
Stock-based compensation	-	-	1,343	-	-	1,343
Exercise of stock options (Note 8)	454,999	1,423	(211)	-	-	1,212
Dividends on common shares (Note 8)	-	-	-	-	(15,508)	(15,508)
Total transactions with shareholders	5,454,999	72,173	1,132	-	(18,015)	55,290
Balance at September 30, 2019	50,465,445	\$ 251,501	\$ 5,539	\$ (2,179)	\$ 14,504	\$ 269,365

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

SAVARIA CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS



(in thousands of Canadian dollars - Unaudited)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
Cash flows related to operating activities					
Net Earnings		\$ 7,827	\$ 2,754	\$ 17,383	\$ 12,902
Adjustments for:					
Depreciation of fixed assets		2,014	903	5,845	2,262
Amortization of intangible assets	5	1,457	1,149	5,137	3,544
Income tax expense		2,163	1,534	5,380	5,085
Gain on amendment to business purchase agreement	9	-	-	(1,146)	-
Cancellation of a contingent consideration related to a business acquisition	6	-	-	(452)	-
Stock-based compensation		480	389	1,343	899
Gain on the sale and write-off of fixed assets		(2,311)	-	(2,311)	-
Unrealized foreign exchange losses (gains)		1,043	128	1,207	(61)
Interest on long-term debt	10	914	868	3,636	2,087
Income tax paid		(2,370)	(1,965)	(9,187)	(5,039)
Others		137	(16)	163	(139)
		11,354	5,744	26,998	21,540
Net changes in non-cash operating items	11	(3,098)	4,299	(8,949)	(2,472)
Net cash related to operating activities		8,256	10,043	18,049	19,068
Cash flows related to investing activities					
Business acquisitions	4	(6,825)	(83,554)	(12,518)	(89,650)
Proceeds from sale of fixed assets		28,637	-	28,637	-
Net change in deposits on purchases of fixed assets		1,077	-	(879)	-
Additions to fixed assets		(1,019)	(2,128)	(3,518)	(4,381)
Increase in intangible assets		(814)	(824)	(2,784)	(2,089)
Net cash related to investing activities		21,056	(86,506)	8,938	(96,120)
Cash flows related to financing activities					
Increase in long-term debt		-	-	-	50,000
Repayment of long-term debt	6	(4,238)	(10,703)	(6,047)	(16,188)
Lease payments	7	(680)	-	(1,814)	-
Net change in the revolving credit facility	6	(32,937)	31,552	(34,134)	7,591
Interest paid		(922)	(830)	(3,234)	(1,829)
Transaction costs related to a long-term debt	6	(61)	(17)	(233)	(404)
Proceeds from the issuance of common shares in relation to a placement, net of transaction fees	8	11	-	67,330	53,830
Proceeds from exercise of stock options	8	209	637	1,212	1,192
Dividends paid on common shares	8	(5,293)	(4,038)	(15,351)	(11,572)
Net cash related to financing activities		(43,911)	16,601	7,729	82,620
Net change in cash		(14,599)	(59,862)	34,716	5,568
Cash - Beginning of period		60,590	73,336	11,430	7,719
Unrealized foreign exchange (loss) gain on cash held in foreign currencies		(312)	(98)	(467)	89
Cash - End of period		\$ 45,679	\$ 13,376	\$ 45,679	\$ 13,376

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

SAVARIA CORPORATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

1 . Reporting Entity

Savaria Corporation is a company domiciled in Canada. The interim condensed consolidated financial statements of the Corporation as at and for the periods ended September 30, 2019 and 2018 comprise the accounts of Savaria Corporation and its wholly owned subsidiaries (together referred to as the "Corporation" or as "Savaria"). Savaria is one of the global 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 reportable segments: the *Accessibility* segment, the *Patient Handling* (formerly *Span*) segment and the *Adapted Vehicles* segment as described in Note 13 "Reportable segments".

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2018 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 interim condensed consolidated 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 interim condensed consolidated 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, 2018. These interim condensed consolidated 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, 2019.

3 . Significant Accounting Policies

The interim condensed consolidated financial statements have been prepared following the same accounting policies used in the annual consolidated financial statements for the year ended December 31, 2018, 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 interim condensed consolidated 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 interim condensed consolidated financial statements as at September 30, 2019. The adoption of these new standards, with the exception of IFRS 16 for which the impact of its adoption is described below, has not had a material impact on the interim condensed consolidated financial statements.

IFRS 16 - Leases

On January 13, 2016 the IASB issued IFRS 16 *Leases*. The new standard is effective for years beginning on or after January 1, 2019. IFRS 16 replaces IAS 17 *Leases*.

3 . Significant Accounting Policies (continued)**New Accounting Standards Adopted (continued)****IFRS 16 - Leases (continued)**

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional options and practical expedients have also been provided.

In compliance with the transitional options that are available, the Corporation has chosen to maintain the valuation of existing finance leases and to apply the new definition of finance-lease only to agreements entered into after January 1, 2019. In addition, the Corporation will use the modified retrospective approach, which allows for simplification measures, for the application of the new standard. Those simplification measures include the exclusion of agreements with a short remaining term, the reliance on previous assessment of whether leases are onerous immediately before the date of initial application and the use of a single discount rate to a group of leases with similar characteristics.

The Corporation has also elected to apply the following practical expedients available under IFRS 16: the exclusion of agreements that cover periods of 12 months or less and those that are for goods of low value, and the non-separation of lease components from any associated non-lease components.

The Corporation leases many assets which are mostly properties and vehicles. As a lessee, the Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities on its balance sheet for most leases. The Corporation presents right-of-use assets in Fixed assets, the same line item as it presents underlying assets of the same nature that it owns.

(i) Accounting policies

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Corporation has applied judgement to determine the lease term for some lease agreements in which a renewal option exists. The assessment of whether the Corporation is reasonably certain to exercise such option impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

SAVARIA CORPORATION
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

3 . Significant Accounting Policies (continued)

New Accounting Standards Adopted (continued)

IFRS 16 - Leases (continued)

(ii) Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability.

For leases classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(iii) Impact on financial statements

(a) Impact on transition

The impact on transition is summarized as follows:

	January 1, 2019
Increase in right-of-use assets presented in fixed assets	\$ 9,487
Increase in lease liabilities	\$ 9,577
Decrease in trade and other payables	\$ 25
Decrease in other long-term liabilities	\$ 65

When measuring lease liabilities for leases that were classified as operating leases, the Corporation discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 4.07%.

(b) Reconciliation of the lease liabilities at January 1, 2019

	January 1, 2019
Operating lease commitments at December 31, 2018 as disclosed in the Corporation's consolidated financial statements	\$ 9,582
Amount of commitments discounted using the Corporation's incremental borrowing rate at January 1, 2019	\$ 8,513
Recognition exemption for leases of low-value assets	(296)
Recognition exemption for leases with less than 12 months of lease term	(167)
Service contracts excluded from IFRS 16 application	(48)
Variable fees that aren't taken into account when evaluating lease liabilities	(1,174)
Extension options reasonably certain to be exercised	2,749
Increase in lease liabilities at January 1, 2019	\$ 9,577

(c) Impact for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Corporation recognized \$9,487,000 of right-of-use assets and \$9,577,000 of lease liabilities as at January 1st, 2019.

Also in relation to those leases under IFRS 16, the Corporation has recognized depreciation and interest costs, instead of operating lease expense. During the nine months ended September 30, 2019, the Corporation recognized \$1,648,000 in depreciation expense and \$227,000 in interest costs from these leases. Had IFRS 16 not been implemented, expenses in the amount of \$1,699,000 would have been booked during this same period.

3 . Significant Accounting Policies (continued)

New Accounting Standards Adopted (continued)

IFRIC 23 - Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019.

The Interpretation requires:

- . an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- . an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- . if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

Annual Improvements to IFRS Standards (2015-2017) Cycle

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective on or after January 1, 2019. Each of the amendments has its own specific transition requirements.

Amendments were made to the following standards:

- . IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- . IAS 12 *Income Taxes* - to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits - i.e. in profit or loss, OCI, or equity; and
- . IAS 23 *Borrowing Costs* - to clarify that specific borrowings - i.e. funds borrowed specifically to finance the construction of a qualifying asset - should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

4 . Business Acquisitions

Business Acquisitions Realized in Fiscal Year 2019

i) Florida Lifts LLC

On March 1, 2019, the Corporation completed the acquisition of one of its independent dealers, Florida Lifts LLC ("Florida Lifts"). Florida Lifts sells, installs and services a full range of elevator and lift products within the central and southern regions of Florida. The total consideration of \$7,342,000 (US\$5,576,000) has been paid on the date of acquisition. The acquisition of Florida Lifts was financed using the Corporation's available cash.

The purchased assets are mainly cash, accounts receivables, work in progress, intangible assets and goodwill. The goodwill is allocated to the *Accessibility* reportable segment and will be non-deductible for tax purposes.

SAVARIA CORPORATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

4 . Business Acquisitions (continued)

Business Acquisitions Realized in Fiscal Year 2019 (continued)

ii) Silvalea Ltd and D-ansermed

On July 1, 2019, the Corporation completed the share acquisition of Silvalea Ltd. and D-ansermed ("Silvalea") for a purchase price of \$7,152,000 (£4,237,181). Silvalea is a manufacturer of patient transfer slings and accessories headquartered in the UK. The acquisition was financed using the Corporation's available cash.

The purchased assets are mainly cash, accounts receivables, fixed assets, intangible assets and goodwill. The goodwill is allocated to the *Patient Handling* reportable segment and will be non-deductible for tax purposes.

As at September 30, 2019, the Corporation had not 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 for Florida Lifts and Silvalea according to the information gathered to date. In conformity with IFRS 3, *Business combinations*, the acquisition has been accounted for using the acquisition method.

	Florida Lifts	Silvalea	Total
Assets acquired			
Current assets	\$ 2,424	\$ 3,420	\$ 5,844
Fixed assets	30	1,131	1,161
Intangible assets	-	190	190
Intangible assets and goodwill from acquisition	7,577	5,426	13,003
	\$ 10,031	\$ 10,167	\$ 20,198
Liabilities assumed			
Current liabilities	2,689	1,893	4,582
Long-term debt including current portion	-	312	312
Leases liabilities including current portion	-	690	690
Other long-term liabilities	-	120	120
	\$ 2,689	\$ 3,015	\$ 5,704
Fair value of net assets acquired	\$ 7,342	\$ 7,152	\$ 14,494
Less: Cash (overdraft) in acquired business	1,649	(463)	1,186
Net assets acquired	5,693	7,615	13,308
Net consideration paid	\$ 5,693	\$ 6,825	\$ 12,518
Consideration payable	\$ -	\$ 790	\$ 790

The following table provides the revenue and net income contributions of the business acquisition that has taken place in 2019, from the date of acquisition and those estimated as if the acquisition had occurred on January 1, 2019. 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, 2019. Estimated amounts are not necessarily indicative of the results of operations of the acquired business that would have resulted had the acquisition actually occurred on January 1, 2019, nor the results that may be obtained in the future.

	Since the date of acquisition		Since January 1 st	
	Revenue	Net earnings	Revenue	Net earnings
Florida Lifts	\$ 5,162	\$ 815	\$ 6,637	\$ 1,048
Silvalea	\$ 1,725	\$ 47	\$ 4,944	\$ 365

SAVARIA CORPORATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

4 . Business Acquisitions (continued)

Purchase Price Allocation of Acquisition completed in fiscal year 2018

Garaventa Accessibility AG

On August 31, 2018, the Corporation acquired the shares of Garaventa Accessibility AG ("Garaventa Lifts") which manufactures a wide range of wheelchair lifts and a full suite of residential elevators and commercial limited use elevators. Garaventa Lift is headquartered in Goldau, Switzerland and employs some 550 people worldwide. This acquisition provides Savaria with a global sales infrastructure with 15 additional sales offices across North America and Europe, along with over 100 additional active dealers. Furthermore, the Corporation benefits from a more geographically diversified revenue base as over 40% of Garaventa Lift's revenue is generated outside of North America, primarily in Europe, and from additional manufacturing flexibility with complementary production operations in Western Canada and Italy.

The total consideration has amounted to \$91,411,000 (CHF68,460,000). Acquisition-related and integration costs amounting to \$1,534,000 have been included in other expenses in 2019 (\$1,986,000 during the year ended December 31, 2018). To finance the purchase price payable under this transaction, the Corporation completed a bought deal financing and drew from its revolving credit facility.

The purchased assets are mainly accounts receivable, inventories, fixed and intangible assets, and goodwill; the latter arising from the synergies between Savaria and Garaventa Lift and the additional sales of accessibility products that will result from them. The goodwill has been allocated to the *Accessibility* operating segment and was mainly non-deductible for tax purposes.

The following table presents the preliminary allocation of the consideration paid for Garaventa Lift as presented as at December 31, 2018, the adjustments made during 2019 as well as the final allocation as at September 30, 2019.

	Preliminary allocation as at Dec. 31, 2018	Adjustments	Final allocation as at Sep. 30, 2019
Assets acquired			
Current assets	\$ 45,373	\$ (503)	\$ 44,870
Fixed assets	32,687	(13)	32,674
Intangible assets :			
Trademarks	14,481	-	14,481
Client lists	4,470	-	4,470
Backlog of orders	1,347	-	1,347
Maintenance contracts	272	-	272
Internally developed intangible assets	4,211	-	4,211
Goodwill	39,114	3,804	42,918
Deferred tax assets	1,590	(197)	1,393
	\$ 143,545	\$ 3,091	\$ 146,636
Liability assumed			
Current liabilities	34,353	75	34,428
Other long-term liabilities	10,849	931	11,780
Deferred tax liabilities	6,932	2,085	9,017
	\$ 52,134	\$ 3,091	\$ 55,225
Fair value of net assets acquired	\$ 91,411	\$ -	\$ 91,411
Less:			
Cash in acquired business	2,630	-	2,630
Contingent consideration payable	189	-	189
Net Consideration paid related to acquisition	\$ 88,592	\$ -	\$ 88,592

SAVARIA CORPORATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

5 . Intangible Assets and Goodwill

	September 30, 2019	December 31, 2018
Intangible assets	\$ 66,477	\$ 69,711
Goodwill	112,270	110,867
Intangible assets and goodwill from acquisitions (note 4)	12,854	-
	\$ 191,601	\$ 180,578

Reconciliation of the items above:

	Intangible assets		Goodwill		Intangible assets and goodwill from acquisitions	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Balance at January 1	\$ 69,711	\$ 40,940	\$ 110,867	\$ 60,553	\$ -	\$ -
Increases	2,855	3,238	-	-	-	-
Business acquisitions	190	29,151	3,804	45,624	13,003	-
Effect of movements in exchange rates	(1,142)	2,535	(2,401)	4,690	(149)	-
Depreciation expense	(5,137)	(6,153)	-	-	-	-
	\$ 66,477	\$ 69,711	\$ 112,270	\$ 110,867	\$ 12,854	\$ -

6 . Long-term Debt

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

	2019
Balance at January 1	\$ 101,336
Net change in the revolving credit facility	(34,134)
Amendment to a business purchase agreement	(1,033)
Increase through business combinations	312
Consideration payable related to an acquisition	790
Cancellation of a contingent consideration related to a business acquisition	(452)
Repayment of other long-term debts	(6,047)
Capitalized finance costs on long-term debt	121
Transaction costs related to loans	(233)
Reversal of transactions costs related to loans repaid during the year	315
Impact of the change in foreign exchange rates	(398)
Balance at September 30	\$ 60,577
Less: Current portion	2,334
	\$ 58,243

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(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

7 . Lease liabilities

Reconciliation of movements of lease liabilities to cash flows arising from financing activities:

	2019
Balance at January 1	\$ -
Impact of the adoption of IFRS 16 (Note 3)	9,577
New leases	19,310
Increase through business combinations	690
Repayment of lease obligations	(1,814)
Impact of the change in foreign exchange rates	(175)
Balance at September 30	\$ 27,588
Less: Current portion	3,764
	\$ 23,824

8 . Share Capital

During the first nine months of 2019, the Corporation issued 454,999 common shares (2018-271,664) at an average price of \$2.67 per share (2018-\$4.39) following the exercise of stock options. The average closing price on the exercise dates was \$13.32 (2018-\$17.74). These exercises resulted in an increase in share capital of \$1,423,000 (2018-\$1,430,000) and a decrease in contributed surplus of \$211,000 (2018-\$238,000). At September 30, 2019, 2,264,168 options are outstanding (2018-2,211,668) at a weighted average exercise price of \$12.00 per share (2018-\$11.19).

During the first nine months of 2019, the Corporation declared dividends totaling 32 cents (2018-28 cents) per share or \$15,508,000 (2018-\$11,908,000); an amount of 32 cents (2018-27 cents) per share or \$15,351,000 (2018-\$11,572,000) was paid during this period.

On April 24, 2019, the Corporation completed a private bought deal financing consisting of 5,000,000 common shares (bought deal of 3,450,000 common shares in 2018) at a price of \$14.15 per share (2018-\$16.60), for gross proceeds to the Corporation of \$70,750,000 (2018-\$57,270,000), and proceeds net of transaction fees of \$3,420,000 (2018-\$3,440,000) of \$67,330,000 (2018-\$53,830,000). Transaction fees after tax amount to \$2,507,000 (2018-\$2,529,000).

9 . Other Net Expenses

Other net expenses encompasses items of financial performance which the Corporation believes should be separately identified on the face of the consolidated statement of earnings to assist in understanding its operating financial performance. Business acquisition costs pertain to transaction costs incurred related to business acquisitions (successful or not). Business integration costs pertain to costs incurred to integrate newly acquired businesses.

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Business acquisition costs	\$ 418	\$ 879	\$ 1,379	\$ 1,988
Business integration costs	59	1,554	673	1,554
Span custom products exit costs	2,113	-	2,113	-
Gain on amendment to a business purchase agreement	-	-	(1,146)	-
Gain on a sale of a manufacturing plant	(2,286)	-	(2,286)	-
Proceeds from an insurance claim	-	-	-	(1,611)
	\$ 304	\$ 2,433	\$ 733	\$ 1,931

SAVARIA CORPORATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

10 . Net Finance Costs

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Interest on long-term debt	\$ 914	\$ 868	\$ 3,636	\$ 2,087
Interest and bank charges	24	52	185	169
Financing charges	109	78	315	199
Interest income	(43)	(343)	(342)	(501)
Net loss (gain) on foreign currency exchange	403	146	785	(173)
Gain on a financial instrument	-	-	-	(503)
	\$ 1,407	\$ 801	\$ 4,579	\$ 1,278

11 . Net Changes in Non-cash Operating Items

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Trade and other receivables	\$ (6,836)	\$ 2,799	\$ (602)	\$ (1,155)
Inventories	3,192	(3,560)	(4,059)	(9,058)
Prepaid expenses and other current assets	(60)	595	(1,617)	200
Trade and other payables	351	4,678	(5,590)	6,770
Deferred revenues	330	(218)	3,066	717
Warranty provision	(75)	5	(147)	54
	\$ (3,098)	\$ 4,299	\$ (8,949)	\$ (2,472)

12 . 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, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value				
Foreign exchange forward contracts	\$ -	\$ -	\$ 24	\$ 24
Liabilities carried at fair value				
Foreign exchange forward contracts	\$ 1,600	\$ 1,600	\$ 3,844	\$ 3,844
Interest rate swap agreements	1,348	1,348	632	632
	\$ 2,948	\$ 2,948	\$ 4,476	\$ 4,476
Liabilities carried at amortized cost				
Long-term debt	\$ 60,577	\$ 60,573	\$ 101,336	\$ 101,323

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

(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

12 . Financial Instruments (continued)

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

	September 30, 2019	December 31, 2018
Current assets		
Foreign exchange derivatives	\$ -	\$ 24
Current liabilities		
Foreign exchange derivatives	\$ 462	\$ 1,361
Non-current liabilities		
Foreign exchange derivatives	\$ 1,138	\$ 2,483
Interest rate derivatives	1,348	632
	\$ 2,486	\$ 3,115

All of these financial instruments are Level 2, except for long-term debt which is 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 value of long-term debt is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. 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.

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(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)

13 . Reportable Segments

Information about the reportable 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 designing, manufacturing, distributing and installing a wide portfolio of products including stairlifts for both straight and curved stairs, vertical and inclined wheelchair platform lifts for both commercial and residential applications, commercial accessibility elevators and home elevators. The *Patient Handling* (formerly *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 an extensive line of medical equipment and solutions for the safe handling of patients. The *Adapted Vehicles* segment consists of converting, adapting and distributing vehicles for people with mobility challenges, for personal or commercial use.

The Corporation's management assesses the performance of the reportable segments based on revenue and adjusted EBITDA before Head office costs. Adjusted EBITDA is defined as earnings before net finance costs, taxes, depreciation and amortization, net of other net expenses (income) and stock-based compensation expense. Adjusted EBITDA before Head office costs excludes Head office costs, which the Corporation believes should not be considered when assessing the underlying performance of the reportable segments. Head office costs pertain to salaries and costs related to centralized functions, such as finance and legal, which are not allocated to segments.

Sales between segments are eliminated upon consolidation.

	Three months ended September 30,			
	Accessibility	Patient Handling	Adapted Vehicles	Total
2019				
Revenue	\$ 69,414	\$ 21,551	\$ 5,469	\$ 96,434
Adjusted EBITDA before Head office costs	\$ 12,490	\$ 3,266	\$ 286	\$ 16,042
Head office costs				390
Adjusted EBITDA				\$ 15,652
Stock-based compensation				480
Other net expenses				304
Depreciation and amortization expense				3,471
Net finance costs				1,407
Earnings before income tax expense				\$ 9,990
	Three months ended September 30,			
	Accessibility	Patient Handling	Adapted Vehicles	Total
2018				
Revenue	\$ 42,795	\$ 22,378	\$ 6,916	\$ 72,089
Adjusted EBITDA before Head office costs	\$ 7,551	\$ 2,041	\$ 571	\$ 10,163
Head office costs				200
Adjusted EBITDA				\$ 9,963
Stock-based compensation				389
Other net expenses				2,433
Depreciation and amortization expense				2,052
Net finance costs				801
Earnings before income tax expense				\$ 4,288

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)
13 . Reportable Segments (continued)
Information about the reportable segments (continued)

	Nine months ended September 30,			
	Accessibility	Patient Handling	Adapted Vehicles	Total
2019				
Revenue	\$ 197,364	\$ 63,709	\$ 16,830	\$ 277,903
Adjusted EBITDA before Head office costs	\$ 31,860	\$ 8,687	\$ 876	\$ 41,423
Head office costs				1,023
Adjusted EBITDA				\$ 40,400
Stock-based compensation				1,343
Other net expenses				733
Depreciation and amortization expense				10,982
Net finance costs				4,579
Earnings before income tax expense				\$ 22,763
	Nine months ended September 30,			
	Accessibility	Patient Handling	Adapted Vehicles	Total
2018				
Revenue	\$ 103,077	\$ 68,634	\$ 21,205	\$ 192,916
Adjusted EBITDA before Head office costs	\$ 20,235	\$ 6,617	\$ 1,712	\$ 28,564
Head office costs				663
Adjusted EBITDA				\$ 27,901
Stock-based compensation				899
Other net expenses				1,931
Depreciation and amortization expense				5,806
Net finance costs				1,278
Earnings before income tax expense				\$ 17,987

SAVARIA CORPORATION
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)
13 . Reportable Segments (continued)
Desegregation of Revenue

	Three months ended September 30,			
	Accessibility	Patient Handling	Adapted Vehicles	Total
2019				
Revenue by region				
Canada	\$ 11,093	\$ 4,392	\$ 5,178	\$ 20,663
United States	41,483	14,753	177	56,413
Europe	14,281	1,864	114	16,259
Other regions	2,557	542	-	3,099
	\$ 69,414	\$ 21,551	\$ 5,469	\$ 96,434
Major categories of revenue				
Accessibility equipment	\$ 69,414	\$ -	\$ -	\$ 69,414
Patient handling products	-	20,788	-	20,788
Custom products	-	763	-	763
Vehicle conversion and adaptation	-	-	5,469	5,469
	\$ 69,414	\$ 21,551	\$ 5,469	\$ 96,434
Timing of revenue recognition				
Goods transferred at a point in time	\$ 56,213	\$ 21,551	\$ 5,469	\$ 83,233
Services provided over time	13,201	-	-	13,201
	\$ 69,414	\$ 21,551	\$ 5,469	\$ 96,434
2018				
Revenue by region				
Canada	\$ 10,502	\$ 3,057	\$ 6,682	\$ 20,241
United States	25,435	18,378	38	43,851
Europe	3,911	-	196	4,107
Other regions	2,947	943	-	3,890
	\$ 42,795	\$ 22,378	\$ 6,916	\$ 72,089
Major categories of revenue				
Accessibility equipment	\$ 42,795	\$ -	\$ -	\$ 42,795
Patient handling products	-	18,934	-	18,934
Custom products	-	3,444	-	3,444
Vehicle conversion and adaptation	-	-	6,916	6,916
	\$ 42,795	\$ 22,378	\$ 6,916	\$ 72,089
Timing of revenue recognition				
Goods transferred at a point in time	\$ 37,592	\$ 22,378	\$ 6,916	\$ 66,886
Services provided over time	5,203	-	-	5,203
	\$ 42,795	\$ 22,378	\$ 6,916	\$ 72,089

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts are expressed in thousands of Canadian dollars, except share data - Unaudited)
13 . Reportable Segments (continued)
Desegregation of Revenue (continued)

	Nine months ended September 30,			
	Accessibility	Patient Handling	Adapted Vehicles	Total
2019				
Revenue by region				
Canada	\$ 34,339	\$ 11,091	\$ 16,376	\$ 61,806
United States	114,454	49,180	239	163,873
Europe	40,795	2,593	149	43,537
Other regions	7,776	845	66	8,687
	\$ 197,364	\$ 63,709	\$ 16,830	\$ 277,903
Major categories of revenue				
Accessibility equipment	\$ 197,364	\$ -	\$ -	\$ 197,364
Patient handling products	-	57,923	-	57,923
Custom products	-	5,786	-	5,786
Vehicle conversion and adaptation	-	-	16,830	16,830
	\$ 197,364	\$ 63,709	\$ 16,830	\$ 277,903
Timing of revenue recognition				
Goods transferred at a point in time	\$ 165,002	\$ 63,709	\$ 16,830	\$ 245,541
Services provided over time	32,362	-	-	32,362
	\$ 197,364	\$ 63,709	\$ 16,830	\$ 277,903
2018				
Revenue by region				
Canada	\$ 27,511	\$ 8,902	\$ 20,875	\$ 57,288
United States	63,254	57,314	112	120,680
Europe	3,911	-	218	4,129
Other regions	8,401	2,418	-	10,819
	\$ 103,077	\$ 68,634	\$ 21,205	\$ 192,916
Major categories of revenue				
Accessibility equipment	\$ 103,077	\$ -	\$ -	\$ 103,077
Patient handling products	-	57,024	-	57,024
Custom products	-	11,610	-	11,610
Vehicle conversion and adaptation	-	-	21,205	21,205
	\$ 103,077	\$ 68,634	\$ 21,205	\$ 192,916
Timing of revenue recognition				
Goods transferred at a point in time	\$ 91,246	\$ 68,634	\$ 21,205	\$ 181,085
Services provided over time	11,831	-	-	11,831
	\$ 103,077	\$ 68,634	\$ 21,205	\$ 192,916