

# Management's Discussion & Analysis Report

For the Three-Month and Six-Month Periods Ended June 30, 2019

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## 1. Basis of Presentation

The following management's discussion and analysis ("MD&A"), dated August 14, 2019, is intended to assist readers 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-month and six-month periods ended June 30, 2019, in comparison with that for the corresponding periods of fiscal 2018. Unless otherwise indicated, the terms "Corporation", "Savaria", "we" and "our", refer to Savaria Corporation and its subsidiaries.

Prepared in accordance with *National Instrument 51-102 Respecting Continuous Disclosure Obligations*, this report should be read in conjunction with the unaudited interim condensed consolidated financial statements for the second quarter of 2019 and accompanying notes, and with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2018 and the MD&A for the same period. Unless otherwise indicated, all amounts are expressed in Canadian dollars and all amounts in tables are in thousands of dollars, except per share amounts. Amounts in certain passages of this MD&A may be expressed in millions of Canadian dollars ("M"); however, all percentages references related to such amounts are calculated based on the thousands of Canadian dollars amount figures contained in corresponding tables.

The Corporation's financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), and MD&A, have been reviewed by Savaria's Audit Committee and approved by its Board of Directors.

Additional information, including the Annual Information Form, is available on SEDAR's website at [www.sedar.com](http://www.sedar.com).

## 2. Forward-Looking Statements

This MD&A includes certain statements that are “forward-looking statements” within the meaning of the securities laws of Canada. Any statement in this MD&A that is not a statement of historical fact may be deemed to be a forward-looking statement. When used in this MD&A, the words “believe”, “could”, “should”, “intend”, “expect”, “estimate”, “assume” and other similar expressions are generally intended to identify forward-looking statements. It is important to know that the forward-looking statements in this MD&A describe our expectations as at August 14, 2019, which are not guarantees of the future performance of Savaria or its industry, and involve known and unknown risks and uncertainties that may cause Savaria’s or the industry’s outlook, actual results or performance to be materially different from any future results or performance expressed or implied by such statements. Our actual results could be materially different from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. A change affecting an assumption can also have an impact on other interrelated assumptions, which could increase or diminish the effect of the change. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements do not take into account the effect that transactions or special items announced or occurring after the statements are made may have on our business. For example, they do not include the effect of sales of assets, monetization, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made.

Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

The foregoing risks and uncertainties include the risks set forth under “Risks and Uncertainties” in this report as well as other risks detailed from time to time in reports filed by Savaria with securities regulators in Canada.

## 3. Compliance with International Financial Reporting Standards

The Corporation’s financial statements are prepared in accordance with IFRS. However, in this MD&A the following non-IFRS measures are used by the Corporation: EBITDA, adjusted EBITDA; adjusted EBITDA margin; adjusted EBITDA before Head Office costs; adjusted EBITDA margin before Head Office costs; adjusted net earnings; adjusted net earnings per share; adjusted net earnings excluding amortization of intangible assets related to acquisitions; adjusted net earnings excluding amortization of intangible assets related to acquisitions per share; and net debt to adjusted EBITDA. These measures are defined at the end of this MD&A, in the “Glossary” section. Reconciliations to IFRS measures can be found in sections 7 and 8 of this MD&A.

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 entities.

## 4. Business Overview

Savaria is one of the global leaders in the accessibility industry. It provides accessibility solutions for the physically challenged to increase their comfort, their mobility and their independence. Its product line is one of the most comprehensive on the market. Savaria designs, manufactures, distributes and installs accessibility equipment, such as stairlifts for straight and curved stairs, vertical and inclined wheelchair lifts and elevators for home and commercial use. It also manufactures and markets a comprehensive selection of 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. In addition, Savaria converts and adapts vehicles to be wheelchair accessible. The Corporation operates a sales network of dealers worldwide and direct sales offices in North America, Europe (Switzerland, Germany, Italy, Czech Republic and Poland), Australia and China. Savaria employs approximately 1,400 people globally and its plants are located in Canada, Laval and Magog (Québec), Brampton, Beamsville and Toronto (Ontario) and Surrey (British Columbia), in the United States at Greenville (South Carolina), in Huizhou (China) and in Milan (Italy).

### REPORTABLE SEGMENTS OF THE CORPORATION

The Corporation manages its operations under three reportable segments, Accessibility, Patient Handling (formerly Span) and Adapted Vehicles. These segments are structured according to the market segments they address.

#### Accessibility Segment

Through the Accessibility segment, Savaria designs, manufactures, distributes and installs a wide portfolio of products including stairlifts, wheelchair platform lifts for both commercial and residential applications, commercial accessibility elevators and home elevators. This segment also includes Garaventa Accessibility AG (“Garaventa Lift”) acquired in August 2018, manufacturer of similar products with reach in European markets and strength on the west coast of North America. Together Savaria and Garaventa Lift operate manufacturing facilities in North America (Brampton, Ontario and Surrey, British Columbia) and Milan, Italy. Opened in 2007, Savaria Huizhou (China) provides partial assembly services for Savaria lift products. Working closely with key Asian suppliers has yielded continuous product improvements, competitive pricing and faster lead times. Savaria and Garaventa Lift products are distributed worldwide through a network of over 500 dealers as well as over 25 direct sales offices. Savaria also distributes straight stairlifts from Greenville, South Carolina, for the U.S. market.

#### Patient Handling Segment (formerly Span)

In 2016, Savaria designed and launched an innovative new ceiling lift product line from a new facility in Magog, Quebec. The products are designed to safely move patients from wheelchair to bed or bath areas using an overhead hoist. In June 2017, Savaria acquired Span-America Medical Systems (“Span”), makers of medical beds, therapeutic surfaces and pressure management products used in healthcare facilities such as long-term care and nursing homes. Span manufactures in Greenville, South Carolina (surfaces/mattresses), and Beamsville, Ontario (beds). Span now sells the Savaria ceiling lift into the home care and institutional sales channels through approximately 35 sales representatives in North America.

### Adapted Vehicles Segment

Savaria designs and builds lowered floor wheelchair accessible conversions for popular brands of minivans. Side entry access vans are built at its division Van-Action (2005) Inc. in Laval, Québec, whereas rear entry access vans are completed through Freedom Motors Inc., in Toronto, Ontario. Collectively known as the Savaria Vehicle Group, this division serves the Canadian marketplace with both personal use and commercial use designs for wheelchair passengers and drivers. Silver Cross Automotive serves as a retailer of these products along with other adaptation products in Ontario, Alberta and British Columbia.

## 5. Q2 2019 Highlights

- Revenue for the quarter was \$94.0M, up \$29.8M, or 46.3%, compared to Q2 2018.
- Gross margin was \$32.0M, up \$10.3M or 47.6% compared to Q2 2018.
- Adjusted EBITDA stood at \$14.4M, up \$4.3M, or 43.0%, compared to Q2 2018.
- Adjusted EBITDA margin stood at 15.3% compared to 15.6% in Q2 2018. As anticipated, the decrease in adjusted EBITDA margin was mainly due to the blending of Garaventa Lift's operations, acquired in Q3 2018, which has a higher structural cost base, with Savaria's legacy operations. However, excluding Garaventa Lift and the favourable impact related to the adoption of IFRS 16 – *Leases*, adjusted EBITDA margin was 17.4%.
- Garaventa Lift's stand-alone adjusted EBITDA margin for Q2 2019 stood at 9.4%, compared to 7.3% in Q1 2019, in line with ongoing integration efforts.
- Adjusted net earnings for the quarter was \$6.2M, up 8.0% compared to Q2 2018. On a per share basis, it stood at \$0.13, flat, compared to the same period in 2018.
- Net earnings for the quarter were \$5.5M, or \$0.11 per share, on a diluted basis, down 13.9% and 21.4%, respectively, compared to Q2 2018, due mainly to a one-time favourable insurance claim settlement of \$1.6M in 2018.
- On April 24, 2019, the Corporation completed a bought deal private placement consisting of 5,000,000 common shares at a price of \$14.15 per share, for gross proceeds totalling \$70.8M.
- On June 18, 2019, Savaria announced it had entered into an agreement to acquire all of the outstanding shares of Silvalea Ltd and its sister company D-ansermed Ltd ("Silvalea Group"), a manufacturer of patient transfer slings and accessories, based in Newton Abbot, UK, for approximately \$7.8M (£4.6M). The transaction was completed on July 1, 2019.

## 6. Q2 2019 Review

The Corporation generated revenue of \$94.0M in Q2 2019, up \$29.8M, or 46.3% compared to Q2 2018, mainly due to acquisitions. Excluding acquisitions, revenue contracted 7.5%, stemming mainly from the Corporation's Patient Handling and Adapted Vehicles segments. While the Accessibility segment also experienced a slight contraction in revenue in Q2 2019, we anticipate a return to organic growth in the second half of the fiscal year.

Gross margin in Q2 was \$32.0M and 34.1% as a percentage of revenue, respectively, compared to \$21.7M and 33.8% in Q2 2018. The increase in gross margin was in line with the increase in revenue, mainly due to acquisitions. The improvement in gross margin, as a percentage of revenue, was mainly due to a better consolidated product mix as well as a ramp up in Garaventa Lift related cost synergies and continued cost containment efforts.

Adjusted EBITDA and adjusted EBITDA margin for the quarter stood at \$14.4M, and 15.3%, respectively, compared to \$10.0M and 15.6% for the same period in 2018. The increase in adjusted EBITDA was in line with the increase in revenue as a result of acquisitions made post Q2 2018. As anticipated, the decrease in adjusted EBITDA margin was mainly due to the blending of Garaventa Lift's operations, acquired in Q3 2018, which have a higher structural cost base, with Savaria's legacy operations. However, excluding Garaventa Lift, and the favourable impact related to the adoption of IFRS 16 (January 1, 2019) – *Leases*, adjusted EBITDA margin was 17.4%.

### OPERATIONAL REVIEW

#### Accessibility Segment

Revenue from the Accessibility segment stood at \$67.1M for the quarter, up \$34.2M or 104.2% compared to Q2 2018, due, in large part, to the acquisition of Garaventa Lift made in Q3 2018. Excluding acquisitions, revenue contracted slightly, mainly due to timing; a return to organic growth is anticipated for the second half of the fiscal year. On a year-to-date basis, revenue grew organically by 1.4%.

Adjusted EBITDA before Head Office costs was \$11.3M for the quarter, an increase of \$3.8M, or 50.6% compared to the same period in 2018. The increase in adjusted EBITDA before Head Office costs was mainly due to acquisitions made post Q2 2018.

Adjusted EBITDA margin before Head Office costs stood at 16.9%, compared to 22.9% in Q2 2018. The decrease in adjusted EBITDA margin before Head Office costs was mainly due to the blending of Garaventa Lift's operations, which have a higher structural cost base, with Savaria's legacy operations.

On a stand-alone basis and excluding the favourable impact of the adoption of IFRS 16 – *Leases*, the legacy Savaria Accessibility reportable segment generated an adjusted EBITDA margin before Head Office costs of 22.7%. Garaventa Lift's stand-alone adjusted EBITDA margin before Head Office costs was 9.4% for the quarter, an increase from 7.3% in Q1 2019. On a year-to-date basis, it stood at 8.4% and it is anticipated to continue on a positive trend over the remainder of the year.

The improvement in adjusted EBITDA margin before Head Office costs, for the segment as a whole, from 13.2% in Q1 2019 to 16.9% in Q2 2019, was anticipated by management and should progress throughout the remainder of the year, as Garaventa Lift integration related synergies continue to materialize over the latter half of 2019.

### **Patient Handling Segment**

Revenue for the Patient Handling segment stood at \$21.2M for the quarter, a decrease of \$2.9M, or 12.0%, when compared to the same period in 2018, mainly due to lower revenue from custom products and, to a lesser extent, medical products.

Adjusted EBITDA before Head Office costs was \$3.2M for the quarter, an increase of \$1.0M, or 44.5%, compared to the same period in 2018. The increase in adjusted EBITDA before Head Office costs was mainly due to continued cost containment efforts and an increase in ceiling lift unit sales.

Adjusted EBITDA margin before Head Office costs stood at 15.0%, compared to 9.1% in Q2 2018. Excluding the favourable impact of the adoption of IFRS 16 – *Leases*, adjusted EBITDA margin before Head Office costs would have been 14.6%. The increase in adjusted EBITDA margin before Head Office costs was mainly due to a more favourable product mix, notably an increase in higher margin ceiling lift unit sales, and aforementioned cost containment efforts.

In line with its focus on the integration of recent years transformational acquisitions, the Corporation has decided to exit Span's custom products market segment, effective Q3 2019. Although the decision to exit this market segment will negatively impact revenue for the remainder of 2019, it should positively impact Patient Handling's future adjusted EBITDA margin before Head Office costs, as custom products traditionally generate adjusted EBITDA margins in the low single digits. Span's custom products market segment represented slightly over 5.0% of the Corporation's 2018 revenue.

Costs pertaining to the Corporation's exit from Span's custom products market segment are estimated at approximately \$2.0M USD and will be incurred mostly in the third quarter of 2019.

Subsequent to quarter-end, the Corporation completed the acquisition of the Silvalea Group, a UK-based manufacturer of patient transfer slings and accessories. This tuck-in acquisition, requiring minimal integration, will expand our Patient Handling portfolio while also providing cross-selling opportunities in both Europe and North America.

### **Adapted Vehicles Segment**

Revenue for the Adapted Vehicles segment was \$5.7M in Q2 2019, a decrease of \$1.6M or 21.4% when compared to the second quarter of 2018. The decrease in revenue was due, in part, to the termination of a non-profit organization's vehicle accessibility program at the end of 2018, as well as the yet to be renewed calendar 2019 province of Quebec subsidy program for adapted vehicles.

Adjusted EBITDA before Head Office costs for the segment decreased from \$0.6M to \$0.3M, in line with the drop in revenue. Adjusted EBITDA margin before Head Office costs was 5.2% compared to 8.5% in Q2 2018. Excluding the favourable impact of the adoption of IFRS 16 – *Leases*, adjusted EBITDA margin before Head Office costs would have been 3.5%. The decrease in adjusted EBITDA margin before Head Office costs was mainly due to reduced fixed cost absorption rates.

With results to date in line with expectations, management remains confident in its ability to deliver on plan for 2019, and therefore reiterates its previously disclosed full-year outlook of \$385M to \$400M in revenue and \$55M to \$60M in adjusted EBITDA.

## 7. Financial Review

### 7.1 RESULTS OF OPERATIONS

in thousands of dollars	Q2		YTD	
	2019	2018	2019	2018
Revenue	<b>\$93,992</b>	\$64,235	<b>\$181,469</b>	\$120,827
Cost of sales	<b>61,952</b>	42,533	<b>122,375</b>	80,396
Gross Margin	<b>\$32,040</b>	\$21,702	<b>\$59,094</b>	\$40,431

in thousands of dollars, except per-share amounts	Q2		YTD	
	2019	2018	2019	2018
Revenue	<b>\$93,992</b>	\$64,235	<b>\$181,469</b>	\$120,827
Cost of sales <sup>1,2</sup>	<b>60,467</b>	42,122	<b>119,819</b>	79,428
Total operating expenses <sup>1</sup>	<b>19,165</b>	12,073	<b>36,902</b>	23,461
Adjusted EBITDA* <sup>3</sup>	<b>\$14,360</b>	\$10,040	<b>\$24,748</b>	\$17,938
Stock based compensation expense	<b>542</b>	295	<b>863</b>	510
Other net expenses (income)	<b>963</b>	(847)	<b>429</b>	(502)
Value adjustment on acquired inventories	<b>(144)</b>	-	-	-
EBITDA*	<b>\$12,999</b>	\$10,592	<b>\$23,456</b>	\$17,930
Depreciation of fixed assets	<b>1,896</b>	709	<b>3,831</b>	1,359
Amortization of intangible assets	<b>1,809</b>	1,203	<b>3,680</b>	2,395
Net finance costs <sup>2</sup>	<b>1,906</b>	88	<b>3,172</b>	477
Earnings before income tax	<b>\$7,388</b>	\$8,592	<b>\$12,773</b>	\$13,699
Income tax expense	<b>1,897</b>	2,216	<b>3,217</b>	3,551
Net Earnings	<b>\$5,491</b>	\$6,376	<b>\$9,556</b>	\$10,148
Basic net earnings per share	<b>\$0.12</b>	\$0.15	<b>\$0.21</b>	\$0.24
Diluted net earnings per share	<b>\$0.11</b>	\$0.14	<b>\$0.20</b>	\$0.23

\* Non-IFRS measures are described in the "Glossary" section.

<sup>1</sup> Net of depreciation of fixed assets, amortization of intangible assets, other net expenses (income) and stock based compensation (and value adjustment on acquired inventories for Q2 2019 only).

<sup>2</sup> Q2 2019 figure includes an adjustment in order to reconcile year-to-date adjusted EBITDA presentation with Q1 2019 disclosed adjusted EBITDA of \$10,388.

Cost of sales and net finance costs of Q2 2019 were adjusted by an amount of \$287 when compared to Q2 2019 note disclosure in unaudited Q2 2019 financial statements.

Year-to-date presentation ties in exactly to note disclosure in unaudited Q2 2019 financial statements.

<sup>3</sup> Adjusted EBITDA metric for periods prior to Q1 2019 have been restated to reflect adjusted EBITDA as defined in the Glossary section of this MD&A.

In sections 7.2 through 7.4, we review the year-over-year changes to operating results between 2019 and 2018, describing the factors affecting revenue, gross margin, expenses, adjusted EBITDA and adjusted EBITDA margin. Net finance costs, income taxes, net earnings, adjusted net earnings and adjusted net earnings excluding amortization of intangible assets related to acquisitions, are also reviewed, on a consolidated level, in sections 7.5 through 7.8.

## 7.2 REVENUE

The Corporation's reportable segments are: Accessibility, Patient Handling and Adapted Vehicles. The following table provides a summary of the year-over-year changes in net revenues both by reportable segment and in total.

in thousands of dollars, except percentages	Q2			Total
	Accessibility	Patient Handling	Adapted Vehicles	
Revenue 2019	\$67,060	\$21,211	\$5,721	\$93,992
Revenue 2018	\$32,847	\$24,112	\$7,276	\$64,235
Net change %	104.2%	(12.0)%	(21.4)%	46.3%
Organic Growth (Contraction) <sup>1</sup>	(0.8)%	(12.4)%	(21.4)%	(7.5)%
Acquisition Growth <sup>1</sup>	104.2%	-	-	53.3%
Foreign Currency Impact <sup>2</sup>	0.8%	0.4%	-	0.5%
Net change %	104.2%	(12.0)%	(21.4)%	46.3%

<sup>1</sup> Organic growth (Contraction) and acquisition growth are calculated based on local functional currency.

<sup>2</sup> Foreign currency impact represents the foreign exchange impact net of organic and acquisition growth.

in thousands of dollars, except percentages	YTD			Total
	Accessibility	Patient Handling	Adapted Vehicles	
Revenue 2019	\$127,950	\$42,158	\$11,361	\$181,469
Revenue 2018	\$60,282	\$46,256	\$14,289	\$120,827
Net change %	112.3%	(8.9)%	(20.5)%	50.2%
Organic Growth (Contraction) <sup>1</sup>	1.4%	(10.7)%	(20.5)%	(5.8)%
Acquisition Growth <sup>1</sup>	108.6%	-	-	54.2%
Foreign Currency Impact <sup>2</sup>	2.3%	1.8%	-	1.8%
Net change %	112.3%	(8.9)%	(20.5)%	50.2%

<sup>1</sup> Organic growth (Contraction) and acquisition growth are calculated based on local functional currency.

<sup>2</sup> Foreign currency impact represents the foreign exchange impact net of organic and acquisition growth.

### 7.2.1 Accessibility

Revenue from our Accessibility segment was \$67.1M in Q2 2019, an increase of \$34.2M, or 104.2% compared to Q2 2018. Acquisition and organic growth in revenue stood at 104.2% and negative 0.8%, respectively. The acquisition growth in revenue was attributable to the acquisitions made post Q2 2018. The revenue contraction experienced in the quarter was timing related; were it not for a busy construction period pushing deliveries of finished goods into Q3 2019, revenue organic growth would have been slightly positive. As such, we anticipate reverting to positive organic growth in revenue territory over the second half of the year.

For the six-month period ended June 30, 2019, revenue from our Accessibility segment was \$128.0M, an increase of \$67.7M, or 112.3% compared to the same period in 2018. Acquisition and organic growth in revenue stood at 108.6% and 1.4%, respectively. The acquisition growth in revenue was attributable to the acquisitions made in 2018 and 2019. The organic growth in revenue stemmed mainly from a 5.0% increase in unit sales of our core residential elevators.

### 7.2.2 Patient Handling

Revenue from our Patient Handling segment was \$21.2M for the quarter, a decrease of \$2.9M, or 12.0%, compared to the second quarter of 2018. Revenue contracted 12.4%, mainly due to lower revenue from custom products and, to a lesser extent, medical products, partially offset by an increase in ceiling lift revenue.

For the six-month period ended June 30, 2019, revenue for the reportable segment stood at \$42.2M, a decrease of \$4.1M or 8.9%, compared to the same period in 2018. Revenue contracted 10.7%, attributable to the same factors as for the quarter.

### 7.2.3 Adapted Vehicles

Revenue from our Adapted Vehicles segment was \$5.7M in Q2 2019, a decrease of \$1.6M, or 21.4% when compared to the second quarter of 2018. The decrease in revenue was due, in part, to the termination of a non-profit organization's vehicle accessibility program at the end of 2018, as well as the yet to be renewed calendar 2019 province of Quebec subsidy program for adapted vehicles.

For the six-month period ended June 30, 2019, revenue for the reportable segment stood at \$11.4M, a decrease of \$2.9M or 20.5%, compared to the same period in 2018. The decrease in revenue was attributable to the same factors as for the quarter as well as a significant non-repeat van conversion contract in place in Q1 2018.

### 7.3 GROSS MARGIN AND EXPENSES

percentage of revenue	Q2		YTD	
	2019	2018	2019	2018
Revenue	<b>100.0%</b>	100.0%	<b>100.0%</b>	100.0%
Cost of sales	<b>65.9%</b>	66.2%	<b>67.4%</b>	66.5%
Gross Margin	<b>34.1%</b>	33.8%	<b>32.6%</b>	33.5%

Gross margin for Q2 2019, as a percentage of revenue, improved over the same period of 2018, mainly due to a better consolidated product mix, as well as a ramp up in Garaventa Lift related cost synergies and continued cost containment efforts. On a year-to-date basis, the improvement in the Q2 2019 gross margin was not enough to compensate for the lower Q1 2019 gross margin, which was mostly due to Garaventa Lift's lower gross margin profile compared to legacy Savaria.

percentage of revenue	Q2		YTD	
	2019	2018	2019	2018
Revenue	<b>100.0%</b>	100.0%	<b>100.0%</b>	100.0%
Cost of sales <sup>1,2</sup>	<b>64.3%</b>	65.6%	<b>66.1%</b>	65.8%
Total operating expenses <sup>1</sup>	<b>20.4%</b>	18.8%	<b>20.3%</b>	19.4%
Adjusted EBITDA <sup>*3</sup>	<b>15.3%</b>	15.6%	<b>13.6%</b>	14.8%
Stock based compensation expense	<b>0.6%</b>	0.5%	<b>0.5%</b>	0.4%
Other net expenses (income)	<b>1.1%</b>	(1.4)%	<b>0.2%</b>	(0.4)%
Value adjustment on acquired inventories	<b>(0.2)%</b>	-	-	-
EBITDA*	<b>13.8%</b>	16.5%	<b>12.9%</b>	14.8%
Depreciation of fixed assets	<b>2.1%</b>	1.1%	<b>2.1%</b>	1.1%
Amortization of intangible assets	<b>1.9%</b>	1.9%	<b>2.0%</b>	2.0%
Net finance costs <sup>2</sup>	<b>2.0%</b>	0.1%	<b>1.7%</b>	0.4%
Income tax expense	<b>2.0%</b>	3.5%	<b>1.8%</b>	2.9%
Net earnings	<b>5.8%</b>	9.9%	<b>5.3%</b>	8.4%

\* Non-IFRS measures are described in the "Glossary" section.

<sup>1</sup> Net of depreciation of fixed assets, amortization of intangible assets, other net expenses (income) and stock based compensation (and value adjustment on acquired inventories for Q2 2019 only).

<sup>2</sup> Q2 2019 figure includes an adjustment in order to reconcile year-to-date adjusted EBITDA presentation with Q1 2019 disclosed adjusted EBITDA of \$10,388.

Cost of sales and net finance costs of Q2 2019 were adjusted by an amount of \$287 when compared to Q2 2019 note disclosure in unaudited Q2 2019 financial statements. Year-to-date presentation ties in exactly to note disclosure in unaudited Q2 2019 financial statements.

<sup>3</sup> Adjusted EBITDA metric for periods prior to Q1 2019 have been restated to reflect adjusted EBITDA as defined in the Glossary section of this MD&A.

Cost of sales for Q2 2019, as a percentage of revenue, decreased over the same period of 2018 mainly due to a better consolidated product mix, as well as a ramp up in Garaventa Lift related cost synergies and continued cost containment efforts. On a year-to-date basis, improvement in Q2 2019 cost of sales was not enough to compensate for the higher Q1 2019 cost of sales, which was mostly due to Garaventa Lift's higher cost of sales profile compared to legacy Savaria.

Total operating expenses for Q2 and year-to-date 2019, as a percentage of revenue, increased over the same periods of 2018 mainly due to the acquisition of Garaventa Lift in Q3 2018, whose operations have a higher structural cost base than legacy Savaria operations.

Stock-based compensation, as a percentage of revenue, remained stable when compared to the same periods in 2018.

Other net expenses (income) are items which the Corporation believes should be excluded in understanding its underlying operational financial performance and are therefore isolated in its consolidated statement of earnings.

In Q2 2019, the Corporation incurred other net expenses of \$1.0M, made up mainly of business acquisition and integration expenses related to recent acquisitions. In Q2 2018, the Corporation incurred approximately the same amount of acquisition and integration-related expenses; however, a favourable insurance claim settlement of \$1.6M more than offset those costs.

For the six-month period ended June 30, 2019, the Corporation incurred other net expenses of approximately \$1.5M, made up of business acquisition and integration expenses, partially offset by a gain on an amendment to a business purchase agreement of \$1.1M. For the six-month period ended June 30, 2018, the Corporation incurred business acquisition and integration-related expenses of approximately \$1.1M, which was more than offset by the aforementioned favourable insurance claim settlement of \$1.6M.

Depreciation of fixed assets expense, as a percentage of revenue, increased for both the quarter and year-to-date 2019 periods compared to 2018, mainly due to fixed assets obtained via acquisitions. The adoption of IFRS 16 – *Leases*, requiring the recording of right-to-use assets and related depreciation expense, effective January 1, 2019, also had an impact.

Finally, amortization of intangible assets expense remained stable when compared to the same periods in 2018.

## 7.4 ADJUSTED EBITDA BY REPORTABLE SEGMENT

in thousands of dollars, except percentages	Q2 2019			Total
	Accessibility	Patient Handling	Adapted Vehicles	
Revenue	\$67,060	\$21,211	\$5,721	\$93,992
Adjusted EBITDA <sup>*,1</sup>				\$14,360
Head office costs				\$440
Adjusted EBITDA before Head office costs <sup>*1</sup>	\$11,332	\$3,173	\$295	\$14,800
Adjusted EBITDA Margin before Head office costs <sup>*1</sup>	16.9%	15.0%	5.2%	15.7%

\* Non-IFRS measures are described in the "Glossary" section.

<sup>1</sup> Q2 2019 figure includes a \$287 adjustment in order to reconcile year-to-date adjusted EBITDA presentation with Q1 2019 disclosed adjusted EBITDA of \$10,388.

Year-to-date presentation ties in exactly to note disclosure in unaudited Q2 2019 financial statement.

in thousands of dollars, except percentages	Q2 2018			Total
	Accessibility	Patient Handling	Adapted Vehicles	
Revenue	\$32,847	\$24,112	\$7,276	\$64,235
Adjusted EBITDA <sup>*,1</sup>				\$10,040
Head office costs				\$296
Adjusted EBITDA before Head office costs <sup>*1</sup>	\$7,523	\$2,196	\$617	\$10,336
Adjusted EBITDA Margin before Head office costs <sup>*1</sup>	22.9%	9.1%	8.5%	16.1%

\* Non-IFRS measures are described in the "Glossary" section.

<sup>1</sup> Adjusted EBITDA metric for periods prior to Q1 2019 have been restated to reflect adjusted EBITDA as defined in the Glossary section of this MD&A.

in thousands of dollars, except percentages	YTD 2019			Total
	Accessibility	Patient Handling	Adapted Vehicles	
Revenue	\$127,950	\$42,158	\$11,361	\$181,469
Adjusted EBITDA*				\$24,748
Head office costs				\$633
Adjusted EBITDA before Head office costs*	\$19,370	\$5,421	\$590	\$25,381
Adjusted EBITDA Margin before Head office costs*	15.1%	12.9%	5.2%	14.0%

\* Non-IFRS measures are described in the "Glossary" section.

in thousands of dollars, except percentages	YTD 2018			Total
	Accessibility	Patient Handling	Adapted Vehicles	
Revenue	\$60,282	\$46,256	\$14,289	\$120,827
Adjusted EBITDA* <sup>1</sup>				\$17,938
Head office costs				\$463
Adjusted EBITDA before Head office costs* <sup>1</sup>	\$12,684	\$4,576	\$1,141	\$18,401
Adjusted EBITDA Margin before Head office costs* <sup>1</sup>	21.0%	9.9%	8.0%	15.2%

\* Non-IFRS measures are described in the "Glossary" section.

<sup>1</sup> Adjusted EBITDA metric for periods prior to Q1 2019 have been restated to reflect adjusted EBITDA as defined in the Glossary section of this MD&A.

Total adjusted EBITDA and consolidated adjusted EBITDA margin before Head Office costs for the quarter stood at \$14.8M and 15.7%, respectively, compared to \$10.3M and 16.1% for the same period in 2018. Excluding the favourable impact of the adoption of IFRS 16 – *Leases*, adjusted EBITDA margin before Head Office costs would have been 14.6%.

The increase in consolidated adjusted EBITDA before Head Office costs, for both the quarter and year-to-date periods ended June 30, 2019, was mainly due to contribution from acquisitions made in 2018.

The decrease in consolidated adjusted EBITDA margin before Head Office costs, for both the quarter and year-to-date periods ended June 30, 2019, was due to decreases in adjusted EBITDA margin before Head Office costs from our Accessibility and Adapted Vehicles segments, partially offset by an increase in adjusted EBITDA margin before Head Office costs from our Patient Handling segment.

The anticipated decrease in adjusted EBITDA margin before Head Office costs from the Accessibility segment stemmed mainly from the blending of Garaventa Lift's operations, acquired in Q3 2018, which have a higher structural cost base than legacy Savaria operations.

On a stand-alone basis and excluding the favourable impact of the adoption of IFRS 16 – *Leases*, the legacy Savaria Accessibility reportable segment generated a Q2 2019 adjusted EBITDA margin before Head Office costs of 22.7% (20.4% YTD). Garaventa Lift's stand-alone adjusted EBITDA margin before Head Office costs was 9.4% for the quarter, an increase from 7.3% in Q1 2019. On a year-to-date basis, it stood at 8.4% and it is anticipated to continue on a positive trend over the remainder of the year.

The increase in adjusted EBITDA and adjusted EBITDA margin before Head Office costs, for the Patient Handling segment, for both the quarter and six-month period ended June 30, 2019, was mainly due to a more favourable product mix, notably an increase in higher margin ceiling lift unit sales, and cost containment efforts.

The decrease in adjusted EBITDA before Head Office costs for the Adapted vehicle segment, for both the quarter and six-month period ended June 30, 2019, was in line with the decrease in revenue. The decrease in adjusted EBITDA margin before Head Office costs, for both the quarter and year-to-date periods, was mainly due to a reduced fixed cost absorption rate when compared to the same 2018 periods.

Head Office costs increased in Q2 and year-to-date 2019, compared to same periods in 2018, mainly due to the expansion of the corporate team.

## 7.5 NET FINANCE COSTS

The Corporation's finance costs relate mainly to interest expenses incurred on credit facilities, general bank charges and realized and unrealized foreign exchange gains or losses pertaining to financial instruments. The Corporation uses its credit facilities to manage its working capital, capital expenditures and to finance business acquisitions.

For both Q2 and year-to-date 2019, net finance costs, as a percentage of revenue, increased significantly when compared to the same periods in 2018, due mainly to increased debt level resulting from acquisitions made post Q2 2018 and a non-recurring gain made on the disposal of a financial instrument in Q2 2018.

## 7.6 INCOME TAXES

In Q2 2019, an income tax expense of \$1.9M was recorded on earnings before income taxes of \$7.4M, representing an effective tax rate of 25.7%, comparable to Q2 2018.

For the six-month period ended June 30, 2019, an income tax expense of \$3.2M was recorded on earnings before taxes of \$12.8M, representing an effective tax rate of 25.2%, comparable to the same period in 2018.

## 7.7 NET EARNINGS AND NET EARNINGS PER SHARE

In Q2 2019, the Corporation's net earnings were \$5.5M, or \$0.11 per share on a diluted basis, compared to \$6.4M, or \$0.14 per share on a diluted basis for the same period in 2018. The combination of higher net finance costs, as well as higher depreciation and amortization expenses, incurred in 2019, and a favourable insurance claim settlement of \$1.6M recorded in 2018, surpassed the additional revenue and EBITDA generated in 2019, stemming mainly from acquisitions, over 2018.

For the six-month period ended June 30, 2019, the Corporation's net earnings stood at \$9.6M, or \$0.20 per share on a diluted basis, compared to \$10.1M, or \$0.23 per share on a diluted basis for the same period in 2018. The decrease in net earnings and net earnings per share on a diluted basis was attributable to the same factors as for the quarter.

Net earnings per share is a commonly used metric to measure a corporation's performance. However, Management believes that in the context of a fragmented industry subject to consolidation, adjusted net earnings per share and adjusted net earnings excluding amortization of intangible assets related to acquisitions per share (due to the application of various accounting policies in relation to the allocation of purchase price to goodwill and intangible assets) are measures that should be taken into consideration to assess performance against its peer group. These measures are reviewed in section 7.8.

## 7.8 RECONCILIATION OF NET EARNINGS, ADJUSTED NET EARNINGS AND ADJUSTED NET EARNINGS EXCLUDING AMORTIZATION OF INTANGIBLE ASSETS RELATED TO ACQUISITIONS

in thousands of dollars, except number of shares and per-share amounts	Q2		YTD	
	2019	2018	2019	2018
Net earnings	\$5,491	\$6,376	\$9,556	\$10,148
Other net expenses (income)	963	(847)	429	(502)
Income taxes related to other net expenses (income)	(247)	218	(108)	130
Adjusted net earnings*	\$6,207	\$5,747	\$9,877	\$9,776
Adjusted net earnings per share*	\$0.13	\$0.13	\$0.21	\$0.23
Amortization of intangible assets related to acquisitions	975	705	2,336	1,421
Income taxes related to amortization of intangible assets related to acquisitions	(250)	(182)	(588)	(368)
Adjusted net earnings excluding amortization of intangible assets related to acquisitions*	\$6,932	\$6,270	\$11,625	\$10,829
Adjusted net earnings excluding amortization of intangible assets related to acquisitions per share*	\$0.15	\$0.14	\$0.25	\$0.26
Basic weighted average number of shares	47,383,412	43,617,671	46,296,989	42,435,726

\* Non-IFRS measures are described in the "Glossary" section.

Adjusted net earnings stood at \$6.2M, or \$0.13 per share in Q2 2019, an increase of 8.0% and flat, compared to Q2 2018.

For the six-month period ended June 30, 2019, the Corporation's adjusted net earnings stood at \$9.9M, or \$0.21 per share, comparable to the same period in 2018.

Adjusted net earnings excluding amortization of intangible assets related to acquisitions stood at \$6.9M, or \$0.15 per share in Q2 2019, an increase of 10.6% and flat, compared to Q2 2018.

For the six-month period ended June 30, 2019, the Corporation's adjusted net earnings excluding amortization of intangible assets related to acquisitions stood at \$11.6M, or \$0.25 per share, an increase of 7.4% and flat, compared to the same period in 2018.

## 8. Liquidity

in thousands of dollars	Q2		YTD	
	2019	2018	2019	2018
Cash flows generated from (used in) operating activities	\$8,955	\$6,933	\$9,793	\$9,025
Cash flows generated from (used in) investing activities	(3,585)	(8,183)	(12,118)	(9,614)
Cash flows generated from (used in) financing activities	41,491	68,713	51,640	66,019
Effect of exchange rate change on cash	(165)	43	(155)	187
Net change in cash	\$46,696	\$67,506	\$49,160	\$65,617

### 8.1 OPERATING ACTIVITIES

Cash generated from operating activities in Q2 2019 stood at \$9.0M, compared to \$6.9M in Q2 2018. The increase in cash generated from operating activities was mainly due to a favourable change in non-cash operating items.

Cash generated from operating activities for the six-month period ended June 30, 2019 stood at \$9.8M, compared to \$9.0M for the same period in 2018. The increase in cash generated from operating activities was also mainly due to a favourable change in non-cash operating items.

## 8.2 INVESTING ACTIVITIES

For the second quarter of 2019, cash used in investing activities was \$3.6M, compared to \$8.2M in Q2 2018. The Corporation disbursed \$3.6M to acquire fixed and intangible assets (including deposits) in Q2 2019, compared to disbursements of \$1.1M for business acquisitions and \$7.1M for fixed and intangible assets in Q2 2018.

For the six-month period ended June 30, 2019, cash used in investing activities stood at \$12.1M, compared to \$9.6M for the same period in 2018. The Corporation disbursed cash pertaining to business acquisitions of \$5.7M and acquired \$6.4M in fixed and intangible assets (including deposits) in 2019, compared to \$1.1M and \$8.5M, respectively, in 2018.

## 8.3 FINANCING ACTIVITIES

For the second quarter of 2019, cash generated from financing activities was \$41.5M compared to \$68.7M in Q2 2018. During the quarter, the Corporation received proceeds of \$67.7M from the issuance of shares and exercise of stock options, repaid \$21.1M of debt, including interest, and paid dividends of \$5.1M to shareholders. In Q2 2018, the Corporation received proceeds of \$54.4M from the issuance of shares and exercise of stock options, drew \$50.0M in long term debt, repaid \$31.9M of debt, including interest, and paid dividends of \$3.8M to shareholders.

For the six-month period ended June 30, 2019, cash generated from financing activities was \$51.6M compared to \$66.0M for the same period in 2018. During the first half of 2019, the Corporation received proceeds of \$68.3M from the issuance of shares and exercise of stock options, repaid \$6.6M of debt, including interest, and paid dividends of \$10.1M to shareholders. During the first half of 2018, the Corporation received proceeds of \$54.4M from the issuance of shares and exercise of stock options, drew \$50.0M in long term debt, repaid \$30.9M of debt, including interest, and paid dividends of \$7.5M to shareholders.

## 8.4 NET DEBT TO ADJUSTED EBITDA\*

in thousands of dollars	June 30, 2019	December 31, 2018
Long-term debt <sup>1</sup>	<b>\$106,623</b>	\$101,336
Less: Cash	<b>(60,590)</b>	(11,430)
<b>Net debt*</b>	<b>\$46,033</b>	\$89,906
Trailing twelve months adjusted EBITDA*	<b>\$47,264</b>	\$40,454

\* Non-IFRS measures are described in the "Glossary" section

<sup>1</sup> Long-term debt, including current portion.

As at June 30, 2019, the Corporation had a net debt position of \$46.0M and a trailing twelve-month net debt to adjusted EBITDA ratio of 1.0x.

## 8.5 DIVIDENDS

The aggregate monthly dividends declared in the second quarter and first half of 2019 totaled \$5.3M and \$10.0M, respectively, compared to and \$3.9M and \$7.6M for the same periods in 2018. As at June 30, 2019, 50,382,111 shares were issued and outstanding, compared to 44,835,449 as at June 30, 2018. Dividends paid in the second quarter and the first half of 2019 amounted to \$5.1M and \$10.1M, respectively, compared to \$3.8M and \$7.5M for the same periods in 2018.

## 8.6 STOCK OPTIONS

As at August 14, 2019, 2,271,669 stock options were outstanding at exercise prices ranging from \$1.90 to \$20.03.

## 8.7 CAPITAL RESOURCES

in thousands of dollars	<b>June 30, 2019</b>	December 31, 2018
Cash	<b>\$60,590</b>	\$11,430
Available credit facilities	<b>66,838</b>	65,502
Available short-term capital resources	<b>\$127,428</b>	\$76,932

The Corporation believes that its cash flows from operating activities, combined with its available short-term capital resources, will enable it to support its growth strategy, working capital requirements and planned capital expenditures as well as provide its shareholders with a return on their investment.

## 8.8 CREDIT FACILITY

The Corporation has in place, as at June 30, 2019, a credit facility with a financial institution providing for a maximum amount of \$160.0M, comprised of a \$50.0M term loan and a \$110.0M revolver. The credit facility is available for general corporate purposes and for financing future business acquisitions. Under this credit facility, the Corporation is required, among other conditions, to respect certain covenants on a consolidated basis. Management reviews compliance with these covenants on a quarterly basis in conjunction with filing requirements under its credit facility. All covenants were met as at June 30, 2019.

## 9. Summary of Quarterly Results

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

in thousands of dollars, except per-share amounts	Total Trailing 12 months	2019		2018				2017	
		Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue <sup>1</sup>	\$346,676	<b>\$93,992</b>	\$87,477	\$93,118	\$72,089	\$64,235	\$56,592	\$55,249	\$56,988
Gross Margin as a % of revenue <sup>1</sup>		<b>34.1%</b>	30.9%	30.9%	33.2%	33.8%	33.1%	36.3%	34.9%
Adjusted EBITDA <sup>*,2</sup>	\$47,264	<b>\$14,360</b>	\$10,388	\$12,545	\$9,971	\$10,040	\$7,898	\$9,576	\$9,954
Net earnings	\$17,066	<b>\$5,491</b>	\$4,065	\$4,756	\$2,754	\$6,376	\$3,772	\$8,335	\$4,812
Earnings per share – diluted		<b>\$0.11</b>	\$0.09	\$0.11	\$0.06	\$0.14	\$0.09	\$0.20	\$0.11
Dividend declared per share	\$0.410	<b>\$0.105</b>	\$0.105	\$0.105	\$0.095	\$0.090	\$0.090	\$0.090	\$0.095

\* Non-IFRS measures are described in the 'Glossary' section

<sup>1</sup> Revenue and Gross Margin as a % of revenue for 2017 have been restated in order to reflect the change in presentation related to freight revenue in accordance with IFRS 15.

<sup>2</sup> Adjusted EBITDA metric for periods prior to Q1 2019 have been restated to reflect adjusted EBITDA as defined in the Glossary section of this MD&A.

## 10. Governance

### 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 2018 annual Management Discussion and Analysis Report, an evaluation has been conducted to measure the effectiveness of controls and procedures as at December 31, 2018 related to 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 2018 annual Management's Report, management has evaluated the effectiveness of internal controls over reporting as at December 31, 2018.

### LIMITATION ON SCOPE OF DESIGN

We have limited the scope of our communication controls and procedures and our internal controls over financial reporting to exclude controls, policies and procedures of Garaventa Lift, acquired not more than 365 days before the last day of the period covered by the interim filing. We elected to exclude it from the scope of certification as allowed by NI 52-109. We intend to evaluate the situation within one year of the acquisition date.

### CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

No changes in the Corporation's internal control over financial reporting occurred during the first half of 2019 that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

## 11. 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 estimate uncertainties that have a significant risk of resulting in a material adjustment are the measurement of the identifiable assets acquired during business combinations, the warranty provisions, the inventory obsolescence provision and the valuation of defined benefit pension plan obligations. Important judgements made by management when applying accounting policies that have the most significant impact on amounts recognized in the consolidated financial statements are the determination of cash-generating units, the identification of reportable segments and the determination of foreign operations' functional currency.

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. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED DURING FIRST SIX MONTHS OF 2019

The following new standards and amendments to standards and interpretations have been applied in preparing the consolidated financial statements as at June 30, 2019:

- IFRS 16 – *Leases*
- IFRIC 23 – *Uncertainty over Income Tax Treatments*
- Annual Improvements to IFRS Standards – 2015-2017 Cycle

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 consolidated financial statements.

### **IFRS 16 – *Leases***

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.

#### *ii) Transition*

At transition, for leases classified as operating leases under IAS 17, lease liabilities have been 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 the financial statements

#### a. Impact on transition

The impact on transition is summarized as follows:

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

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 liability at January 1, 2019

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

#### c. Impact over the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, and including leases added after January 1, 2019, the Corporation recognized \$11.3M of right-of-use assets and \$11.4M of lease liabilities as at June 30, 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 six months ended June 30, 2019, the Corporation recognized \$1.1M in depreciation expense and \$0.2M in interest costs from these leases. Had IFRS 16 not been implemented, expenses in the amount of \$1.2M would have been booked during this same period.

## 12. 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 2018 annual Management Discussion and Analysis Report, which are incorporated herein by reference:

- Economic Conditions
- Operating Results
- Financing
- Acquisitions
- Currency Fluctuations
- Market and Competition
- Business Interruption
- Health care Reimbursement
- Property Rights
- Credit Risk
- Interest Rates Fluctuations
- Price Variation
- Dependence on Key Personnel
- Dependence on Key Distributors
- Dependence on Key Suppliers
- Laws and Regulations
- Product Liability
- Litigation
- Information Systems & Cybersecurity

## 13. Outlook

With results to date in line with expectations, management remains confident in its ability to deliver on plan for 2019, and as such, reiterates its previously disclosed full-year outlook of \$385M to \$400M in revenue and \$55M to \$60M in adjusted EBITDA.

## 14. Glossary

<b>EBITDA</b>	EBITDA is defined as earnings before net finance costs, income tax expense and depreciation & amortization. EBITDA is not an IFRS measure and does not have a standardized definition within IFRS. Investors are cautioned that EBITDA should not be considered an alternative to net earnings for the period (as determined in accordance with IFRS) as an indicator of the Corporation's performance, or an alternative to cash flows from operating, investing and financing activities as a measure of the liquidity and cash flows. The Corporation's method of calculating EBITDA may differ from the methods used by other issuers and, accordingly, the Corporation's EBITDA may not be comparable to similar measures used by other issuers.
<b>Adjusted EBITDA</b>	Adjusted EBITDA is defined as EBITDA before other net expenses (income) and stock-based compensation expense. Adjusted EBITDA is not an IFRS measure and does not have a standardized definition within IFRS. Investors are cautioned that adjusted EBITDA should not be considered an alternative to net earnings for the period (as determined in accordance with IFRS) as an indicator of the Corporation's performance, or an alternative to cash flows from operating, investing and financing activities as a measure of the liquidity and cash flows. The Corporation's method of calculating adjusted EBITDA may differ from the methods used by other issuers and, accordingly, the Corporation's adjusted EBITDA may not be comparable to similar measures used by other issuers.
<b>Adjusted EBITDA Margin</b>	Adjusted EBITDA margin is defined as adjusted EBITDA expressed as a percentage of revenue. Adjusted EBITDA margin is not an IFRS measure and does not have a standardized definition within IFRS.
<b>Adjusted EBITDA before Head Office costs</b>	Adjusted EBITDA before Head Office costs is defined as adjusted EBITDA excluding Head Office costs. Head Office costs are expenses and salaries related to centralized functions, such as finance and legal, which are not allocated to reportable segments. Adjusted EBITDA before Head Office costs is not an IFRS measure and does not have a standardized definition within IFRS.
<b>Adjusted EBITDA margin before Head Office costs</b>	Adjusted EBITDA margin before Head Office costs is defined as adjusted EBITDA before Head Office costs expressed as a percentage of revenue. Adjusted EBITDA margin before Head Office costs is not an IFRS measure and does not have a standardized definition within IFRS.
<b>Adjusted net earnings and adjusted net earnings per share</b>	<p>Adjusted net earnings is defined as net earnings excluding other net expenses (income) and the income tax effects related to these costs. Adjusted net earnings is not an IFRS measure and does not have a standardized definition within IFRS. The Corporation believes these expenses (income), which are not core operational expenses (income), should be excluded in understanding the underlying operational financial performance achieved by the Corporation.</p> <p>Adjusted net earnings per share is calculated using the basic weighted average number of shares.</p>

**Adjusted net earnings excluding amortization of intangible assets related to acquisitions and adjusted net earnings excluding amortization of intangible assets related to acquisitions per share**

Adjusted net earnings excluding amortization of intangible assets related to acquisitions is defined as adjusted net earnings excluding the amortization of backlogs, client lists, maintenance contracts, patents and trademarks accounted for in business combinations and the income tax effects related to this amortization. Adjusted net earnings excluding amortization of intangible assets related to acquisitions is not an IFRS measure and does not have a standardized definition within IFRS. It provides a comparative measure of the Corporation's performance in a context of significant business combinations.

Adjusted net earnings excluding amortization of intangible assets related to acquisitions per share is calculated using the basic weighted average number of shares.

**Net debt to adjusted EBITDA ratio**

Net Debt to adjusted EBITDA ratio is not an IFRS measure and does not have a standardized definition within IFRS. Net debt is defined as long-term debt (including lease liability), including current portions, net of cash. The Corporation uses this ratio as a measure of financial leverage and is calculated on its trailing twelve month adjusted EBITDA.