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Quarterly
REPORT

SAVARIA CORPORATION

Quarterly Report

For the Three-Month Period Ended March 31, 2021

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2021

SAVARIA CORPORATION

Management's Report

For the Three-Month Period Ended March 31, 2021

SAVARIA CORPORATION

Management's Discussion & Analysis Report

For the Three-Month Period Ended March 31, 2021

Contents

1. Basis of Presentation

The following management's discussion and analysis ("MD&A"), dated May 11, 2021, 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 period ended March 31, 2021, in comparison with that for the corresponding period of fiscal 2020. 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 first quarter of 2021 and accompanying notes, and with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2020 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 and number of shares. 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 the 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.

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 May 11, 2021, 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, monetizations, 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 interest-bearing debt to adjusted EBITDA ratio. 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, Poland and United Kingdom), Australia and China. Savaria plants are located across Canada in Laval and Magog (Québec), Brampton, Beamsville and Toronto (Ontario) and Surrey (British Columbia), in the United States in Greenville (South Carolina), in Huizhou (China), in Milan (Italy) and in Newton Abbot (UK).

In addition, on March 4, 2021, the Corporation completed the acquisition of Handicare Group AB (Handicare). Handicare offers solutions to increase the independence of disabled or elderly people, and to facilitate for their care providers and family. The offering encompasses a comprehensive range of curved and straight stairlifts, transfer, lifting and repositioning aids and also, vehicle adaptations. Handicare is a global company with sales in some 40 countries and is one of the market leaders in this field. Its head office is in Stockholm, Sweden and manufacturing and assembly is located at four sites distributed across North America, Asia and Europe. Handicare's revenues were distributed approximately 89% in Europe, 10% in North America and the remaining 1% around other regions. Handicare's market share was estimated to be at 20-25%.

This acquisition enables Savaria to become a global leader in the accessibility industry, with approximately 2300 employees across the world.

REPORTABLE SEGMENTS OF THE CORPORATION

The Corporation manages its operations under three reportable segments, *Accessibility, Patient Handling* 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 straight and curved stairlifts, wheelchair platform lifts for both commercial and residential applications, commercial accessibility elevators and home elevators. With the acquisition of Handicare, Savaria now operates manufacturing facilities in Canada (Brampton, Ontario and Surrey, British Columbia), United Kingdom (Kingswinford), The Netherlands (Heerhugowaard) and Italy (Milan). Savaria and Handicare each operate assembly locations in China which provide partial assembly services for Savaria and Handicare products. Working closely with key Asian suppliers has yielded continuous product improvements, competitive pricing and faster lead times. Savaria and Handicare products are distributed worldwide through a network of over 1000 dealers as well as 30 direct sales offices, through which the Corporation also provides maintenance services.

Patient Handling Segment

In 2016, Savaria designed and launched an innovative ceiling lift product line from our facility in Magog, Québec. 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 Inc. ("Span"), makers of medical beds, therapeutic support surfaces and pressure management products used in healthcare facilities such as long-term care and nursing homes. Span has manufacturing facilities in Greenville, South Carolina (surfaces), and Beamsville, Ontario (beds). Span also sells the Savaria patient lift line into the home care and institutional sales channels through approximately 35 sales representatives in North America. On July 1, 2019, Savaria completed the acquisition of Silvalea Ltd and its sister company D-ansermed Ltd ("Silvalea"), a manufacturer of patient transfer slings and accessories, based in Newton Abbot, UK. Silvalea specializes in the design and development of challenging and complex patient transfer solutions, with an extensive catalog of over 800 sling designs. The acquisition of Handicare added a production facility in United States (St. Louis, Missouri) and also a distribution network across North America for patient transfer, lifting and repositioning aid products. The Handicare acquisition largely complements the Savaria product offering and provides additional sales force and distribution channels for the *Patient Handling* segment.

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 Van-Action (2005) Inc. division in Laval, Québec, whereas rear entry access vans are completed through Freedom Motors Inc., 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. Handicare's operations mainly relate to vehicle conversion, but also sales of vehicle products for people with special needs. Other than cars and minibuses, Handicare also converts ambulances, fire engines and police cars. The main market for Handicare's vehicle conversion is Norway, and Handicare has approximately a 50% share of the vehicle accessibility market in Norway and is the market leader.

5. Highlights

Q1 2021 HIGHLIGHTS

- Revenue for the quarter was $112.1M, up $23.7M, or 26.8%, compared to Q1 2020.
- Gross profit was $38.9M, up $8.8M or 29.2%, compared to Q1 2020, representing 34.7% of revenue compared to 34.1%.
- Adjusted EBITDA was $17.3M, up $4.9M or 39.9%, compared to Q1 2020.
- Adjusted EBITDA margin stood at 15.4%, compared to 14.0% in Q1 2020.
- *Accessibility* adjusted EBITDA margin before head office costs stood at 17.2%, compared to 16.5% in Q1 2020.
- *Patient Handling* adjusted EBITDA margin before head office costs stood at 14.5%, compared to 11.9% in Q1 2020.
- Net earnings for the quarter were $5.6M, or $0.10 per share on a diluted basis, compared to $5.5M or $0.11 per share on a diluted basis in Q1 2020.

ACQUISITION OF HANDICARE GROUP AB ("HANDICARE")

On March 4, 2021, the Corporation announced that its cash offer to acquire all the issued and outstanding shares of Handicare for SEK 50.00 per share had been accepted by shareholders representing 56,118,445 shares of Handicare, corresponding to 95.2% of the total number of outstanding shares in Handicare. As of May 11, 2021, the Corporation owned 95.4% of the outstanding shares in Handicare representing a total consideration to Handicare shareholders of $427.40M (SEK 2,811M) and a total enterprise value of $521.1M (SEK 3,400M).

In order to finance the acquisition, the Corporation issued 12,736,050 shares at a price of $15.00 per share via a private placement with a syndicate of underwriters and with Caisse de dépôt et placement du Québec, for aggregate gross proceeds of $191.0M. Furthermore, the Corporation obtained $400.0M by amending and increasing its credit facility.

Handicare offers solutions to increase the independence of disabled or elderly people, and to facilitate for their care providers and family. The offering encompasses a comprehensive range of curved and straight stairlifts, transfer, lifting and repositioning aids and vehicle adaptations. Handicare is a global company with sales in some 40 countries and is one of the market leaders in this field. Its head office is in Stockholm, Sweden and manufacturing and assembly is located at four sites distributed across North America, Asia, and Europe.

6. Q1 2021 Review

During the first quarter ended March 31, 2021, the Corporation generated revenue of $112.1M, up $23.7M or 26.8%, compared to Q1 2020. The growth is mainly due to the acquisition of Handicare, partially offset by a decrease in organic revenues as a consequence of the economic slowdown caused by the global pandemic impacting the entire first quarter of 2021 while having a minimal impact in Q1 2020, as well as a negative foreign exchange impact.

Gross profit and gross margin stood at $38.9M and 34.7%, respectively compared to $30.1M and 34.1% for the same period of 2020. The increase in gross profit and gross margin over prior year was due to the acquisition of Handicare, as well as a favourable product mix.

Adjusted EBITDA and adjusted EBITDA margin, both before head office costs, stood at $18.2M and 16.3%, respectively, compared to $12.8M and 14.5% for the same period ended March 31, 2020. The increases in adjusted EBITDA and adjusted EBITDA margin were mainly attributable to the acquisition of Handicare described above, as well as $1.1M COVID-19 employment retention government of Canada subsidies received during Q1 2021, and continued Corporation-wide cost containment efforts.

OPERATIONAL REVIEW

Accessibility Segment

Revenue was $80.6M, an increase of $18.0M or 28.7%, compared to Q1 2020. Acquisition growth stood at 34.1%, while organic revenue contracted 4.3%. The acquisition growth in revenue was attributable to the acquisition of Handicare. The organic contraction in revenue was mainly attributable to the economic slowdown caused by the global pandemic.

Adjusted EBITDA and adjusted EBITDA margin, both before head office costs, stood at $13.9M and 17.2%, respectively, compared to $10.4M and 16.5% for Q1 2020. The improvements in both metrics were mainly due to the acquisition of Handicare

Patient Handling Segment

Revenue was $25.5M, an increase of $4.5M or 21.5%, compared to Q1 2020. Organically, revenue contracted 4.3%, mainly attributable to the global pandemic. Acquisition growth was 29.5%, generated by the acquisition of Handicare.

Adjusted EBITDA and adjusted EBITDA margin, both before head office costs, stood at $3.7M and 14.5%, respectively, compared to $2.5M and 11.9% for Q1 2020. The increase in both metrics were mainly due to the acquisition of Handicare.

Adapted Vehicles Segment

Revenue was $6.0M in Q1 2021, an increase of $1.2M or 24.0%, compared to Q1 2020. The increase in revenue was due to the acquisition of Handicare, partially offset by a decrease in organic revenue due to the global pandemic.

Adjusted EBITDA and adjusted EBITDA margin, both before head office costs, stood at $0.6M and 10.4%, respectively, compared to negligible amounts in the first quarter of 2020. The increases in adjusted EBITDA and adjusted EBITDA margin before head office costs compared to Q1 2020 were mainly due to the Handicare acquisition and the Canadian Emergency Wage Subsidies.

7. Financial Review

7.1 RESULTS OF OPERATIONS

in thousands of dollars	Q1 2021	Q1 2020
Revenue	**$112,075**	$88,419
Cost of sales	**73,135**	58,277
Gross Profit	**$38,940**	$30,142

in thousands of dollars, except per-share amounts	Q1 2021	Q1 2020
Revenue	**$112,075**	$88,419
Cost of sales[1]	**70,724**	56,580
Total operating expenses[1]	**24,058**	19,482
Adjusted EBITDA*	**$17,293**	$12,357
Stock-based compensation	**264**	283
Other expenses	**2,523**	2,133
EBITDA*	**$14,506**	$9,941
Depreciation of fixed assets and right-of-use assets	**2,955**	2,359
Amortization of intangible assets	**2,970**	1,781
Net finance costs (income)	**1,477**	(1,282)
Earnings before income tax	**$7,104**	$7,083
Income tax expense	**1,478**	1,568
Net Earnings	**$5,626**	$5,515
Basic net earnings per share	**$0.10**	$0.11
Diluted net earnings per share	**$0.10**	$0.11

* Non-IFRS measures are described in the "Glossary" section.
[1] Net of depreciation of fixed assets and right-of-use assets, amortization of intangible assets, other net expenses and stock-based compensation.

In sections 7.2 through 7.4, we review the changes to operating results between Q1 2021 and Q1 2020, describing the factors affecting revenue, gross profit, 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 revenue both by reportable segment and in total.

	Q1			
in thousands of dollars, except percentages	Accessibility	Patient Handling	Adapted Vehicles	Total
Revenue 2021	$80,594	$25,482	$5,999	$112,075
Revenue 2020	$62,612	$20,970	$4,837	$88,419
Net change %	28.7%	21.5%	24.0%	26.8%
Organic Growth (contraction)[1]	(4.3)%	(4.3)%	(18.2)%	(5.0)%
Acquisition Growth[1]	34.1%	29.5%	42.2%	33.5%
Foreign Currency Impact[2]	(1.1)%	(3.7)%	0.0%	(1.7)%
Net change %	28.7%	21.5%	24.0%	26.8%

[1] Organic growth (contraction) and acquisition growth are calculated based on local functional currency.
[2] Foreign currency impact represents the foreign exchange impact net of organic and acquisition growth.

7.2.1 Accessibility

Revenue from our *Accessibility* segment was $80.6M in Q1 2021, an increase of $18.0M or 28.7%, compared to Q1 2020. The increase in revenue was related to the acquisition of Handicare, partially offset by a contraction in organic revenue attributable to the continued impact of the economic slowdown caused by the global pandemic.

7.2.2 Patient Handling

Revenue from our *Patient Handling* segment was $25.5M for the quarter, an increase of $4.5M or 21.5%, compared to the first quarter of 2020. The increase in revenue was related to the acquisition of Handicare, partially offset by a contraction in organic revenue attributable to the continued impact of the economic slowdown caused by the global pandemic.

7.2.3 Adapted Vehicles

Revenue from our *Adapted Vehicles* segment was $6.0M in Q1 2021, an increase of $1.2M or 24.0% compared to Q1 2020. The increase in revenue was related to the acquisition of Handicare. The contraction in organic revenue is mainly attributable to the continued impact of the economic slowdown caused by the global pandemic.

7.3 GROSS MARGIN AND EXPENSES

	Q1	
in percentage of revenue	**2021**	2020
Revenue	**100.0%**	100.0%
Cost of sales	**65.3%**	65.9%
Gross Margin	**34.7%**	34.1%

Gross margin, when compared to same period in 2020, was slightly higher for the quarter. The increase in gross margin was mainly due to a strong contribution by the Handicare *Accessibility* segment.

	Q1	
in percentage of revenue	**2020**	2019
Revenue	**100.0%**	100.0%
Cost of sales[1]	**63.1%**	64.0%
Total operating expenses[1]	**21.5%**	22.0%
Adjusted EBITDA*	**15.4%**	14.0%
Stock-based compensation	**0.2%**	0.3%
Other expenses	**2.3%**	2.5%
EBITDA*	**12.9%**	11.2%
Depreciation of fixed assets and right-of-use assets	**2.6%**	2.6%
Amortization of intangible assets	**2.7%**	2.0%
Net finance costs (income)	**1.3%**	(1.4)%
Income tax expense	**1.3%**	1.8%
Net earnings	**5.0%**	6.2%

*Non-IFRS measures are described in the "Glossary" section.
[1] Net of depreciation of fixed assets and right-of-use assets, amortization of intangible assets, other net expenses and stock based compensation.

Total operating expenses, as a percentage of revenue, for the Q1 2021 stood at 21.5% compared to 22.0% in Q1 2020, in line with continued Corporation-wide cost containment efforts.

Stock-based compensation, as a percentage of revenue, remained stable when compared to the same period in 2020.

Other expenses 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 Q1 2021, the Corporation incurred other expenses of $2.5M compared to $2.1M in Q1 2020. For the current quarter, these were made up of business acquisition costs in connection with the acquisition of Handicare, and integration expenses comprised mainly of a welcome bonus paid to Handicare employees. In Q1 2020, other expenses consisted of business acquisition costs, integration expenses and a special employee assistance related payout totaling approximately $1.5M ($1,000 per employee).

Depreciation of fixed assets and right-of-use assets expense, as a percentage of revenue, were stable for the quarter.

Finally, amortization of intangible assets expense, as a percentage of revenue increased compared to Q1 2020. This was mainly due to increased amortization on internally generated development costs.

7.4 ADJUSTED EBITDA BY REPORTABLE SEGMENT

	Q1 2021			
in thousands of dollars, except percentages	Accessibility	Patient Handling	Adapted Vehicles	Total
Revenue	$80,594	$25,482	$5,999	$112,075
Adjusted EBITDA*				$17,293
Head office costs				$922
Adjusted EBITDA before head office costs*	$13,896	$3,698	$621	$18,215
Adjusted EBITDA Margin before head office costs*	17.2%	14.5%	10.4%	16.3%

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

	Q1 2020			
in thousands of dollars, except percentages	Accessibility	Patient Handling	Adapted Vehicles	Total
Revenue	$62,612	$20,970	$4,837	$88,419
Adjusted EBITDA*				$12,357
Head office costs				$468
Adjusted EBITDA before head office costs*	$10,356	$2,500	$(31)	$12,825
Adjusted EBITDA Margin before head office costs*	16.5%	11.9%	(0.6)%	14.5%

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

Total adjusted EBITDA and adjusted EBITDA margin before head office costs for the quarter stood at $18.2M and 16.3%, respectively, compared to $12.8M and 14.5% for Q1 2020. The Corporation's *Accessibility, Patient Handling,* and *Adapted Vehicles* segments all saw improvements in both adjusted EBITDA metrics noted above versus prior year. The improvements are related to the acquisition of Handicare, a COVID-19 employment retention government of Canada subsidy and cost containment efforts.

Head office costs for the quarter stood at $0.9M, in line with management's new run-rate expectations based on the addition of the Handicare business. The increase compared to Q1 2020 was mainly due to the expansion of the corporate team as a result of the acquisition of Handicare, and timing of certain expenses.

7.5 NET FINANCE COSTS (INCOME)

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.

In Q1 2021, net finance costs were $1.5M compared to net finance income of $1.3M for Q1 2020. The variance in net finance cost is mainly due to higher interest expenses as a result of additional long term credit facilities, and $1.8M cost of a forward currency contract related to the acquisition of Handicare. In addition, net finance cost increased as a result of higher amortization of deferred financing costs.

7.6 INCOME TAXES

For the first quarter of 2021, an income tax expense of $1.5M was recorded on earnings before income taxes of $7.1M, representing an effective tax rate of 20.8% compared to an income tax expense of $1.6M and an effective tax rate of 22.1% for the same period in 2020. The slight variance in income tax and in effective tax rates is the result of different profit allocation coming from countries in which the Corporation operates that are taxable at varying rates and is also due to an adjustment related to the previous year.

7.7 NET EARNINGS AND NET EARNINGS PER SHARE

In Q1 2021, the Corporation's net earnings were $5.6M or $0.10 per share on a diluted basis, compared to $5.5M or $0.11 per share on a diluted basis for the same period in 2020. The decrease in net earnings was mainly due to the year-over-year change in net finance costs as noted previously. In addition, the corporation issued 12,736,050 shares in Q1 2021 to finance the acquisition of Handicare which negatively impacts the calculation of net earnings per share.

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 the Corporation's 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

	Q1	
in thousands of dollars, except number of shares and per-share amounts	**2021**	2020
Net earnings	**$5,626**	$5,515
Other expenses	**2,523**	2,133
Income taxes related to other net expenses	**(215)**	(468)
Adjusted net earnings*	**$7,934**	$7,180
Adjusted net earnings per share*	**$0.14**	$0.14
Amortization of intangible assets related to acquisitions	**1,210**	1,191
Income taxes related to amortization of intangible assets related to acquisitions	**(252)**	(318)
Adjusted net earnings excluding amortization of intangible assets related to acquisitions*	**$8,892**	$8,053
Adjusted net earnings excluding amortization of intangible assets related to acquisitions per share*	**$0.16**	$0.16
Diluted weighted average number of shares	**54,927,519**	50,938,886

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

Adjusted net earnings stood at $7.9M, or $0.14 per share in Q1 2021, compared to $7.2M or $0.14 per share in Q1 2020. The increase in adjusted net earnings was due to the acquisition of Handicare. This was offset by a higher number of shares as noted previously which resulted in flat adjusted net earnings per share on a year-over-year basis.

Adjusted net earnings excluding amortization of intangible assets related to acquisitions stood at $8.9M or $0.16 per share in Q1 2021, an increase of $0.8M or 10.4% compared to the first quarter of 2020, explained by the same factors described for the corresponding metrics pertaining to adjusted net earnings.

8. Liquidity

in thousands of dollars	Q1 2021	Q1 2020
Cash flows related to operating activities	**$27,901**	$5,394
Cash flows related to investing activities	**(364,449)**	(1,577)
Cash flows related to financing activities	**383,356**	(7,210)
Effect of exchange rate change on cash	**(2,979)**	1,697
Net change in cash	**$43,829**	$(1,696)

8.1 OPERATING ACTIVITIES

Cash generated from operating activities in Q1 2021 stood at $27.9M, compared to $5.4M in Q1 2020. The increase in cash generated from operating activities was mainly due to a favourable change in non-cash operating items, more specifically because of the consideration payable related to the acquisition of Handicare in an amount of $19.6M.

8.2 INVESTING ACTIVITIES

For the first quarter of 2021, cash used in investing activities was $364.4M, mainly related to the acquisition of Handicare.

8.3 FINANCING ACTIVITIES

In Q1 2021, cash generated by financing activities was $383.4M, and related mainly to new financing facilities which generated $213.5M, as well as the issuance of common shares which generated net proceeds of $182.1M. The cash generated was partially offset by dividends paid of $6.1M and $3.7M of debt financing costs.

8.4 NET INTEREST-BEARING DEBT TO ADJUSTED EBITDA

in thousands of dollars	March 31, 2021	December 31, 2020
Credit facility [1,2]	**$373,739**	$49,813
Less: Cash	**(98,009)**	(54,180)
Net interest-bearing debt*	**$275,730**	$(4,367)
Trailing twelve months adjusted EBITDA*	**$64,726**	$59,790

*Non-IFRS measures are described in the "Glossary" section
[1] Including current portion.
[2] Net of deferred financing fees.

As at March 31, 2021, the Corporation had a net interest-bearing debt position of $275.7M, from which the Handicare debt of $115.0M was reimbursed in April 2021.

8.5 DIVIDENDS

The aggregate monthly dividends declared in the first quarter totaled $6.6M compared to $5.8M for the same period in 2020. As at March 31, 2021, 63,831,158 shares were issued and outstanding, compared to 50,633,775 as at March 31, 2020. Dividends paid in the first quarter 2021 amounted to $6.1M compared to $5.8M for the same period in 2020. The issuance of 12,736,050 shares in March 2021 related to the financing of Handicare acquisition and an increase in the dividend rate from $0.0383 to $0.04, effective September 2020, mainly caused the increase in dividends declared and paid in Q1 2021 versus Q1 2020.

8.6 STOCK OPTIONS

As at May 11, 2021, 1,945,170 stock options were outstanding at exercise prices ranging from $5.00 to $18.57.

8.7 CAPITAL RESOURCES

in thousands of dollars	March 31, 2021	December 31, 2020
Cash	**$98,009**	$54,180
Available credit facilities[1]	**77,542**	110,000
Available short-term capital resources	**$175,551**	$164,180
Current assets	**$315,632**	$181,670
Current liabilities	**286,904**	68,059
Working capital	**$28,728**	$113,611
Current ratio	**1.10**	2.67

[1] The Corporation's primary lender held back an amount of $115M from the revolver facility according to the conditions attached to the financing of the Handicare acquisition, until their external debt was repaid in April 2021.

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 FACILITIES

As at March 31, 2021, the Corporation had in place the following credit facilities:

in thousands of dollars	March 31, 2021	December 31, 2020
Term loan	**$50,000**	$50,000
Revolver Facility total available	**400,000**	110,000
Total Savaria	**$450,000**	$160,000
Term loan	**$114,539**	$ -
Credit Margin	**6,000**	-
Total Handicare	**$120,539**	$ -
Total	**$570,539**	$160,000

The credit facilities are available for general corporate purposes and for financing business acquisitions. Under these credit facilities, the Corporation is required, among other conditions, to respect certain covenants on a consolidated basis. Management reviews compliance with these covenants in conjunction with quarterly filing requirements under its credit facilities. All covenants were met as at March 31, 2021.

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	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2
Revenue	$378,152	**$112,075**	$90,601	$90,808	$84,668	$88,419	$96,437	$96,434	$93,992
Gross Margin as a % of revenue	34.6%	**34.7%**	33.3%	35.9%	34.6%	34.1%	35.3%	33.3%	34.1%
Adjusted EBITDA*	$64,726	**$17,293**	$16,049	$16,914	$14,470	$12,357	$15,225	$15,652	$14,217
Net earnings	$26,574	**$5,626**	$6,714	$8,127	$6,107	$5,515	$8,364	$7,827	$5,491
Adjusted net earnings*	$29,283	**$7,934**	$6,851	$8,241	$6,257	$7,180	$8,834	$8,066	$6,207
Net earnings per share – diluted		**$0.10**	$0.13	$0.16	$0.12	$0.11	$0.17	$0.16	$0.11
Adjusted net earnings per share*		**$0.14**	$0.13	$0.17	$0.12	$0.14	$0.17	$0.16	$0.13
Dividend declared per share	$0.472	**$0.120**	$0.120	$0.117	$0.115	$0.115	$0.115	$0.108	$0.105

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

The Corporation experiences seasonal trends in its business. In terms of revenues, excluding the impact of acquisitions, the first quarter of the fiscal year is typically the Corporation's weakest quarter while the third quarter is usually its strongest quarter. However, the global pandemic has impacted the Corporation's seasonality trend.

10. Governance

In compliance with the Canadian Securities Administrators' Regulation 52-109, the Corporation has filed certifications signed by the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") that, among other things, report on disclosure controls and procedures ("DC&P") and the design of internal controls over financial reporting ("ICFR").

Disclosure controls and procedures (DC&P) are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the President and Chief Executive Officer and the Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Internal controls over financial reporting (ICFR) are a process designed to provide reasonable assurance regarding the reliability of financial reporting and compliance with GAAP of the Corporation's consolidated financial statements.

There have been no significant changes in our internal control over financial reporting (ICFR) during the period covered by this MD&A that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

11. Significant Accounting Policies and Estimates

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 provisions, the measurement of lease liabilities, the deferred tax assets, the valuation of defined benefit pension plan obligations, the provisions for uncertain tax treatments and evaluation of the worldwide deferred income tax balances and income tax expense because of judgements, such as interpretations of laws, treaties and regulations in each jurisdiction are also required by management in determining the deferred income tax balances and income tax expense.

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.

The uncertainties around the global pandemic required the use of judgements and estimates which resulted in no material impacts for the period ended March 31, 2021. The future impact of COVID-19 uncertainties could generate, in future reporting periods, a risk of material adjustment to the following: revenue recognition, deferred tax assets, goodwill impairment, business acquisitions and provisions for uncertain tax treatments.

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.

12. Risks and Uncertainties

Savaria in 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 2020 annual Management Discussion and Analysis Report, which are incorporated herein by reference:

- Economic Conditions
- Operating Results
- Financing
- Acquisitions
- Currency Fluctuations
- Market and Competition
- Catastrophic events, natural disasters, severe weather and disease
- 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

During the first quarter ended March 31, 2021, the Corporation's revenues and EBITDA increased across all of our business segments when compared with the previous quarter, due mainly to the acquisition of Handicare.

The uncertainty around the future impact of the global pandemic makes it difficult to predict future performance, however, in light of recent results and the Corporation's confidence in the strategic integration plan with Handicare that is underway, Savaria remains optimistic that it will achieve previously stated goals of Adjusted EBITDA in excess of $100M during fiscal 2021

14. Glossary

EBITDA

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.

Adjusted EBITDA

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.

Adjusted EBITDA margin

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.

Adjusted EBITDA before head office costs

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.

Adjusted EBITDA margin before head office costs

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.

Adjusted net earnings and adjusted net earnings per share

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.

Adjusted net earnings per share is calculated using the diluted weighted average number of shares.

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 diluted weighted average number of shares.

Net interest-bearing debt to adjusted EBITDA ratio

Net interest-bearing debt to adjusted EBITDA ratio is not an IFRS measure and does not have a standardized definition within IFRS. Net interest-bearing debt is defined as interest-bearing long-term debt, including current portions, net of cash. Lease liabilities are not considered as interest bearing-debt. The Corporation uses this ratio as a measure of financial leverage and is calculated on its trailing twelve month adjusted EBITDA.

2021

SAVARIA CORPORATION

Interim Condensed Consolidated Financial Statements

As at March 31, 2021

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

savaria®

SAVARIA CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars - Unaudited)

	Note	March 31, 2021	December 31, 2020
Assets			
Current assets			
Cash		**$ 98,009**	$ 54,180
Trade and other receivables		**88,973**	44,217
Income taxes receivable		**4,413**	3,612
Derivative financial instruments	*12*	**1,358**	1,070
Inventories		**113,965**	75,301
Prepaid expenses and other current assets		**8,914**	3,290
Total current assets		**315,632**	181,670
Non-current assets			
Derivative financial instruments	*12*	**3,642**	3,099
Fixed assets		**51,628**	44,490
Right-of-use assets	*7*	**52,875**	26,572
Intangible assets and goodwill	*5*	**646,414**	188,322
Other long-term assets		**1,255**	1,547
Deferred tax assets		**13,103**	7,608
Total non-current assets		**768,917**	271,638
Total assets		**$ 1,084,549**	$ 453,308
Liabilities			
Current liabilities			
Trade and other payables		**$ 101,660**	$ 34,131
Consideration payable to non-controlling shareholders	*4*	**19,610**	-
Dividend payable		**2,553**	2,039
Income taxes payable		**3,777**	1,307
Deferred revenues		**30,333**	24,122
Derivative financial instruments	*12*	**1,815**	-
Current portion of long-term debt	*6*	**115,606**	1,072
Current portion of lease liabilities	*7*	**9,279**	3,774
Warranty provisions		**2,271**	1,614
Total current liabilities		**286,904**	68,059
Non-current liabilities			
Long-term debt	*6*	**259,179**	49,825
Lease liabilities	*7*	**45,021**	23,375
Long-term warranty provisions		**3,888**	1,757
Other long-term liabilities		**12,548**	12,667
Income taxes payable		**449**	455
Derivative financial instruments	*12*	**2,343**	4,026
Deferred tax liabilities		**21,468**	13,417
Total non-current liabilities		**344,896**	105,522
Total liabilities		**631,800**	173,581
Equity			
Share capital	*8*	**447,137**	255,340
Contributed surplus		**6,521**	6,402
Accumulated other comprehensive income (loss)		**(13,141)**	(1,842)
Retained earnings		**12,232**	19,827
Total equity		**452,749**	279,727
Total liabilities and equity		**$ 1,084,549**	$ 453,308

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

SAVARIA CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	Note	Three months ended March 31, 2021	2020
Revenue	*13*	**$ 112,075**	$ 88,419
Cost of sales		**73,135**	58,277
Gross profit		**38,940**	30,142
Operating expenses			
Selling and administrative expenses		**27,836**	22,208
Other expenses	*9*	**2,523**	2,133
Total operating expenses		**30,359**	24,341
Net Finance costs (income)	*10*	**1,477**	(1,282)
Earnings before income tax		**7,104**	7,083
Income tax expense		**1,478**	1,568
Net Earnings		**$ 5,626**	$ 5,515
Earnings per share			
Basic		**$ 0.10**	$ 0.11
Diluted		**$ 0.10**	$ 0.11
Basic weighted average number of shares		**54,741,140**	50,613,776
Diluted weighted average number of shares		**54,927,519**	50,938,886

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

SAVARIA CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of Canadian dollars - Unaudited)

	Three months ended March 31, **2021**	2020
Net Earnings	**$ 5,626**	$ 5,515
Items that are or may be reclassified subsequently to net earnings:		
Net change in fair value of derivative financial instruments designated as cash flow hedges, net of tax	**774**	(4,016)
Net change on translation of financial statements of foreign operations	**(13,496)**	14,436
Costs of hedging reserve on change in fair value of cross-currency swaps, net of tax	**(105)**	457
Net change in net investment hedges, net of tax	**1,528**	(3,954)
Other comprehensive income (loss)	**(11,299)**	6,923
Total comprehensive income	**$ (5,673)**	$ 12,438

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

SAVARIA CORPORATION

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Periods of three months ended March 31, 2021 and 2020

(in thousands of Canadian dollars - Unaudited)

	2021					
	Share capital		Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
	Number	Amount				
Balance at January 1, 2021	**51,043,941**	**$ 255,340**	**$ 6,402**	**$ (1,842)**	**$ 19,827**	**$ 279,727**
Net earnings	-	-	-	-	**5,626**	**5,626**
Shares issued in relation to a private placement (Note 8)	12,736,050	191,041	-	-	-	**191,041**
Share issue costs, net of tax (Note 8)	-	-	-	-	(6,583)	**(6,583)**
Stock-based compensation	-	-	264	-	-	**264**
Exercise of stock options (Note 8)	51,167	756	(145)	-	-	**611**
Dividends on common shares (Note 8)	-	-	-	-	(6,638)	**(6,638)**
Total transactions with shareholders	**12,787,217**	**191,797**	**119**	**-**	**(13,221)**	**178,695**
Other comprehensive income (loss)	**-**	**-**	**-**	**(11,299)**	**-**	**(11,299)**
Balance at March 31, 2021	**63,831,158**	**$ 447,137**	**$ 6,521**	**$ (13,141)**	**$ 12,232**	**$ 452,749**

	2020					
	Share capital		Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
	Number	Amount				
Balance at January 1, 2020	**50,600,443**	**$ 252,152**	**$ 5,913**	**$ (5,066)**	**$ 17,057**	**$ 270,056**
Net earnings	-	-	-	-	**5,515**	**5,515**
Stock-based compensation	-	-	283	-	-	**283**
Exercise of stock options (Note 8)	33,332	216	(39)	-	-	**177**
Dividends on common shares (Note 8)	-	-	-	-	(5,817)	**(5,817)**
Total transactions with shareholders	**33,332**	**216**	**244**	**-**	**(5,817)**	**(5,357)**
Other comprehensive income (loss)	**-**	**-**	**-**	**6,923**	**-**	**6,923**
Balance at March 31, 2020	**50,633,775**	**$ 252,368**	**$ 6,157**	**$ 1,857**	**$ 16,755**	**$ 277,137**

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 March 31, **2021**	2020
Cash flows related to operating activities			
Net Earnings		**$ 5,626**	$ 5,515
Adjustments for:			
Depreciation of fixed assets		**1,469**	1,327
Depreciation of right-of-use assets	*7*	**1,486**	1,032
Amortization of intangible assets	*5*	**2,970**	1,781
Income tax expense		**1,478**	1,568
Stock-based compensation		**264**	283
Loss on foreign exchange contracts	*10*	**1,815**	-
Gain on the sale and write-off of fixed assets		**(28)**	(29)
Unrealized foreign exchange gains		**(761)**	(1,030)
Interest on long-term debt and lease liabilities	*10*	**1,732**	743
Income tax paid		**(3,794)**	(3,801)
Others		**76**	(55)
		12,333	7,334
Net changes in non-cash operating items	*11*	**15,568**	(1,940)
Net cash related to operating activities		**27,901**	5,394
Cash flows related to investing activities			
Business acquisitions		**(361,903)**	-
Proceeds from sale of fixed assets		**16**	87
Additions to fixed assets		**(551)**	(758)
Increase in intangible assets		**(2,011)**	(906)
Net cash related to investing activities		**(364,449)**	(1,577)
Cash flows related to financing activities			
Lease payments	*7*	**(2,080)**	(678)
Net change in the revolving credit facility		**213,458**	-
Interest paid		**(571)**	(893)
Transaction costs related to a long-term debt	*6*	**(3,741)**	-
Proceeds from the issuance of common shares in relation to a placement, net of transaction fees	*8*	**182,081**	-
Proceeds from exercise of stock options	*8*	**336**	177
Dividends paid on common shares	*8*	**(6,127)**	(5,816)
Net cash related to financing activities		**383,356**	(7,210)
Unrealized foreign exchange gain (loss) on cash held in foreign currencies		**(2,979)**	1,697
Net change in cash		**43,829**	(1,696)
Cash - Beginning of period		**54,180**	39,696
Cash - End of period		**$ 98,009**	$ 38,000

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

1 . Reporting Entity

Savaria Corporation is domiciled in Canada. The interim condensed consolidated financial statements of the Corporation as at and for the periods ended March 31, 2021 and 2020 comprise the accounts of Savaria Corporation and its wholly owned subsidiaries (together referred to as the "Corporation" or as "Savaria"). Savaria is a global leader 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: *Accessibility, Patient Handling* and *Adapted Vehicles* as described in Note 13 "Reportable segments".

The common shares of the Corporation are listed under the trading symbol “SIS” on the Toronto stock exchange.

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 audited annual consolidated financial statements of the Corporation and the notes thereto for the year ended on December 31, 2020. 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 May 11, 2021.

3 . Significant Accounting Policies

The interim condensed consolidated financial statements have been prepared following the same accounting policies used in the audited annual consolidated financial statements for the year ended December 31, 2020.

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.

Use of Judgements and Estimates

The uncertainties related to the global COVID-19 pandemic, required the use of judgements and estimates which resulted in no material impacts for the period ended March 31, 2021. The future impact of COVID-19 uncertainties could generate, in future reporting periods, a risk of material adjustment to the carrying amounts of the following: revenue recognition, deferred tax assets, goodwill impairment, business combinations and provisions for uncertain tax treatments.

4 . Business Acquisition

Handicare Group AB

On January 27, 2021, the Corporation made an offer to acquire all the issued and outstanding shares of Handicare Group AB (Handicare). On March 4, 2021 (the "Acquisition date"), the Corporation acquired 56,118,445 shares representing 95.2% of all the issued and outstanding shares of Handicare for SEK 50.00 per share (CAD $7.48). An additional 0.2% representing 101,064 shares of Handicare were acquired subsequent to the Acquisition date during the closing of acceptance period. As at March 31, 2021, the Corporation owned 95.4% of Handicare. The remaining 2,719,491 or 4.6% outstanding shares will be acquired in the coming months after the compulsory redemption process is complete. A consideration of $20,330,915 payable to minority shareholder was recorded for this purpose on the acquisition date.

The total consideration was $427,375,000 (SEK 2,810,975,000). At Acquisition date, the Corporation financed the consideration paid as well as the acquisition costs out of a combination of:

- Cash-on-hand for an amount of $33,383,000;
- An amount drawn from the revolving credit facility of $213,458,000 (Note 6); and
- The net proceeds from two concurrent private placements with a syndicate of underwriters and with Caisse de dépôt et placement du Québec of subscription receipts for common shares of the Corporation for $182,081,000 (Note 8).

The acquisition costs of $1,547,000, and integration costs of $976,000 incurred since the Acquisition date were expensed and recorded in Other Expenses (Note 9).

The acquisition of Handicare has been accounted for using the acquisition method. Handicare has been consolidated from the Acquisition date. The preliminary purchase price allocation and the total cash consideration paid are presented in the table below. Management's preliminary measurement of the fair values of assets acquired and liabilities assumed are based on best estimates considering all relevant information available. Because the Corporation recently acquired Handicare, it is not reasonably practical to definitively allocate the purchase price as at March 31, 2021. The accounting for the business combination is expected to be completed as soon as management has gathered all the relevant information available and considered necessary in order to finalize this allocation, no later than 12 months after the Acquisition date. The process may result in transferring amounts to or from assets acquired, liabilities assumed and goodwill. Any adjustment to preliminary amounts will be retrospectively recognized as at the Acquisition date to reflect information obtained about facts and circumstances that existed and, if known, would have affected the measurement of the amounts recognized as at the Acquisition date.

The acquisition of Handicare gave rise to goodwill because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce.

The purchased assets are mainly cash, accounts receivables, inventories, fixed assets, intangible assets and goodwill. The goodwill will be allocated to the *Accessibility, Patient Handling* and *Adapted Vehicles* reportable segments as applicable and will be non-deductible for tax purposes.

As at March 31, 2021 although the measurement process has begun, the Corporation had not yet finalized the fair value measurement of the following main items: equipment, intangible assets, right-of-use assets, leases liabilities and determination of deferred income taxes.

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

4 . Business Acquisition (continued)

Handicare Group AB (continued)

The measurement process for these assets will continue over the next months. The final purchase price allocation could differ significantly from the amounts presented below and could also give rise to favorable or unfavorable impacts, among other things, on the currently recorded amounts of amortization and depreciation and income tax expenses, which would be recognized retrospectively as at the Acquisition date.

The following table presents the preliminary value of the assets acquired and liabilities assumed at the acquisition date:

	Handicare
Assets acquired	
Current assets	$ 159,477
Fixed assets and right-of-use assets	34,139
Intangible assets and goodwill	471,221
Other long term assets	142
Deferred tax assets	2,651
	$ 667,630
Liabilities assumed	
Current liabilities	75,279
Long-term debt including current portion	115,165
Leases liabilities including current portion	26,621
Other long-term liabilities	2,859
	$ 219,924
Fair value of net assets acquired	$ 447,706
Less: Cash in acquired business	(64,990)
Net assets acquired	$ 382,716
Net consideration paid at the exchange rate of the acquisition date	$ 427,375
Consideration payable at the exchange rate of the acquisition date	$ 20,331
Consideration payable at the exchange rate of March 31, 2021	$ 19,610

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

4 . Business Acquisition (continued)

Handicare Group AB (continued)

The Corporation's Consolidated Statements of Earnings for the three-month period ended March 31, 2021 include the operating results of Handicare since its acquisition date, including additional revenues of $29,591,000, and net earnings before depreciation and amortization of $3,103,000, including adjustments related to the accounting of this acquisition and excluding acquisition costs and integration costs related to the acquisition of $2,523,000.

If the Corporation had acquired Handicare at the beginning of the three-month period ended March 31, 2021, its revenues would have increased by $87,739,000 and net earnings would have increased by $1,324,000.

5 . Intangible assets and goodwill

			2021
	Intangible Assets	**Goodwill**	**Total**
Balance at January 1	**$ 67,541**	**$ 120,781**	**$ 188,322**
Intangible assets and goodwill from acquisitions (note 4)			**471,221**
Amortization			**(2,970)**
Effect of movements in exchange rate			**(10,159)**
Balance at March 31			**$ 646,414**

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

6 . Long-term debt

Current portion of long term debt

The short-term debt is related to a credit facility assumed following the acquisition of Handicare. The credit facility is a term loan with maturity date in September 2022. Funds from this facility are withdrawn in different currencies and interest is calculated at market base rate plus a fixed margin of 0.25%. The Corporation reimbursed in full the term loan in April 2021, and, accordingly, the loan has been reclassified to short term in the statement of financial position.

Long-term debt

Term Loan Facility

The Corporation has a term loan in the amount of $50,000,000. Only interest is payable on a monthly basis, at a rate that varies according to certain ratios of the Corporation. As at March 31, 2021, the rate is prime plus 1.75%. This term Loan Facility comes to maturity on April 3, 2024.

Revolving Credit Facility

On March 4, 2021, the Corporation amended and restated its existing credit facility as follows:

- The amount available was increased from $110,000,000 to $400,000,000;
- The term remains the same, April 3, 2025;
- Interest is payable on a monthly basis, at a rate that varies according to certain ratios of the Corporation. As at March 31, 2021, the interest rate is prime rate plus 1.75%.

As at March 31, 2021, the Corporation has drawn $213,458,000 from this facility and it has used the funds to finance the acquisition of Handicare.

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

		2021
Balance at January 1	$	50,897
Net change in the revolving credit facility		213,458
Increase through business combinations (Note 4)		115,165
Reclassification of deferred financing costs previously recorded as a long-term asset		(374)
Capitalized deferred financing costs		(173)
Transaction deferred financing costs related to the amended credit agreement		(3,741)
Impact of the change in foreign exchange rates		(447)
	$	374,785
Less: Current portion		115,606
Balance at March 31	$	259,179

The long-term debt and short term loan acquired through business combinations are financial instrument of Level 3 and the carrying amount is a reasonable approximation of its fair value. The Term loans of the Corporation are at market conditions.

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

7 . Right-of-use assets and lease liabilities

Reconciliation of movements of right-of-use assets:

		2021
Balance at January 1	$	**26,572**
Additions		**3,307**
Increase through business combinations (Note 4)		**25,494**
Modifications/terminations		**(597)**
Depreciation expense		**(1,486)**
Impact of the change in foreign exchange rates		**(415)**
Balance at March 31	$	**52,875**

Reconciliation of movements of lease liabilities:

		2021
Balance at January 1	$	**27,149**
New leases		**3,307**
Increase through business combinations (Note 4)		**26,621**
Modifications/terminations		**(609)**
Repayment of lease obligations		**(2,080)**
Interest on lease liabilities		**312**
Impact of the change in foreign exchange rates		**(400)**
	$	**54,300**
Less: Current portion		**9,279**
Balance at March 31	$	**45,021**

8 . Share Capital

During the first quarter of 2021, the Corporation issued 51,167 common shares (2020-33,332) at an average price of $11.94 per share (2020-$5.31) following the exercise of stock options. These exercises resulted in an increase in share capital of $756,000 (2020-$216,000) and a decrease in contributed surplus of $145,000 (2020-$39,000). The average closing price on the exercise dates was $17.75 (2020-$12.77). At March 31, 2021, 1,955,836 options are outstanding (2020-2,262,171) at a weighted average exercise price of $13.84 per share (2020-$12.62).

On March 5, 2021, the Corporation issued 12,736,050 common shares at a price of $15.00 per share via two concurrent private placements with a syndicate of underwriters and with Caisse de dépôt et placement du Québec, for an aggregate gross proceeds of $191,041,000. Net proceeds after transaction costs of $8,960,000 were $182,081,000. Transaction fees after tax amount to $6,586,000.

The following dividends were declared and paid by the Corporation:

	Three months ended March 31,			
		2021		**2020**
Dividends declared	$	**6,638**	$	5,817
Amount declared per share in cents		**0.12**		0.12
Dividends paid	$	**6,127**	$	5,816
Amount paid per share in cents		**0.12**		0.12

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

9 . Other Expenses

Other expenses encompass items of financial performance which the Corporation believes should be separately identified on the face of the interim 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 March 31,	
	2021	**2020**
Business acquisition costs	**$ 1,547**	$ 266
Business integration costs	**976**	333
COVID-19 employee assistance plan	**-**	1,534
	$ 2,523	**$ 2,133**

10 . Net Finance Costs (Income)

	Three months ended March 31,	
	2021	**2020**
Interest on long-term debt	**$ 1,420**	$ 491
Interest on lease liabilities	**312**	252
Loss on foreign exchange contracts	**1,815**	-
Interest and bank charges	**47**	133
Amortization of deferred financing costs	**163**	91
Interest income	**(24)**	(139)
Net (gain) loss on foreign currency exchange	**(2,256)**	(2,110)
	$ 1,477	**$ (1,282)**

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

11 . Net Changes in Non-cash Operating Items

	Three months ended March 31, 2021	2020
Trade and other receivables	**$ 4,439**	$ (1,061)
Inventories	**122**	(3,404)
Prepaid expenses and other current assets	**(2,106)**	(94)
Trade and other payables	**11,776**	78
Deferred revenues	**1,517**	2,391
Warranty provisions	**(183)**	40
Other long-term liabilities	**3**	110
	$ 15,568	**$ (1,940)**

12 . Derivative Financial Instruments

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

	March 31, 2021	**December 31, 2020**
Current assets		
Foreign exchange derivatives	**$ 1,358**	$ 1,070
Non-current assets		
Foreign exchange derivatives	**$ 3,215**	$ 3,099
Cross-currency swaps	**427**	-
	$ 3,642	**$ 3,099**
Current liabilities		
Foreign exchange derivatives	**$ 1,815**	$ -
Non-current liabilities		
Cross-currency swaps	**$ -**	$ 1,037
Interest rate derivatives	**2,343**	2,989
	$ 2,343	**$ 4,026**

All of these derivative financial instruments are Level 2. 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. The fair value of cross-currency swaps is determined based on market data (primarily yield curves, exchange rates and interest rates) to calculate the present value of all estimated flows. 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.

(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* 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 (income), 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 March 31,
	Accessibility	**Patient Handling**	**Adapted Vehicles**	**Total**
2021				
Revenue	**$ 80,594**	**$ 25,482**	**$ 5,999**	**$ 112,075**
Adjusted EBITDA before head office costs [1]	**$ 13,896**	**$ 3,698**	**$ 621**	**$ 18,215**
Head office costs				**922**
Adjusted EBITDA [1]				**$ 17,293**
Stock-based compensation				**264**
Other net expenses				**2,523**
Depreciation and amortization expense				**5,925**
Net finance costs (income)				**1,477**
Earnings before income tax expense				**$ 7,104**
2020				
Revenue	$ 62,612	$ 20,970	$ 4,837	**$ 88,419**
Adjusted EBITDA before head office costs	$ 10,356	$ 2,500	$ (31)	**$ 12,825**
Head office costs				**468**
Adjusted EBITDA				**$ 12,357**
Stock-based compensation				**283**
Other net expenses				**2,133**
Depreciation and amortization expense				**4,140**
Net finance costs (income)				**(1,282)**
Earnings before income tax expense				**$ 7,083**

[1] Includes approximately $1.1 million recognized against salary expense, attributable to the Canada Emergency Wage Subsidy program.

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

13 . Reportable Segments (continued)

Desegregation of Revenue

	Three months ended March 31,			
	Accessibility	Patient Handling	Adapted Vehicles	Total
2021				
Revenue by region				
Canada	**$ 12,600**	**$ 7,671**	**$ 3,712**	**$ 23,983**
United States	**34,795**	**15,920**	**104**	**50,819**
Europe	**22,050**	**732**	**2,123**	**24,905**
Other regions	**11,149**	**1,159**	**60**	**12,368**
	$ 80,594	**$ 25,482**	**$ 5,999**	**$ 112,075**
Major categories of revenue				
Accessibility equipment	**$ 80,594**	**$ -**	**$ -**	**$ 80,594**
Patient handling products	**-**	**25,482**	**-**	**25,482**
Vehicle conversion and adaptation	**-**	**-**	**5,999**	**5,999**
	$ 80,594	**$ 25,482**	**$ 5,999**	**$ 112,075**
Timing of revenue recognition				
Goods transferred at a point in time	**$ 66,594**	**$ 25,482**	**$ 5,999**	**$ 98,075**
Services provided over time	**14,000**	**-**	**-**	**14,000**
	$ 80,594	**$ 25,482**	**$ 5,999**	**$ 112,075**
2020				
Revenue by region				
Canada	$ 11,477	$ 2,870	$ 4,642	**$ 18,989**
United States	36,064	15,329	192	**51,585**
Europe	13,430	977	3	**14,410**
Other regions	1,641	1,794	-	**3,435**
	$ 62,612	**$ 20,970**	**$ 4,837**	**$ 88,419**
Major categories of revenue				
Accessibility equipment	$ 62,612	$ -	$ -	**$ 62,612**
Patient handling products	-	20,970	-	**20,970**
Vehicle conversion and adaptation	-	-	4,837	**4,837**
	$ 62,612	**$ 20,970**	**$ 4,837**	**$ 88,419**
Timing of revenue recognition				
Goods transferred at a point in time	$ 51,766	$ 20,970	$ 4,837	**$ 77,573**
Services provided over time	10,846	-	-	**10,846**
	$ 62,612	**$ 20,970**	**$ 4,837**	**$ 88,419**

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