SAVARIA CORPORATION

Management's Report

For the Three and Twelve-Month Periods Ended December 31, 2016

Contents

1. Basis of Presentation

This management's report is designed to assist the reader 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 and twelve-month periods ended December 31, 2016 in comparison with that for the corresponding periods of fiscal 2015. It also provides a comparison of its statements of financial position as at December 31, 2016 and 2015. Unless otherwise indicated, the terms "the Corporation", "Savaria", "We" and "Our" refer to Savaria Corporation and its subsidiaries.

Prepared in accordance with *National Instrument 51-102 – Continuous Disclosure Obligations*, this report should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2016. Unless otherwise indicated, all amounts are expressed in Canadian dollars and all amounts in tables are in thousands of dollars, except per share amounts.

The financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and the management's report have been reviewed by Savaria's Audit Committee and approved by its Board of Directors.

This management's report was prepared as at March 6, 2017. Additional information, including the Annual Information Form, will be available on SEDAR's website at www.sedar.com.

2. Forward-Looking Statements and Disclaimer

Certain statements in this management's report may be forward-looking. Forward-looking statements involve known and unknown risks, uncertainties or other factors that may cause the Corporation's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The reader is warned against the risk of giving excessive credibility to these forward-looking statements.

3. Compliance with International Financial Reporting Standards

The Corporation's financial statements have been prepared in accordance with IFRS. However, the Corporation uses non-IFRS measures such as EBITDA, EBITDA per share, working capital, current ratio, book value per share, cash per share and total net debt to invested capital ratio for analysis purposes to measure its financial performance. EBITDA means earnings before interest, income taxes, depreciation and amortization ("EBITDA") while EBITDA per share means EBITDA per average diluted number of common shares outstanding. Adjusted EBITDA means EBITDA as defined above before business acquisition costs while adjusted EBITDA per share means adjusted EBITDA per average diluted number of common shares outstanding. The Corporation uses adjusted EBITDA because it believes that it is a meaningful measure of its operating performance without the effects of acquisition costs. Reconciliation between net income and EBITDA and adjusted EBITDA is provided in section 9, *Summary of Quarterly Results*. Working capital is defined as the result of current assets less current liabilities while the current ratio is defined as the result of current assets divided by current liabilities. Book value per share corresponds to the result of shareholders' equity divided by the number of shares outstanding at the end of each quarter and cash per share corresponds to the result of cash divided by the number of shares outstanding at the end of each period.

Total net debt to invested capital ratio is the result of the total of long-term debt less the net result of cash and bank loans ("numerator") divided by the total of shareholders' equity and the numerator.

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 companies.

4. Business Overview

Savaria is one of North America's leaders in the accessibility industry. It provides accessibility solutions for the elderly and physically challenged to increase their mobility and independence. The diversity of its product line, one of the most comprehensive on the market, includes stairlifts, wheelchair lifts, patient lifts and residential and commercial elevators and the conversion and adaptation of vehicles. The Corporation, whose headquarters along with a vehicle conversion plant are located in Laval, Quebec, in a 57,000-square-foot building, also has a 125,000-square-foot plant in Brampton, Ontario and of 75,000-square-foot plant in Huizhou, China, as well as 11 sales offices and retail stores throughout Canada.

Operating Segments of the Corporation

The Corporation manages its operations under two operating segments, the main one being the *Accessibility* segment. These segments are structured according to the market segments they address.

- ***Accessibility*** **Segment (87% of Revenue in 2015 and 80% in 2016)**

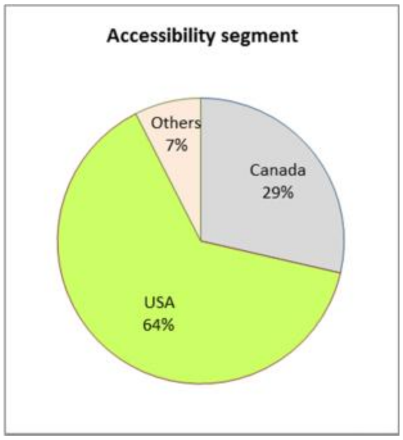
Through its *Accessibility* segment, the Corporation designs, manufactures, distributes and installs accessibility products such as stairlifts for both straight and curved stairs, vertical and inclined wheelchair lifts, elevators for home and commercial use, and since the fourth quarter of 2016, patient lifts. The products are manufactured, assembled and customized at the Brampton, Ontario, plant and are offered through a network of some 300 active retailers, which are primarily located in North America. The Huizhou, China, plant is the main supplier of parts and components for the Brampton plant; also, it assembles product components and finished products mainly for the benefit of the Corporation and for the sale of products on the Asian and European markets. Operation of this Chinese subsidiary provides a competitive advantage to Savaria. Through its Silver Cross division, the Corporation operates a network of franchises and corporate stores in which new and recycled accessibility equipment is sold, and a lead generation program to capture and distribute leads on potential customers to close to 100 affiliates in North America.

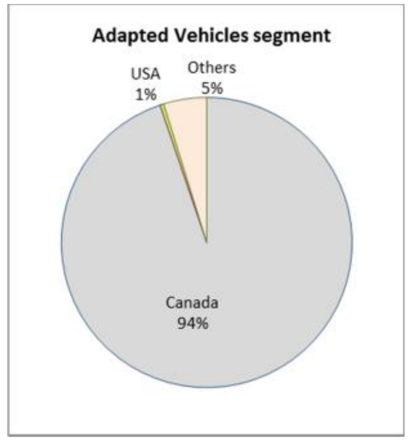
- ***Adapted Vehicles*** **Segment (13% of Revenue in 2015 and 20% in 2016)**

Through its *Adapted Vehicles* segment, the Corporation converts and adapts minivans to facilitate the transport of mobility challenged people via its Van-Action (Laval, Quebec) and Freedom Motors (Brampton, Ontario) subsidiaries. Its new Silver Cross Automotive subsidiary, through which were acquired in May 2016 the assets of the automotive division of *Shoppers Home Health Care* ("SHHC") (a division of *Shoppers Drug Mart*) distributes converted vehicles in the Ontario, Alberta and British Columbia retail markets. The product line-up includes models with rear entry, side entry or dual entry. By adding a ramp and lowering the floor, minivans become accessible to people in wheelchairs. They can be used for personal or commercial purposes.

Revenue Breakdown per Segment per Region

During fiscal 2016, Savaria's total revenue was recorded in the United States (51%), Canada (42%) and, to a lesser extent, outside North America (7%). Revenue breakdown per region by segment is as follows:





Revenue for fiscal 2016 amounts to $96.2 million ("M") for the *Accessibility* segment and $23.5 M for the *Adapted Vehicles* segment, for total revenue of $119.7 M. In this report, unless specifically mentioned, the analysis covers both segments.

The Corporation employs some 500 employees and its shares are listed on the Toronto Stock Exchange under the symbol SIS.

Operations in Foreign Exchange

The Corporation is subject to foreign currency fluctuations from the conversion of revenues, expenses, assets and liabilities of its foreign operations and from commercial transactions denominated mainly in U.S. dollars. Transactions denominated in foreign currencies are initially recorded at the functional currency rate of exchange in effect at the date of the transactions, excluding the impact of forward foreign exchange contracts, while the statement of income of foreign operations is converted at the average exchange rate for the period.

The foreign exchange rates used to convert assets and liabilities into Canadian dollars were as follows, as at:

	December 31	
	2016	2015
USD (Canadian equivalent of U.S. $1)	**1.3427**	1.3840

The foreign exchange rates used to convert revenues and expenses into Canadian dollars were as follows:

	Quarters ended December 31,		Twelve months ended December 31,	
	2016	2015	**2016**	2015
USD (Canadian equivalent of U.S. $1)	**1.3344**	1.3352	**1.3245**	1.2785

The Corporation uses foreign exchange contracts to reduce the risks related to currency fluctuations, so the variations in the rates presented above may not be representative of the actual impact of exchange rates on financial results (see *Hedging of Foreign Exchange Rates* in section 10 for details).

5. Business Context

A Fast-Growing Market due to the Aging of the Population

Equipment designed for the accessibility market is sold to wheelchair users and to elderly people with mobility challenges for whom stairs and raised building entrances are major obstacles. The number of people requiring accessibility products will therefore steadily grow as the population continues to age.

According to a 2011 Canadian census, 5 million people – representing 14.4% of Canada's population – were 65 years and older compared with 3.9 million or 12.6% just a decade earlier. These numbers are expected to continue rising with a projected 8.4 million people – or 20.8% of Canada's population – 65 years and older by 2026. Similar, although less pronounced, trends are noticed in the United States. A 2011 U.S. census indicated that 40 million people – representing 12.8% of the U.S. population – was 65 years and older compared with 34 million or 12% a decade earlier. Projections for the year 2025 indicate that 65 million people – representing 18.7% of the U.S. population – are expected to be 65 years and older.

Consequently, the number of people requiring accessibility equipment will grow, for several reasons. Firstly, the older population is growing and people's life expectancy increasing. According to an *Organisation for Economic Co-operation and Development* ("OECD") study titled *Health at a Glance 2013*, some twenty-four countries now have an average life expectancy of 80 years and over. Secondly, seniors are increasingly well-off and will hence have the means to adapt their own homes in order to remain there. Based on the same 2011 censuses as above, 92% of Canadians and 96% of Americans 65 years and older lived in private households or dwellings with the balance living in collective dwellings. Finally, the family structure and care of aging people are changing, increasingly requiring accessibility equipment to be installed in these people's homes and public buildings.

Alternatively, Statistics Canada indicates that 7.2% of Canadians of all ages currently suffer from some type of mobility disability. Similarly, 6.9% of Americans suffer some form of ambulatory disability. In keeping with the aging of the population, the proportion of people with disabilities is expected to increase in the coming years.

These fundamental changes will definitely have a major impact on the demand for accessibility products. In addition, because of the aging population and high cost of living in institutions for people with mobility challenges, various public and private organizations in both the United States and Canada could reimburse the cost of such devices, as is common today in some European countries.

Along with demographic factors, the demand for accessibility products is also affected by economic conditions and the strength of home and institutional construction.

Since most of the Corporation's products are custom-made, large-scale manufacturing and imports are not a serious threat. Although competing products are of a high quality and sold at competitive prices, Savaria stands apart for its operational flexibility, the reliability and safety of its products and the quality of its after-sales service.

The retail market, meanwhile, is highly fragmented. There are over a thousand resellers of accessibility products in North America.

6. Vision, Mission and Strategy

Our Vision

Remain a leader of the North American market for personal mobility products. Distribute the most extensive line of products designed to increase personal mobility, having the reputation of being the safest and most durable on the market. Develop and maintain a customer-driven culture, which recognizes and respects the needs and desires of our customers, end users and employees. Strategically expand around the world in order to grow revenues and optimize purchasing power.

Our Mission

To design, engineer, manufacture and market high-quality reliable and customized accessibility products, elevators and wheelchair adapted vehicles that improve personal well-being and mobility. To always provide a business culture and environment based on customer-driven principles, teamwork and mutual respect.

Our Strategy

To keep and secure its position among the leaders of the North American market for personal mobility products, Savaria executes several strategies.

➢ Savaria regularly develops and markets new products, providing its 400 active distributors and affiliates and its Canadian direct sales centers with the most extensive product selection in the industry.

Achievements:

- Design of a new patient lift, the Monarch, which was developed at our research and development center in Magog (Quebec). This product was launched last September at the *National Association of Elevator Contractors (NAEC)* show in Montreal. It is initially aimed at the residential market.
- Design of a new vehicle conversion, based on the frame of the Ram ProMaster, carrying up to 7 passengers, including three in wheelchairs; this product, which differs from our existing conversions due to its greater passenger capacity, is being introduced to this new market.
- Design of a new stairlift for straight stairs, the *K2*, which addresses different needs than our existing *SL-1000* model; the *K2* was introduced to the market during 3rd quarter of 2015.

➢ Savaria stays abreast of business opportunities in the accessibility market, such as strategic acquisitions, that would give it the opportunity to extend its range of products, to acquire new brands, or to increase revenue of its existing products.

Achievements:

- Purchase of the assets of the automotive division of SHHC. This transaction opened the door to new markets in the vehicle conversion industry.

- Savaria actively stays at the cutting edge of technology, to remain competitive and to provide its customers innovative tools, allowing it to optimize its business processes and to simplify the work of its dealers.
- Lastly, Savaria constantly strives to optimize its cost structure to increase profitability and production capacity.

Achievements:

- Acquisition of a 57,000-square-foot building in Laval (Quebec) to bring together the activities of the head office, of direct sales for the Montreal region, and of vehicle conversion. This new location allows a 50% capacity increase of side entry van conversions and of the new conversion model based on the chassis of the Ram ProMaster.

The Corporation is exposed to various business risks which could have an impact on its ability to maintain its current market share and profitability, as well as to achieve its short-term and long-term strategic objectives. These risks are described in section 20 *Risks and Uncertainties*.

7. Fourth-Quarter and Fiscal 2016 Highlights

Fiscal 2016 results including Revenue, Operating income and adjusted EBITDA reached unprecedented levels.

Revenue up 16.5% for Q4 2016, and 25.7% for Fiscal 2016

For 4th quarter of 2016, revenue is up $4.4 M, at $31 M, compared to $26.6 M same quarter previous year. For fiscal 2016, revenue is up 25.7% or $24.5 M, at $119.7 M, compared with $95.3 M in previous year.

Operating income up 35.9% for Q4 2016, and 53% for Fiscal 2016

Operating income is up $1.3 M, at $5 M, for 4th quarter of 2016, compared to $3.7 M same quarter previous year. For fiscal 2016, operating income is up $6 M, at $17.4 M in 2016 compared with $11.4 M in 2015.

Net income up 30.4% for Q4 2016, and 37.5% for Fiscal 2016

Net income is up $873,000, at $3.7 M, for 4th quarter of 2016, compared to $2.9 M same quarter previous year. For fiscal 2016, net income is up $3.4 M, at $12.3 M in 2016 compared with $8.9 M in 2015.

Adjusted EBITDA up 34.5% for Q4 2016, and 40.6% for Fiscal 2016

The Corporation's adjusted EBITDA amounted to $5.9 M for 4th quarter of 2016 compared to $4.4 M same quarter previous year, an increase of $1.5 M. For fiscal 2016, adjusted EBITDA is up $5.9 M at $20.5 M in 2016 compared with $14.6 M in 2015. Reconciliation between net income and adjusted EBITDA is provided in section 9, *Summary of Quarterly Results*.

Dividend

On November 2, 2016, the Board of Directors declared a quarterly dividend of 6.5 cents ($0.065) per share, in accordance with its dividend policy in effect at that date. For fiscal 2016, a total amount of 21.5 cents ($0.215) per share has been declared in dividends.

8. Overview of the Last Three Years

Selected financial information for the last three years is presented in the table below.

(in thousands, except per-share amounts and percentages)	**2016**	2015	2014
Revenue	**$119,728**	$95,263	$82,909
Gross margin as a % of revenue	***33.9%***	*31%*	*30.5%*
Operating expenses [(1)]	**$22,479**	$18,198	$16,565
As a % of revenue	***18.8%***	*19.1%*	*20%*
Operating income	**$17,449**	$11,405	$8,765
As a % of revenue	***14.6%***	*12%*	*10.6%*
EBITDA [(2)]	**$19,714**	$14,559	$11,164
Adjusted EBITDA [(2)]	**$20,467**	$14,559	$11,164
Adjusted EBITDA per share – diluted	**$0.54**	$0.45	$0.40
Gain on foreign exchange	**$265**	$1,345	$630
Net income	**$12,301**	$8,944	$6,391
Earnings per share – diluted	**$0.34**	$0.28	$0.23
Dividends declared per share	**$0.215**	$0.17	$0.24
Weighted average number of common shares outstanding – diluted	**35,916**	32,446	28,070
Total assets	**$126,132**	$95,685	$71,420
Long-term debt (including current portion)	**$17,291**	$17,252	$15,354
Total non-current liabilities	**$16,543**	$21,943	$16,462
Equity	**$82,985**	$49,213	$36,456
Number of common shares outstanding	**36,354**	32,580	29,555

(1) "Operating expenses" include: administrative, selling, engineering and research and development expenses.
(2) Reconciliation of EBITDA and adjusted EBITDA with net income provided in section 9.

Revenue significantly increased in the last 2 years to record highs of $95.3 M and $119.7 M respectively, up 14.9% in 2015 and 25.7% in 2016. These increases are primarily due to Savaria launching new products and to an increase in sales of certain existing products. The $12.4 M increase in revenue in 2015 compared to 2014 includes a favourable variation in foreign exchange of $4.9 M, while the increase of 2016 of $24.5 M compared to 2015 includes a favourable variation in foreign exchange to the amount of $1.6 M. Excluding the favourable variation in foreign exchange, revenue would have increased by 9% in 2015 and 24% in 2016.

Gross margin followed the same trend, mainly due to increased revenue. Gross margin went from 30.5% of revenue in 2014 to 33.9% of revenue in 2016.

As for operating income, it soared by more than 30% in 2015 and by 53% in 2016 mainly due to an increase in gross margin and to a decrease in operating expenses as a percentage of revenue.

Gains on foreign exchange are mainly related to the variation of the rate of the U.S. dollar relative to the Canadian dollar on the transactions not covered by foreign exchange contracts. The $715,000 increase in the foreign exchange variation in 2015 is due to a favourable variation of 17 basis points in the average foreign exchange rate for 2015 compared to 2014, whereas the variation was of only 5 basis points in 2016 compared to 2015; resulting in a decrease in foreign exchange variation between 2016 and 2015 of $1.1 M.

Along with revenue, adjusted EBITDA reached record highs in each of the last 2 years. After crossing the $10 M mark for the first time in 2014, it reached $14.6 M in 2015, or 15.3% of revenue compared to 13.5% in 2014 and reached a record high of $20.5 M in 2016, or 17.1% of revenue. These increases are mainly due to the increases in gross margin (+$4.3 M in 2015; +$11 M in 2016) and foreign exchange gains in 2015 (+$715,000) offset by the increases in operating expenses (+$1.6 M in 2015; +$4.3 M in 2016) and a decrease in foreign exchange gains in 2016 (-$1.1 M).

Dividends declared per share amounted to 24 cents in 2014 given the dividend policy that provided for an adjustment based on the results of the previous year. The dividend policy in effect between September 2015 and September 2016 was 5 cents per share, and it has been raised afterwards to 6.5 cents.

Total assets increased significantly in 2015 and 2016, mainly due to funds received related to private placements for net amounts of $13.5 M in 2015 and $19.1 M in 2016. Added to this is the acquisition of a building in Laval, Québec, in 2015 and the acquisition of the assets of SHHC in 2016. Long-term debt increased by $1.9 M in 2015 following the receipt of a new debt of $4.2 M related to the acquisition of the Laval building, offset by normal repayment of loans and notes payable totaling $2.4 M; it remained stable between 2015 and 2016. Similarly, total non-current liabilities followed the same upward trend between 2014 and 2015 as long-term debt in addition to suffering from the impact of an increase in liabilities related to foreign exchange contracts of $3.7 M in 2015. In 2016, total non-current liabilities have decreased by $5.4 M, due to the decrease in liabilities related to foreign exchange contracts of $5 M.

Equity significantly increased by $12.8 M in 2015 and $33.8 M in 2016. These increases are primarily due to the issuance of shares related to the private placements and the exercise of warrants for amounts of $13.8 M in 2015 and $23.7 M in 2016. Adding to this for 2016, the favourable variation in *Accumulated other comprehensive income* of $4.5 M, and the favourable variation in retained earnings of $4 M.

9. Summary of Quarterly Results

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

(in thousands, except per-share amounts and percentages – unaudited)	**2016**				2015			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Revenue	**$30,986**	$32,440	$30,086	$26,216	$26,605	$24,002	$24,422	$20,234
Gross margin as a % of revenue	***35.9%***	*34.4%*	*32.6%*	*32.3%*	*32.7%*	*30.6%*	*30.5%*	*30%*
Operating expenses [(1)]	**$6,094**	$6,254	$5,285	$4,846	$5,061	$4,483	$4,373	$4,281
As a % of revenue	***19.7%***	*19.3%*	*17.6%*	*18.5%*	*19%*	*18.6%*	*17.9%*	*21.2%*
Operating income	**$4,999**	$4,865	$3,856	$3,729	$3,678	$2,850	$3,087	$1,790
As a % of revenue	***16.1%***	*15%*	*12.8%*	*14.2%*	*13.8%*	*11.9%*	*12.6%*	*8.8%*
Gain (loss) on foreign exchange	**$311**	$197	$95	$(338)	$256	$515	$(29)	$603
Net income	**$3,740**	$3,415	$2,763	$2,383	$2,867	$2,352	$2,150	$1,575
Earnings per share – diluted	**$0.10**	$0.09	$0.08	$0.07	$0.09	$0.07	$0.07	$0.05
EBITDA [(2)]	**$5,835**	$5,577	$4,418	$3,884	$4,372	$3,806	$3,523	$2,858
Adjusted EBITDA [(2)]	**$5,882**	$5,627	$5,074	$3,884	$4,372	$3,806	$3,523	$2,858
Adjusted EBITDA per share – diluted	**$0.15**	$0.15	$0.13	$0.11	$0.13	$0.11	$0.11	$0.10
Dividend declared per share	**$0.065**	$0.05	$0.05	$0.05	$0.05	$0.04	$0.04	$0.04

[(1)] "Operating expenses" include: administrative, selling, engineering and research and development expenses.

[(2)] Reconciliation of EBITDA and adjusted EBITDA with net income provided in the table that follows.

The Corporation has achieved record-breaking revenue every quarter in 2016 compared to the corresponding quarters of the prior year. This increase in revenue is primarily due to Savaria launching new products and to an increase in sales of certain existing products. The activities acquired from SHHC in May 2016 also contribute in explaining the increase in revenue since the 2nd quarter of 2016.

The gross margin percentage achieved in 4th quarter of 2015 remained stable in the first 6 months of 2016 while it increased by 2 percentage points in the 3rd quarter and another 1.5 percentage point in 4th quarter. The level of revenue, which remained stable in the 1st quarter of 2016, increased by $3.9 M in 2nd quarter and by $2.4 M in 3rd quarter whereas it decreased by $1.5 M in 4th quarter compared to previous quarter due to a decrease in sales of converted vehicles. The increase in gross margin since 4th quarter of 2015 compared to the average of 30.4% for the first three quarters of 2015 is mainly due to the very high level of revenue of the last four quarters compared to the previous quarters as well as to the mix of revenue.

Operating expenses for 3rd quarter and 4th quarter of 2016, respectively at $6.3 M and $6.1 M or 19.3% and 19.7% of revenue, are up compared to the average of 18% in first half of 2016 and the average of 19.1% in

2015; these increases are mainly due to the impact of the acquisition of three Silver Cross franchisees during the 3rd quarter of 2015 and SHHC during 2nd quarter of 2016.

At a $4.9 M average for 2016 compared to an average of $3.6 M for 2015, quarterly EBITDA is up 36% whereas quarterly adjusted EBITDA, at $5.1 M in average for 2016, is up 41% compared to the average of $3.6 M of 2015.

Reconciliation of EBITDA and adjusted EBITDA with Net Income

As mentioned in section 3, although EBITDA and adjusted EBITDA are not recognized measures according to IFRS, they are used by management, investors and analysts to assess the Corporation's financial and operating performance.

Reconciliation between net income and EBITDA and adjusted EBITDA is provided in the table below.

(in thousands of dollars – unaudited)	**2016**					2015				
	Total	**Q 4**	Q 3	Q 2	Q 1	Total	Q 4	Q 3	Q 2	Q 1
Net income	**$12,301**	**$3,740**	$3,415	$2,763	$2,383	$8,944	$2,867	$2,352	$2,150	$1, 575
Plus:										
Interest on long-term debt	**613**	**154**	162	145	152	563	130	140	147	146
Interest expense and banking fees	**212**	**33**	85	50	44	186	31	68	44	43
Income tax expense	**4,953**	**1,510**	1,512	1,054	877	3,288	976	876	774	662
Depreciation of fixed assets	**1,309**	**353**	336	295	325	1,062	286	271	255	250
Amortization of intangible assets	**691**	**172**	179	172	168	747	152	170	210	215
Less:										
Interest Income	**365**	**127**	112	61	65	231	70	71	57	33
EBITDA	**$19,714**	**$5,835**	$5,577	$4,418	$3,884	$14,559	$4,372	$3,806	$3,523	$2,858
Business acquisition costs, realized and unrealized	**753**	**47**	50	656	-	-	-	-	-	-
Adjusted EBITDA	**$20,467**	**$5,882**	$5,627	$5,074	$3,884	$14,559	$4,372	$3,806	$3,523	$2,858

The following section provides a detailed analysis of operating results for 4th quarter of 2016, in comparison with the same quarter of 2015 and of full year fiscal 2016 in comparison with the previous year. The detailed analysis of prior quarters is provided in the interim reports for fiscal 2016 and 2015, available on SEDAR's website at www.sedar.com.

10. Operating Results

Certain data on results for 4th quarter and for fiscal years ended December 31, 2016 and 2015 are presented in the following tables.

Gross margin

(in thousands of dollars, except percentages)	3 Months (Unaudited)			12 Months		
	2016	2015	Change	**2016**	2015	Change
Revenue	**$30,986**	$26,605	16.5%	**$119,728**	$95,263	25.7%
Cost of sales	**$19,852**	$17,892	11%	**$79,159**	$65,686	20.5%
Gross margin	**$11,134**	$8,713	27.8%	**$40,569**	$29,577	37.2%
As a % of revenue	***35.9%***	*32.7%*	*n/a*	***33.9%***	*31%*	*n/a*

Revenue for the 4th quarter of 2016 is up by $4.4 M or 16.5%, from $26.6 M in 2015 to $31 M in 2016. Revenue of the *Accessibility* segment is up 5.2% or $1.2 M, from $23.5 M for the 4th quarter of 2015 to $24.7 M for the 4th quarter of 2016, primarily due to an increase in the sale of stairlifts for straight and curved stairways which is up 7% in number of units. Revenue for the *Adapted Vehicles* segment doubled in 4th quarter 2016, from $3.1 M in 4th quarter 2015 to $6.3 M in 4th quarter 2016. This increase is mainly due to the acquisition of SHHC, whose revenue represents $2.3 M in the 4th quarter of 2016.

Revenue for the twelve months of 2016 is up by $24.5 M or 25.7% compared to the previous year. This increase includes a favourable variation in foreign exchange of $1.6 M. Revenue of the *Accessibility* segment is up 16.5% or $13.6 M primarily due to an increase in the sale of stairlifts for straight and curved stairways which is up 50% in number of units. Revenue for the *Adapted Vehicles* segment is up 86% or $10.8 M, mainly due to the acquisition of SHHC (+$8 M).

Gross margin is up by $2.4 M for the 4th quarter of 2016 and $11 M for the twelve months compared to the corresponding periods of 2015. This increase is mainly due to the increase in revenue and to its mix.

The increase in our purchases from Asia allows us to maintain our direct costs at a competitive level. The proportion of purchases made by the subsidiary Savaria Concord for twelve months of 2016 from the subsidiary Savaria Huizhou and other suppliers in Asia has increased to 58% of purchases of raw materials, compared to 54% for fiscal 2015.

Breakdown of Revenue by Geographical Region

(as a percentage of revenue, unaudited)	3 months			12 months		
	2016	2015	Change	**2016**	2015	Change
Canada	**42.7%**	34.5%	8.2	**41.6%**	36.3%	5.3
United States	**52.6%**	58.5%	(5.9)	**51.4%**	55.1%	(3.7)
Other regions	**4.7%**	7%	(2.3)	**7%**	8.6%	(1.6)

The addition of the activities of SHHC acquired in May 2016 has increased the proportion of 2016 4th quarter revenue in Canada by 4.6% (4.2% for fiscal 2016) while it decreased the proportion of revenue in the U.S. by 4.2% (3.7% for fiscal 2016) since the activities of this division are limited to Canada.

Operating Income

(in thousands of dollars, except percentages)	3 Months (Unaudited)			12 Months		
	2016	2015	Change	**2016**	2015	Change
Operating expenses	**$6,094**	$5,061	20.4%	**$22,479**	$18,198	23.5%
As a % of revenue	***19.7%***	*19%*	*n/a*	***18.8%***	*19.1%*	*n/a*
Other Income (expenses)	**$(41)**	$26	(258)%	**$(641)**	$26	(2565)%
Operating income	**$4,999**	$3,678	35.9%	**$17,449**	$11,405	53%
As a % of revenue	***16.1%***	*13.8%*	*n/a*	***14.6%***	*12%*	*n/a*

The proportion of operating expenses relative to revenue increased in the 4th quarter compared to the same period in 2015, from 19% to 19.7% in 2016, while it decreased for the twelve months compared to the same period in 2015, from 19.1% to 18.8%. In terms of dollars, operating expenses increased by $1 M for the 4th quarter of 2016 and $4.3 M for the twelve months compared to the same periods in 2015, due mainly to the acquisition of three Silver Cross franchisees in 3rd quarter 2015 and of SHHC in the 2nd quarter of 2016; were it not for these acquisitions, operating expenses would have increased by $302,000 in the 4th quarter and by $2.2 M for the twelve months of 2016. This cost increase is mainly due to an increase in selling expenses and engineering and R&D activities.

Included in the caption "Other Income (expenses)" for 2016, is a net charge of $641,000 mainly composed of $726,000 of costs related to the acquisition of SHHC offset by an income of $106,000 recorded in the 1st quarter of 2016 for a grant received by the Savaria Huizhou subsidiary.

The combined effect of the favourable change in gross margin and the unfavourable changes in operating expenses and other income (expenses) results in a positive effect on operating income with an increase of \$1.3 M for the 4th quarter and \$6 M in the twelve months compared to the same periods in 2015.

Net Income

(in thousands of dollars, except percentages)	3 Months (Unaudited)			12 Months		
	2016	2015	Change	**2016**	2015	Change
Net finance income (costs)	**\$251**	\$165	52.1%	**\$(195)**	\$827	(124)%
Income before income tax	**\$5,250**	\$3,843	36.6%	**\$17,254**	\$12,232	41.1%
Income tax expense	**\$1,510**	\$976	54.7%	**\$4,953**	\$3,288	50.6%
Net income	**\$3,740**	\$2,867	30.4%	**\$12,301**	\$8,944	37.5%
As a % of revenue	***12.1%***	*10.8%*	*n/a*	***10.3%***	*9.4%*	*n/a*
EBITDA	**\$5,835**	\$4,372	33.5%	**\$19,714**	\$14,559	35.4%
As a % of revenue	***18.8%***	*16.4%*	*n/a*	***16.5%***	*15.3%*	*n/a*
Adjusted EBITDA	**\$5,882**	\$4,372	34.5%	**\$20,467**	\$14,559	40.6%
As a % of revenue	***19%***	*16.4%*	*n/a*	***17.1%***	*15.3%*	*n/a*

The favourable variation of \$86,000 of net finance income (costs) for the 4th quarter of 2016 and unfavourable variation of \$1 M for the twelve months compared to same periods of 2015 are due to variations in net foreign exchange gains (losses) (see *Operations in Foreign Exchange* in section 4 for details).

The effective income tax rate of 28.7% for the twelve months of 2016 has increased compared to the rate of 26.9% in 2015. This is mainly due to higher withholding taxes on funds repatriated from the Chinese subsidiary. It is higher than the Canadian combined statutory income tax rate of 26% for the same reason as above and also due to non-deductible items.

Net income and EBITDA increased for the 4th quarter of 2016 and the twelve months compared to corresponding periods of 2015, with an increase of \$873,000 and \$3.4 M of net income respectively and of \$1.5 M and \$5.2 M of EBITDA respectively. Adjusted EBITDA (see *Reconciliation of EBITDA and adjusted EBITDA with Net Income* in section 9 for details) for the twelve months is up by \$5.9 M in 2016 over the same period in 2015.

Hedging of Foreign Exchange Rates

In conformity with the hedging policy adopted by the Board of Directors, the Corporation uses foreign exchange contracts to reduce the risks related to currency fluctuations. It applies hedge accounting, which allows the recognition of gains, losses, revenues and expenses from derivative financial instruments in the same period as those related to the hedged item. Foreign exchange contracts are presented at their fair value in the statement of financial position according to their maturity date. Unrealized gains and losses not recognized as net income are recorded in *Accumulated other comprehensive income*. At the contract maturity, gains and losses are reclassified against revenue in net earnings.

As at December 31, 2016, the Corporation held foreign exchange contracts totaling $53.5 M U.S. for a hedging period up to November 30, 2019, at a weighted average rate of 1.222. At the end of the quarter, the unrealized loss on the foreign exchange contracts amounted to $5.8 M before deferred taxes. This amount is reflected on the statement of financial position under *Derivative financial instruments* of Non-current assets and Current and Non-current liabilities and is included in the *Accumulated other comprehensive income* balance (see *Available Sources of Financing* in section 11 for details).

Hedging of Interest Rates

The Corporation signed a financing agreement in April 2012 comprising of two long-term debts for a total of $16.6 M and another one in July 2016 which includes a loan of $6.2 M (see *Available Sources of Financing* in section 11 for details). Since those debts bear interest at variable rates, the Corporation decided to enter into interest rate swap agreements to minimize its risk of variation of cash-flows related to changes in interest rates. Therefore, it has signed a first swap related to an original capital amount of $7 M with a fixed interest rate of 3.48%, a second swap related to an original capital amount of $9.6 M with a fixed interest rate of 3.58% and a third swap related to an original capital amount of $6.2 M with a fixed interest rate of 2.68%, the three of them for a 5-year period. Those rates include a stamping fee of 1.5%.

Consistent with our currency hedges, the Corporation applies hedge accounting, which enables the recording of unrealized gains and losses related to the derivative financial instrument to *Accumulated other comprehensive income*, while fair value is recorded in the statement of financial position. As at December 31, 2016, the unrealized loss on the interest rate swaps is negligible.

11. Financial Position

Working Capital

(in thousands of dollars)	December 31, 2016	December 31, 2015	Change	
Current assets	**$90,239**	$61,557	$28,682	46.6%
Current liabilities	**$26,604**	$24,529	$2,075	8.5%
Working capital	**$63,635**	$37,028	$26,607	71.9%
Current ratio	**3.39**	2.51	0.88	35.1%

Current assets increased by $28.7 M between December 31, 2015 and December 31, 2016, mainly due to cash (+$21.5 M) and inventories (+$6.7 M). The addition of the activities of SHHC represents $7.2 M of increase in inventory. See *Cash Flows* in section 12 for details on cash flow variations.

Current liabilities increased by $2.1 M between December 31, 2015 and December 31, 2016, mainly due to higher suppliers and other payables (+$3.2 M) and the current portion of the long-term debt (+$456,000), partially offset by a decrease in derivative financial instruments related to the net unrealized loss on foreign exchange contracts (-$1.4 M).

Note that the number of days required to recover accounts receivable was 40.4 days as at December 31, 2016 compared to 43.8 days as at December 31, 2015. As for accounts payable, the average was 70.9 days as at December 31, 2016 compared to 69.5 days as at December 31, 2015.

Non-current Assets and Liabilities, and Equity

(in thousands of dollars)	December 31, 2016	December 31, 2015	Change	
Non-current assets	**$35,893**	$34,128	$1,765	5.2%
Non-current liabilities	**$16,543**	$21,943	$(5,400)	(24.6)%
Equity	**$82,985**	$49,213	$33,772	68.6%

Non-current assets increased by $1.8 M between December 31, 2015 and December 31, 2016, mainly due to an increase in fixed assets (+$1.1 M) and goodwill (+$1.7 M), partially offset by a decrease in deferred tax assets (-$1.6 M). The increase in fixed assets is due to acquisitions of $2.4 M, partially offset by $1.3 M in depreciation, while the increase in goodwill relates to the acquisition of SHHC. The decrease in deferred tax assets is mainly due to a variation in the unrealized net value on foreign exchange contracts.

Non-current liabilities decreased by $5.4 M between December 31, 2015 and December 31, 2016, mainly due to the variation in unrealized net value on foreign exchange contracts of $5 M.

The $33.8 M increase in equity is mainly due to the $16.8 M of comprehensive income, consisting primarily of the net income of $12.3 M and of the impact of the variation of the foreign exchange rate of $4.5 M included in other comprehensive income, as well as the issuance of shares in relation to a private placement (+$20.3 M) and the exercise of warrants (+$4.3 M), offset by declared dividends totaling $7.4 M. Refer to the *Consolidated statements of comprehensive income* of the consolidated financial statements for the year ended December 31, 2016.

As at December 31, 2016, Savaria benefited from a sound financial position with total assets of $126.1 M, compared with $95.7 M as at December 31, 2015, and total liabilities of $43.1 M, compared with $46.5 M as at December 31, 2015.

Share Information

(in thousands)	December 31,	
	2016	2015
Number of common shares issued and outstanding	**36,354**	32,580

(in thousands)	Quarters ended December 31,		Twelve months ended December 31,	
	2016	2015	**2016**	2015
Weighted average number of common shares outstanding used to calculate basic earnings per share	**36,003**	32,563	**34,270**	31,447
Weighted average number of common shares outstanding used to calculate diluted earnings per share	**38,073**	33,562	**35,916**	32,446

Available Sources of Financing

(in thousands of dollars)	December 31,	
	2016	2015
Credit facilities:		
Authorized	**$10,000**	$7,500
Loans	**-**	(1,125)
Unused credit	**10,000**	6,375
Gross cash	**51,230**	30,832
Total	**$61,230**	$37,207

As shown above, the Corporation had total available funds of $61.2 M as at December 31, 2016. This provides it with the flexibility to meet its potential obligations in the near term and to benefit from investment opportunities.

On August 31, 2015, the Corporation acquired a building at the cost of $4.2 M. On the same date, the Corporation received financing in the form of a construction loan to the amount of $6.2 M, of which $2 M was used to perform improvements to the building. Following the receipt of the balance of $2 M during the second quarter of 2016, the construction loan was converted into long-term debt. The terms of the financing agreement provide for a 180-month amortization period with monthly installments of $43,000 in principal for the first 60 months, and of $30,000 for the remaining 120 months. On July 4, 2016, the Corporation entered into a five-year swap agreement on this loan with an interest rate of 2.68%, including a stamping fee of 1.5%. This derivative has been designated as hedging for accounting purposes.

On June 16, 2016, the Corporation completed a bought deal private placement of 2.6 M common shares at a price of $7.80 per share, for gross proceeds to Savaria of $20.3 M and proceeds net of transaction fees of $19.1 M. The common shares issued were subject to a statutory hold period which expired on October 17, 2016.

On August 25, 2016, the Corporation signed a financing agreement with its financial institution for a long-term debt to the amount of $512,000 U.S. to finance the purchase of fixed assets. The terms of the agreement include a 60-month amortization period with monthly installments of $9,000 U.S. plus interest at the fixed rate of 4.6%.

The Corporation minimizes its exposure to risks of variation of cash-flows related to fluctuations in interest rates by keeping most of its debt at fixed rates using swap agreements (see *Hedging of Interest Rates* in section 10). At the renewal of the credit conditions in June 2016, the maximum value of this substitution line was increased from $610,000 to $800,000.

Furthermore, the Corporation has a substitute line enabling it to be exposed to a risk of potential losses on foreign exchange contracts over a hedging period of a maximum of 36 months. At the renewal of the credit conditions of the Corporation in June 2016, the maximum value of this substitution line was increased from $8.6 M to $11.1 M and the enforcement of security rights in the case where the unrealized losses were above $7.1 M was withdrawn from the agreement. In January 2017, this substitution line has been increased again to $17.8 M while the maximum hedging period has been increased to 48 months.

Since December 31, 2014, the Corporation's total net debt to invested capital ratio is *nil*, as its cash exceeds its long-term debt.

Other Data and Ratios

3(in thousands of dollars, except per-share amounts - unaudited)	December 31,		Change
	2016	2015	
Book value per share [(1)]	**$2.28**	$1.51	51%
Cash per share [(1)]	**$1.41**	$0.91	54.9%
Market capitalization	**$395,167**	$179,514	120%

[(1)] See definition in section 3, *Compliance with International Financial Reporting Standards*

Book value per share as well as cash per share are up as at December 31, 2016 compared to December 31, 2015, due to the impact on equity and cash of the private placement completed in the second quarter. Relative to the book value per share, adding to that is the favourable variation in *Accumulated other comprehensive loss* primarily related to the favourable variation in fair value of foreign exchange contracts. Market capitalization is up due to an increase in the value of the common shares of the Corporation, which went from $5.51 as at December 31, 2015 to $10.87 as at December 31, 2016 and to the issuance of common shares related to the private placement.

12. Cash Flows

The following table presents certain cash flow data for 4th quarter and fiscal 2016 and 2015.

(in thousands of dollars)	3 Months (Unaudited)		12 Months	
	2016	2015	**2016**	2015
Cash at the beginning of the periods	**$46,480**	$27,535	**$29,707**	$16,280
Net cash from operating activities	**4,642**	6,660	**18,085**	12,129
Net cash used in investing activities	**(637)**	(2,500)	**(11,929)**	(8,626)
Net cash from (used in) financing activities	**647**	(2,212)	**15,512**	9,432
Unrealized foreign exchange gain (loss) on cash held in foreign currencies	**98**	224	**(145)**	492
Cash as at 31 December	**$51,230**	$29,707	**$51,230**	$29,707

The Corporation's cash flows from operating activities are down \$2 M for the 4th quarter and up \$6 M for the twelve months compared to the corresponding periods of previous year. This is mainly due to a variation in non-cash items (-\$3.3 M for the quarter, +\$1.6 M for the twelve months) and net income before tax and amortization (+\$1.5 M for the quarter, +\$5 M for the twelve months); for the twelve months, adding to those items are the variation in unrealized foreign exchange gains and losses (+\$672,000) offset by higher income tax payments (-\$1.7 M).

Cash flows used in investing activities are down \$1.9 M in 4th quarter while they are up by \$3.3 M in the twelve months of 2016 compared to the same periods previous year. This is mainly due to the decrease in deposits and additions to fixed assets (+\$1.9 M for the quarter, +\$4.7 M for the twelve months), and for the twelve months, to the increase in business acquisitions (-\$8.2 M).

Regarding financing activities, cash flows from financing activities are up \$2.9 M for 4th quarter 2016 and \$6.1 M for the twelve months compared to the same periods previous year. This is mainly due to an increase in proceeds from the exercise of warrants (+\$3.7 M for the quarter, +\$4.3 M for the twelve months) partially offset by an increase in dividend payments (-\$734,000 for the quarter, -\$2 M for the twelve months); for the twelve months, adding to this is a favourable change in the proceeds related to private placement (+\$5.6 M) partially offset by a decrease in cashing of new debt (-\$1.6 M).

13. Significant 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 estimation uncertainties that have a significant risk of resulting in a material adjustment are goodwill, the measurement of the identifiable assets acquired during business acquisitions, the measurement of the fair value of derivative financial instruments and the warranty provisions. 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 operating segments and the determination of foreign operations' functional currency.

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, including an adjustment for credit risk.

The recoverable amount of goodwill is estimated at the same time each year, or more frequently if there are indications of impairment. For the purposes of assessing impairment of goodwill, goodwill acquired through business acquisitions is allocated to the cash-generating unit ("CGU") or group of CGUs, expected to benefit from the synergies of the acquisition. Each CGU or group of CGUs to which the goodwill is allocated shall represent the lowest level at which goodwill is monitored for internal management purposes and should not be, before allocation of goodwill, greater than an operational segment. The recoverable amounts of these CGUs are based on their value in use. They are determined by discounting the future cash flows generated by the continued use of the units. The calculation of value in use is based on the following key assumptions:

- Cash flows are projected over a period of five years based on past experience and actual operating results using a constant growth rate of 10% for the *Accessibility* segment, and 5% for the *Adapted Vehicles* segment;

- The anticipated annual revenue growth included in the cash flow projections are based on the business plan;

- A high and low pre-tax discount rate of 14.9% and 13.2% (same in 2015) is applied in determining the recoverable amount of the unit. The discount rate used is based on past experience and industry weighted average cost of capital, which is based on a possible range of debt leveraging of 19% at a high and low market interest rate of 3.2% and 2.7%;

- The values assigned to the key assumptions represent management's assessment of future trends in the accessibility industry and are based on both external and internal sources (historical data).

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.

14. New Accounting Policies

(A) New accounting standards and interpretations adopted during fiscal 2016

The following new standards and amendments to standards and interpretations have been applied in preparing the consolidated financial statements as at December 31, 2016. The adoption of these new standards has not had a material impact on the consolidated financial statements.

Annual Improvements to IFRS: (2012-2014) cycle

In September 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. Each of the amendments has its own specific transition requirements.

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

- Changes in method for disposal under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
- "Continuing involvement" for servicing contracts and offsetting disclosures in consolidated financial statements under IFRS 7 *Financial Instruments: Disclosures*;
- Discount rate in a regional market sharing the same currency under IAS 19 *Employee Benefits*;
- Disclosure of information "elsewhere in the interim financial report" under IAS 34 *Interim Financial Reporting*.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

In May 2014, the IASB issued amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. The amendments made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption could be overcome only when revenue and consumption of the economic benefits of the intangible asset are "highly correlated" or when the intangible asset is expressed as a measure of revenue.

Disclosure initiative: amendments to IAS 1

In December 2014, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative").

(B) New accounting standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the years ended December 31, 2016 and 2015, and have not been applied in preparing the consolidated financial statements.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

On June 20, 2016, the IASB issued amendments to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Corporation intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

Disclosure Initiative (Amendments to IAS 7)

On January 7, 2016, the IASB issued *Disclosure Initiative (Amendments to IAS 7)*. The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities.

The Corporation intends to adopt the amendments to IAS 7 in its consolidated financial statements for the annual period beginning on January 1, 2017. The Corporation does not expect the standard to have a material impact on its consolidated financial statements.

IFRS 9 - *Financial Instruments*

In July 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for years beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior years is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured at amortized cost based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

IFRS 9 (2014) presents a few differences with IFRS 9 (2013), early adopted by the Corporation on April 1, 2014. The Corporation intends to adopt IFRS 9 (2014) in its consolidated financial statements for the year beginning on January 1, 2018. The Corporation does not expect the standard to have a material impact on its consolidated financial statements.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

On January 19, 2016, the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)*. The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

The Corporation intends to adopt the amendments of IAS 12 in its consolidated financial statements for the annual period beginning on January 1, 2017. The Corporation does not expect the standard to have a material impact on its consolidated financial statements.

IFRS 15 - *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective to years beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRS.

The Corporation intends to adopt IFRS 15 in its consolidated financial statements for the year beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 16 – *Leases*

On January 13, 2016, the IASB issued IFRS 16 *Leases*. The new standard is effective for years beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases*.

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

The Corporation intends to adopt IFRS 16 in its consolidated financial statements for the year beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

15. Internal Control over Financial Reporting

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.

An evaluation has been conducted to measure the effectiveness of controls and procedures used for the preparation of reporting documents. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures were effective and well designed at the close of the fiscal year ended December 31, 2016 and, more specifically, that the design of such controls and procedures provides reasonable assurance that they are advised of material information relating to the Corporation during the period in which these reporting documents are prepared.

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.

Management has evaluated the effectiveness of internal control over financial reporting using the criteria defined in the integrated internal control framework of the *Committee of Sponsoring Organizations of the Treadway Commission* ("COSO") (COSO framework of 2013). Based on that evaluation, management as well as the Chief Executive Officer and the Chief Financial Officer concluded, as at December 31, 2016, that the Corporation's internal control over financial reporting was effective in that it provides reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its financial statements for disclosure purposes in accordance with IFRS.

Limitation on Scope of Design

The Corporation has limited the scope of its disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of Silver Cross Automotive acquired less than 365 days before the last day of the period covered by the annual filing. The Corporation elected to exclude it from the scope of certification as allowed by NI 52-109. The Corporation intends to evaluate the situation within one year of acquisition.

The following table presents a summary of the financial information included in the consolidated financial statements of the excluded company:

(Unaudited) (in thousands of dollars)	
Statement of financial position	
Current assets	$9,029
Non-current assets	$2,570
Current liabilities	$3,336
Non-Current liabilities	$13
Statement of comprehensive income	
Revenue	$8,014
Net income	$(385)

Changes to Internal Control over Financial Reporting

No changes in the Corporation's internal control over financial reporting occurred during fiscal 2016 that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

16. Commitments

In addition to the debts appearing in the statement of financial position, the Corporation has concluded lease agreements for the rental of certain premises and entered into operating leases for rolling stock and equipment for a total of $5.6 M ($1.5 M in 2015).

The following table details the Corporation's commitments for the coming years:

(in thousands of dollars)	**Total**	2017	2018	2019	2020	2021	After 2021
Long-term debt obligations, including interest	**$19,415**	$3,901	$3,270	$1,930	$1,542	$1,443	$7,329
Capital leases	**104**	53	29	17	5	-	-
Operating leases	**5,570**	1,320	1,160	965	612	407	1,106
Foreign exchange contracts	**71,223**	25,444	23,960	21,819	-	-	-
Total contractual obligations	**$96,312**	$30,718	$28,419	$24,731	$2,159	$1,850	$8,435

On August 22, 2016, the Corporation signed an agreement for the purchase of a building in Toronto, Ontario, for an amount of $3.9 M. Deposits in a total amount of $262,000 have been paid as at December 31, 2016. The transaction is expected to close on May 31, 2017.

17. Off-Balance Sheet Arrangements

Other than the operating leases considered in the previous section, *Commitments*, Savaria did not enter into any off-balance sheet arrangements during fiscal 2016.

18. Related Party Transactions

The Corporation recorded an amount of $43,000 ($71,000 in 2015) during fiscal 2016 for accounting and tax services rendered by an entity whose officer is a director and the chief financial officer of the Corporation. The terms and conditions attached to these transactions reflect market conditions.

19. Financial Instruments

The Corporation periodically uses various financial instruments to manage the risk related to exchange rate fluctuations. It does not hold or issue derivative financial instruments for speculative or trading purposes. Derivative financial instruments are subject to standard credit conditions, financial controls, risk management and monitoring procedures.

(in thousands of dollars)	Assets and liabilities Presented at Fair Value	Assets and Liabilities Presented at Amortized Cost	**Total**	**Fair Value**
Financial assets				
Cash	$ -	$51,230	**$51,230**	**$51,230**
Trade and other receivables	-	12,350	**12,350**	**12,350**
Derivative financial instruments	171	-	**171**	**171**
Long-term loans	-	33	**33**	**33**
Total financial assets	$171	$63,613	**$63,784**	**$63,784**
Financial liabilities				
Trade and other payables	$ -	14,246	**14,246**	**14,246**
Derivative financial instruments	5,997	**-**	**5,997**	**5,997**
Long-term debt	-	17,291	**17,291**	**17,291**
Total financial liabilities	$5,997	$31,537	**$37,534**	**$37,534**

Financial Instrument-Related Risks

The analysis of financial-instrument related risks is provided in the next section, *Risks and Uncertainties*.

20. Risks and Uncertainties

The Corporation is confident about its long-term outlook. Nevertheless, the risks and uncertainties described below could have an impact on its ability to implement its strategic plan and to achieve its growth objectives. The following factors should be considered in assessing the Corporation's outlook.

Financial Risk Factors

The Corporation is engaged in an industry exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. In order to minimize the potential adverse effects on its financial performance, the Corporation uses derivative financial instruments to hedge currency risks and interest rate risks. Treasury is managed centrally to allow for the identification, evaluation and hedging of financial risks.

(a) Currency Risk

Currency risk corresponds to the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency.

The Corporation realizes approximately 58% (63% in 2015) of its revenues in foreign currencies and accordingly is exposed to market risks related to foreign exchange fluctuations. Major exchange rate fluctuations could have a significant impact on its revenue and consequently on its gross margin. The Corporation partially compensates for these risks by purchasing materials in U.S. dollars and using derivative financial instruments such as foreign exchange forward contracts. These contracts are contracts under which the Corporation is obligated to sell U.S. dollars at a fixed rate.

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

Gains and losses on financial instruments designated as cash flow hedges are recognized in the Corporation's results in the same period as the underlying transactions. Changes in the fair value of non-designated financial instruments are recognized immediately.

As required pursuant to accounting standards, unrealized gains or losses on foreign exchange contracts designated as cash flow hedges at end-of-period dates must be presented, net of taxes, in other comprehensive income. As at December 31, 2016, the Corporation shows a debit amount of *Accumulated other comprehensive income (loss)* of $4.3 M ($9.2 M as at December 31, 2015). The amount of gain or loss actually realized on foreign exchange contracts will depend on the value of the Canadian dollar at the time each contract is cashed in.

Gains (losses) on U.S. dollar denominated monetary items are recognized in Finance income (costs). Major exchange rate fluctuations could have a material impact on the translation of these U.S. dollar denominated monetary items and, accordingly, on Finance income (costs) and net income.

(b) Interest Rate Risk

Interest rate risk corresponds to the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Corporation's interest rate risk arises from its long-term loans, bank loans and long-term debt. Borrowings issued at variable rates expose the Corporation to risks of cash flow variation related to interest rate fluctuations, whereas borrowings issued at fixed rates expose the Corporation to fair value variation due to interest rate fluctuations.

The majority of the Corporation's debts bear interest at variable rates. The Corporation analyzes interest rate risk exposure on a continuous basis and examines its renewal and refinancing options in order to minimize risks. Along this line, the Corporation signed interest rate swap agreements for some of its long-term loans (see *Hedging of Interest Rates* in section 10 for details). These derivatives were designated as hedges for accounting purposes. The total balance of loans covered by the swap agreements was $14.9 M as at December 31, 2016

($10.6 M as at December 31, 2015). As at December 31, 2016, the Corporation shows a debit amount of $3,000 in *Accumulated other comprehensive income (loss)* ($119,000 at December 31, 2015).

Interest income and expenses are recognized in Finance income (costs). A major change in interest rates would not have a significant impact on net income but would result in an increase or decrease of "Other comprehensive income (loss)".

(c) Price Risk

The Corporation's products include a high number of components manufactured by hundreds of suppliers around the world. The price of such components can vary and affect the Corporation's profit margins. However, the Corporation's flexible business model enables it to change supplier if required in order to minimize this risk. The Corporation does not make use of derivative products on the price of materials.

The Corporation, through its Chinese subsidiary, is increasing its purchasing volume in Asia to benefit from a better quality-price value. The Corporation analyzes each part individually to determine the best procurement source while considering various factors, including manufacturing costs.

(d) Credit Risk

Cash is held or issued by financial institutions with a superior-quality credit rating. Hence, the Corporation considers that the risk of non-performance of such instruments is negligible.

The Corporation provides credit to its clients in the normal course of business. It carries out credit checks on its clients on a continual basis and minimizes its credit risks by conducting its operations with a wide variety of clients in several industries.

Trade receivables are presented on the statement of financial position net of an allowance for doubtful accounts. The allowance is based on the Corporation's best estimate as to the probability of collecting uncertain accounts. Uncertainty regarding the collection of accounts may derive from various indicators, including deterioration in the credit-worthiness of a client or an abnormal delay in payment of past-due invoices. Management regularly reviews client accounts, ensures that past-due accounts are followed up and evaluates the relevance of its allowance for doubtful accounts.

(e) Liquidity Risk

Liquidity risk represents the risk that the Corporation will not be able to meet its obligations as they fall due. Management assesses its liquidity risk on a continual basis to ensure that it has sufficient liquidity to meet its obligations.

To ensure that sufficient liquidity is available to meet current obligations, the Corporation maintains similar payment terms with its clients as it has with its suppliers. The Corporation has sufficient credit facilities available to make up for temporary lapses in the synchronization of inflows and outflows of funds.

Savaria is involved in an industry subject to various risks and uncertainties. Its operating results and financial position could therefore be adversely affected by the aforementioned financial risks, as well as by the various factors described below. Those risks are not the only ones to which the Corporation is exposed. Thus, its business could potentially be affected by additional risks and uncertainties that are currently unknown or deemed rather insignificant.

Economic Conditions

The purchase of elevators is often a discretionary expense and, accordingly, sensitive to economic fluctuations and conditions in the housing market. The Corporation takes measures to control its expenses and to adjust its work force in order to adapt working hours to its order backlog.

Warranties

In the normal course of business, the Corporation assumes certain maintenance and repair costs under warranties offered on its products. The warranties cover a period of three (3), twelve (12) or thirty-six (36) months, depending on the product. Warranty provisions are established on the basis of estimates and assumptions. These provisions are based on management's past experience. If such estimates and assumptions prove inaccurate in the future, the effective costs to respect product warranties could differ from those recorded.

Tax Credits

Savaria benefits from research and development tax credits as well as apprenticeship tax credits. These could be affected by any legislative change.

Deferred Tax Assets

Deferred tax assets were recognized as it is likely that related loss carry-forwards will be utilized. However, certain events could prevent all the losses from being used prior to their expiry.

Competition

The North American accessibility industry consists of about ten companies in fierce competition. Note that Savaria ranks as one of North America's leaders in the accessibility industry. Its large size provides it with major advantages, including: a high profile, an extensive distribution network, economies of scale and many foreign suppliers.

Dependence on the U.S. Market

In 2016, the percentage of Savaria's revenue recorded in the United States totaled 51% (55% in 2015). The Corporation's profitability could therefore be affected by any major event having a negative impact on the U.S. economy or the trade relations between Canada and the United States (the reader is referred to *Economic Conditions* above).

To reduce the risk associated with economic conditions in the United States, the Corporation is expanding its sales territory outside the U.S. market, mainly in Canada.

Environment

Management believes that the Corporation's operations are in full compliance with environmental legislation.

Lawsuits

Various claims and legal proceedings have been initiated against the Corporation in the normal course of business. Although the outcome of these proceedings cannot be determined with certainty, management estimates that any payments resulting from their outcome are not likely to have a material negative impact on the Corporation's consolidated financial statements.

The Corporation has received a claim with respect to the non-payment of the note payable already accounted for in the amount of $420,817 related to the acquisition of Freedom in 2010 as well as an amount of $762,000 related to the employment contract with the former owner of this company. The Corporation has instituted a counterclaim with respect to this same transaction as well as a motion to have the claim related to the employment contract dismissed. This motion having been refused, the Corporation is appealing the decision. The outcome of these claims cannot be determined at this time.

For more details on risk factors, refer to the Annual Information Form, available on the SEDAR website at www.sedar.com.

21. Outlook

Savaria plans to further its growth of the last years and remains optimistic over its continuing potential for further growth driven by the aging population and people's desire to age at home.

As demonstrated in the twelve months of 2016, sales of accessibility products, especially those of stairlifts for straight and curved stairs, are forecasted to further their increase in 2017. The development of a complementary product, a patient lift, at our research and development center in Magog, Québec, is completed; this new product has been launched in September 2016 at the *National Association of Elevator Contractors (NAEC)* show held in Montreal. It is an exciting addition to our product line, which is one of the most comprehensive on the market.

Regarding the *Adapted Vehicles* segment, the acquisition of the assets of the automotive division of SHHC enables us to reach new markets such as Victoria, Vancouver, Calgary, Edmonton, London and Waterloo. This transaction is expected to generate an annual revenue of some $15 M, excluding synergies from this acquisition.

Savaria stays abreast of strategic acquisition opportunities that would allow it to further its growth and strengthen its key player position in the North American accessibility market.

Factoring in the benefits of the acquisition of Premier Lifts that was completed in February 2017, the Corporation forecasts revenue of approximately $143 M and adjusted EBITDA in a range of $25.5-$26.5 M for the twelve-month period ending December 31, 2017.

March 6, 2017