SAVARIA CORPORATION

Management's Report

For the Three and Twelve-Month Periods Ended December 31, 2014

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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, 2014 in comparison with those for the corresponding periods of fiscal 2013. It also provides a comparison of its statements of financial position as at December 31, 2014 and 2013. 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, 2014. 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 26, 2015. Additional information, including the Annual Information Form, is 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. Reconciliation between net income and 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 Corporation is North America's leader in the accessibility industry. The diversity of its product line, which includes a complete range of stairlifts, platform lifts, and residential and commercial elevators, enables Savaria to stand out by proposing an integrated and customized solution, one of the most comprehensive on the market, to facilitate the mouvement of its customers with mobility challenges. Savaria's operations in China have experienced a significant growth, and collaboration of the latter with the other Canadian facilities increases its competitive advantage in the market. Headquartered in Laval, Quebec, the Corporation has five other facilities, including a 125,000-square-foot plant in Brampton, Ontario, a 70,000-square-foot plant in Montreal, Quebec, a 75,000-square-foot plant in Huizhou, China, and two sales offices in London, Ontario, and Calgary, Alberta.

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 (84 % of revenue in 2014)**

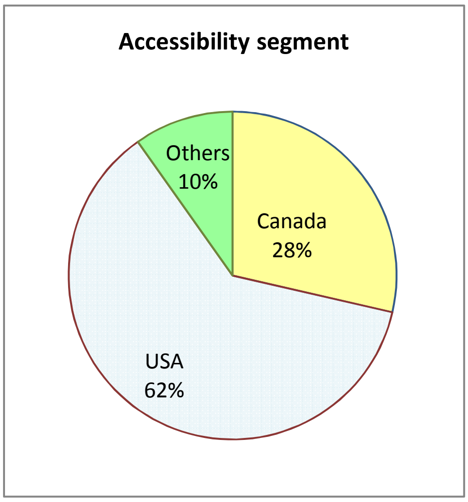
The *Accessibility* segment designs, manufactures, distributes and installs accessibility products such as stairlifts for both straight and curved stairs, vertical and inclined platform lifts and elevators for home and commercial use. The products are manufactured, assembled and customized at the Brampton (Ontario) plant, and are offered through a network of some 600 retailers, which are primarily located in North America. The Huizhou (China) plant is the main supplier of parts and components for the Brampton subsidiary; 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. This segment also includes operations that came from the acquisition of Silver Cross in the third quarter of 2014, consisting of the operation of a franchise network through which new and recycled accessibility equipment is sold, and of a lead generation program to capture and distribute leads on potential customers to over 100 affiliates in North America.

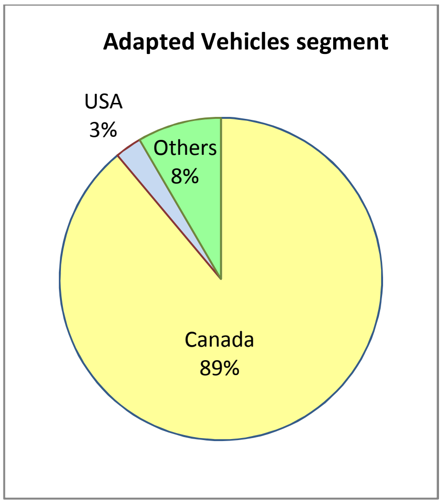
- ***Adapted vehicles* segment (16 % of revenue in 2014)**

The *Adapted Vehicles* segment converts and adapts minivans through the Van-Action and Freedom Motors subsidiaries located in Montreal (Quebec) and Brampton (Ontario). They offer models with rear entry, side entry or dual entry for people with mobility challenges. Via a ramp and a lowered floor, they make vans accessible to wheelchairs. They can be for personal use or commercial use (taxis).

Revenue breakdown per segment per region

During fiscal 2014, Savaria's total revenue was recorded in the United States (52%), Canada (38%) and, to a lesser extent, outside North America (10%). Revenue breakdown per region by segment is as follows:





For fiscal 2014, Accessibility segment revenue is at $69.6 million ("M") and Adapted Vehicles segment is at $13.3 M, for total revenue of $82.9 M. In this report, unless specifically mentioned, the analysis covers both segments.

The Corporation employs some 430 employees and its shares are listed on the Toronto Stock Exchange under the symbol SIS.

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 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. What's more, 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.

In November 2012, TK Access, a main competitor of Savaria, ceased its U.S. operations, which allowed the Corporation to increase its market share. 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 the leader of the North American market for personal mobility products. Distribute the most extensive line of products designed to increase personal mobility; that line of products 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 and elevators 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 as the leader of the North American market for personal mobility products, Savaria executes several strategies.

Firstly, Savaria regularly develops and markets new products, providing its 700 distributors and affiliates and its Canadian direct sales centres with the most extensive product selection in the industry.

Achievements:

- Design of a new vehicle conversion, based on the frame of the ProMaster, carrying up to 7 passengers, including three in wheelchairs.
- Design of a new stairlift for straight stairs which is an improved version of our existing *SL-1000* model, addressing different needs.

Secondly, 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:

- Acquisition of the operating assets of Silver Cross, allowing Savaria to strengthen the sale of its products across Canada, mostly in the Toronto area: firstly, as a franchisor, through its franchisees and the operation of its corporate store in Oakville, Ontario, and secondly, by the operation of a lead generation program to capture and distribute leads to over 700 dealers and affiliates in North America. Savaria also sees an opportunity to grow the number of franchisees in Canada as well as the leads identification program, which will enhance the business of Savaria dealers and its franchisees and affiliates.

Thirdly, Savaria actively stays at the cutting edge of technology, to remain competitive and to optimize its business processes.

Achievements:

- Launch of *Quote Builder* in early 2014, a cloud-based quotation, drawing and ordering system for its dealer network. The leading edge system provides a competitive advantage for the Corporation as well as its dealers by improving the efficiency of its order processing, reducing errors and providing immediate quotes to dealers and their customers.
- Launch of two tablet apps: a configurator for the curved stairlift *Stairfriend* and a technical support document management system.

Fourthly, Savaria constantly strives to optimize its cost structure to increase profitability.

Achievements:

- Transfer of several production lines of accessibility products to the Savaria Huizhou subsidiary in China; the most recent being that of the *V-1504 Vertical Platform Lift*.
- Increase of raw material purchases from Asia, now at 49% of Brampton purchases, compared to 41% in 2013.

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 2014 Highlights

Revenue up 12.4% for fourth-quarter 2014, and 9.5% for Fiscal 2014

For Q4 2014, revenue is up \$2.4 M, at \$21.5 M, compared with \$19.1 M for same quarter previous year. For fiscal 2014, revenue is up 9.5% or \$7.2 M, at \$82.9 M, compared with \$75.7 M in previous fiscal. This is, once again this year, the highest annual revenue in the history of Savaria.

Operating income up 67.6% for fourth-quarter 2014 and 16.7% for Fiscal 2014

Operating income is up $929,000, at $2.3 M, for Q4 2014, compared to $1.4 M same quarter previous year. For fiscal 2014, operating income is up $1.3 M, at $8.8 M in 2014 compared with $7.5 M in 2013. Were it not for an income of $350,000 recorded in 2013 derived from a successful sales tax claim, the increase in operating income would have been $1.6 M or 22.4%.

Net income up 52.4% for fourth-quarter 2014 and 20.6% for Fiscal 2014

Net income is up $589,000, at $1.7 M, for Q4 2014, compared to $1.1 M same quarter previous year. For fiscal 2014, net income is up $1.1 M, at $6.4 M in 2014 compared with $5.3 M in 2013. Were it not for an income of $350,000 recorded in 2013 derived from a successful sales tax claim, the increase in net income would have been $1.4 M or 29.1%.

EBITDA up 48.2% for fourth-quarter 2014 and 17% for Fiscal 2014

The Corporation generated an EBITDA of $3 M for Q4 2014 compared to $2 M same quarter previous year, an increase of $987,000, and of $11.2 M for fiscal 2014 compared to $9.5 M for fiscal 2013, an increase of $1.6 M. Were it not for the claim in 2013, the increase in EBITDA would still have been $2 M or 21.5%. Reconciliation between net income and EBITDA is provided in Section 9, *Summary of Quarterly Results*.

Dividend

In the fourth-quarter 2014, the Board of Directors declared a quarterly dividend of 4 cents ($0.04) per common share, in accordance with its dividend policy in effect at that date. For fiscal 2014, a total amount of 24 cents ($0.24) per common 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)	**2014**	2013	2012
Revenue	**$82,909**	$75,739	$66,734
Gross margin as a % of revenue	***30.5%***	*29.4%*	*27.1%*
Operating costs	**$16,565**	$15,085	$14,135
Operating costs as a % of revenue	***20.0%***	*19.9%*	*21.2%*
Operating income	**$8,765**	$7,509	$2,930
As a % of revenue	***10.6%***	*9.9%*	*4.4%*
EBITDA (1)	**$11,164**	$9,538	$4,488
EBITDA per share – basic and diluted	**$0.40**	$0.41	$0.19
Gain (loss) on foreign change	**$630**	$330	$(69)
Net income	**$6,391**	$5,299	$1,578
Earnings per share – basic and diluted	**$0.23**	$0.23	$0.07
Dividends declared per share	**$0.24**	$0.14	$0.094
Weighted average number of common shares outstanding – diluted	**28,070**	23,444	23,116
Total assets	**$71,420**	$49,013	$49,380
Long-term debt (including current portion)	**$15,354**	$15,595	$19,083
Total liabilities	**$34,964**	$28,780	$30,156
Equity	**$36,456**	$20,233	$19,224

(1) Reconciliation of EBITDA with net income provided in Section 9

Revenue significantly increased in each of the last 2 years, to record highs of $75.7 M and $82.9 M respectively, up 13.5% in 2013 and 9.5% in 2014.

Gross margin followed the same trend, mainly due to increased revenue and to savings following the relocation of Brampton operations during fiscal 2012. Gross margin went from 27.1% of revenue in 2012 to 30.5% of revenue in 2014.

As for operating income, it increased significantly, by more than 156% in 2013, due to the increase in gross margin and to an income of $350,000 from a successful sales tax claim, as well as to the absence of moving expenses of $1 M incurred in 2012. Operating income increased by 16.7% in 2014, mainly due to the increase in revenue. Operating costs increased by $950,000 in 2013 and $1.5 M in 2014, but decreased as a percentage of revenue, from 21.2% in 2012 to 20 % in 2014.

Besides the items mentioned above, fluctuations in the gain (loss) on foreign exchange had a significant impact on net income for the last three years. Indeed, the Corporation recorded gains of $330,000 and $630,000 in 2013 and 2014 respectively, while it recorded a loss of $69,000 in 2012. These variations are related to the closing rate of the U.S. dollar relative to the Canadian dollar.

Along with revenue, EBITDA reached a record high in each of the last 2 years, and went over the $10 M mark in 2014, representing 13.5% of revenue in 2014 compared to 12.6% in 2013 and 6.7% in 2012.

Dividends increased significantly between 2012 and 2014, from 9.4 cents in 2012 to 24 cents in 2014.

Total assets, which were stable between 2012 and 2013, significantly increased in 2014, primarily due to proceeds from a private placement in the net amount of $17.5 M and the acquisition of the assets of Silver Cross. The long-term debt decreased by $3.5 M in 2013 due to normal repayment of loans and to the deposit of long-term investments in restructured notes against its related debt, following the exercise of an option. Similarly, total liabilities decreased by $1.4 M in 2013 despite an increase of $2 M in liabilities related to financial instruments, primarily due to an unfavourable variation in the fair value of foreign exchange contracts. Total liabilities increased in 2014 following the addition of a note payable of $2 M related to the acquisition of Silver Cross, and a new increase in liabilities related to financial instruments of $3 M.

Lastly, equity, which increased by $1 M between 2012 and 2013, significantly increased by $16.2 M in 2014. The increase is primarily due to the issuance of shares related to the private placement of $17.9 M, decreased by the negative change in accumulated other comprehensive income of $2.2 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)	**2014**				2013			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Revenue	**$21,497**	$21,747	$21,977	$17,688	$19,120	$20,019	$19,397	$17,203
Gross margin as a % of revenue	***30.9%***	*31.2%*	*30.6%*	*29.2%*	*28.7%*	*29.6%*	*30.5%*	*28.7%*
Operating costs [(1)]	**$4,357**	$4,384	$4,135	$3,689	$4,110	$3,506	$3,963	$3,506
As a % of revenue	***20.3%***	*20.2%*	*18.8%*	*20.9%*	*21.5%*	*17.5%*	*20.4%*	*20.4%*
Operating income	**$2,304**	$2,408	$2,579	$1,474	$1,375	$2,420	$1,936	$1,778
As a % of revenue	***10.7%***	*11.1%*	*11.7%*	*8.3%*	*7.2%*	*12.1%*	*10%*	*10.3%*
Gain (loss) on foreign exchange	**$264**	$372	$(315)	$309	$236	$(128)	$126	$96
Net income	**$1,714**	$1,926	$1,546	$1,205	$1,125	$1,517	$1,425	$1,232
Earnings per share – diluted	**$0.06**	$0.07	$0.05	$0.05	$0.05	$0.07	$0.06	$0.05
EBITDA [(2)]	**$3,032**	$3,214	$2,698	$2,220	$2,045	$2,690	$2,525	$2,278
EBITDA per share – diluted	**$0.10**	$0.11	$0.10	$0.09	$0.09	$0.11	$0.11	$0.10
Dividend declared per share	**$0.04**	$0.035	$0.035	$0.13	$0.02	$0.02	$0.02	$0.08
Weighted average number of common shares outstanding– diluted	**29,875**	29,807	28,871	23,748	23,855	23,524	23,302	23,109

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

[(2)] Reconciliation of EBITDA with net income provided in the following table

In 2013, the Corporation achieved record-breaking revenue every quarter, and this continues with the same momentum in 2014. This is primarily due to Savaria's main competitor having ceased its U.S. operations in November 2012 and to Savaria launching new products on the market.

While gross margin averaged 29.4% in 2013, it increased slightly during fiscal 2014 to 30.5%. The high level of revenue and the cost reductions due to the relocation of the Brampton operations to a new building in 3rd quarter of 2012 explain the increase in gross margin since 2013.

Quarterly operating costs, which averaged $3.8 M or 19.9% of revenue in 2013, are slightly up in terms of dollars in 2014, at an average of $4.1 M, whereas they are stable in terms of percentage of revenue. Operating costs of the last 3 quarters of 2014 are higher due to an increase in sales force and travel expenses and the recording of a provision for bonuses in 3rd and 4th quarters. They were higher in 4th quarter 2013 due to bonuses and a severance pay, as well as an increase in marketing costs.

At $2.8 M, average EBITDA for fiscal 2014 has increased compared to the average quarterly EBITDA for fiscal 2013 of $2.4 M in spite of the recording of an income of $350,000 in 2013 from a successful appeal related to sales tax. Note that EBITDA for the 4th quarter of 2013 was lower to those in previous quarters of the same year primarily due to the increase in the operating costs.

Reconciliation of EBITDA with Net Income

As mentioned in Section 3, although EBITDA is not recognized according to IFRS, it is used by management, investors and analysts to assess the Corporation's financial and operating performance.

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

(in thousands of dollars – unaudited)	**2014**					2013				
	Total	**Q 4**	Q 3	Q 2	Q 1	Total	Q 4	Q 3	Q 2	Q 1
Net income	**$6,391**	**$1,714**	$1,926	$1,546	$1, 205	$5,299	$1,125	$1,517	$1,425	$1, 232
Plus: Interest on long-term debt	**560**	**146**	134	144	136	612	135	147	156	174
Interest expense and banking fees	**190**	**70**	69	29	22	127	36	45	24	22
Income tax expense	**2,401**	**685**	703	591	422	1,920	319	591	532	478
Depreciation of fixed assets	**982**	**241**	257	244	240	831	230	220	208	173
Amortization of intangible assets	**787**	**223**	177	190	197	765	204	178	182	201
Less: Interest Income	**147**	**47**	52	46	2	16	4	8	2	2
EBITDA	**$11,164**	**$3,032**	$3,214	$2,698	$2,220	$9,538	$2,045	$2,690	$2,525	$2,278

The following section provides a detailed analysis of operating results for fourth quarter of 2014, in comparison with the same quarter of 2013 and of full year fiscal 2014 in comparison with the previous year. The detailed analysis of prior quarters is provided in the interim reports for fiscal 2014 and 2013, available on SEDAR's website at www.sedar.com.

10. Operating Results

Certain data on results for fourth quarter and for the fiscal year ended December 31, 2014 and 2013 are presented in the following tables.

Gross margin

(in thousands of dollars, except percentages)	3 Months (Unaudited)			12 Months		
	2014	2013	Change	**2014**	2013	Change
Revenue	**$21,497**	$19,120	12.4%	**$82,909**	$75,739	9.5%
Cost of sales	**$14,846**	$13,636	8.9%	**$57,589**	$53,484	7.7%
Gross margin	**$6,651**	$5,484	21.3%	**$25,320**	$22,255	13.8%
As a % of revenue	***30.9%***	*28.7%*	*n/a*	***30.5%***	*29.4%*	*n/a*

Revenue for the 4th quarter of 2014 is up by $2.4 M or 12.4% compared to revenue recorded for same quarter previous year. This increase includes a favourable variation of foreign exchange to the amount of $493,000. In addition to the impact of foreign exchange, revenue for the *Accessibility* segment is up 14.7%, from $15.7 M for the 4th quarter of 2013 to $18 M for the 4th quarter of 2014, while revenue for the *Adapted Vehicles* segment is up 1.8%, from $3.4 M for the 4th quarter of 2013 to $3.5 M for the 4th quarter of 2014, due to an increase in minivan conversion revenue. For the year, revenue is up by $7.2 M or 9.5% compared to revenue recorded for same period previous year. This increase includes a favourable variation of foreign exchange to the amount of $1.8 M. Revenue for the *Accessibility* segment is up 11.9% or $7.4 M, while revenue for the *Adapted Vehicles* segment is down 1.7% or $264,000.

Breakdown of sales by geographical region

(as a percentage of sales, unaudited)	3 months			12 months		
	2014	2013	Change	**2014**	2013	Change
Canada	**38.8 %**	35.8 %	3.0	**38.3 %**	38.7 %	(0.4)
United States	**51.5 %**	53.7 %	(2.2)	**52.1 %**	51.0 %	1.1
Other regions	**9.7 %**	10.5 %	0.8	**9.6 %**	10.3 %	(0.7)

Gross margin is up by $1.2 M for the 4th quarter and $3.1 M for fiscal 2014, compared to the corresponding periods of 2013. In percentage of revenue, gross margin is slightly up for both the quarter and the year from 28.7% and 29.4% of revenue in 2013 respectively, to 30.9% and 30.5% of revenue in 2014 respectively.

The proportion of purchases from the subsidiary Savaria Huizhou and other suppliers in Asia is up, representing 49% of purchases of raw materials of the subsidiary Savaria Concord for fiscal 2014, compared to 41% for fiscal 2013. Note that 86% of the total value of purchases from Asia is from the subsidiary Savaria Huizhou (2013: 78%).

Operating Income

(in thousands of dollars, except percentages)	3 Months (Unaudited)			12 Months		
	2014	2013	Change	**2014**	2013	Change
Operating costs	**$4,357**	$4,110	6%	**$16,565**	$15,085	9.8%
As a % of revenue	***20.3%***	*21.5%*	*n/a*	***20%***	*19.9%*	*n/a*
Other income	**$10**	$1	900%	**$10**	$339	(97)%
Operating income	**$2,304**	$1,375	67.6%	**$8,765**	$7,509	16.7%
As a % of revenue	***10.7%***	*7.2%*	*n/a*	***10.6%***	*9.9%*	*n/a*

The proportion of operating costs relative to revenue decreased in the 4th quarter and is stable for fiscal 2014 compared to the same periods in 2013, from 21.5% and 19.9% respectively in 2013 to 20.3% and 20% respectively in 2014. In terms of dollars, operating costs increased by $247,000 in the 4th quarter and by $1.5 M in fiscal 2014 compared to the same periods in 2013 due to an increase in the sales force and expenses, to a provision for bonuses and to costs related to the acquisition of the assets of Silver Cross.

In 2013, other income included an income of $350,000 resulting from a successful appeal in relation to an assessment related to sales tax.

The net favourable change in gross margin and operating costs had a positive effect on operating income for 4th quarter (+$929 K) and fiscal 2014 (+$1.3 M) compared to the same periods in 2013. Were it not for the $350,000 income recorded in 2013, operating income for fiscal 2014 would have increased by $1.6 M or 22.4%.

Net Income

(in thousands of dollars, except percentages)	3 Months (unaudited)			12 Months		
	2014	2013	Change	**2014**	2013	Change
Net finance income (costs)	**$95**	$69	37.7%	**$27**	$(290)	109%
Income before income tax	**$2,399**	$1,444	66.1%	**$8,792**	$7,219	21.8%
Income tax expense	**$685**	$319	115%	**$2,401**	$1,920	25.1%
Net income	**$1,714**	$1,125	52.4%	**$6,391**	$5,299	20.6%
As a % of revenue	***8%***	*5.9%*	*n/a*	***7.7%***	*7%*	*n/a*
EBITDA	**$3,032**	$2,045	48.2%	**$11,164**	$9,538	17%
As a % of revenue	***14.1%***	*10.7%*	*n/a*	***13.5%***	*12.6%*	*n/a*

The favourable variation of $26,000 of net finance income in the 4th quarter of 2014 compared to same period of 2013 is primarily due to a favourable variation in foreign exchange gains and losses of $27,000. For fiscal 2014, the favourable variation of $317,000 is due to a favourable variation in foreign exchange gains and losses of $300,000 and a favourable variation in interest income of $131,000, partially offset by an unfavourable variation in the fair value of the restructured notes and put option of $103,000. Gains and losses on foreign exchange are mostly attributable to the end-of-period translation of monetary items denominated in U.S dollars.

The effective income tax rate is stable around 27%, compared to the combined statutory corporate rate of 25.8%, mainly due to non-deductible items.

Net income and EBITDA increased for 4th quarter and fiscal 2014 compared to corresponding periods of 2013, with increases of net income of $589,000 and $1.1 M respectively, and EBITDA of $987,000 and $1.6 M respectively. Were it not for the successful sales tax claim of $350,000 in 2013, the increase in EBITDA for fiscal 2014 would have been $2 M.

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*.

As at December 31, 2014, the Corporation held foreign exchange contracts totaling $54.5 M U.S. for a hedging period up to December 31, 2017, at a weighted average rate of 1.0713. At the end of the year, the unrealized loss on the foreign exchange contracts amounted to $5.1 M. This amount is reflected on the statement of financial position under *Derivative financial instruments* of 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). In addition, a gain before taxes of $31,000 from the sale of foreign exchange contracts before maturity is recorded in *Accumulated other comprehensive income* and will be reversed to net income between now and May 2015, depending on the hedging period of each contract.

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. Since those debts bear interest at variable rates, the Corporation decided to enter into interest rate swap agreementss to minimize its risk 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%, and a second swap related to an original capital amount of $9.6 M with a fixed interest rate of 3.58%, both for a 5-year period. Those rates include a stamping fee of 1.5%.

As with 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, 2014, the unrealized loss on the interest rate swaps amounts to $148,000. This amount is reflected on the statement of financial position under *Derivative financial instruments* of Current and Non-current liabilities and is included in the *Accumulated other comprehensive income* balance.

11. Financial Position

Changes between Statements of Financial Position

The following table shows the key changes in the statements of financial position between December 31, 2014 and December 31, 2013, along with the principal explanations of such changes:

(in thousands of dollars, except percentages and explanations of changes)	**December 31, 2014**	December 31, 2013	Change	Principal causes of the changes
Current assets				
Cash	**$16,280**	$1,968	$14,312	Net proceeds of $17.5 M following the conclusion of a private placement and disbursement following the acquisition of a business (-$2.5 M).
Trade and other receivables	**$12,168**	$11,711	$457	Increase in the exchange rate used for the conversion of U.S. dollar denominated receivables (+$585 K), decrease in trade receivables (-$844 K), increase in sales taxes receivable (+$674 K) and in other receivables (+$42 K).
No. of days in receivables [(1)]	**54**	59	(8.5)%	Note that the number of days in receivables for the 4th quarter of 2014 is 51 days compared to 55 days for the same quarter of 2013.
Inventories	**$16,694**	$14,179	$2,515	Increase in inventory at the Brampton plant (+$1.9 M) due to an increase in sales as well as an increase in minimum inventory levels since purchases from faraway regions such as Asia have increased.
Inventory turnover rate [(1)]	**3.65**	3.94	(7.4)%	See above.

[(1)] Based on the average of the last four quarters

(in thousands of dollars, except percentages and explanations of changes)	**December 31, 2014**	December 31, 2013	Change	Principal causes of the changes
Non-current assets				
Fixed assets	**$12,122**	$12,302	$(180)	Depreciation (-$982 K) and additions (+$792 K).
Intangible assets	**$2,661**	$1,679	$982	Amortization (-$787 K), increase (+$390 K) and increase through the acquisition of Silver Cross (+$1.4 M).
Goodwill	**$7,253**	$ 4,051	$3,202	Increase through the acquisition of Silver Cross.
Deferred tax assets	**$3,157**	$1,960	$1,197	Deferred taxes on transaction fees related to a private placement (+$246 K), on interest calculated on the present value of the note payable related to the acquisition of Silver Cross (+$66 K) and on the change in Accumulated other comprehensive income (+$840 K).
Current liabilities				
Trade and other payables	**$9,677**	$7,413	$2,264	Increase in the exchange rate used for the conversion of U.S. dollar denominated payables (+$394 K), increase in trade (+$1.5 M) and in salaries and benefits payable (+$181 K).
Income taxes payable	**$1,198**	$775	$423	Increase due to current tax expense (+$2.5 M), application of tax credits receivable (-$538 K) and tax payments (-$1.5 M).
Derivative financial instruments	**$2,295**	$1,113	$1,182	Favourable change in unrealized losses on interest rate swaps related to the current portion of long-term debt (-$29 K) and unfavourable change in unrealized losses on foreign exchange contracts maturing in the next twelve months (+$1.2 M).

(in thousands of dollars, except percentages and explanations of changes)	**December 31, 2014**	December 31, 2013	Change	Principal causes of the changes
Current portion of long-term debt	**$2,833**	$2,864	$(31)	See explanations under *Long-term debt*.
Non-current liabilities				
Long-term debt	**$12,521**	$12,731	$(210)	Normal repayment of the debt (-$1.9 M), final repayment of a note payable related to a 2010 acquisition (-$600 K), new note payable related to the acquisition of Silver Cross (+1.9 M), new debt (+$290 K) and other minor changes (includes the change in current portion of long-term debt).
Derivative financial instruments	**$2,991**	$1,146	$1,845	Unfavourable change in unrealized losses on interest rate swaps related to the non-current portion of long-term debt (+$18 K) and in unrealized losses on foreign exchange contracts maturing after the next twelve months (+$1.8 M).
Equity	**$36,456**	$20,233	$16,223	Net income (+$6.4 M), share issue in relation to a private placement, net of transaction fees and related taxes (refer to section 11 *Available Sources of Financing* for details) (+$17.9 M), exercise of share purchase options (+$481 K), declaration of dividends (-$6.3 M) and change in Accumulated other comprehensive income (-$2.3 M).
Working capital	**$27,638**	$14,749	$12,889	Increase is mainly due to the completion of the private placement in the 2nd quarter (+$17.9 M) net of the disbursement related to the acquisition of Silver Cross in the 3rd quarter (-$2.5 M).
Current ratio	**2.49**	2.04	22.1%	See above.

As at December 31, 2014, Savaria benefited from a sound financial position, with total assets of $71.4 M, compared with $49 M as at December 31, 2013, and total liabilities of $35 M, compared with $28.8 M as at December 31, 2013.

Available Sources of Financing

(in thousands of dollars, unaudited)	December 31,	
	2014	2013
Credit facilities:		
Authorized	**$7,500**	$5,000
Loans	**(2,000)**	-
Unused credit	**5,500**	5,000
Cash	**18,280**	1,968
Total	**$23,780**	$6,968

As shown above, the Corporation had total available funds of $23.8 M as at December 31, 2014. This provides it with the flexibility to meet its potential obligations in the near term and to benefit from investment opportunities.

On April 15, 2014, the Corporation completed a bought deal private placement of 5,750,000 units at a price of $3.25 per unit, for gross proceeds to Savaria of $18.7 M and proceeds net of transaction fees of $17.5 M. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of Savaria at an exercise price of $4.25 until April 15, 2017.

The Corporation minimizes its exposure to fluctuations in interest rates by keeping most of its debt at fixed rate using swap agreements (see *Coverage of interest rates* in section 10 for details).

Furthermore, the Corporation can incur potential risks of loss on foreign exchange contracts for up to a maximum of $6.4 M over a maximum hedging period of 36 months. This amount is the maximum amount of unrealized losses, as defined by the bank, that foreign exchange contracts held by the Corporation can represent at one time; however, beyond an amount of $4.8 M, the bank could realize the collateralized security to cover such risk. As at December 31, 2014, an amount of $540,000 is reserved as surety to cover unrealised losses on foreign exchange forward contracts.

As at December 31, 2014, the Corporation's total net debt to invested capital ratio is nil, as its cash exceeds its long-term debt (40.2% as at December 31, 2013).

Other Data and Ratios

(in thousands of dollars, except per-share amounts - unaudited)	December 31,		Change
	2014	2013	
Book value per share	**$1.23**	$0.86	43%
Cash per share	**$0.55**	$0.08	588%
Market capitalization	**$128,563**	$68,360	88.1%

Book value and Cash per share are up as at December 31, 2014 compared to December 31, 2013, due to the impact of the private placement on equity and on cash, partially offset by dividend declarations in fiscal 2014. Market capitalization is also up due to the issuance of shares for said private placement and to an increase in the value of the common shares of the Corporation, which went from $2.92 as at December 31, 2013 to $4.35 as at December 31, 2014.

12. Cash Flows

The following table presents certain cash flow data for the fourth quarter and fiscal 2014.

(in thousands of dollars)	3 Months (Unaudited)			12 Months		
	2014	2013	Change	**2014**	2013	Change
Net cash from operating activities	**$3,805**	$1,519	150%	**$9,213**	$6,969	32.2%
Net cash used in investing activities	**$(381)**	$(337)	(13.1)%	**$(3,537)**	$(1,459)	(142)%
Net cash (used in) from financing activities	**$(1,849)**	$(1,095)	(69)%	**$8,636**	$(5,535)	256%

The Corporation's cash flows from operating activities are up by $2.3 M for the 4th quarter and up by $2.2 M for fiscal 2014 over the corresponding periods of previous year. These differences are mainly due to a favourable variation from operations (+$1.1 M for the quarter, +$2 M for the year), partially offset by higher income taxes paid (-$326 K for the quarter, -$1.2 M for the year) and lower inflows from long-term loans (-$31 K for the quarter, -$262 K for the year). Also contributing: a favourable variation in non-cash operating items (+$1.6 M for the quarter, +$1.7 M for the year).

Cash flows used in investing activities is up by $44 K in 4th quarter of 2014 and up $2.1 M for fiscal 2014 compared to same period previous year. The 4th quarter variation is primarily due an increase in additions to fixed and intangible assets (+$81 K), whereas the variation for the year is primarily due to the initial cash consideration of $2.5 M related to the acquisition of Silver Cross slightly offset by a decrease in additions to fixed and intangible assets (+$447 K).

In regard to financing activities, the cash flows used in financing activities is up $754 K in 4th quarter 2014. This difference is mainly due to an unfavourable variation in the amount of dividends paid of $713,000. For fiscal 2014, the cash flows generated from financing activities is up $14.2 M compared to the same period in 2013. This variation is primarily due to the reception of net proceeds of $17.5 M following a private placement partially offset by an increase in dividends paid (-$3.1 M).

13. Significant Accounting Estimates

The preparation of 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 the measurement of derivative financial instruments, the goodwill and the evaluation of identifiable assets acquired in a business combination. 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 ("CGU"), the identification of operating segments and the determination of foreign operation's 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.

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 2% for the *Accessibility* segment, and nil 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 15% and 13.5% percent (14% and 12.6% in 2013) 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 market interest rate of 3.5%;

- 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 adopted during fiscal 2014

The following new standards, and amendments to standards and interpretations have been applied in preparing the consolidated financial statements as at December 31, 2014. The adoption of these new standards has not had a material impact on the consolidated financial statements.

IFRS 9 - *Financial Instruments*

In November 2009, the International Accounting Standards Board ("IASB") issued IFRS 9, *Financial Instruments* (IFRS 9 (2009)), and in October 2010, the IASB published amendments to IFRS 9 (IFRS 9 (2010)). In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9, *Financial Instruments* (2013). In February 2014, the IASB tentatively decided that the mandatory effective date of the new standard will be January 1, 2018.

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. IFRS 9 (2013) includes a new general hedge accounting standard which will align 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.

The Corporation has decided to early-adopt the new IFRS 9 (2013) standards in its condensed consolidated interim financial statements for the quarter ended on June 30, 2014 and effective on April 1, 2014. On adoption of IFRS 9 (2013), in accordance with its transitional provisions, the Corporation did not restated prior periods but classified its financial assets and liabilities as at April 1, 2014 restrospectively based on the new classification requirements and the characteristics of each financial instrument at the transition date. Adoption of IFRS 9 (2013) did not result in any reclassifications on the statement of financial position or any change in carrying amounts. Upon adoption of IFRS 9 (2013), all the Corporation's existing hedging relationships that qualified for hedge accounting under IAS 39 were reassessed with respect to the new hedge accounting requirements in IFRS 9 (2013). The hedging relationships have been continued under IFRS 9 (2013). After adoption of IFRS 9 (2013), the Corporation's policies regarding derivative financial assets and liabilities remained substantially the same as at March 31, 2014.

Amendments to IAS 32 - *Offsetting Financial Assets and Financial Liabilities*

In December 2011 the IASB published *Offsetting Financial Assets and Financial Liabilities*. These amendments are to be applied retrospectively.

The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement.

Amendments to IAS 39 - *Novation of Derivatives and Continuation of Hedge Accounting*

In June 2013, the IASB issued *Novation of Derivatives and Continuation of Hedge Accounting* (Amendments to IAS 39).

The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

IFRIC 21 – Levies

In May 2013, the IASB issued IFRIC 21, *Levies*. IFRIC 21 is to be applied retrospectively.

IFRIC 21 provides guidance on accounting for levies in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executory contracts or other contractual arrangements. The interpretation also confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

(B) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these 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 annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods 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 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 financial statements for the annual period beginning on January 1, 2018. The Corporation does not expect the standard to have a material impact on the 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 for annual periods beginning on or after January 1, 2017. 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 financial statements for the annual period beginning on January 1, 2017. The Corporation does not expect the standard to have a material impact on the financial statements.

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

In December 2013 the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014; however, the amendments to IFRS 2 and IFRS 3 refer to grant dates and dates of acquisition, respectively, on or after July 1, 2014. Earlier adoption is permitted, in which case, the related consequential amendments to other IFRS would also apply.

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

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

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

The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2015. The Corporation does not expect the amendments to have a material impact on the 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. The amendments will apply for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted, in which case, the related consequential amendments to other IFRS would also apply. 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 condensed interim 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*.

The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Corporation does not expect the amendments to have a material impact on the financial statements.

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. The amendments will apply prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

The Corporation intends to adopt the amendments to IAS 16 and IAS 38 in its financial statements for the annual period beginning on January 1, 2016. The Corporation does not expect the amendments to have a material impact on the financial statements.

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"). The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures.

The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Corporation does not expect the amendments to have a material impact on the financial statements.

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, 2014 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 1992). Based on that evaluation, management as well as the Chief Executive Officer and the Chief Financial Officer concluded, as at December 31, 2014, 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.

Changes to Internal Control over Financial Reporting

No changes in the Corporation’s internal control over financial reporting occurred during fiscal 2014 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 $2,103,000 ($2,690,000 in 2013).

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

(in thousands of dollars)	**Total**	2015	2016	2017	2018	2019	After 2019
Long-term debt obligations	**$17,103**	$3,123	$2,621	$2,565	$2,453	$1,133	$5,208
Capital leases	**230**	81	66	47	23	11	2
Operating leases	**2,103**	1,011	539	358	150	45	-
Total contractual obligations	**$19,436**	$4,215	$3,226	$2,970	$2,626	$1,189	$5,210

17. Off-Balance Sheet Arrangements

Other than the operating leases considered in the previous section, *Contractual Obligations*, Savaria did not enter into any off-balance sheet arrangements during fiscal 2014.

18. Related Party Transactions

The Corporation recorded an amount of $52,000 ($50,000 in 2013) for accounting and tax services rendered by an entity whose officer is a director and the chief financial officer of the Corporation.

The Corporation signed a lease with an entity owned by a director and the President and Chief Executive Officer of the Corporation. Under the terms of the lease, an amount of $25,000 ($4,000 in 2013) was paid to that company in 2014. The lease expires in October 2016, and the total remaining commitment is $46,000.

The terms and conditions attached to the above 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	$ -	$16,280	**$16,280**	**$16,280**
Trade and other receivables	-	10,719	**10,719**	**10,719**
Long-term loans	-	163	**163**	**157**
Total financial assets	$ -	$27,162	**$27,162**	**$27,156**
Financial liabilities				
Trade and other payables	$ -	9,610	**9,610**	**9,610**
Derivative financial instruments	5,286	**-**	**5,286**	**5,286**
Long-term debt	-	15,354	**15,354**	**15,344**
Total financial liabilities	$5,286	$24,964	**$30,250**	**$30,240**

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 future 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 future 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 61% (58% in 2013) 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, 2014, the Corporation shows a debit amount of *Accumulated other comprehensive income (loss)* of $3,792,000 ($1,398,000 as at December 31, 2013). 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 in April 2012. It signed a first swap agreement related to an original capital amount of $7,000,000 with a fixed interest rate of 3.48%, and a second swap agreement related to an original capital amount of $9,600,000 with a fixed interest rate of 3.58%, both for a 5-year period. These derivatives were designated as hedges for accounting purposes. The total balance of loans covered by the swap agreements was $12,205,000 as at December 31, 2014 ($13,838,000 as at December 31, 2013). As at December 31, 2014, the Corporation shows a debit amount of $108,000 in *Accumulated other comprehensive income (loss)* ($116,000 at December 31, 2013).

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 cost.

(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 it personnel 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. However, Savaria ranks as North America's leader 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 2014, the percentage of Savaria's revenue recorded in the United States totalled 52% (51% in 2013). 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 a note payable already recognized 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 counter-claim with respect to this same transaction and believes that the claim related to the employment contract is entirely unfounded. 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. Subsequent Events

On February 9, 2015, the Board of Directors of the Corporation declared a dividend of 4 cents ($0.04) per common share payable on March 4, 2015 to shareholders of record of the Corporation at the close of business on February 18, 2015.

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

22. Outlook

Savaria continued its growth in 2014 and we believe that 2015 will be further along the same lines. Given the aging population, the demand for accessibility products will continue to grow. In order to maintain our position as the leader in our industry, our strategy is to regularly introduce new products to address customers' needs. This will materialize once again by the introduction to market of a new stairlift for straight staircases and a new adapted vehicle model in the third quarter of 2015. This new vehicle, based on the frame of the ProMaster, will carry up to 7 persons, including three in wheelchairs.

The synergies with Silver Cross, our recent acquisition, will materialize in 2015 and will allow us to increase our EBITDA through additional sales of accessibility equipment on top of revenue from royalties and from the sale of leads.

Our financial strength allows us to stay abreast of business opportunities that may arise in the accessibility market, such as strategic acquisitions, and to further product development to expand our products offering. In such a promising business environment, for fiscal 2015 we expect revenue to be about $92 million, and EBITDA to be in the $13.5-$14.5 million bracket.

March 26, 2015