SAVARIA CORPORATION

Management's Report

For the Three and Twelve-Month Periods Ended December 31, 2015

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, 2015 in comparison with that for the corresponding periods of fiscal 2014. It also provides a comparison of its statements of financial position as at December 31, 2015 and 2014. 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, 2015. 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 10, 2016. 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 one of the North America's leaders 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 offering an integrated and customized solution, one of the most comprehensive on the market, to facilitate the movement 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 as a major supplier increases its competitive advantage in the market. On August 31st, the Corporation acquired a 57,000-square-foot facility in Laval, Quebec, in which the Corporation transferred its headquarters, along with its Montreal plant, operated by the subsidiary Van-Action, in January 2016. The Corporation has four other facilities, including a 125,000-square-foot plant in Brampton, Ontario and 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 (87 % of revenue in 2015)**

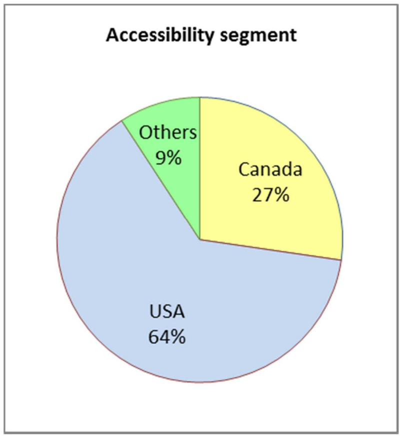
The *Accessibility* segment designs, manufactures, distributes and installs accessibility products such as stairlifts for both straight and curved stairs, vertical and inclined platform lifts and elevators for home and commercial use. The products are manufactured, assembled and customized at the Brampton (Ontario) plant, and are offered through a network of some 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 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 the operations from the Silver Cross division, consisting of the operation of a network of franchises and corporate stores through 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.

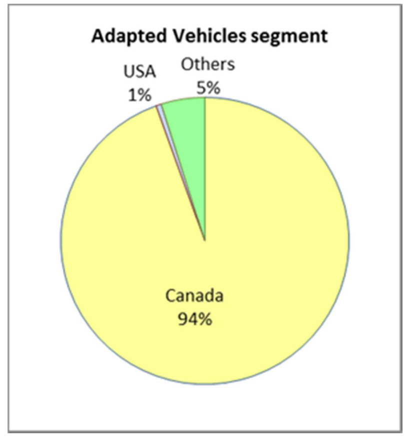
- ***Adapted Vehicles* segment (13 % of revenue in 2015)**

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.

Revenue Breakdown per Segment per Region

During fiscal 2015, Savaria's total revenue was recorded in the United States (55%), Canada (36%) and, to a lesser extent, outside North America (9%). Revenue breakdown per region by segment is as follows:





Revenue for fiscal 2015 amounts to $82.6 million ("M") for the *Accessibility* segment and $12.7 M for the *Adapted Vehicles* segment, for total revenue of $95.3 M. In this report, unless specifically mentioned, the analysis covers both segments.

The Corporation employs some 440 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.

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; 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 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 centres with the most extensive product selection in the industry.

Achievements:

  - Design of a new vehicle conversion, based on the frame of the Ram ProMaster, carrying up to 7 passengers, including three in wheelchairs, which was introduced to potential customers during Q3 2015; this product differs from our existing conversions due to its greater passenger capacity.
  - 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 market during Q3 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:

- Acquisition, in the third quarter of 2015, of the assets of three Silver Cross franchises located in Ottawa, St. Catharines and Toronto, Ontario; they join the corporate store located in Oakville, Ontario. Savaria furthers its strategy of holding corporate stores in the major Canadian markets to meet the mobility needs of the aging population.

➢ 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 2015 Highlights

Results for Q4 and fiscal 2015 have reached unprecedented levels. Revenue, net income and EBITDA surpassed company records to date.

Revenue up 23.8% for Q4 2015, and 14.9% for Fiscal 2015

For Q4 2015, revenue is up $5.1 M, at $26.6 M, compared to $21.5 M for same quarter previous year. For fiscal 2015, revenue is up 14.9% or $12.4 M, at $95.3 M, compared with $82.9 M in 2014.

Operating income up 59.6% for Q4 2015, and 30.1% for Fiscal 2015

Operating income is up $1.4 M, at $3.7 M, for Q4 2015, compared to $2.3 M same quarter previous year. For fiscal 2015, operating income is up $2.6 M, at $11.4 M in 2015 compared with $8.8 M in 2014.

Net income up 67.3% for Q4 2015, and 39.9% for Fiscal 2015

Net income is up $1.2 M, at $2.9 M, for Q4 2015, compared to $1.7 M same quarter previous year. For fiscal 2015, net income is up $2.6 M, at $8.9 M compared with $6.4 M in 2014.

EBITDA up 44.2% for Q4 2015, and 30.4% for Fiscal 2015

The Corporation's EBITDA amounted to $4.4 M for Q4 2015 compared to $3 M same quarter previous year, an increase of $1.3 M, and of $14.6 M for fiscal 2015 compared to $11.2 M for fiscal 2014, an increase of $3.4 M. Reconciliation between net income and EBITDA is provided in section 9, *Summary of Quarterly Results*.

Dividend

In Q4 2015, the Board of Directors declared a quarterly dividend of 5 cents ($0.05) per common share, in accordance with its dividend policy. For fiscal 2015, a total amount of 17 cents ($0.17) 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)	**2015**	2014	2013
Revenue	**$95,263**	$82,909	$75,739
Gross margin as a % of revenue	***31%***	*30.5%*	*29.4%*
Operating costs	**$18,198**	$16,565	$15,085
As a % of revenue	***19.1%***	*20%*	*19.9%*
Operating income	**$11,405**	$8,765	$7,509
As a % of revenue	***12%***	*10.6%*	*9.9%*
EBITDA (1)	**$14,559**	$11,164	$9,538
EBITDA per share – diluted	**$0.45**	$0.40	$0.41
Gain on foreign exchange	**$1,345**	$630	$330
Net income	**$8,944**	$6,391	$5,299
Earnings per share – basic and diluted	**$0.28**	$0.23	$0.23
Dividends declared per share	**$0.17**	$0.24	$0.14
Weighted average number of common shares outstanding – diluted	**32,446**	28,070	23,444
Total assets	**$95,685**	$71,420	$49,013
Long-term debt (including current portion)	**$17,252**	$15,354	$15,595
Total non-current liabilities	**$21,943**	$16,462	$14,629
Equity	**$49,213**	$36,456	$20,233

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

Revenue significantly increased in the last 2 years to record highs of $82.9 M and $95.3 M respectively, up 9.5% in 2014 and 14.9% in 2015. These increases are primarily due to Savaria launching new products and to an increase in sales of certain existing products.

Gross margin followed the same trend, mainly due to increased revenue. Gross margin went from 29.4% of revenue in 2013 to 31% of revenue in 2015.

As for operating income, following an increase of 16.7% in 2014 mainly due to the increase in gross margin, it soared by more than 30% in 2015 also due to an increase in gross margin, and to a decrease in operating expenses as a percentage of revenue.

Note that gains on foreign exchange are related to the closing rate of the U.S. dollar relative to the Canadian dollar.

Along with revenue, EBITDA reached record highs in each of the last 2 years. After crossing the $10 M mark for the first time in 2014, at $11.2 M, it reached a record high of $14.6 M in 2015, representing 15.3% of revenue compared to 13.5% in 2014 and 12.6% in 2013. These increases are mainly due to the increases in gross margin (+$3.1 M in 2014; +$4.3 M in 2015) and foreign exchange gains (+$300,000 in 2014; +$715,000 in 2015) offset by the increases in operating costs; (+$1,5 M in 2014; +$1,6 M in 2015).

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 since September 2015 is now at 5 cents per quarter.

Total assets increased significantly in 2014 and 2015, mainly due to funds received related to private placements to the net amounts of $17.5 M in 2014 and $13.5 M in 2015. Added to this are the acquisition of assets of Silver Cross in 2014 and of a building in Laval (Quebec) in 2015. Long-term debt, which remained stable between 2013 and 2014, increased by $1.9 M in 2015 following 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. Similarly, total non-current liabilities followed the same upward trend as long-term debt in addition to suffering from the impact of an increase in liabilities related to foreign exchange contracts; those have increased by $1.8 M in 2014 and $3.7 M in 2015.

Lastly, equity significantly increased by $16.2 M in 2014 and $12.8 M in 2015. These increases are primarily due to the issuance of shares related to the private placements of $17.9 M in 2014 and $13.8 M in 2015, offset by the negative change in *Accumulated other comprehensive income* of $2.2 M and $5 M respectively, and, for 2015, by the difference between net income of $8.9 M and dividends paid of $5.4 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)	**2015**				2014			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Revenue	**$26,605**	$24,002	$24,422	$20,234	$21,497	$21,747	$21,977	$17,688
Gross margin as a % of revenue	***32.7%***	*30.6%*	*30.5%*	*30%*	*30.9%*	*31.2%*	*30.6%*	*29.2%*
Operating costs (1)	**$5,061**	$4,483	$4,373	$4,281	$4,357	$4,384	$4,135	$3,689
As a % of revenue	***19%***	*18.7%*	*17.9%*	*21.2%*	*20.3%*	*20.2%*	*18.8%*	*20.9%*
Operating income	**$3,678**	$2,850	$3,087	$1,790	$2,304	$2,408	$2,579	$1,474
As a % of revenue	***13.8%***	*11.9%*	*12.6%*	*8.8%*	*10.7%*	*11.1%*	*11.7%*	*8.3%*
Gain (loss) on foreign exchange	**$256**	$515	$(29)	$603	$264	$372	$(315)	$309
Net income	**$2,867**	$2,352	$2,150	$1,575	$1,714	$1,926	$1,546	$1,205
Earnings per share – diluted	**$0.09**	$0.07	$0.07	$0.05	$0.06	$0.06	$0.06	$0.05
EBITDA (2)	**$4,372**	$3,806	$3,523	$2,858	$3,032	$3,214	$2,698	$2,220
EBITDA per share – diluted	**$0.13**	$0.11	$0.11	$0.10	$0.10	$0.11	$0.10	$0.09
Dividend declared per share	**$0.05**	$0.04	$0.04	$0.04	$0.04	$0.035	$0.035	$0.13
Weighted average number of common shares outstanding– diluted	**33,562**	33,746	32,265	30,194	29,875	29,807	28,871	23,748

(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

Since 2013, the Corporation has achieved record-breaking revenue every quarter compared to corresponding quarter previous year. This increase in revenue is primarily due to Savaria launching new products and to an increase in sales of certain existing products.

Gross margin, which averaged 30.5% since 2014, increased to 32.7% in Q4 2015 due to the high level of revenue compared to previous quarters.

Quarterly operating costs, which averaged $4.1 M or 20% of revenue in 2014, are up in terms of dollars in 2015, at an average of $4.5 M, whereas they are down in terms of percentage of revenue, at 19.1%. Quarterly operating costs are higher since the second quarter of 2014 due to an increase in sales force and travel expenses. Since 3rd quarter of 2014, adding to this is the impact of the acquisition of Silver Cross and of three Silver Cross franchisees during the 3rd quarter of 2015.

At an average of $3.6 M, quarterly EBITDA for fiscal 2015 increased almost 30% compared to an average of $2.8 M for fiscal 2014.

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)	2015					2014				
	Total	**Q 4**	Q 3	Q 2	Q 1	Total	Q 4	Q 3	Q 2	Q 1
Net income	**$8,944**	**$2,867**	$2,352	$2,150	$1, 575	$6,391	$1,714	$1,926	$1,546	$1, 205
Plus: Interest on long-term debt	**563**	**130**	140	147	146	560	146	134	144	136
Interest expense and banking fees	**186**	**31**	68	44	43	190	70	69	29	22
Income tax expense	**3,288**	**976**	876	774	662	2,401	685	703	591	422
Depreciation of fixed assets	**1,062**	**286**	271	255	250	982	241	257	244	240
Amortization of intangible assets	**747**	**152**	170	210	215	787	223	177	190	197
Less: Interest Income	**231**	**70**	71	57	33	147	47	52	46	2
EBITDA	**$14,559**	**$4,372**	$3,806	$3,523	$2,858	$11,164	$3,032	$3,214	$2,698	$2,220

The following section provides a detailed analysis of operating results for 4th quarter of 2015, in comparison with the same quarter of 2014 and of full year fiscal 2015 in comparison with the previous year. The detailed analysis of prior quarters is provided in the interim reports for fiscal 2015 and 2014, available on SEDAR's website at www.sedar.com.

10. Operating Results

Certain data on results for 4th quarters and for fiscal years ended December 31, 2015 and 2014 are presented in the following tables.

Gross margin

(in thousands of dollars, except percentages)	3 Months (Unaudited)			12 Months		
	2015	2014	Change	**2015**	2014	Change
Revenue	**$26,605**	$21,497	23.8%	**$95,263**	$82,909	14.9%
Cost of sales	**$17,892**	$14,846	20.5%	**$65,686**	$57,589	14.1%
Gross margin	**$8,713**	$6,651	31%	**$29,577**	$25,320	16.8%
As a % of revenue	***32.7%***	*30.9%*	*n/a*	***31%***	*30.5%*	*n/a*

Revenue for the 4th quarter of 2015 is up by $5.1 M or 23.8% compared to revenue recorded for same quarter previous year. Revenue for the *Accessibility* segment is up 30%, from $18 M for the 4th quarter of 2014 to $23.5 M for the 4th quarter of 2015, primarily due to an increase in the sale of stairlifts for straight and curved stairways that more than doubled in 2015. By contrast, revenue for the *Adapted Vehicles* segment is down 8.9% for the 4th quarter at $3.1 M, from $3.5 M for same quarter previous year.

Revenue for fiscal 2015 is up by $12.4 M or 14.9% compared to same period previous year. Revenue for the *Accessibility* segment is up 18.7% or $13 M, while revenue for the *Adapted Vehicles* segment is down 4.7% or $629,000. Both for the quarter and for fiscal 2015, the decrease in revenue for this segment is mainly due to a decrease in demand from the taxi industry in the Toronto area.

Breakdown of Sales by Geographical Region

(as a percentage of sales, unaudited)	3 months			12 months		
	2015	2014	Change	**2015**	2014	Change
Canada	**34.5 %**	38.8 %	(4.3)	**36.3 %**	38.3 %	(2)
United States	**58.5 %**	51.5 %	7	**55.1 %**	52.1 %	3
Other regions	**7 %**	9.7 %	(2.7)	**8.6 %**	9.6 %	(1)

Gross margin is up by $2.1 M for the 4th quarter of 2015 and up by $4.3 M for fiscal 2015, compared to the corresponding periods of 2014. As a percentage of revenue, gross margin is up both for the 4th quarter and for the twelve-month period, from 30.9% and 30.5% respectively in 2014 to 32.7% and 31% in 2015.

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 fiscal 2015 from the subsidiary Savaria Huizhou and other suppliers in Asia has increased to 54% of purchases of raw materials, compared to 49% for fiscal 2014. Note that 85% of purchases from Asia come from the subsidiary Savaria Huizhou (2014: 86%).

Operating Income

(in thousands of dollars, except percentages)	3 Months (Unaudited)			12 Months		
	2015	2014	Change	**2015**	2014	Change
Operating costs	**$5,061**	$4,357	16.2%	**$18,198**	$16,565	9.9%
As a % of revenue	***19%***	*20.3%*	*n/a*	***19.1%***	*20%*	*n/a*
Other income	**$26**	$10	160%	**$26**	$10	160%
Operating income	**$3,678**	$2,304	59.6%	**$11,405**	$8,765	30.1%
As a % of revenue	***13.8%***	*10.7%*	*n/a*	***12%***	*10.6%*	*n/a*

The proportion of operating costs relative to revenue decreased in the 4th quarter and in fiscal 2015 compared to the same periods in 2014, from 20.3% to 19% for the quarter, and from 20% to 19.1% for the year. In terms of dollars, operating costs increased by $704,000 for the 4th quarter and $1.6 M for fiscal 2015 compared to the same periods in 2014, due mainly to the addition of the Silver Cross operations in 4th quarter 2014 and the acquisition of three franchisees in 3rd quarter 2015 (+$160,000 for the 4th quarter and +$733,000 for fiscal 2015), to an increase in the sales force and sales costs (+$116,000 for the 4th quarter and +$438,000 for fiscal 2015), and engineering activities (+$202,000 for the 4th quarter).

The combined effect of the favourable change in gross margin and the unfavourable change in operating costs results in a positive effect on operating income with increases of $1.4 M for the 4th quarter and $2.6 M for fiscal 2015 compared to the same periods in 2014.

Net Income

(in thousands of dollars, except percentages)	3 Months (Unaudited)			12 Months		
	2015	2014	Change	**2015**	2014	Change
Net finance income	**$165**	$95	73.7%	**$827**	$27	2963%
Income before income tax	**$3,843**	$2,399	60.2%	**$12,232**	$8,792	39.1%
Income tax expense	**$976**	$685	42.5%	**$3,288**	$2,401	36.9%
Net income	**$2,867**	$1,714	67.3%	**$8,944**	$6,391	39.9%
As a % of revenue	***10.8%***	*8%*	*n/a*	***9.4%***	*7.7%*	*n/a*
EBITDA	**$4,372**	$3,032	44.2%	**$14,559**	$11,164	30.4%
As a % of revenue	***16.4%***	*14.1%*	*n/a*	***15.3%***	*13.5%*	*n/a*

The favourable variation of $800,000 of net finance income for fiscal 2015 compared to same period of 2014 is primarily due to a favourable variation in net foreign exchange gains of $715,000 and interest income of $84,000. 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 of 26.9% for fiscal 2015 is higher than the statutory corporate rate of 25.8% mainly due to expenses that are non-deductible for tax purposes and a tax withholding on the repatriation of funds from the Chinese subsidiary in the 1st quarter of 2015. This effective tax rate of 26.9% is slightly lower than the effective tax rate for fiscal 2014 of 27.3% due to changes in accounting estimates in 2014.

Net income and EBITDA increased for the 4th quarter and fiscal 2015 compared to corresponding periods of 2014, with respective increases of $1.2 M and $2.6 M for Net income and $1.3 M and $3.4 M for EBITDA.

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 term of the contracts, gains and losses are reclassified against revenue in net earnings.

As at December 31, 2015, the Corporation held foreign exchange contracts totaling $54.5 M U.S. for a hedging period up to December 31, 2018, at a weighted average rate of 1.1456. At the end of the year, the unrealized loss on the foreign exchange contracts amounted to $12.4 M before deferred taxes. 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).

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 agreements 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%.

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, 2015, the unrealized loss on the interest rate swaps amounts to $163,000 before deferred taxes. 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, 2015 and December 31, 2014, along with the principal explanations of such changes:

(in thousands of dollars, except percentages)	**December 31, 2015**	December 31, 2014	Change	Principal causes of the changes
Current assets				
Cash	**$29,707**	$16,280	$13,427	Net proceeds of $13,500 following the conclusion of a private placement.
Trade and other receivables	**$12,878**	$12,168	$710	Increase in the exchange rate used for the conversion of U.S. dollar denominated receivables (+$1,300), decrease in trade receivables (-$189), decrease in sales taxes receivable (-$297) and in other receivables (-$57).

(in thousands of dollars, except percentages)	**December 31, 2015**	December 31, 2014	Change	Principal causes of the changes
Number of days in receivables [1]	**44**	54	(18.5)%	The tightening of our credit policies explains the improvement in the time required to collect our trade receivables.
Inventories	**$18,111**	$16,694	$1,417	Increase in inventory at the Van-Action plant (+$453) and at the Chinese plant (+$928) due to an increase in material requirements by the Savaria Concord plant and the impact of higher exchange rates for the Chinese Renminbi in relation to the Canadian dollar.
Inventory turnover rate [1]	**3.59**	3.65	(1.6)%	See "Inventories" just above.
Non-current assets				
Fixed assets	**$18,389**	$12,122	$6,267	Additions (+$7,200, including $6,400 related to the purchase of a building, refer to section 11 *Available Sources of Financing* for details), depreciation (-$1,100) business acquisitions (+$53) and other minor changes.
Goodwill	**$7,485**	$7,253	$232	Increase through the acquisition of Silver Cross franchises.
Deferred tax assets	**$5,422**	$3,157	$2,265	Deferred taxes on the change in *Accumulated other comprehensive income* (+$1,900) and on transaction fees related to a private placement (+$195).

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

(in thousands of dollars, except percentages)	**December 31, 2015**	December 31, 2014	Change	Principal causes of the changes
Current liabilities				
Trade and other payables	**$11,140**	$9,677	$1,463	Increase in the exchange rate used for the conversion of U.S. dollar denominated payables (+$894), increase in trade due to an increase in inventories (+$544).
Derivative financial instruments	**$5,812**	$2,295	$3,517	Unfavourable change in unrealized losses on foreign exchange contracts maturing in the next twelve months (+$3,500).
Current portion of long-term debt	**$2,980**	$2,833	$147	See explanations under *Long-term debt*.
Non-current liabilities				
Long-term debt	**$14,272**	$12,521	$1,751	Normal repayment of the debt (-$1,900), repayment of a note payable related to a 2014 acquisition (-$550), new debt related to the purchase of a building (refer to section 11 *Available Sources of Financing* for details) (+$4,200) and other minor changes (includes the change in current portion of long-term debt).
Derivative financial instruments	**$6,723**	$2,991	$3,732	Unfavourable change in unrealized losses on foreign exchange contracts maturing after the next twelve months (+$3,800).

(in thousands of dollars, except percentages)	**December 31, 2015**	December 31, 2014	Change	Principal causes of the changes
Equity	**$49,213**	$36,456	$12,757	Net income (+$8,900), share issuance in relation to a private placement, net of transaction fees and related taxes (refer to section 11 *Available Sources of Financing* for details) (+$13,800), exercise of share purchase options (+$201), declaration of dividends (-$5,400) and change in *Accumulated other comprehensive income* (-$5,000).
Working capital (1)	**$37,028**	$27,638	$9,390	Increase is mainly due to the completion of the private placement in the 2nd quarter (+$13,500) partially compensated by additions to the purchased building for which long-term financing hasn't been cashed-in as yet (-$2,000).
Current ratio (1)	**2.51**	2.49	0.8%	See above.

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

As at December 31, 2015, Savaria benefited from a sound financial position, with total assets of $95.7 M, compared with $71.4 M as at December 31, 2014, and total liabilities of $46.5 M, compared with $35 M as at December 31, 2014.

Available Sources of Financing

(in thousands of dollars)	December 31,	
	2015	2014
Credit facilities:		
Authorized	**$7,500**	$7,500
Loans	**(1,125)**	(2,000)
Unused credit	**6,375**	5,500
Gross cash	**30,832**	18,280
Total	**$37,207**	$23,780

As shown above, the Corporation had total available funds of $37.2 M as at December 31, 2015. This provides it with the flexibility to meet its potential obligations in the near term and to benefit from investment opportunities.

On May 13, 2015, the Corporation completed a bought deal private placement of 2,875,000 common shares at a price of $5.00 per share, for gross proceeds to Savaria of $14.4 M and proceeds net of transaction fees of $13.5 M.

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 $4.2 M was disbursed as at December 31, 2015. The balance of $2 M is set aside for improvements that have been performed and will be collected from the financial institution by the expected date of completion of the work in June 2016. At improvements completion, the construction loan will be converted into long-term debt. The terms of the financing agreement provide for a 180-month amortization period for the long-term debt with monthly installments of $43,000 in principal for the first 60 months, and of $30,000 for the remaining 120 months.

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).

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. The market value is calculated daily by the bank. When the result is a loss of an amount greater than $7.1 M, the bank can realize the collateralized security to cover the additional risk. In this respect, as at December 31, 2015, an amount of $5.1 M is reserved to guarantee unrealized losses on foreign exchange contracts, since on the date of the last assessment in 2015 they amount to $12.2 M.

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

(in thousands of dollars, except per-share amounts - unaudited)	December 31,		Change
	2015	2014	
Book value per share [1]	**$1.51**	$1.23	22.8%
Cash per share [1]	**$0.91**	$0.55	65.4%
Market capitalization	**$179,514**	$128,563	39.6%

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

Book value and Cash per share are up as at December 31, 2015 compared to December 31, 2014, due to the impact of the private placement on equity and on cash, partially offset by dividend declarations during fiscal 2015 and by the unfavourable variation in equity following the increase of the negative amount in *Accumulated other comprehensive loss* primarily related to the unfavourable variation in fair value of foreign exchange contracts. 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 $4.35 as at December 31, 2014 to $5.51 as at December 31, 2015.

12. Cash Flows

The following table presents certain cash flow data for 4th quarter and fiscal 2015 and 2014.

(in thousands of dollars)	3 Months (Unaudited)			12 Months		
	2015	2014	Change	**2015**	2014	Change
Net cash from operating activities	**$6,392**	$3,635	75.8%	**$12,129**	$9,043	34.1%
Net cash used in investing activities	**$(2,500)**	$(381)	556%	**$(8,626)**	$(3,537)	(144)%
Net cash from (used in) financing activities	**$(2,212)**	$(1,849)	(19.6)%	**$9,432**	$8,636	9.2%

The Corporation's cash flows from operating activities are up $2.8 M for the 4th quarter and by $3.1 M for fiscal 2015 compared to the corresponding periods of previous year. This is mainly due to a favourable variation in net income before amortization, depreciation and tax (+$1.4 M for the quarter, +$3.5 M for fiscal 2015) and in the net changes in non-cash items (+$2.1 M for the quarter, +$959,000 for fiscal 2015), partially offset by higher income tax payments (-$118,000 for the quarter, -$1.3 M for fiscal 2015).

Cash flows used in investing activities is up by $2.1 M in 4th quarter and $5.1 M in fiscal 2015 compared to same periods previous year. These variations are primarily due to an increase in additions to fixed assets (-$2.3 M for the quarter, -$6.7 M for fiscal 2015) and intangible assets (-$405,000 for fiscal 2015), partially offset by a decrease in business acquisitions (+$2 M for fiscal 2015).

In regard to financing activities, cash flows used in financing activities is up $363,000 in 4th quarter 2015 compared to same period previous year, mainly due to higher dividend payments of $ 447,000. The Corporation generated higher cash flows of $796,000 for fiscal 2015 mainly due to a higher inflow of long-term debt (+$4.1 M) and lower dividend payments (+$929,000), offset by lower net proceeds from the private placements (-$4 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 the 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.

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 14.9% and 13.2% (15% and 13.5% in 2014) 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 adopted during fiscal 2015

The following new standards and amendments to standards and interpretations have been applied in preparing the consolidated financial statements as at December 31, 2015. The adoption of these new standards has not had a material impact on the consolidated financial statements.

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

In December 2013, the International Accounting Standards Board ("IASB") issued narrow-scope amendments to a total of nine standards as part of its annual improvements process, some of which may eventually apply to the Corporation. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS.

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

- Definition of "vesting conditions" 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*; and
- Definition of "related party" in IAS 24 *Related Party Disclosures*.

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

(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 years ended December 31, 2015 and 2014, and have not been applied in preparing the 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 IFRS 9 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 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.

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 the adoption of this 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.

***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 years 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 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*.

The Corporation intends to adopt these amendments in its consolidated financial statements for the year beginning on January 1, 2016. The Corporation does not expect the amendments to have a material impact on its consolidated 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 consolidated financial statements for the year beginning on January 1, 2016. The Corporation does not expect the amendments to have a material impact on its consolidated 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 years 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 consolidated financial statement disclosures.

The Corporation intends to adopt these amendments in its consolidated financial statements for the year beginning on January 1, 2016. The Corporation does not expect the amendments to have a material impact on its consolidated 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, 2015 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, 2015, 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 2015 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 $1,514,000 ($2,103,000 in 2014).

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

(in thousands of dollars)	**Total**	2016	2017	2018	2019	2020	After 2020
Long-term debt obligations, including interest	**$19,394**	$3,334	$3,021	$2,905	$1,575	$1,199	$7,360
Capital leases	**176**	72	53	29	17	5	-
Operating leases	**1,514**	664	425	302	123	-	-
Total contractual obligations	**$21,084**	$4,070	$3,499	$3,236	$1,715	$1,204	$7,360

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 2015.

18. Related Party Transactions

The Corporation recorded an amount of $71,000 ($52,000 in 2014) 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 (same in 2014) was paid to that company in 2015. The lease expires in October 2016, and the total remaining commitment is $21,000 ($46,000 in 2014).

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	$ -	$29,707	**$29,707**	**$29,707**
Trade and other receivables	-	11,726	**11,726**	**11,726**
Long-term loans	-	51	**51**	**51**
Total financial assets	$ -	$41,484	**$41,484**	**$41,484**
Financial liabilities				
Trade and other payables	$ -	11,071	**11,071**	**11,071**
Derivative financial instruments	12,535	**-**	**12,535**	**12,535**
Long-term debt	-	17,252	**17,252**	**17,243**
Total financial liabilities	$12,535	$28,323	**$40,858**	**$40,849**

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 63% (61% in 2014) 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, 2015, the Corporation shows a debit amount of *Accumulated other comprehensive income (loss)* of $9,192,000 ($3,792,000 as at December 31, 2014). 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 $10,573,000 as at December 31, 2015 ($12,205,000 as at December 31, 2014). As at December 31, 2015, the Corporation shows a debit amount of $119,000 in *Accumulated other comprehensive income (loss)* ($108,000 at December 31, 2014).

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 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 2015, the percentage of Savaria's revenue recorded in the United States totalled 55% (52% in 2014). 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

In 2015, Savaria even further accelerated its rate of growth. Given the aging population, the demand for accessibility products will continue to grow. In order to maintain our position as one of the leaders in our industry, our strategy is to regularly launch new products to address customers' needs. This was demonstrated once again in 2015 with the launch of a new stairlift for straight staircases and a new adapted vehicle model. This new vehicle, based on the frame of the Ram ProMaster, can transport up to 7 persons, including three in wheelchairs.

The synergies from our acquisition of Silver Cross will continue to materialize 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, we are raising our forecast reported on December 1, 2015, and we now forecast revenue for the twelve-month period ending December 31, 2016 to be approximately $107 million and EBITDA in the range of $16.5-$17.5 million.

March 10, 2016