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About Invacare Corporation

Invacare Corporation (NYSE: IVC) ("Invacare" or the "company") is a leading manufacturer and distributor in its markets for medical equipment used in non-acute care settings. At its core, the company designs, manufactures and distributes medical devices that help people to move, breathe, rest and perform essential hygiene. The company provides clinically complex medical device solutions for congenital (e.g., cerebral palsy, muscular dystrophy, spina bifida), acquired (e.g., stroke, spinal cord injury, traumatic brain injury, post-acute recovery, pressure ulcers) and degenerative (e.g., ALS, multiple sclerosis, chronic obstructive pulmonary disease (COPD), age related, bariatric) conditions. The company's products are important parts of care for people with a wide range of challenges, from those who are active and heading to work or school each day and may need additional mobility or respiratory support, to those who are cared for in residential care settings, at home and in rehabilitation centers. The company sells its products principally to home medical equipment providers with retail and e-commerce channels, residential care operators, dealers and government health services in North America, Europe and Asia Pacific. For more information about the company and its products, visit the company's website at www.invacare.com. The contents of the company's website are not part of this Quarterly Report on Form 10-Q and are not incorporated by reference herein.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The discussion and analysis presented below is concerned with material changes in financial condition and results of operations between the periods specified in the condensed consolidated balance sheets at March 31, 2022 and December 31, 2021, and in the condensed consolidated statement of comprehensive income (loss) for the three months ended March 31, 2022 and March 31, 2021. All comparisons

presented are with respect to the same period last year, unless otherwise stated. This discussion and analysis should be read in conjunction with the condensed consolidated financial statements and accompanying notes that appear elsewhere in this Quarterly Report on Form 10-Q and the MD&A included in the company's Annual Report on Form 10-K for the year ended December 31, 2021. For some matters, SEC filings from prior periods may be useful sources of information.

OVERVIEW

OVERVIEW

Invacare is a multi-national company with integrated capabilities to design, manufacture and distribute durable medical devices. The company makes products that help people move, breathe, rest and perform essential hygiene, and with those products the company supports people with congenital, acquired and degenerative conditions. The company's products and solutions are important parts of care for people with a range of challenges, from those who are active and involved in work or school each day and may need additional mobility or respiratory support, to those who are cared for in residential care settings, at home and in rehabilitation centers. The company operates in facilities in North America, Europe and Asia Pacific, which are the result of dozens of acquisitions made over the company's forty-two-year history. Some of these acquisitions have been combined into integrated operating units, while others have remained relatively independent.

COVID-19 Impact

The company continues to monitor the impact of the pandemic, which continues to negatively impact the company's business in 2022 with regard to supply chain disruptions impacting both input costs and availability of components, resulting in compressed gross margins. The company expects these issues will remain throughout 2022. While the company has implemented actions to mitigate the negative impact of higher input costs, it is expected that there could continue to be a difference between the timing of when the mitigation actions are effective and when the cost inflation is incurred.

The company realized growth in its mobility and seating product category in the first quarter of 2022 as a result of improved access to healthcare and loosening of public health restrictions compared to last year. However, demand still has not returned to pre-pandemic levels.

The company continues to experience high demand globally for its products. However, the company has and continues to experience availability issues with components which may limit the ability to increase output and meet this demand. In addition, the company has continued to experience cost increases from pandemic-related supply chain disruptions.

The company experienced Omicron-related impacts during the first quarter of 2022 across its employee, production and supplier base, with the extent of the disruptions varying by country. The company experienced absenteeism early in the quarter as a result of Omicron which caused temporary inefficiencies in operations, and which have since subsided.

The extent to which the company's operations will be impacted by the pandemic will depend largely on future developments, which remain highly uncertain and difficult to accurately predict, including, among other things, new information which may emerge concerning the severity of the pandemic, actions by government authorities to contain COVID-19 or treat its impact, such as restrictions imposed in China to control the pandemic, and potential of reimposed public health restrictions or restrictions on access to healthcare facilities. In addition, supply chain disruptions continue to negatively impact the global economy and may affect the business including availability and cost of components and freight, which may have a negative impact on the company and results of operations, if mitigation actions are not effective.

Strategy

The company historically had a strategy to be a leading provider of durable medical equipment to health care providers in global markets by providing the broadest portfolio available. This strategy has not kept pace with certain reimbursement changes, competitive dynamics and company-specific challenges. Since 2015, the company has made a major shift in its strategy. The company has since been

aligning its resources to produce products and solutions that assist customers and end-users with their most clinically complex needs. By focusing the company's efforts to provide the best possible assistance and outcomes to the people and caregivers who use its products, the company aims to improve its financial condition for sustainable profit and growth. As a result, the company is undertaking a substantial multi-year business optimization plan.

Business Optimization Efforts

The company continues to execute a multi-year strategy to return the company to profitability by focusing its resources on products and solutions that provide greater healthcare value in clinically complex rehabilitation and post-acute care.

Cost pressures on the business impacted by supply chain disruptions and inflationary economic conditions are anticipated to continue in 2022. While the company has implemented actions to mitigate these cost increases, additional actions may be needed to drive profitability and free cash flow generation. These actions could include further restructuring actions including organization optimization, supply chain rationalization, and product line rationalization for those product categories which do not deliver adequate profitability given the higher cost inputs being incurred. These actions are anticipated to result in restructuring costs, to the extent implemented, during 2022, including those set forth in the company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2022.

The company's business optimization actions balance product portfolio changes across all regions and cost improvements in supply chain and administrative functions. Key elements of the global business optimization plans are:

- Continue to drive all business segments and product lines based on their potential to achieve a leading market position and to support profitability goals;
- Simplify the organization to leverage a reduced cost structure while allocating resources to the business units or product categories which deliver improved financial returns;
- Product rationalization and discontinuance with consideration of cost increases incurred by the company and those anticipated to continue. Adjust the product portfolio to consistently grow profitability amid cost increases by adding new products, reducing costs and continuing to improve customer experiences; and
- Take actions globally to reduce working capital and improve free cash flow.

As it navigates the uncertain business environment resulting from the pandemic, the company continues to

allocate more resources to the business units experiencing increased demand and expects to continue taking actions to mitigate the potential negative financial and operational impacts on other parts of the business that have declined. In the medium-term, the company still expects to execute on its business optimization strategy, such as the global IT modernization initiative which is intended to optimize the operating structure.

The company intends to continue to make significant investments in its business improvement initiatives with a focus on improving profitability and free cash flow generation. As a result, the company may take actions which may reduce sales in certain areas, refocus resources away from less profitable activities, and look at its global infrastructure for opportunities to further optimize the business. As part of the company's efforts to streamline its operations and focus its resources on core product lines that provide the greatest value and financial returns, the company continuously evaluates opportunities and activities, including potential divestitures, which it considers from time to time, particularly if they involve businesses or assets outside of the company's primary areas of focus.

Outlook

The company participates in durable healthcare markets and serves a persistent need for its products. By continuing to drive for improved operating efficiency, the company expects to grow revenue and profit, and improve its cash flow performance into the future.

Cost pressures on the business due to supply chain disruptions and inflationary economic conditions are anticipated to continue into 2022. The company continues to see higher input costs related to freight and materials, increasing the challenges to schedule deliveries of key components, including electronic components for respiratory and mobility and seating products. While the company has implemented actions to mitigate these cost increases, additional restructuring actions may be implemented to drive profit and improve cash flows. These restructuring actions may include organization simplification and supply chain rationalization. These actions are expected to include organization and supply chain changes and a narrowing of the product portfolio for those items which no longer meet customer or business needs. These actions are anticipated to take effect in 2022 and as a result the company anticipates incurring additional costs related to its restructuring actions.

Revenues for the full year of 2022 are not anticipated to increase, largely as a result of product rationalization and discontinuations which may not be completely mitigated by the pricing actions implemented by the business. In addition, sales volumes may be adversely impacted by customers reactions to the company's mitigation actions.

The company's earnings performance for the remainder of 2022 is expected to benefit from: (1) margin expansion expected as a result of effectiveness of pricing actions, favorable product mix as result of product rationalization efforts and improved efficiencies in our operations including maximizing our distribution structure offset by higher material and freight costs; and (2) benefit of restructuring actions implemented during the year. The company continues to expect SG&A expense to be higher than 2021 levels for the first half of 2022 with sequentially lower SG&A expense for the second half of 2022 as a result of the benefits of restructuring actions. In addition, SG&A expense is anticipated to continue to be higher at least into the second quarters of 2022 impacted by classification of IT costs as operating expenses as a result of a temporary pause in the ERP roll-out in 2022 as restructuring actions are implemented. Stock compensation expense for the year is expected to be similar to 2021.

The company anticipates profit and free cash flow to improve for the full year compared to the prior year and sequentially for the last three quarters of the year as the expected profit improvement actions, including pricing and restructuring benefits, take effect.

The company has historically had negative free cash flow during the first half of the year due to a confluence of company and industry seasonal patterns. This pattern has continued in the first quarter of 2022 in part due to the timing of annual payments such as customer rebates, higher working capital usage from seasonal inventory increases, and decreases in accounts payable. The absence of these payments in other parts of the year along with seasonally stronger sales in the second half of the year, and the anticipated benefits of the restructuring and cost mitigation actions are expected to drive more favorable free cash flow performance in the second half of the year. The company will continue to manage working capital and the balance sheet to support normal operating needs and to fund restructuring actions. The company recognizes that the near-term external factors of inflation and supply chain challenges, as well as costs associated with restructuring actions, may require balance sheet action, including additional financing to support working capital requirements (refer to "Liquidity and Capital Resources"). The company will continue to take actions to optimize its business as required to operate in the present landscape. The company anticipates spending approximately \$15 million on capital expenditures in 2022.

Favorable Long-Term Demand

Ultimately, demand for the company's products and services is based on the need to provide care for people with certain conditions. The company's medical devices provide solutions for end-users and caregivers. Therefore, the demand for the company's medical equipment is largely driven by

population growth and the incidence of certain conditions where treatment may be supplemented by the company's devices. The company also provides solutions to help equipment providers and residential care operators deliver cost-effective and high-quality care. The company believes that its commercial team, customer relationships, products and solutions, supply chain infrastructure, and strong research and development pipeline will create favorable business potential.

RESULTS OF OPERATIONS - NET SALES

The company operates in two primary business segments: North America and Europe with each selling the company's primary product categories, which include: lifestyle, mobility and seating and respiratory therapy products. Sales in Asia Pacific are reported in All Other and include products similar to those sold in North America and Europe.

(\$ in thousands USD)	1Q22*	1Q21	% Change Fav/(Unfav)	Foreign Exchange % Impact	Constant Currency % Change Fav/(Unfav)
Europe	118,079	112,775	4.7	(6.5)	11.2
North America	75,319	75,974	(0.9)	—	(0.9)
All Other (Asia Pacific)	7,590	7,453	1.8	(6.4)	8.2
Consolidated	200,988	196,202	2.4	(4.0)	6.4

* Date format is quarter and year in each instance.

The table above provides net sales change as reported and as adjusted to exclude the impact of foreign exchange translation (constant currency net sales). "Constant currency net sales" is a non-Generally Accepted Accounting Principles ("GAAP") financial measure, which is defined as net sales excluding the impact of foreign currency translation. The current year's functional currency net sales are translated using the prior year's foreign exchange rates. These amounts are then compared to the prior year's sales to calculate the constant currency net sales change.

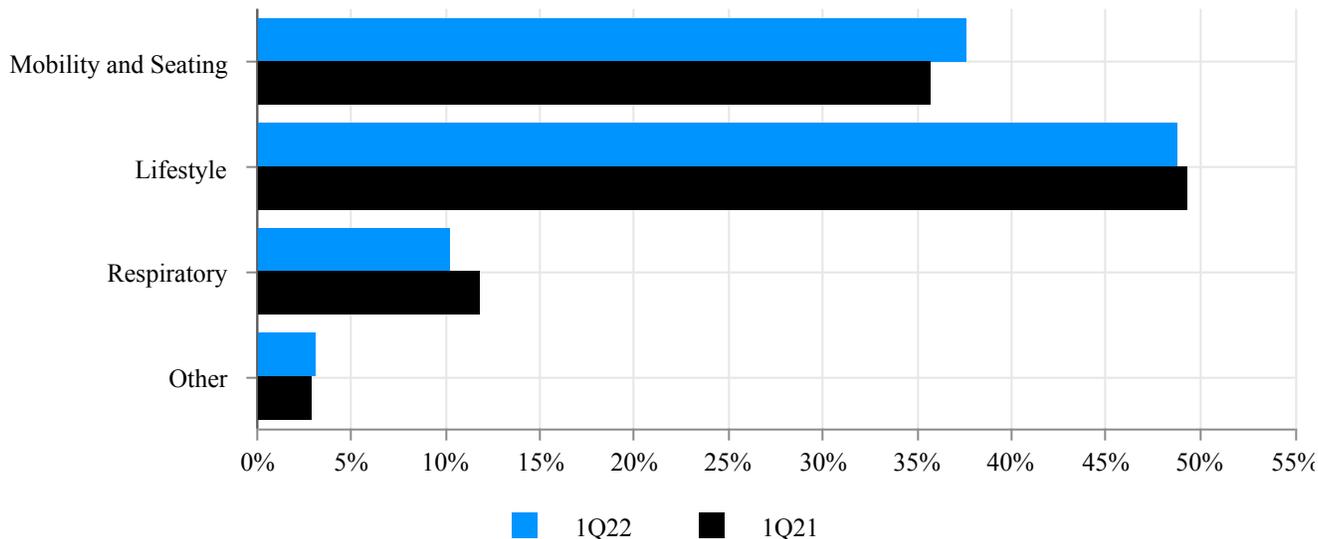
The global pandemic continued to impact sales across all segments in different ways. Public health restrictions started to ease and increase access to healthcare professionals and institutions needed for certain product selections, as compared to 1Q21. Global supply chain challenges continued to delay receipt of components and limit conversion of orders to sales, which continued to impact each of the regions in 1Q22.

Europe - Constant currency net sales increased \$12,643,000, or 11.2% in 1Q22 compared to 1Q21 as sales started to recover from pandemic-related challenges led by increased sales in mobility and seating and lifestyle products reflecting the improving restoration of access to healthcare. Respiratory net sales declined as a result of supply chain challenges which were hindered by the availability of components to fill orders.

North America - Constant currency net sales for 1Q22 decreased \$648,000 or 0.9% compared to 1Q21. Growth in mobility & seating products net sales was more than offset by decreased net sales of lifestyle and respiratory products. Improved access to healthcare professionals and institutions benefits were outpaced by supply chain disruptions.

All Other - Constant currency net sales, which relates entirely to the Asia Pacific region, increased \$612,000 or 8.2% for 1Q22 compared to 1Q21 driven by growth in respiratory and lifestyle products as a result of product received in the region during the quarter which fulfilled existing orders.

Consolidated Global Constant Currency Product Mix as a Percentage of Net Sales

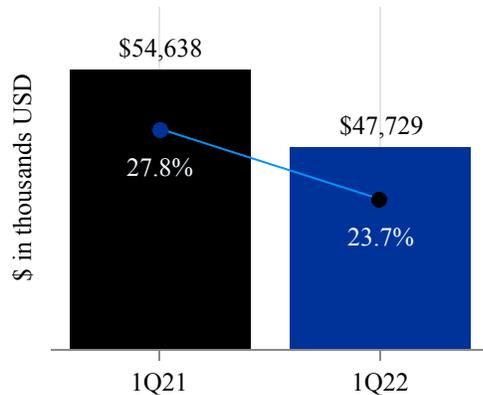


Constant currency net sales of mobility and seating products, which comprise most of the company's clinically complex product portfolio, were 37.7% of constant currency net sales in 1Q22 and 35.8% in 1Q21.

The improvement in mix percentage for mobility and seating product is the result of improved access to healthcare compared to 1Q21. All product categories are impacted by supply chain challenges, including timely delivery of components, as compared to 1Q21.

GROSS PROFIT

Gross Profit and Gross Profit as a % of Net Sales



Gross profit decreased \$6,909,000 and gross profit as a percentage of net sales for 1Q22 decreased 410 basis points to 23.7%, primarily attributable to higher freight and material costs and unfavorable product mix, partially offset by favorable pricing. In addition, in 1Q22, the company experienced brief but significant Omicron-related impacts, like short-term absenteeism across its operations and suppliers, causing inefficiencies that affected gross margin. As well, input costs were at their lowest levels in 1Q21 and escalated as 2021 progressed.

Gross profit drivers by segment:

Europe - Gross profit dollars for 1Q22 decreased \$2,155,000 on higher net sales compared to 1Q21. Gross profit as a percentage of net sales decreased 2.8% compared to 1Q21. Gross profit dollars were burdened by additional freight costs which were partially offset by pricing actions.

North America - Gross profit dollars decreased \$4,268,000 and gross profit as a percentage of net sales decreased 4.0% for 1Q22 compared to 1Q21 driven by unfavorable product mix as well as higher material and freight costs, partially offset by pricing actions.

All Other - Asia Pacific gross profit dollars decreased \$226,000 and gross profit as a percentage of net sales decreased 3.6% for 1Q22 compared to 1Q21 primarily driven by higher material and freight costs.

All Other also includes the impact of intercompany profit eliminations for the consolidated company.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

(\$ in thousands USD)	1Q22	1Q21	Reported Change	Foreign Exchange Impact	Constant Currency Change
SG&A expenses - \$	60,564	58,821	1,743	(1,747)	3,490
SG&A expenses - % change			3.0	(2.9)	5.9
% to net sales	30.1	30.0			

The table above provides selling, general and administrative (SG&A) expenses change as reported and as adjusted to exclude the impact of foreign exchange translation (constant currency SG&A). "Constant currency SG&A" is a non-GAAP financial measure, which is defined as SG&A expenses excluding the impact of foreign currency translation. The current year's functional currency SG&A expenses are translated using the prior year's foreign exchange rates. These amounts are then compared to the prior year's SG&A expenses to calculate the constant currency SG&A expenses change. Management believes this financial measure provides meaningful information for evaluating the core operating performance of the company.

Constant currency SG&A increased \$3,490,000 or 5.9% for 1Q22 compared to the same period last year primarily due to higher IT costs. 1Q22 expense was burdened by ERP-related charges as a result of a temporary pause in the ERP roll-out in 2022 as restructuring actions are implemented. However, Q122 benefited from reduced stock compensation expense attributable to the timing of the company's annual equity awards being delayed until 2Q22 and to the impact of the lower trading price on the company's common shares in 1Q22 on outstanding equity awards to which variable accounting applies.

SG&A expense drivers by segment:

Europe - SG&A expenses for 1Q22 decreased \$1,548,000 or 5.5% compared to 1Q21 with foreign currency translation increasing SG&A expenses by \$1,584,000, or 5.6%. Constant currency SG&A expenses increased \$36,000, or 0.1%. Savings from facility consolidation were more than offset by foreign currency transactions losses and increased sales and marketing costs.

North America - SG&A expenses for 1Q22 increased \$1,693,000, or 7.5%, compared to 1Q21. Constant currency SG&A expenses increased \$1,694,000, or 7.5% primarily attributable to outside services and foreign currency transactions.

All Other - SG&A expenses for 1Q22 increased \$1,598,000 compared to 1Q21 with foreign currency

translation increasing SG&A expenses by \$162,000. Constant currency SG&A expenses decreased by \$1,760,000. All Other includes SG&A related to the Asia Pacific businesses and non-allocated corporate costs. Constant currency SG&A expenses related to Asia Pacific businesses for 1Q22 increased 7.3% or \$191,000, compared to 1Q21 driven primarily by increased foreign currency transactions as well as sales and marketing and facility costs attributable to expanding the market in the region. Unallocated corporate costs increased primarily due to increased IT costs partially offset by lower stock compensation expense, noted above.

OPERATING INCOME (LOSS)

(\$ in thousands USD)	1Q22	1Q21	\$ Change	% Change
Europe	3,225	3,832	(607)	(15.8)
North America	(8,336)	(2,375)	(5,961)	--
All Other	(7,724)	(5,640)	(2,084)	(37.0)
Charges related to restructuring	(3,790)	(1,552)	(2,238)	(144.2)
Consolidated Operating Income (Loss)	(16,625)	(5,735)	(10,890)	--

For 1Q22, consolidated operating loss increased compared to 1Q21 operating income attributable to lower gross profit and higher SG&A expenses.

Operating income (loss) by segment:

Europe - Operating income for 1Q22 decreased by \$607,000 primarily due to lower gross profit on higher sales.

North America - Operating loss for 1Q22 increased by \$5,961,000 primarily due to lower gross profit on flat sales and higher SG&A expenses. Gross profit was negatively impacted by unfavorable product mix as well as freight and material costs.

All Other - Operating loss for All Other includes the operating results of the Asia Pacific businesses, as well as unallocated SG&A expenses and intercompany eliminations. Operating loss increased \$2,084,000, or 37.0%, primarily driven by additional professional fees.

Charges Related to Restructuring Activities

Restructuring charges were \$3,790,000 for 1Q22 compared to \$1,552,000 for 1Q21 and were principally related to severance costs. Restructuring charges were incurred in the Europe segment of \$2,119,000 and North America segment of \$1,662,000.

OTHER ITEMS

Loss (gain) on debt extinguishment including debt finance changes and fees

(\$ in thousands USD)	1Q22	1Q21	\$ Change
Loss (gain) on debt extinguishment including debt finance fees	—	709	(709)

During the first quarter of 2021, the company repurchased and retired, at par plus accrued interest, \$78,850,000 of its 2022 Notes. The result of the transaction was a loss on debt extinguishment including debt and finance fees of \$709,000.

Interest

(\$ in thousands USD)	1Q22	1Q21	\$ Change	% Change
Interest expense	6,252	5,731	521	9.1
Interest income	—	(1)	1	(100.0)

The increase in interest expense for 1Q22 compared to the same period of prior year was primarily related to higher interest bearing debt for the full period of 2022 compared to 2021.

Income Taxes

The company had an effective tax rate of 5.8% and 15.4% on losses before tax for the three months ended March 31, 2022 and March 31, 2021, respectively, compared to an expected benefit of 21.0% on the pre-tax loss for each period. The company's effective tax rate for the three months ended March 31, 2022 and March 31, 2021 were unfavorable as compared to the U.S. federal statutory rate, principally due to the negative impact of the company not being able to record tax benefits related to the significant losses in countries which had tax valuation allowances. The effective tax rate was increased for the three months ended March 31, 2022 and March 31, 2021 by certain taxes outside the United States, excluding countries with tax valuation allowances, that were at an effective rate higher than the U.S. statutory rate.

LIQUIDITY AND CAPITAL RESOURCES

The company continues to maintain an adequate liquidity position through its cash balances and bank lines of credit (refer to Long-Term Debt in the Notes to Condensed Consolidated Financial Statements included in this report) as described below.

Key balances on the company's balance sheet and related metrics:

(\$ in thousands USD)	March 31, 2022	December 31, 2021	\$ Change	% Change
Cash and cash equivalents	52,337	83,745	(31,408)	(37.5)
Working capital ⁽¹⁾	117,280	138,134	(20,854)	(15.1)
Total debt ⁽²⁾	384,814	382,586	2,228	0.6
Long-term debt ⁽²⁾	378,940	376,462	2,478	0.7
Total shareholders' equity	189,308	218,489	(29,181)	(13.4)
Credit agreement borrowing availability ⁽³⁾	42,267	41,845	422	1.0

⁽¹⁾ Current assets less current liabilities.

⁽²⁾ Total debt and Long-term debt include finance leases but exclude debt issuance costs recognized as a deduction from the carrying amount of debt liability and operating leases.

⁽³⁾ Reflects the combined availability of the company's North American and European asset-based revolving credit facilities before borrowings. At March 31, 2022, the company had \$12,631,000 of borrowings outstanding on the European credit facility and \$25,500,000 of borrowings outstanding on its North America credit facility. Outstanding borrowings are based on credit availability calculated on a month lag related to the European credit facility.

The company's cash and cash equivalents balances were \$52,337,000 and \$83,745,000 at March 31, 2022 and December 31, 2021, respectively. The decrease in cash in the first three months of 2022 is primarily attributable to use from operating activities and cash used for continued investment in business improvement initiatives. Cash used by operating activities was partially offset by credit facilities borrowings. The North America and Europe credit facilities under the company's Credit Agreement provides for asset-based-lending senior secured revolving credit facilities.

Refer to "Long-Term Debt" in the Notes to the Condensed Consolidated Financial statements included in this report for a summary of the material terms of the Company's long-term indebtedness.

Debt repayments, acquisitions, divestitures, the timing of vendor payments, the timing of customer rebate payments, the granting of extended payment terms to significant national accounts and other activity can have a significant impact on the company's cash flow and borrowings outstanding such that the cash reported at the end of a given period may be materially different than cash levels during a given period. While the company has cash balances in various jurisdictions around the world, there are no material restrictions regarding the use of such cash for dividends within the company, loans or other purposes.

The company's total debt outstanding, inclusive of the company's convertible senior notes due 2022, 2024 and 2026 and finance leases, increased by \$2,228,000 to \$384,814,000 at March 31, 2022 from \$382,586,000 as of December 31,

2021. The increase is primarily driven by accretion on convertible senior notes due 2024, amortization of debt issuance costs and credit facility borrowings.

In addition, the company may incur substantial additional debt (including secured debt) in the future. Although the terms of the agreements governing existing debt restrict the company's ability to incur additional debt (including secured debt), such restrictions are subject to several exceptions and qualifications and such restrictions and qualifications may be waived or amended, and debt (including secured debt) incurred in compliance with such restrictions and qualifications (as they may be waived or amended) may be substantial.

The company may from time to time seek to repay or purchase, exchange or otherwise retire its convertible notes or other debt obligations, in open market transactions, privately negotiated transactions, tender offers, exchange offers, pursuant to the term of debt or otherwise. The company may also incur additional debt (including secured debt) to fund such transactions, refinance or restructure existing debt and/or exchange existing debt for newly issued debt obligations or equity or equity-like securities. Such transactions, if any, will depend on prevailing market conditions, trading prices of debt from time to time, the company's liquidity requirements and cash position, contractual restrictions and other factors. The amount involved in any such transactions, individually or in the aggregate, may be material. The company cannot provide any assurance as to if or when it will consummate any such transactions or the terms of any such transactions.

Based on the company's current expectations, the company believes that its cash balances and available borrowing capacity under its Credit Agreement should be sufficient to meet working capital needs, capital requirements, and commitments for at least the next twelve months. Notwithstanding the company's expectations, if the company's operating results decrease as the result of pressures on the business due to, for example, prolonged, or worsening of, negative impacts of the COVID-19 pandemic, the impact of the pandemic on the company's supply chain, or political or geopolitical crises such as Russia's invasion of Ukraine, and actions taken in response on global and regional economies and economic activity, continued supply chain challenges, inflationary economic conditions, currency fluctuations or regulatory issues, or the company's failure to execute its business plans or if the company's business improvement actions take longer than expected to materialize or development of one or more of the other risks discussed in "Item 1A. Risk Factors" of the company's Annual Report on Form 10-K, the company may require additional financing, or may be unable to comply with its obligations under the credit facilities or its other obligations, and its lenders or creditors could demand repayment of any amounts outstanding. If additional financing is required, there can be no assurance that it will be available on terms satisfactory to the company, if at all. The company also may evaluate and implement further changes to its strategic goals and business plans, which may involve additional restructuring of its operations. If and to the extent undertaken, any such restructuring may be substantial and involve significant effort and expense, and the company can make no assurances that such efforts, if undertaken, would be successful and result in improvements to the company's business performance and financial condition. Refer to "Item 1A. Risk Factors" in the company's Annual Report on Form 10-K for a further discussion of risks applicable to the company's liquidity, capital resources and financial condition.

The company also has an agreement with De Lage Landen, Inc. ("DLL"), a third-party financing company, to provide lease financing to the company's U.S. customers. Either party could terminate this agreement with 180 days' notice or 90 days' notice by DLL upon the occurrence of certain events. Should this agreement be terminated, the company's borrowing needs under its credit facilities could increase.

While most of the company's debt has fixed interest, should interest rates increase, the company expects that it would be able to absorb modest rate increases without any material impact on its liquidity or capital resources. The weighted average interest rate on revolving credit borrowings, excluding finance leases, was 4.5% for the three months ended March 31, 2022 and 4.5% for the year ended December 31, 2021. Refer to "Long-Term Debt" and "Leases and Commitments" in the Notes to the Condensed Consolidated Financial Statements for more details regarding the company's credit facilities and lease liabilities, respectively.

CAPITAL EXPENDITURES

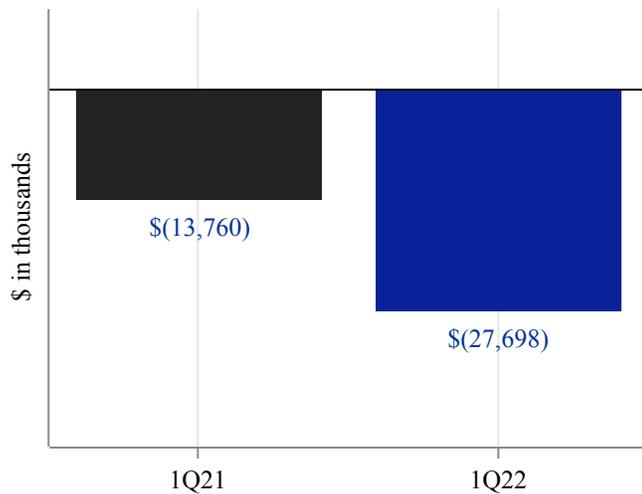
The company estimates that capital investments for 2022 could be approximately \$15,000,000 compared to actual capital expenditures of \$17,698,000 in 2021. The continued investment at this level relates primarily to the new ERP system. The company believes that its balances of cash and cash equivalents and available borrowing capacity under its existing credit facilities should be sufficient to meet its operating cash requirements and fund capital expenditures (refer to "Liquidity and Capital Resources"). The Credit Agreement limits the company's annual capital expenditures to \$35,000,000.

DIVIDEND POLICY

On May 21, 2020, the Board of Directors suspended the quarterly dividend on the company's Common Shares. The Board of Directors suspended the company's regular dividend on the Class B Common Shares starting in the third quarter of 2018. Less than 4,000 Class B Common Shares remain outstanding and suspending the regular Class B dividend allows the company to save on the administrative costs and compliance expenses associated with that dividend. Holders of Class B Common Shares are entitled to convert their shares into Common Shares at any time on a share-for-share basis and would be eligible for any Common Share dividends declared following any such conversion.

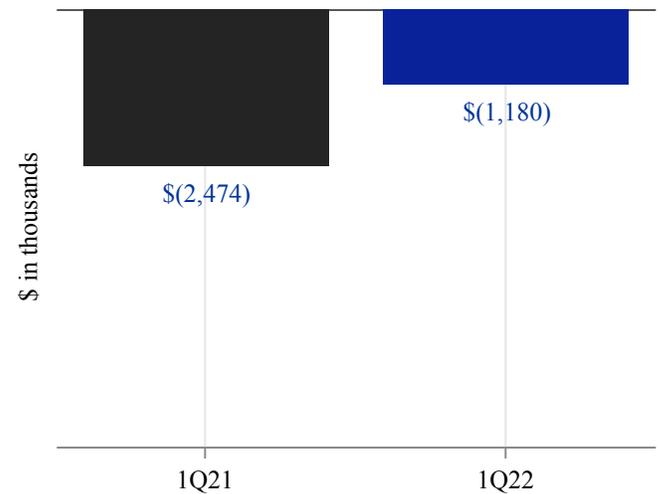
CASH FLOWS

Net Cash Used by Operating Activities



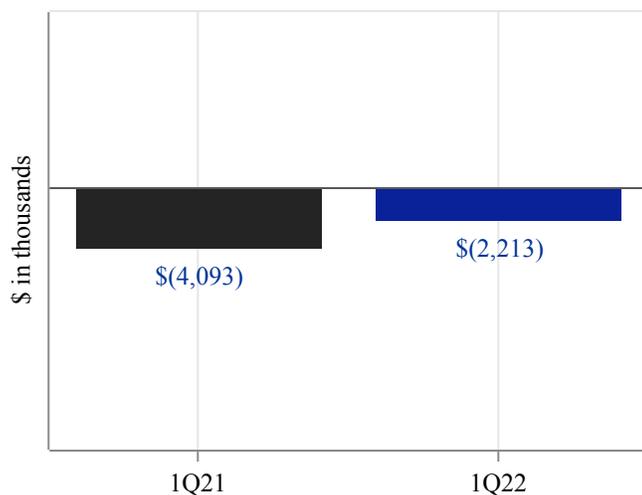
The increase in cash used by operating activities for the three months ended March 31, 2022 was driven primarily by increased operating loss impacted by higher input costs.

Net Cash Used by Financing Activities



Cash flows used by financing activities in the first three months of 2022 included credit facility borrowings and repayments as well as payment of \$244,000 in financing costs. The first three months of 2021 included the issuance of \$125,000,000 principal amount of 2026 Notes, payment of \$4,608,000 in financing costs, purchase of capped calls related to the 2026 Notes for \$18,787,000, repurchase of \$78,850,000 principal amount of 2022 Notes and repayment of \$1,250,000 principal amount of the company's previously outstanding convertible notes due 20221 (the "2021 Notes"). Borrowings on credit facilities are under the asset-based-lending senior secured revolving credit facilities provided by the company's Credit Agreement.

Net Cash Used by Investing Activities



The year over year change in cash flows related to investing activities was driven primarily by lower capital expenditures.

Free cash flow is a non-GAAP financial measure and is reconciled to the corresponding GAAP measure as follows:

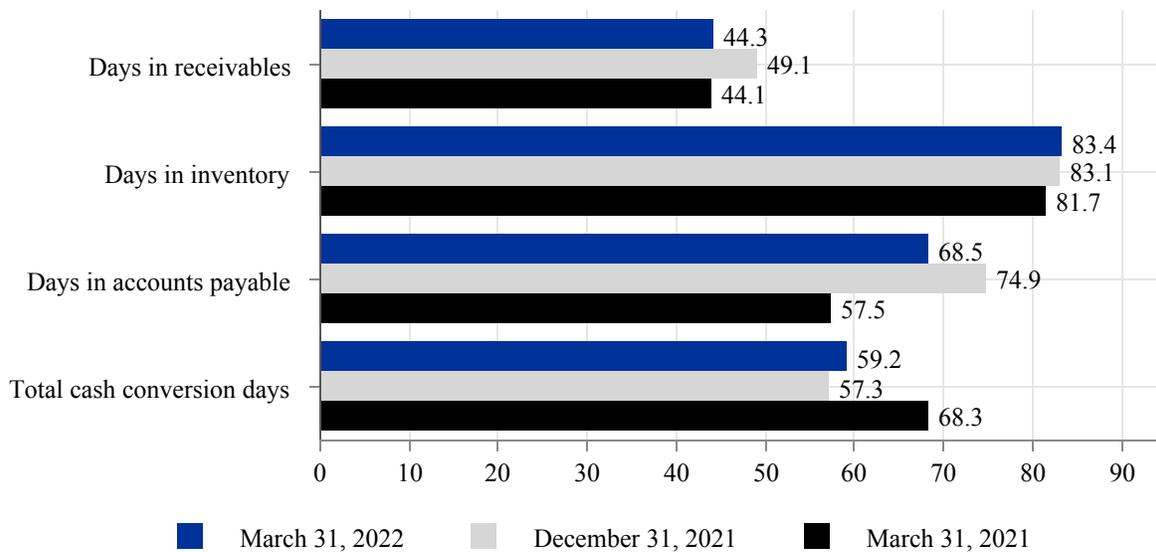
(\$ in thousands USD)	1Q22	1Q21
Net cash used by operating activities	(27,698)	(13,760)
Plus: Sales of property and equipment	5	23
Less: Purchases of property and equipment	(2,131)	(4,118)
Free Cash Flow (usage)	<u>(29,824)</u>	<u>(17,855)</u>

Free cash flow for the first three months 2022 and 2021 was primarily impacted by the same items that affected cash flows used by operating activities. Free cash flow is a non-GAAP financial measure that is comprised of net cash provided (used) by operating activities plus purchases of property and equipment less proceeds from sales of property and equipment. Management believes that this financial measure provides meaningful information for evaluating the overall financial performance of the company and its ability to repay debt or make future investments (including acquisitions, etc.).

Generally, the first half of the year is cash consumptive and impacted by significant disbursements related to annual customer rebate payments which normally occur in the first quarter of the year and earned employee bonuses historically paid in the first half of the year. In addition, investment in inventory is typically heavy in the first half of the year, particularly recently with efforts to mitigate the company's supply chain disruptions and position the company to fulfill shipments in the second half of the year and can be impacted by footprint rationalization projects.

The company's approximate cash conversion days at March 31, 2022, December 31, 2021 and March 31, 2021 were as follows:

Cash Conversion



Days in receivables are equal to current quarter net current receivables divided by trailing four quarters of net sales multiplied by 365 days. Days in inventory and accounts payable are equal to current quarter net inventory and accounts payable, respectively, divided by trailing four quarters of cost of sales multiplied by 365 days. Total cash conversion days are equal to days in receivables plus days in inventory less days in accounts payable.

The company provides a summary of days of cash conversion for the components of working capital so investors may see the rate at which cash is disbursed, collected and how quickly inventory is converted and sold.

ACCOUNTING ESTIMATES AND PRONOUNCEMENTS

CRITICAL ACCOUNTING ESTIMATES

The Condensed Consolidated Financial Statements included in the report include accounts of the company and all majority-owned subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying Condensed Consolidated Financial Statements and related footnotes. In preparing the financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, thus, actual results could differ from these estimates. Refer to the Critical Accounting Estimates section within MD&A of company's Annual Report on Form 10-K for the period ending December 31, 2021.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

For the company's disclosure regarding recently issued accounting pronouncements, refer to Accounting Policies - Recent Accounting Pronouncements in the Notes to the Condensed Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the meaning of the “Safe Harbor” provisions of the Private Securities Litigation Reform Act of 1995. Terms such as “will,” “should,” “could,” “plan,” “intend,” “expect,” “continue,” “believe” and “anticipate,” as well as similar comments, denote forward-looking statements that are subject to inherent uncertainties that are difficult to predict. Actual results and events may differ significantly from those expressed or anticipated as a result of various risks and uncertainties, which include, but are not limited to, the following: the duration and scope of the COVID-19 pandemic, the pace of resumption of access to healthcare, including clinics and elective care, and loosening of public health restrictions, or any reimposed restrictions on access to healthcare or tightening of public health restrictions which could impact the demand for the company’s products; global shortages in, or increasing costs for, transportation and logistics services and capacity; the availability and cost of the company needed products, components or raw materials from its suppliers; actions that governments, businesses and individuals take in response to the pandemic, including mandatory business closures and restrictions on onsite commercial interactions; the impact of the pandemic, or political or geopolitical crises such as Russia’s invasion of Ukraine, and actions taken in response on global and regional economies and economic activity; the pace of recovery when the COVID-19 pandemic subsides; general economic uncertainty in key global markets and a worsening of global economic conditions or low levels of economic growth, including negative conditions attributable to inflationary economic conditions; the effects of steps the company takes to reduce operating costs; the inability of the company to sustain profitable sales growth, achieve anticipated improvements in segment operating performance, convert high inventory levels to cash or reduce its costs; lack of market acceptance of the company’s new product innovations; revised product pricing and/or product surcharges; circumstances or developments that may make the company unable to implement or realize the anticipated benefits, or that may increase the costs, of its current and planned business initiatives, in particular the key elements of its growth plan such as its new product introductions, commercialization plans, additional investments in sales force and demonstration equipment, product distribution strategy in Europe, supply chain actions and global information technology outsourcing and ERP implementation activities; possible adverse effects on the company’s liquidity, including the company’s ability to address future debt maturities; adverse changes in government and third-party payor reimbursement levels and practices; consolidation of health care providers; increasing pricing pressures in the markets for the company’s products; risks of failures in, or disruptions to, legacy IT systems; risks of cybersecurity attack, data breach or data loss and/or delays in or inability to recover or restore data and IT systems; adverse effects of the company’s consent decree of injunction with the U.S. Food and Drug Administration (FDA), including but not

limited to, compliance costs, inability to rebuild negatively impacted customer relationships, unabsorbed capacity utilization, including fixed costs and overhead; any circumstances or developments that might adversely impact the third-party expert auditor’s required audits of the company’s quality systems at the facilities impacted by the consent decree, including any possible failure to comply with the consent decree or FDA regulations or the inability to adequately address the matters identified in the FDA Letters; regulatory proceedings or the company’s failure to comply with regulatory requirements or receive regulatory clearance or approval for the company’s products or operations in the United States or abroad; adverse effects of regulatory or governmental inspections of the company’s facilities at any time and governmental enforcement actions; product liability or warranty claims; product recalls, including more extensive warranty or recall experience than expected; possible adverse effects of being leveraged, including interest rate or event of default risks; exchange rate fluctuations, particularly in light of the relative importance of the company’s foreign operations to its overall financial performance; legal actions, including adverse judgments or settlements of litigation or claims in excess of available insurance limits; tax rate fluctuations; additional tax expense or additional tax exposures, which could affect the company’s future profitability and cash flow; uncollectible accounts receivable; risks inherent in managing and operating businesses in many different foreign jurisdictions; decreased availability or increased costs of materials which could increase the company’s costs of producing or acquiring the company’s products, including the adverse impacts of tariffs and increases in commodity costs or freight costs; heightened vulnerability to a hostile takeover attempt or other shareholder activism; provisions of Ohio law or in the company’s debt agreements, charter documents or other agreements that may prevent or delay a change in control, as well as the risks described elsewhere in this Quarterly Report on Form 10-Q, the company’s Annual Report on Form 10-K and from time to time in the company’s reports as filed with the Securities and Exchange Commission. Except to the extent required by law, the company does not undertake and specifically declines any obligation to review or update any forward-looking statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments or otherwise.

Part I. FINANCIAL INFORMATION**Item 1. Financial Statements.**

INVACARE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited)

(In thousands, except per share data)

	Three Months Ended March 31,	
	2022	2021
Net sales	\$ 200,988	\$ 196,202
Cost of products sold	153,259	141,564
Gross Profit	47,729	54,638
Selling, general and administrative expenses	60,564	58,821
Charges related to restructuring activities	3,790	1,552
Operating Loss	(16,625)	(5,735)
Loss on debt extinguishment including debt finance charges and fees	—	709
Interest expense	6,252	5,731
Interest income	—	(1)
Loss Before Income Taxes	(22,877)	(12,174)
Income tax provision	1,320	1,870
Net Loss	\$ (24,197)	\$ (14,044)
Dividends Declared per Common Share	\$ —	\$ —
Net Loss per Share—Basic	\$ (0.69)	\$ (0.41)
Weighted Average Shares Outstanding—Basic	35,046	34,495
Loss per Share—Assuming Dilution	\$ (0.69)	\$ (0.41)
Weighted Average Shares Outstanding—Assuming Dilution	35,419	35,210
Net Loss	\$ (24,197)	\$ (14,044)
Other comprehensive income (loss):		
Foreign currency translation adjustments	(6,342)	5,677
Defined Benefit Plans:		
Amortization of prior service costs and unrecognized losses	224	349
Deferred tax adjustment resulting from defined benefit plan activity	(47)	(58)
Valuation reserve associated with defined benefit plan activity	47	58
Current period gain (loss) on cash flow hedges	880	(875)
Deferred tax benefit (provision) related to gain on cash flow hedges	(56)	83
Other Comprehensive Income (Loss)	(5,294)	5,234
Comprehensive Loss	\$ (29,491)	\$ (8,810)
(Elements as a % of Net Sales)		
Net sales	100.0 %	100.0 %
Cost of products sold	76.3	72.2
Gross Profit	23.7	27.8
Selling, general and administrative expenses	30.1	30.0
Charges related to restructuring activities	1.9	0.8
Operating Loss	(8.3)	(2.9)
Loss on debt extinguishment including debt finance charges and fees	—	0.4
Interest expense	3.1	2.9
Loss Before Income Taxes	(11.4)	(6.2)
Income tax provision	0.7	1.0
Net Loss	(12.0)%	(7.2)%

See notes to condensed consolidated financial statements.

INVACARE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

Assets	(unaudited)	
	March 31, 2022	December 31, 2021
(In thousands)		
Current Assets		
Cash and cash equivalents	\$ 52,337	\$ 83,745
Trade receivables, net	106,377	117,115
Installment receivables, net	287	218
Inventories, net	147,354	144,274
Other current assets	44,127	40,036
Total Current Assets	350,482	385,388
Other Assets		
Intangibles, net	26,116	26,356
Property and Equipment, net	58,940	60,921
Finance Lease Assets, net	61,703	63,029
Operating Lease Assets, net	11,942	12,600
Goodwill	352,453	355,875
Total Assets	\$ 867,272	\$ 909,531
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 121,107	\$ 130,036
Accrued expenses	97,967	102,971
Current taxes payable	4,147	3,914
Current portion of long-term debt	2,815	3,107
Current portion of finance lease obligations	3,056	3,009
Current portion of operating lease obligations	4,110	4,217
Total Current Liabilities	233,202	247,254
Long-Term Debt		
Finance Lease Long-Term Obligations	62,689	63,736
Operating Leases Long-Term Obligations	7,764	8,234
Other Long-Term Obligations	65,255	66,796
Shareholders' Equity		
Preferred Shares (Authorized 300 shares; none outstanding)	—	—
Common Shares (Authorized 150,000 shares; 39,434 and 39,416 issued and outstanding at March 31, 2022 and December 31, 2021, respectively)—no par	9,977	9,977
Class B Common Shares (Authorized 12,000 shares; 4 and 4 shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively)—no par	2	2
Additional paid-in-capital	276,975	276,665
Retained earnings (accumulated deficit)	(1,552)	22,645
Accumulated other comprehensive income	11,694	16,988
Treasury Shares (4,397 and 4,397 shares at March 31, 2022 and December 31, 2021, respectively)	(107,788)	(107,788)
Total Shareholders' Equity	189,308	218,489
Total Liabilities and Shareholders' Equity	\$ 867,272	\$ 909,531

See notes to condensed consolidated financial statements.

INVACARE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (unaudited)

	For the Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Operating Activities		
Net loss	\$ (24,197)	\$ (14,044)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	3,942	4,079
Amortization of operating lease right of use assets	1,375	1,634
Provision for losses on trade and installment receivables	96	45
Provision for deferred income taxes	95	672
Provision for other deferred liabilities	(44)	(72)
Provision for equity compensation	310	1,580
Gain on disposals of property and equipment	(34)	—
Loss on debt extinguishment including debt finance charges and fees	—	709
Convertible debt accretion	911	870
Amortization of debt fees	615	418
Changes in operating assets and liabilities:		
Trade receivables	10,481	9,768
Installment sales contracts, net	247	228
Inventories, net	(3,615)	(16,018)
Other current assets	(3,361)	9,761
Accounts payable	(8,323)	6,197
Accrued expenses	(4,372)	(20,214)
Other long-term liabilities	(1,824)	627
Net Cash Used by Operating Activities	(27,698)	(13,760)
Investing Activities		
Purchases of property and equipment	(2,131)	(4,118)
Proceeds from sale of property and equipment	5	23
Change in other long-term assets	(91)	2
Other	4	—
Net Cash Used by Investing Activities	(2,213)	(4,093)
Financing Activities		
Proceeds from revolving lines of credit and long-term borrowings	3,484	125,000
Repurchases of convertible debt, payments on revolving lines of credit and finance leases	(4,420)	(104,079)
Payment of financing costs	(244)	(4,608)
Purchases of capped calls	—	(18,787)
Net Cash Used by Financing Activities	(1,180)	(2,474)
Effect of exchange rate changes on cash	(317)	1,081
Decrease in cash and cash equivalents	(31,408)	(19,246)
Cash and cash equivalents at beginning of year	83,745	105,298
Cash and cash equivalents at end of period	\$ 52,337	\$ 86,052

See notes to condensed consolidated financial statements.

INVACARE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Shareholders' Equity (unaudited)

(In thousands)	Common Shares	Class B Shares	Additional Paid-in- Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Total
January 1, 2022 Balance	\$ 9,977	\$ 2	\$ 276,665	\$ 22,645	\$ 16,988	\$ (107,788)	\$ 218,489
Performance awards	—	—	(345)	—	—	—	(345)
Restricted share awards	—	—	655	—	—	—	655
Net loss	—	—	—	(24,197)	—	—	(24,197)
Foreign currency translation adjustments	—	—	—	—	(6,342)	—	(6,342)
Unrealized gain on cash flow hedges	—	—	—	—	824	—	824
Defined benefit plans: Amortization of prior service costs and unrecognized losses and credits	—	—	—	—	224	—	224
Total comprehensive loss							(29,491)
March 31, 2022 Balance	\$ 9,977	\$ 2	\$ 276,975	\$ (1,552)	\$ 11,694	\$ (107,788)	\$ 189,308
January 1, 2021 Balance	\$ 9,816	\$ 2	\$ 326,088	\$ 58,538	\$ 45,436	\$ (106,034)	\$ 333,846
Performance awards	—	—	668	—	—	—	668
Restricted share awards	101	—	811	—	—	—	912
Net loss	—	—	—	(14,044)	—	—	(14,044)
Foreign currency translation adjustments	—	—	—	—	5,677	—	5,677
Unrealized loss on cash flow hedges	—	—	—	—	(792)	—	(792)
Defined benefit plans: Amortization of prior service costs and unrecognized losses and credits	—	—	—	—	349	—	349
Total comprehensive loss							(8,810)
Adoption of ASU 2020-06	—	—	(34,798)	9,670	—	—	(25,128)
Purchase of capped calls	—	—	(18,787)	—	—	—	(18,787)
March 31, 2021 Balance	\$ 9,917	\$ 2	\$ 273,982	\$ 54,164	\$ 50,670	\$ (106,034)	\$ 282,701

See notes to condensed consolidated financial statements.

Accounting Policies

Principles of Consolidation: The condensed consolidated financial statements include the accounts of the company and its wholly owned subsidiaries and include all adjustments, which were of a normal recurring nature, necessary to present fairly the financial position of the company as of March 31, 2022 and the results of its operations and changes in its cash flow for the three months ended March 31, 2022 and 2021, respectively. Certain foreign subsidiaries, represented by the European segment, are consolidated using a February 28 quarter end to meet filing deadlines. No material subsequent events have occurred related to the European segment, which would require disclosure or adjustment to the company's financial statements. All significant intercompany transactions are eliminated. The results of operations for the three months ended March 31, 2022 are not necessarily indicative of the results to be expected for the full year.

Use of Estimates: The condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States, which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Recent Accounting Pronouncements (Already Adopted):

In March 2020, the FASB issued ASU 2020-04 "Reference Rate Reform (Topic 848): Facilitation of Effects of Reference Rate Reform on Financial Reporting," which is intended to provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burden related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates if certain criteria are met. The guidance may be adopted in any period prior to the guidance expiration on December 31, 2022.

The company adopted ASU 2020-04 effective January 1, 2022 and the adoption did not have a material impact on the company's financial statements. Interest arrangements previously referring to LIBOR prior to adoption, now refer to a secured overnight finance rate (SOFR).

Current Assets

Receivables

Receivables consist of the following (in thousands):

	March 31, 2022	December 31, 2021
Accounts receivable, gross	\$ 128,214	\$ 142,806
Customer rebate reserve	(10,788)	(12,267)
Cash discount reserves	(6,929)	(9,179)
Allowance for doubtful accounts	(3,256)	(3,642)
Other, principally returns and allowances reserves	(864)	(603)
Accounts receivable, net	<u>\$ 106,377</u>	<u>\$ 117,115</u>

Reserves for customer rebates and cash discounts are recorded as a reduction in revenue and netted against gross accounts receivable. Customer rebates in excess of a given customer's accounts receivable balance are classified in Accrued Expenses. Customer rebates and cash discounts are estimated based on the most likely amount principle as well as historical experience and anticipated performance. In addition, customers have the right to return product within the company's normal terms policy, and as such, the company estimates the expected returns based on an analysis of historical experience and adjusts revenue accordingly.

During the third quarter of 2021, the company entered into an agreement with a bank to sell certain trade receivables with governmental entity customers in the Nordic region without recourse. Under ASC 860, the sale of the receivables qualify as a true sale and not a secured borrowing. No gain or loss was recorded on the sale of the receivables. Bank charges, which are recorded as interest expense, attributable to the program were immaterial for the three months ended March 31, 2022.

Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. Substantially all the company's receivables are due from health care, medical equipment providers and long-term care facilities predominantly located throughout the United States, Australia, Canada, New Zealand and Europe. A significant portion of products sold to providers, both foreign and domestic, are ultimately funded through government reimbursement programs such as Medicare and Medicaid in the U.S. As a consequence, changes in these programs can have an adverse impact on dealer liquidity and profitability.

The company's approach is to separate its receivables into good-standing and collection receivables. Good-standing

receivables are assigned to risk pools of high, medium and low. The risk pools are driven by the specifics associated with the geography of origination. Expected loss percentages are calculated and assigned to each risk pool, driven primarily by historical experience. The historical loss percentages are calculated for each risk pool and then judgmentally revised to consider current risk factors as well as consideration of the impact of forecasted events, as applicable. The expected loss percentages are then applied to receivables balances each period to determine the allowance for doubtful accounts.

In North America, excluding Canada, good-standing receivables are assigned to the low risk pool and assigned an expected loss percentage of 1.0% as these receivables are deemed to share the same risk profile and collections efforts are the same. Installment receivables in North America are characterized as collection receivables and thus reserves are based on specific analysis of each customer. In Canada, good-standing receivables are deemed low risk and assigned a loss percentage of 0.1%.

In Europe, expected losses are determined by each location in each region. Most locations have a majority of their receivables assigned to the low risk pool, which has an average expected loss percentage of 0.5%. About half of the locations have a portion of their receivables assigned as medium risk with an average expected loss percentage of 1.3%. Only a few locations have any receivables characterized as high risk and the average credit loss percentage for those locations is 3.8%. Collection risk is generally low as payment terms in certain key markets, such as Germany, are immediate and in many locations the ultimate customer is the government.

In the Asia Pacific region, receivables are characterized as low risk, which have an average expected loss percentage of 1.0%. Historical losses are low in this region where the use of credit insurance is often customary.

The movement in the trade receivables allowance for doubtful accounts was as follows (in thousands):

	Three Months Ended March 31, 2022
Balance as of beginning of period	\$ 3,642
Current period provision	96
Recoveries (direct write-offs), net	(482)
Balance as of end of period	<u>\$ 3,256</u>

The company did not make any material changes to the assignment of receivables to the different risk pools or to the expected loss reserves in the quarter. The company is monitoring the impacts of the COVID-19 pandemic and the possibility for an impact on collections, but to date this has not materially impacted 2022.

For collections receivables, the estimated allowance for uncollectible amounts is based primarily on management's evaluation of the financial condition of each customer. In addition, as a result of the company's financing arrangement with DLL, a third-party financing company which the company has worked with since 2000, management monitors the collection status of these contracts in accordance with the company's limited recourse obligations and provides amounts necessary for estimated losses in the allowance for doubtful accounts and establishes reserves for specific customers as needed.

The company writes off uncollectible trade accounts receivable after such receivables are moved to collection status and legal remedies are exhausted. Refer to Concentration of Credit Risk in the Notes to the Condensed Consolidated Financial Statements for a description of the financing arrangement. Long-term installment receivables are included in "Other Assets" on the condensed consolidated balance sheet.

The company has recorded a contingent liability in the amount of \$307,000 related to the contingent aspect of the company's guarantee associated with its arrangement with DLL. The contingent liability is recorded applying the same expected loss model used for the trade and installment receivables recorded on the company's books. Specifically, historical loss history is used to determine the expected loss percentage, which is then adjusted judgmentally to consider other factors, as needed.

The company's U.S. customers electing to finance their purchases can do so using DLL. Repurchased DLL receivables recorded on the books of the company represent a single portfolio segment of receivables to the independent provider channel and long-term care customers. The portfolio segment

of these receivables are distinguished by geography and credit quality. These receivables were repurchased from DLL because the customers were in default. Default with DLL is defined as a customer being delinquent by three payments.

The estimated allowance for uncollectible amounts and evaluation for both classes of installment receivables is based on the company's quarterly review of the financial condition of each individual customer with the allowance for doubtful accounts adjusted accordingly. Installments are individually and not collectively reviewed. The company assesses the bad debt reserve levels based upon the status of the customer's adherence to a legally negotiated payment schedule and the company's ability to enforce judgments, liens, etc.

For purposes of granting or extending credit, the company utilizes a scoring model to generate a composite score that considers each customer's consumer credit score and/or D&B credit rating, payment history, security collateral and time in business. Additional analysis is performed for most customers desiring credit greater than \$250,000, which generally includes a detailed review of the customer's financial statements as well as consideration of other factors such as exposure to changing reimbursement laws.

Interest income is recognized on installment receivables based on the terms of the installment agreements. Installment accounts are monitored and if a customer defaults on payments and is moved to collection, interest income is no longer recognized. Subsequent payments received once an account is put on non-accrual status are generally first applied to the principal balance and then to the interest. Accruing of interest on collection accounts would only be restarted if the account became current again.

All installment accounts are accounted for using the same methodology regardless of the duration of the installment agreements. When an account is placed in collection status, the company goes through a legal process for pursuing collection of outstanding amounts, the length of which typically approximates eighteen months. Any write-offs are made after the legal process has been completed.

Installment receivables consist of the following (in thousands):

	March 31, 2022			December 31, 2021		
	Current	Long-Term	Total	Current	Long-Term	Total
Installment receivables	\$ 287	\$ 431	\$ 718	\$ 218	\$ 734	\$ 952
Allowance for doubtful accounts	—	—	—	—	—	—
Installment receivables, net	<u>\$ 287</u>	<u>\$ 431</u>	<u>\$ 718</u>	<u>\$ 218</u>	<u>\$ 734</u>	<u>\$ 952</u>

No Installment receivables were purchased from DLL during the three months ended March 31, 2022. No sales of

installment receivables were made by the company during the quarter.

The movement in the installment receivables allowance for doubtful accounts was as follows (in thousands):

	Three Months Ended March 31, 2022	Year Ended December 31, 2021
Balance as of beginning of period	\$ —	\$ 487
Current period provision (benefit)	—	(75)
Direct write-offs charged against the allowance	—	(412)
Balance as of end of period	<u>\$ —</u>	<u>\$ —</u>

Installment receivables by class as of March 31, 2022 consist of the following (in thousands):

	Total Installment Receivables	Unpaid Principal Balance	Related Allowance for Doubtful Accounts	Interest Income Recognized
Asia Pacific				
Non-Impaired installment receivables with no related allowance recorded	718	718	—	—
Total				
Non-Impaired installment receivables with no related allowance recorded	718	718	—	—
Impaired installment receivables with a related allowance recorded	—	—	—	—
Total installment receivables	<u>\$ 718</u>	<u>\$ 718</u>	<u>\$ —</u>	<u>\$ —</u>

Installment receivables by class as of December 31, 2021 consist of the following (in thousands):

	Total Installment Receivables	Unpaid Principal Balance	Related Allowance for Doubtful Accounts	Interest Income Recognized
Asia Pacific				
Non-impaired installment receivables with no related allowance recorded	952	952	—	—
Total				
Non-impaired installment receivables with no related allowance recorded	952	952	—	—
Impaired installment receivables with a related allowance recorded	—	—	—	—
Total installment receivables	<u>\$ 952</u>	<u>\$ 952</u>	<u>\$ —</u>	<u>\$ —</u>

The aging of the company's installment receivables was as follows (in thousands):

	March 31, 2022			December 31, 2021		
	Total	U.S.	Asia Pacific	Total	U.S.	Asia Pacific
Current	\$ 718	\$ —	\$ 718	\$ 952	\$ —	\$ 952
0-30 days past due	—	—	—	—	—	—
31-60 days past due	—	—	—	—	—	—
61-90 days past due	—	—	—	—	—	—
90+ days past due	—	—	—	—	—	—
	<u>\$ 718</u>	<u>\$ —</u>	<u>\$ 718</u>	<u>\$ 952</u>	<u>\$ —</u>	<u>\$ 952</u>

Inventories, Net

Inventories consist of the following (in thousands):

	March 31, 2022	December 31, 2021
Finished goods	\$ 68,602	\$ 62,124
Raw materials	66,241	69,371
Work in process	12,511	12,779
Inventories, net	<u>\$ 147,354</u>	<u>\$ 144,274</u>

Other Current Assets

Other current assets consist of the following (in thousands):

	March 31, 2022	December 31, 2021
Tax receivables principally value added taxes	\$ 24,274	\$ 21,943
Prepaid insurance	3,079	4,462
Prepaid inventory and freight	2,265	2,394
Recoverable income taxes	2,160	2,301
Derivatives (foreign currency forward exchange contracts)	2,131	386
Receivable due from information technology provider	1,806	612
Service contracts	943	304
Deferred financing fees	417	379
Prepaid and other current assets	7,052	7,255
Other Current Assets	<u>\$ 44,127</u>	<u>\$ 40,036</u>

Long-Term Assets

Other Long-Term Assets

Other long-term assets consist of the following (in thousands):

	March 31, 2022	December 31, 2021
Cash surrender value of life insurance policies	\$ 2,505	\$ 2,481
Deferred income taxes	1,664	1,540
Deferred financing fees	841	409
Installment receivables	431	734
Investments	86	86
Other	109	112
Other Long-Term Assets	<u>\$ 5,636</u>	<u>\$ 5,362</u>

Property and Equipment

Property and equipment consist of the following (in thousands):

	March 31, 2022	December 31, 2021
Machinery and equipment	\$ 277,838	\$ 278,347
Land, buildings and improvements	26,926	27,299
Capitalized software	30,790	30,448
Furniture and fixtures	9,028	8,943
Leasehold improvements	6,861	6,782
Property and Equipment, gross	351,443	351,819
Accumulated depreciation	(292,503)	(290,898)
Property and Equipment, net	<u>\$ 58,940</u>	<u>\$ 60,921</u>

Machinery and equipment includes demonstration units placed in provider locations which are depreciated to their estimated recoverable values over their estimated useful lives.

In the fourth quarter of 2019, the company initiated the first stage of an Enterprise Resource Planning ("ERP") software implementation. Related to the ERP project, the company capitalized certain costs in accordance with ASC 350 as shown in capitalized software above. The net book value of capitalized software was \$28,380,000 and \$28,715,000 at March 31, 2022 and December 31, 2021, respectively. Depreciation expense related to capitalized software started in 2021 and was \$677,000 and \$252,000 for the three months ended March 31, 2022 and 2021.

Unpaid purchases of property and equipment at March 31, 2022 and December 31, 2021 were \$0 and \$1,090,000, respectively and are excluded from purchases of property and equipment on the consolidated statements of cash flows for the periods ending and are included in subsequent periods when paid.

Goodwill

The change in goodwill from December 31, 2021 to March 31, 2022 was due to foreign currency translation.

In accordance with *Intangibles—Goodwill and Other*, ASC 350, goodwill is tested annually for impairment or whenever events or changes in circumstances indicate the carrying value of a reporting unit could be above its fair value.

A reporting unit is defined as an operating segment or one level below. The company has determined that its reporting units are North America, Europe and Asia Pacific.

Refer to Goodwill in the company's Annual Report on Form 10-K for the period ending December 31, 2021 for further disclosure regarding the company's impairment analysis review methodology.

Intangibles

The company's intangibles consist of the following (in thousands):

	March 31, 2022		December 31, 2021	
	Historical Cost	Accumulated Amortization	Historical Cost	Accumulated Amortization
Customer lists	\$ 52,145	\$ 52,145	\$ 52,447	\$ 52,447
Trademarks	23,999	—	24,137	—
Developed technology	7,597	7,145	7,652	7,149
Patents	5,558	5,558	5,543	5,543
License agreements	2,915	1,259	2,905	1,196
Other	1,149	1,140	1,147	1,140
Intangibles	<u>\$ 93,363</u>	<u>\$ 67,247</u>	<u>\$ 93,831</u>	<u>\$ 67,475</u>

All the company's intangible assets have been assigned definite lives and continue to be amortized over their useful lives, except for trademarks shown above, which have indefinite lives.

The changes in intangible balances reflected on the balance sheet from December 31, 2021 to March 31, 2022 were the result of foreign currency translation on historical cost and accumulated amortization.

The company evaluates the carrying value of definite-lived assets annually in the fourth quarter and whenever events or circumstances indicate possible impairment.

Definite-lived assets are determined to be impaired if the future undiscounted cash flows expected to be generated by the asset are less than the carrying value. Actual impairment amounts for definite-lived assets are then calculated using a discounted cash flow calculation.

Any impairment for indefinite-lived intangible assets is calculated as the difference between the future discounted cash flows expected to be generated by the asset less than the carrying value for the asset.

Amortization expense related to intangible assets was \$99,000 in the first three months of 2022 and is expected to be \$394,000 in 2022, \$394,000 in 2023, \$352,000 in 2024, \$213,000 in 2025, \$211,000 in 2026 and \$211,000 in

2027. Amortized intangible assets are being amortized on a straight-line basis over remaining lives of 3 to 8 years with a weighted average remaining life of approximately 6.7 years.

Current Liabilities

Accrued Expenses

Accrued expenses consist of accruals for the following (in thousands):

	March 31, 2022	December 31, 2021
Taxes other than income taxes, primarily value added taxes	\$ 23,156	\$ 23,217
Salaries and wages	21,447	24,012
Warranty	10,885	11,198
Professional	9,068	8,697
Freight	5,798	5,460
Interest	3,812	3,297
IT service contracts	3,806	4,013
Deferred revenue	3,127	4,156
Severance	2,936	400
Rebates	2,759	6,569
Product liability, current portion	2,555	2,362
Derivative liabilities (foreign currency forward exchange contracts)	648	1,938
Insurance	561	625
Supplemental executive retirement program liability	391	391
Rent	246	196
Other items, principally trade accruals	6,772	6,440
Accrued Expenses	<u>\$ 97,967</u>	<u>\$ 102,971</u>

Generally, the company's products are covered by warranties against defects in material and workmanship for various periods depending on the product from the date of sales to the customer. Certain components carry a lifetime warranty. A provision for estimated warranty cost is recorded at the time of sale based upon actual experience. In addition, the company has sold extended warranties that, while immaterial, require the company to defer the revenue associated with those warranties until earned. The company has established procedures to appropriately defer such revenue. The company continuously assesses the adequacy of its product warranty accrual and makes adjustments as needed. Historical analysis is primarily used to determine the company's warranty reserves. Claims history is reviewed and provisions are adjusted as needed. However, the company does consider other events, such as a product field action and recalls, which could require additional warranty reserve provision.

Accrued rebates relate to several volume incentive programs the company offers its customers. The company accounts for these rebates as a reduction of revenue when the products are sold. Rebates are netted against gross accounts receivables. If rebates are in excess of such receivables, they are then classified as accrued expenses. The reduction in accrued rebates from December 31, 2021 to March 31, 2022 primarily relates to payments principally made in the first quarter each year, earned from the previous year.

The following is a reconciliation of the changes in accrued warranty costs for the reporting period (in thousands):

Balance as of January 1, 2022	\$ 11,198
Warranties provided during the period	1,428
Settlements made during the period	(1,844)
Changes in liability for pre-existing warranties during the period, including expirations	103
Balance as of March 31, 2022	<u>\$ 10,885</u>

Warranty reserves are subject to adjustment in future periods as new developments change the company's estimate of the total cost.

Long-Term Liabilities

Long-Term Debt

Debt consists of the following (in thousands):

	March 31, 2022	December 31, 2021
Convertible senior notes at 4.50%, due in June 2022	2,647	2,642
Convertible senior notes Series I at 5.00%, due in November 2024	72,207	72,140
Convertible senior notes Series II at 5.00%, due November 2024	79,247	78,251
Convertible senior notes at 4.25%, due in March 2026	119,391	119,036
Other obligations	38,377	36,060
	<u>311,869</u>	<u>308,129</u>
Less current maturities of long-term debt	(2,815)	(3,107)
Long-Term Debt	<u>\$ 309,054</u>	<u>\$ 305,022</u>

On September 30, 2015, the company entered into an Amended and Restated Revolving Credit and Security Agreement, which was subsequently amended (the "Credit Agreement") and which matures on January 16, 2024. The Credit Agreement was entered into by and among the company, certain of the company's direct and indirect U.S. and Canadian subsidiaries and certain of the company's European subsidiaries (together with the company, the "Borrowers"), certain other of the company's direct and indirect U.S., Canadian and European subsidiaries (the "Guarantors"), and PNC Bank, National Association ("PNC"), JPMorgan Chase Bank, N.A., J.P. Morgan Europe Limited, KeyBank National Association, and Citizens Bank, National Association (the "Lenders"). PNC is the administrative agent (the "Administrative Agent") and J.P. Morgan Europe Limited is the European agent (the "European Agent") under the Credit Agreement. In connection with entering into the company's Credit Agreement, the company incurred fees which were capitalized and are being amortized as interest expense. As of March 31, 2022, debt fees yet to be amortized through January 2024 totaled \$733,000.

The company had outstanding letters of credit of \$3,420,000 and \$3,450,000 as of March 31, 2022 and December 31, 2021, respectively. Outstanding letters of credit and other reserves impacting borrowing capacity were \$4,121,000 and \$2,585,000 as of March 31, 2022 and December 31, 2021, respectively. The company had outstanding borrowings of \$25,500,000 under its North America Credit Facility as of March 31, 2022. The company had outstanding borrowings of \$7,066,000 (€6,300,000) under its French Credit Facility and \$5,565,000 (£4,150,000) under its UK Credit Facility as of March 31, 2022, together referred to as the European Credit Facility. The company had

outstanding borrowings of \$22,150,000 under its North America Credit Facility as of December 31, 2021. The company had outstanding borrowings of \$7,366,000 (€6,500,000) under its French Credit Facility and \$5,986,000 (£4,500,000) under its UK Credit Facility as of December 31, 2021, together referred to as the European Credit Facility. The weighted average interest rate on all borrowings, excluding finance leases, was 4.5% for the three months ended March 31, 2022 and 4.5% for the year ended December 31, 2021.

North America Borrowers Credit Facility

For the company's North America Borrowers, the Credit Agreement provides for an asset-based-lending senior secured revolving credit facility which is secured by substantially all the company's U.S. and Canadian assets, other than real estate. The Credit Agreement provides the company and the other Borrowers with a credit facility in an aggregate principal amount of \$60,000,000, subject to availability based on a borrowing base formula, under a senior secured revolving credit, letter of credit and swing line loan facility (the "North America Credit Facility"). Up to \$20,000,000 of the North America Credit Facility will be available for issuance of letters of credit. The aggregate principal amount of the North America Credit Facility may be increased by up to \$25,000,000 to the extent requested by the company and agreed to by any Lender or new financial institution approved by the Administrative Agent.

The aggregate borrowing availability under the North America Credit Facility is determined based on a borrowing base formula. The aggregate usage under the North America Credit Facility may not exceed an amount equal to the sum of

(a) 85% of eligible U.S. accounts receivable *plus* (b) the lesser of (i) 70% of eligible U.S. inventory and eligible foreign in-transit inventory and (ii) 85% of the net orderly liquidation value of eligible U.S. inventory and eligible foreign in-transit inventory (not to exceed \$4,000,000), *plus* (c) the lesser of (i) 80% of the net orderly liquidation value of U.S. eligible machinery and equipment and (ii) \$0 as of March 31, 2022 (subject to reduction as provided in the Credit Agreement), *plus* (d) 85% of eligible Canadian accounts receivable, *plus* (e) the lesser of (i) 70% of eligible Canadian inventory and (ii) 85% of the net orderly liquidation value of eligible Canadian inventory, *less* (f) swing loans outstanding under the North America Credit Facility, *less* (g) letters of credit issued and undrawn under the North America Credit Facility, *less* (h) a \$5,650,000 minimum availability reserve, *less* (i) other reserves required by the Administrative Agent, and in each case subject to the definitions and limitations in the Credit Agreement. As of March 31, 2022, the company was in compliance with all covenant requirements. As of March 31, 2022, the company had gross borrowing base of \$45,842,000 and net borrowing availability of \$28,571,000 under the North America Credit Facility under the Credit Agreement, considering the minimum availability reserve, then-outstanding letters of credit, other reserves and the \$7,500,000 dominion trigger amount described below.

Interest will accrue on outstanding indebtedness under the Credit Agreement at the SFOR rate, plus a margin ranging from 2.25% to 2.75%, or at the alternate base rate, plus a margin ranging from 1.25% to 1.75%, as selected by the company. Borrowings under the North America Credit Facility are subject to commitment fees of 0.25% or 0.375% per year, depending on utilization.

The Credit Agreement contains customary representations, warranties and covenants. Exceptions to the operating covenants in the Credit Agreement provide the company with flexibility to, among other things, enter into or undertake certain sale and leaseback transactions, dispositions of assets, additional credit facilities, sales of receivables, additional indebtedness and intercompany indebtedness, all subject to limitations set forth in the Credit Agreement, as amended. The Credit Agreement also contains a covenant requiring the company to maintain minimum availability under the North America Credit Facility of not less than (i) 12.5% of the maximum amount that may be drawn under the North America Credit Facility for five (5) consecutive business days, or (ii) 11.25% of the maximum amount that may be drawn under the North America Credit Facility on any business day. The company also is subject to dominion triggers under the North America Credit Facility requiring the company to maintain borrowing capacity of not less than \$7,500,000 on any business day or any five consecutive days in order to avoid triggering full control by an agent for the

Lenders of the company's cash receipts for application to the company's obligations under the agreement.

The Credit Agreement contains customary default provisions, with certain grace periods and exceptions, which provide for events of default that include, among other things, failure to pay amounts due, breach of covenants, representations or warranties, bankruptcy, the occurrence of a material adverse effect, exclusion from any medical reimbursement program, and an interruption of any material manufacturing facilities for more than 10 consecutive days. The proceeds of the North America Credit Facility will be used to finance the working capital and other business needs of the company. There was \$25,500,000 of outstanding borrowings under the North America Credit Facility on March 31, 2022.

European Credit Facility

The Credit Agreement also provides for a revolving credit, letter of credit and swing line loan facility which gives the company and the European Borrowers the ability to borrow up to an aggregate principal amount of \$30,000,000, with a \$5,000,000 sublimit for letters of credit and a \$2,000,000 sublimit for swing line loans (the "European Credit Facility"). Up to \$15,000,000 of the European Credit Facility will be available to each of Invacare Limited (the "UK Borrower") and Invacare Poirier SAS (the "French Borrower" and, together with the UK Borrower, the "European Borrowers"). The European Credit Facility matures in January 2024, together with the North America Credit Facility.

The aggregate borrowing availability for each European Borrower under the European Credit Facility is determined based on a borrowing base formula. The aggregate borrowings of each of the European Borrowers under the European Credit Facility may not exceed an amount equal to (a) 85% of the European Borrower's eligible accounts receivable, *less* (b) the European Borrower's borrowings and swing line loans outstanding under the European Credit Facility, *less* (c) the European Borrower's letters of credit issued and undrawn under the European Credit Facility, *less* (d) a \$3,000,000 minimum availability reserve, *less* (e) other reserves required by the European Agent, and in each case subject to the definitions and limitations in the Credit Agreement. As of March 31, 2022, the gross borrowing base to the European Borrowers under the European Credit Facility was \$20,446,000 and the net borrowing availability was \$13,696,000, considering the \$3,000,000 minimum availability reserve and a \$3,750,000 dominion trigger amount described below. Borrowing availability is based on a prior month base in USD. Actual borrowings in GBP and EUR fluctuate in USD between date of borrowing and when translated for consolidated reporting.

The aggregate principal amount of the European Credit Facility may be increased by up to \$10,000,000 to the extent requested by the company and agreed to by any Lender or Lenders that wish to increase their lending participation or, if not agreed to by any Lender, a new financial institution that agrees to join the European Credit Facility and that is approved by the Administrative Agent and the European Agent.

Interest will accrue on outstanding indebtedness under the European Credit Facility at the SOFR rate, plus a margin ranging from 2.50% to 3.00%, or for swing line loans, at the overnight SOFR rate, plus a margin ranging from 2.50% to 3.00%, as selected by the company. The margin that will be adjusted quarterly based on utilization. Borrowings under the European Credit Facility are subject to commitment fees of 0.25% or 0.375% per year, depending on utilization.

The European Credit Facility is secured by substantially all the personal property assets of the UK Borrower and its in-country subsidiaries, and all the receivables of the French Borrower and its in-country subsidiaries. The UK and French facilities (which comprise the European Credit Facility) are cross collateralized, and the US personal property assets previously pledged under the North America Credit Facility also serve as collateral for the European Credit Facility.

The European Credit Facility is subject to customary representations, warranties and covenants generally consistent with those applicable to the North America Credit Facility. Exceptions to the operating covenants in the Credit Agreement provide the company with flexibility to, among other things, enter into or undertake certain sale/leaseback transactions, dispositions of assets, additional credit facilities, sales of receivables, additional indebtedness and intercompany indebtedness, all subject to limitations set forth in the Credit Agreement. The Credit Agreement also contains a covenant requiring the European Borrowers to maintain undrawn availability under the European Credit Facility of not less than (i) 12.5% of the maximum amount that may be drawn under the European Credit Facility for five (5) consecutive business days, or (ii) 11.25% of the maximum amount that may be drawn under the European Credit Facility on any business day. The European Borrowers also are subject to cash dominion triggers under the European Credit Facility requiring the European Borrower to maintain borrowing capacity of not less than \$3,750,000 on any business day or \$3,750,000 for five consecutive business days in order to avoid triggering full control by an agent for the Lenders of the European Borrower's cash receipts for application to its obligations under the European Credit Facility.

The European Credit Facility is subject to customary default provisions, with certain grace periods and exceptions, consistent with those applicable to the North America Credit

Facility, which provide that events of default include, among other things, failure to pay amounts due, breach of covenants, representations or warranties, cross-default, bankruptcy, the occurrence of a material adverse effect, exclusion from any medical reimbursement program, and an interruption in the operations of any material manufacturing facility for more than 10 consecutive days. The proceeds of the European Credit Facility will be used to finance the working capital and other business needs of the company. As of March 31, 2022, the company had borrowings of \$7,066,000 (€6,300,000) under its French Credit Facility and \$5,565,000 (£4,150,000) under its UK Credit Facility as of March 31, 2022, together referred to as the European Credit Facility. The company had outstanding borrowings of \$7,366,000 (€6,500,000) under its French Credit Facility and \$5,986,000 (£4,500,000) under its UK Credit Facility as of December 31, 2021.

The company was in compliance with the Credit Agreement covenants at March 31, 2022.

In January 2021, the Credit Agreement was amended to provide for, among other things, the addition of the company's Netherlands subsidiary as a guarantor under the European revolving credit facility, amendments to the restrictive covenants in the Credit Agreement to (1) increase the maximum amount of permitted miscellaneous indebtedness to \$30,000,000 from \$10,000,000 and (2) permit up to \$9,000,000 of financing based on certain European public and government receivables, and terms that, upon the occurrence of certain events related to a transition from the use of LIBOR, permit the agent for the lenders to amend the Credit Agreement to replace the LIBOR rate and/or the Euro rate with a benchmark replacement rate.

In March 2021, the Credit Agreement was further amended to permit the issuance of the 2026 Notes and the capped call transactions entered into by the company in connection with the issuance of the 2026 Notes, as further discussed in the sections below.

On December 29, 2021, the Credit Agreement was further amended with the primary provisions to replace the references to the LIBOR rate or Euro rate to a term secured overnight finance rate (SOFR).

Convertible senior notes due 2022

In the second quarter of 2017, the company issued \$120,000,000 aggregate principal amount of 4.50% Convertible Senior Notes due 2022 (the "2022 Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2022 Notes bear interest at a rate of 4.50% per year payable semi-annually in arrears on June 1 and December 1 of each year, beginning December 1, 2017. The 2022 Notes will mature on June 1,

2022, unless repurchased or converted in accordance with their terms prior to such date. Prior to December 1, 2021, the 2022 Notes will be convertible only upon satisfaction of certain conditions and during certain periods, and thereafter, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. Prior to May 16, 2019, the 2022 Notes were convertible, subject to certain conditions, into cash only. On May 16, 2019, the company obtained shareholder approval under applicable New York Stock Exchange rules such that conversion of the 2022 Notes may be settled in cash, the company's common shares or a combination of cash and the company's common shares, at the company's election. At March 31, 2022, \$2,650,000 aggregate principal amount of the 2022 Notes remained outstanding, following the exchange transactions completed in the second quarter of 2020 and the repurchase of debt completed in the first quarter of 2021, as further discussed below.

Holders of the 2022 Notes may convert their 2022 Notes at their option at any time prior to the close of business on the business day immediately preceding December 1, 2021 only under the following circumstances: (1) during any fiscal quarter commencing after September 30, 2017 (and only during such fiscal quarter), if the last reported sale price of the company's common shares for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price for the 2022 Notes on each applicable trading day; (2) during the five business day period after any 10 consecutive trading day period (the "measurement period") in which the "trading price" (as defined in the Indenture) per one thousand U.S. dollar principal amount of 2022 Notes for each trading day of such measurement period was less than 98% of the product of the last reported sale price of the company's Common Shares and the applicable conversion rate for the 2022 Notes on each such trading day; or (3) upon the occurrence of specified corporate events described in the Indenture. On or after December 1, 2021 until the close of business on the second scheduled trading day immediately preceding the maturity of the 2022 Notes, holders may convert their 2022 Notes, at the option of the holder, regardless of the foregoing circumstances.

Holders of the 2022 Notes will have the right to require the company to repurchase all or some of their 2022 Notes at 100% of their principal, plus any accrued and unpaid interest, upon the occurrence of certain fundamental changes. The initial conversion rate is 61.6095 common shares per \$1,000 principal amount of 2022 Notes (equivalent to an initial conversion price of approximately \$16.23 per common share). Until the company received shareholder approval on May 16, 2019 authorizing it to elect to settle future conversions of the

2022 Notes in common shares, the company separately accounted for the conversion features as a derivative. The derivative was capitalized on the balance sheet as a long-term liability with adjustment to reflect fair value each quarter until the change to the conversion features as a result of the shareholder approval received on May 16, 2019 resulted in the termination of the derivative. The fair value of the convertible debt conversion liability at issuance was \$28,859,000. The company recognized a loss of \$6,193,000 in 2019 related to the convertible debt conversion liability.

In connection with the offering of the 2022 Notes, the company entered into privately negotiated convertible note hedge transactions with one financial institution (the "option counterparty"). These transactions cover, subject to customary anti-dilution adjustments, the number of the company's common shares that will initially underlie the 2022 Notes and are expected generally to reduce the potential equity dilution, and/or offset any cash payments in excess of the principal amount due, as the case may be, upon conversion of the 2022 Notes. The company evaluated the note hedges under the applicable accounting literature, including *Derivatives and Hedging*, ASC 815, and determined that the note hedges should be accounted for as derivatives. These derivatives were capitalized on the balance sheet as long-term assets and were adjusted to reflect fair value each quarter. The fair value of the convertible note hedge assets at issuance was \$24,780,000.

The company entered into separate, privately negotiated warrant transactions with the option counterparty at a higher strike price relating to the same number of the company's common shares, subject to customary anti-dilution adjustments, pursuant to which the company sold warrants to the option counterparties. The warrants could have a dilutive effect on the company's outstanding common shares and the company's earnings per share to the extent that the price of the company's common shares exceeds the strike price of those warrants. The initial strike price of the warrants is \$21.4375 per share and is subject to certain adjustments under the terms of the warrant transactions. The company evaluated the warrants under the applicable accounting literature, including *Derivatives and Hedging*, ASC 815, and determined that the warrants meet the definition of a derivative, are indexed to the company's own shares and should be classified in shareholder's equity. The amount paid for the warrants and capitalized in shareholder's equity was \$14,100,000.

There were 120,000 note hedge options relating to the 2022 Notes outstanding at March 31, 2022, but only 2,650 remained available for exercise. Note hedge options related to the 2022 Notes will expire on June 1, 2022.

Warrants relating to the 2022 Notes outstanding on March 31, 2022 were 7,393,141. If exercised, one common share is issued upon exercise of each warrant, but may be

adjusted under certain circumstances if the relevant share price exceeds the warrant strike price for the relevant measurement period at the time of exercise. Common shares are reserved for issuance upon exercise of the remaining warrants relating to the 2022 Notes at two common shares per warrant. The warrants will begin to expire on September 1, 2022 and then partially expire on each trading day over the 220 trading day period following September 1, 2022.

The net proceeds from the offering of the 2022 Notes were approximately \$115,289,000, after deducting fees and offering expenses of \$4,711,000, which were paid in 2017. These debt issuance costs were capitalized and are being amortized as interest expense through June 2022. Debt issuance costs are presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability. A portion of the net proceeds from the offering were used to pay the cost of the convertible note hedge transactions (after such cost is partially offset by the proceeds to the company from the warrant transactions), which net cost was \$10,680,000.

During the second quarter of 2020, the company entered into separate, privately negotiated agreements with certain holders of the company's previously outstanding convertible notes due 2021 (the "2021 Notes") and certain holders of its 2022 Notes to exchange \$35,375,000 in aggregate principal amount of 2021 Notes and \$38,500,000 in aggregate principal amount of 2022 Notes, for aggregate consideration of \$73,875,000 in aggregate principal amount of new Series II 2024 Notes and \$5,593,000 in cash.

During the first quarter of 2021, the company repurchased \$78,850,000 in principal amount of 2022 Notes, resulting in a loss on debt extinguishment of \$709,000.

The liability components of the 2022 Notes consist of the following (in thousands):

	March 31, 2022	December 31, 2021
Principal amount of liability component	\$ 2,650	\$ 2,650
Debt fees	(3)	(8)
Net carrying amount of liability component	<u>\$ 2,647</u>	<u>\$ 2,642</u>

The effective interest rate on the liability component was 10.9% upon original issuance including consideration of the discount. Total interest expense subsequent to adoption of ASU 2020-06 includes coupon interest and amortization of debt fees. Interest expense of \$30,000 was accrued for the three months ended March 31, 2022 compared to \$769,000 for the three months ended March 31, 2021, based on the stated coupon rate of 4.5%. The effective interest rate of the 2022

Notes as of March 31, 2022 was 5.4%. The 2022 Notes were not convertible as of March 31, 2022, nor was the applicable conversion threshold met.

Convertible senior notes Series I due 2024

During the fourth quarter of 2019, the company entered into separate privately negotiated agreements with certain holders of its 2021 Notes to exchange \$72,909,000 in aggregate principal amount of 2021 Notes for aggregate consideration of \$72,909,000 in aggregate principal amount of new 5.00% Convertible Senior Exchange Notes due 2024 (the "Series I 2024 Notes") of the company and \$6,928,000 in cash.

The notes bear interest at a rate of 5.00% per year payable semi-annually in arrears on May 15 and November 15 of each year, beginning May 15, 2020. The notes will mature on November 15, 2024, unless repurchased, redeemed or converted in accordance with their terms prior to such date. Prior to May 15, 2024, the Series I 2024 Notes will be convertible only upon satisfaction of certain conditions and during certain periods, and thereafter, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The Series I 2024 Notes may be settled in cash, the company's common shares or a combination of cash and the company's common shares, at the company's election.

Prior to the maturity of the Series I 2024 Notes, the company may, at its election, redeem for cash all or part of the Series I 2024 Notes if the last reported sale price of the company's common shares equals or exceeds 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the company provides notice of redemption. The redemption price will be equal to 100% of the principal amount of the Series I 2024 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date (subject to certain limited exceptions). No sinking fund is provided for the Series I 2024 Notes, which means the company is not required to redeem or retire the Series I 2024 Notes periodically.

Holders of the Series I 2024 Notes may convert their Series I 2024 Notes at their option at any time prior to the close of business on the business day immediately preceding May 15, 2024 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending December 31, 2019 (and only during such calendar quarter), if the last reported sale price of the company's common shares for at least 20 trading days (whether or not consecutive) during the period of 30

consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price for the Series I 2024 Notes on each applicable trading day; (2) during the five business day period after any 10 consecutive trading day period (the “measurement period”) in which the “trading price” (as defined in the Indenture) per one thousand U.S. dollar principal amount of Series I 2024 Notes for each trading day of such measurement period was less than 98% of the product of the last reported sale price of the company’s common shares and the applicable conversion rate for the Series I 2024 Notes on each such trading day; (3) upon the occurrence of specified corporate events described in the Indenture; or (4) if the company calls the Series I 2024 Notes for redemption pursuant to the terms of the Indenture. Holders of the Series I 2024 Notes will have the right to require the company to repurchase all or some of their Series I 2024 Notes at 100% of their principal, plus any accrued and unpaid interest, upon the occurrence of certain fundamental changes. The initial conversion rate is 67.6819 common shares per \$1,000 principal amount of Series I 2024 Notes (equivalent to an initial conversion price of approximately \$14.78 per common share). On or after May 15, 2024 until the close of business on the second scheduled trading day immediately preceding the maturity of the Series I 2024 Notes, holders may convert their Series I 2024 Notes, at the option of the holder, regardless of the foregoing circumstances.

A loss of \$5,885,000 was recorded a part of the exchange transaction, which included the write-off of fees related to the portion of the 2021 Notes exchanged. Debt issuance costs of \$1,394,000 were capitalized and are being amortized as interest expense through November 15, 2024. Debt issuance costs are presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability.

The liability components of the Series I 2024 Notes consist of the following (in thousands):

	March 31, 2022	December 31, 2021
Principal amount of liability component	\$ 72,909	\$ 72,909
Debt fees	(702)	(769)
Net carrying amount of liability component	<u>\$ 72,207</u>	<u>\$ 72,140</u>

The effective interest rate on the liability component was 8.77% upon original issuance including consideration of the discount. Total interest expense subsequent to adoption of ASU 2020-06 includes coupon interest and amortization of debt fees. Interest expense of \$911,000 was accrued for the three months ended March 31, 2022 and for the three months ended March 31, 2021 based on the stated coupon rate of 5.0%. The effective interest rate of the Series I 2024 Notes as

of March 31, 2022 was 5.4%. The Series I 2024 Notes were not convertible as of March 31, 2022 nor was the applicable conversion threshold met.

Convertible senior notes Series II due 2024

During the second quarter of 2020, the company entered into separate, privately negotiated agreements with certain holders of its 2021 Notes and certain holders of its 2022 Notes to exchange \$35,375,000 in aggregate principal amount of 2021 Notes and \$38,500,000 in aggregate principal amount of 2022 Notes, for aggregate consideration of \$73,875,000 in aggregate principal amount of new 5.00% Series II Convertible Senior Exchange Notes due 2024 (the “Series II 2024 Notes”) of the company and \$5,593,000 in cash.

The Series II 2024 Notes bear interest at a rate of 5.00% per year, payable semi-annually in arrears on May 15 and November 15 of each year, beginning November 15, 2020. The Series II 2024 Notes will mature on November 15, 2024, unless repurchased, redeemed or converted in accordance with their terms prior to such date. Prior to May 15, 2024, the Series II 2024 Notes will be convertible only upon satisfaction of certain conditions and during certain periods, and thereafter, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The Series II 2024 Notes may be settled in cash, the company’s common shares or a combination of cash and the company’s common shares, at the company’s election.

Prior to the maturity of the Series II 2024 Notes, the company may, at its election, redeem for cash all or part of the Series II 2024 Notes, if the last reported sale price of the company’s common shares equals or exceeds 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the company provides notice of redemption. The redemption price will be equal to 100% of the accreted principal amount of the Series II 2024 Notes to be redeemed, plus any accrued and unpaid interest, if any, on the original principal amount of the New Notes redeemed to, but excluding, the redemption date (subject to certain limited exceptions). No sinking fund is provided for the Series II 2024 Notes, which means the company is not required to redeem or retire the Series II 2024 Notes periodically.

Holders of the Series II 2024 Notes may convert their Series II 2024 Notes at their option at any time prior to the close of business on the business day immediately preceding May 15, 2024 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending June 30, 2020 (and only during such calendar quarter), if the last reported sale price of the company’s

common shares for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than 130% of the conversion price for the Series II 2024 Notes on each applicable trading day; (2) during the five business day period after any 10 consecutive trading day period (the “measurement period”) in which the “trading price” (as defined in the Indenture) per one thousand U.S. dollar principal amount of Series II 2024 Notes for each trading day of such measurement period was less than 98% of the product of the last reported sale price of the company’s common shares and the applicable conversion rate for the Series II 2024 Notes on each such trading day; (3) upon the occurrence of specified corporate events described in the Indenture; or (4) if the company calls the Series II 2024 Notes for redemption pursuant to the terms of the Indenture. Holders of the Series II 2024 Notes will have the right to require the company to repurchase all or some of their Series II 2024 Notes at 100% of the accreted principal amount, plus any accrued and unpaid interest, upon the occurrence of certain fundamental changes. The initial conversion rate is 67.6819 common shares per \$1,000 principal amount of Series II 2024 Notes (equivalent to an initial conversion price of approximately \$14.78 per common share). On or after May 15, 2024 until the close of business on the second scheduled trading day immediately preceding the maturity of the Series II 2024 Notes, holders may convert their Series II 2024 Notes, at the option of the holder, regardless of the foregoing circumstances.

The principal amount of the Series II 2024 Notes also will accrete at a rate of approximately 4.7% per year commencing June 4, 2020, compounding on a semi-annual basis. The accreted portion of the principal is payable in cash upon maturity but does not bear interest and is not convertible into the company’s common shares. The total amount accreted as of March 31, 2022 was \$6,258,000, of which \$911,000 was for the three months ended March 31, 2022 and 870,000 for the three months ended March 31, 2021. Remaining accretion until maturity (at current principal) was \$10,364,000 at March 31, 2022.

A loss of \$6,599,000 was recorded a part of the exchange transaction, which included the write-off of fees related to portions of the 2021 Notes and 2022 Notes exchanged. Debt issuance costs of \$1,505,000 were capitalized and are being amortized as interest expense through November 2024. Debt issuance costs are presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability.

The liability components of the Series II 2024 Notes consist of the following (in thousands):

	March 31, 2022	December 31, 2021
Principal amount of liability component - including accretion	\$ 80,133	\$ 79,222
Debt fees	(886)	(971)
Net carrying amount of liability component	<u>\$ 79,247</u>	<u>\$ 78,251</u>

The effective interest rate on the liability component was 8.99% upon original issuance including consideration of the discount. Total interest expense subsequent to adoption of ASU 2020-06 includes coupon interest, accretion and amortization of debt fees. Interest expense for accretion of \$911,000 was recognized for the three months ended March 31, 2022 compared to \$870,000 for the three months ended March 31, 2021. Interest expense of \$923,000 was recognized for the three months ended March 31, 2022 compared to \$923,000 for the three months ended March 31, 2021, based on the stated coupon rate of 5.0%. The effective interest rate of the Series II 2024 Notes as of March 31, 2022 including coupon interest, amortization of debt fees and accretion to maturity was 10.4%. The Series II 2024 Notes were not convertible as of March 31, 2022 nor was the applicable conversion threshold met.

Convertible senior notes due 2026

In the first quarter of 2021, the company issued \$125,000,000 aggregate principal amount of 4.25% Convertible Senior Notes due 2026 (the “2026 Notes”) in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act.

The notes bear interest at a rate of 4.25% per year payable semi-annually in arrears on March 15 and September 15 of each year, beginning September 15, 2021. The notes will mature on March 15, 2026, unless repurchased, redeemed or converted in accordance with their terms prior to such date. Prior to September 15, 2025, the 2026 Notes will be convertible only upon satisfaction of certain conditions and during certain periods, and thereafter, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The 2026 Notes may be settled in cash, the company’s common shares or a combination of cash and the company’s common shares, at the company’s election.

The company may not redeem the 2026 Notes prior to March 20, 2024. The company may, at its election, redeem for cash all or part of the 2026 Notes, on or after March 20, 2024, if the last reported sale price of the company’s common shares equals or exceeds 130% of the conversion price then in effect

for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the company provides notice of redemption. The redemption price will be equal to 100% of the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date (subject to certain limited exceptions). No sinking fund is provided for the 2026 Notes, which means the company is not required to redeem or retire the 2026 Notes periodically.

Holders of the 2026 Notes may convert their 2026 Notes at their option at any time prior to the close of business on the business day immediately preceding September 15, 2025 in multiples of \$1,000 principal amount, only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending June 30, 2021 (and only during such calendar quarter), if the last reported sale price of the company's common shares for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than 130% of the conversion price for the 2026 Notes on each applicable trading day; (2) during the five business day period after any 10 consecutive trading day period (the "measurement period") in which the "trading price" (as defined in the Indenture) per one thousand U.S. dollar principal amount of 2026 Notes for each trading day of such measurement period was less than 98% of the product of the last reported sale price of the company's common shares and the applicable conversion rate for the 2026 Notes on each such trading day; (3) upon the occurrence of specified corporate events described in the Indenture; or (4) if the company calls any or all of the 2026 Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date. Holders of the 2026 Notes will have the right to require the company to repurchase all or some of their 2026 Notes at 100% of their principal, plus any accrued and unpaid interest, upon the occurrence of certain fundamental changes. The initial conversion rate is 94.6096 common shares per \$1,000 principal amount of 2026 notes (equivalent to an initial conversion price of approximately \$10.57 per common share). On or after September 15, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity of the 2026 Notes, holders may convert their 2026 Notes, at the option of the holder, regardless of the foregoing circumstances.

Debt issuance costs of \$7,305,000 were capitalized and are being amortized as interest expense through March 2026. Debt issuance costs are presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability.

The liability components of the 2026 Notes consist of the following (in thousands):

	March 31, 2022	December 31, 2021
Principal amount of liability component	\$ 125,000	\$ 125,000
Debt fees	(5,609)	(5,964)
Net carrying amount of liability component	<u>\$ 119,391</u>	<u>\$ 119,036</u>

Interest expense of \$1,328,000 was accrued for the three months ended March 31, 2022 and \$236,000 for the three months ended March 31, 2021 based on the stated coupon rate of 4.25%. The effective interest rate of the 2026 Notes as of March 31, 2022 was 5.4%. The 2026 Notes were not convertible as of March 31, 2022 nor was the applicable conversion threshold met.

In March 2021, in connection with the pricing of the 2026 Notes, the company entered into capped call transactions (the "Capped Call Transactions") with certain option counterparties. The company used \$18,787,000 of the net proceeds of the private offering of the 2026 Notes to pay the cost of the Capped Call Transactions with the offset recorded to additional paid-in-capital.

The Capped Call Transactions are expected generally to reduce the potential dilution upon conversion of the 2026 Notes and/or offset any cash payments the company is required to make in excess of the principal amount of converted notes, as the case may be, in the event that the market price per share of the company's common shares, as measured under the terms of the Capped Call Transactions, is greater than the strike price of the Capped Call Transactions, which is initially \$10.57, corresponding to the initial conversion price of the 2026 Notes, subject to anti-dilution adjustments. If, however, the market price per company common share, as measured under the terms of the Capped Call Transactions, exceeds the cap price of the Capped Call Transactions, which is initially \$16.58 (subject to adjustments), there would nevertheless be dilution and/or there would not be an offset of such potential cash payments, in each case, to the extent that such market price exceeds the cap price of the Capped Call Transactions. The Capped Call Transactions expire March 15, 2026, subject to earlier exercise. There were 125,000 capped call options related to the 2026 Notes outstanding on March 31, 2022.

The company will not be required to make any cash payments to the option counterparties upon the exercise of the options that are a part of the Capped Call Transactions, but the company will be entitled to receive from the option counterparties a number of company common shares, an amount of cash or a combination thereof generally based on

the amount by which the market price per company common share, as measured under the terms of the Capped Call Transactions, is greater than the strike price of the Capped Call Transactions during the relevant valuation period under the Capped Call Transactions. However, if the market price per Company common share, as measured under the terms of the Capped Call Transactions, exceeds the cap price of the Capped Call Transactions during such valuation period, the number of company common shares and/or the amount of cash the company expects to receive upon exercise of the Capped Call Transactions will be capped based on the amount by which the cap price exceeds the strike price of the Capped Call Transactions.

For any conversions of the 2026 Notes prior to September 15, 2025, a corresponding portion of the relevant Capped Call Transactions may be terminated at the company's option. Upon any such termination, the company expects to receive from the option counterparties a number of company common shares, or, if the company so elects, subject to certain conditions, an amount of cash, in each case, with a value equal to the fair value of such portion of the relevant Capped Call Transactions being terminated, as calculated in accordance with the terms of the relevant Capped Call Transaction.

The Capped Call Transactions are separate transactions, in each case, entered into by the company with the option counterparties, and are not part of the terms of the 2026 Notes and will not affect any holder's rights under the 2026 Notes. Holders of the 2026 Notes will not have any rights with respect to the Capped Call Transactions.

Other Long-Term Obligations

Other long-term obligations consist of the following (in thousands):

	March 31, 2022	December 31, 2021
Deferred income taxes	\$ 21,714	\$ 21,664
Product liability	11,915	11,342
Pension	7,894	7,814
Deferred compensation	5,700	6,174
Deferred gain on sale leaseback	5,090	5,174
Supplemental executive retirement plan liability	5,058	5,106
Death benefit obligation plan	4,252	4,568
Uncertain tax obligation including interest	3,161	3,171
Other	471	1,783
Other Long-Term Obligations	<u>\$ 65,255</u>	<u>\$ 66,796</u>

On April 23, 2015, the company entered into a real estate sale leaseback transaction which resulted in the company recording an initial deferred gain of \$7,414,000, the majority of which is included in Other Long-Term Obligations and will be recognized over the 20-year life of the leases. The gains realized were \$81,000 and \$78,000 for the three months ended March 31, 2022 and 2021, respectively.

Leases and Commitments

The company reviews new contracts to determine if the contracts include a lease. To the extent a lease agreement includes an extension option that is reasonably certain to be exercised, the company has recognized those amounts as part of the right-of-use assets and lease liabilities. The company combines lease and certain non-lease components, such as common area maintenance, in the calculation of the lease assets and related liabilities. As most lease agreements do not provide an implicit rate, the company uses an incremental borrowing rate (IBR) based on information available at commencement date in determining the present value of lease payments and to help classify the lease as operating or financing. The company calculates its IBR based on the secured rates of the company's recent debt issuances, the credit rating of the company, changes in currencies, lease repayment timing as well as other publicly available data.

The company leases a portion of its facilities, transportation equipment, data processing equipment and certain other equipment. These leases have terms from 1 to 20 years and provide for renewal options. Generally, the company is required to pay taxes and normal expenses associated with operating the facilities and equipment. As of March 31, 2022, the company is committed under non-cancelable leases, which have initial or remaining terms in excess of one year and expire on various dates through 2040.

On April 23, 2015, the company sold and leased back, under four separate lease agreements, four properties located in Ohio and one property in Florida for net proceeds of \$23,000,000, which were used to reduce debt under the U.S. and Canadian Credit Facility. The initial total annual rent for the properties was \$2,275,000 and can increase annually over the 20-year term of the leases based on the applicable geographical consumer price index (CPI). Each of the four lease agreements contains three 10-year renewals with the rent for each option term based on the greater of the then-current fair market rent for each property or the then-current rate and increasing annually by the applicable CPI. Under the terms of the lease agreements, the company is responsible for all taxes, insurance and utilities. The company is required to adequately maintain each of the properties and any leasehold improvements will be amortized over the lesser of the lives of the improvements or the remaining lease lives, consistent with any other company leases.

In connection with the transaction, the requirements for sale lease-back accounting were met. Accordingly, the company recorded the sale of the properties, removed the related property and equipment from the company's balance sheet, recognized an initial deferred gain of \$7,414,000 and an immediate loss of \$257,000 related to one property and recorded new lease liabilities. Specifically, the company

recorded four finance leases totaling \$32,339,000 and one operating lease related to leased land, which was not a material component of the transaction. The gains on the sales of the properties were required to be deferred and recognized over the life of the leases as the property sold is being leased back. The deferred gain is classified under Other Long-Term Obligations on the consolidated balance sheet. The gains realized were \$81,000 for the three months ended March 31, 2022 compared to \$78,000 for the three months ended March 31, 2021.

Lease expenses for the three months ended March 31, 2022 and March 31, 2021, respectively, were as follows (in thousands):

	For the Three Months Ended March 31,	
	2022	2021
Operating leases	\$ 1,610	\$ 1,962
Variable and short-term leases	714	1,051
Total operating leases	\$ 2,324	\$ 3,013
Finance lease interest cost	\$ 1,083	\$ 1,178
Finance lease depreciation	1,092	1,276
Total finance leases	\$ 2,175	\$ 2,454

Future minimum operating and finance lease commitments, as of March 31, 2022, are as follows (in thousands):

	Finance Leases	Operating Leases
2022	\$ 5,213	\$ 3,753
2023	6,873	3,025
2024	6,802	2,261
2025	6,690	1,829
2026	6,560	1,148
Thereafter	71,193	1,720
Total future minimum lease payments	103,331	13,736
Amounts representing interest	(37,586)	(1,862)
Present value of minimum lease payments	65,745	11,874
Less: current maturities of lease obligations	(3,056)	(4,110)
Long-term lease obligations	<u>\$ 62,689</u>	<u>\$ 7,764</u>

Supplemental cash flow amounts for the three months ended March 31, 2022 and March 31, 2021 were as follows (in thousands):

Cash Activity: Cash paid in measurement of amounts for lease liabilities	March 31, 2022	March 31, 2021
Operating leases	\$ 2,239	\$ 3,020
Finance leases	1,829	2,109
Total	<u>\$ 4,068</u>	<u>\$ 5,129</u>

Non-Cash Activity: Right- of-use assets obtained in exchange for lease obligations	March 31, 2022	March 31, 2021
Operating leases	\$ 716	\$ 3,839
Finance leases	175	5,975
Total	<u>\$ 891</u>	<u>\$ 9,814</u>

Weighted-average remaining lease terms and discount rates for finance and operating leases are as follows as of March 31, 2022 and December 31, 2021, respectively:

	March 31, 2022	December 31, 2021
Weighted-average remaining lease term - finance leases	15.5 years	15.8 years
Weighted-average remaining lease term - operating leases	4.9 years	5.0 years
Weighted-average discount rate - finance leases	6.42%	6.43%
Weighted-average discount rate - operating leases	7.08%	7.10%

Revenue

The company has two revenue streams: products and services. Services include repair, refurbishment, preventive maintenance and rental of products. Services for the North America segment include maintenance and repair of products. Services for the Europe segment include repair, refurbishment and preventive maintenance services. Services in All Other, are in the Asia Pacific region, and include rental and repair of products.

The following tables disaggregate the company's revenues by major source and by reportable segment for the three ended March 31, 2022 and March 31, 2021 (in thousands):

	Three Months Ended March 31, 2022		
	Product	Service	Total
Europe	\$ 115,265	\$ 2,814	\$ 118,079
North America	75,183	136	75,319
All Other	6,382	1,208	7,590
Total	<u>\$ 196,830</u>	<u>\$ 4,158</u>	<u>\$ 200,988</u>
% Split	98%	2%	100%

	Three Months Ended March 31, 2021		
	Product	Service	Total
Europe	\$ 109,844	\$ 2,931	\$ 112,775
North America	75,702	272	75,974
All Other	6,178	1,275	7,453
Total	<u>\$ 191,724</u>	<u>\$ 4,478</u>	<u>\$ 196,202</u>
% Split	98%	2%	100%

The company's revenues are principally related to the sale of products, approximately 98%, with the remaining 2% related to services including repair, refurbishment, preventive maintenance and rental of products. While the company has a significant amount of contract types, the sales split by contract type is estimated as follows: general terms and conditions (30%), large national customers (23%), governments, principally pursuant to tender contracts (22%) and other customers including buying groups and independent customers (25%).

All product revenues and substantially all service revenues are recognized at a point in time. The remaining service revenue, recognized over time, are reflected in the Europe segment and include multiple performance obligations. For such contracts, the company allocates revenue to each

performance obligation based on its relative standalone selling price. The company generally determines the standalone selling price based on the expected cost-plus margin methodology.

Revenue is recognized when obligations under the terms of a contract with the customer are satisfied; generally, this occurs with the transfer of control of the company's products and services. The amount of consideration received and revenue recognized by the company can vary as a result of variable consideration terms included in the contracts related to customer rebates, cash discounts and return policies. Revenue is measured as the amount of consideration probable of not having a significant reversal of cumulative revenue recognized when related uncertainties are resolved. Customer rebates and cash discounts are estimated based on the most likely amount principle and these estimates are based on historical experience and anticipated performance. In addition, customers have the right to return products within the company's normal terms policy, and as such the company estimates the expected returns based on an analysis of historical experience. The company adjusts its estimate of revenue at the earlier of when the most likely amount of consideration it expects to receive changes or when the consideration becomes fixed. The company generally does not expect that there will be significant changes to its estimates of variable consideration (refer to "Receivables" and "Accrued Expenses" in the Notes to the Consolidated Financial Statements include elsewhere in this report for more detail).

Depending on the terms of the contract, the company may defer the recognition of a portion of the revenue at the end of a reporting period to align with transfer of control of the company's products to the customer. In addition, to the extent performance obligations are satisfied over time, the company defers revenue recognition until the performance obligations are satisfied. As of March 31, 2022 and December 31, 2021, the company had deferred revenue of \$3,127,000 and \$4,156,000, respectively, related to outstanding performance obligations with substantially all expected to be recognized as revenue within a year.

Equity Compensation

The company's Common Shares have a \$0.25 stated value. The Common Shares and the Class B Common Shares generally have identical rights, terms and conditions and vote together as a single class on most issues, except that the Class B Common Shares have ten votes per share and, in general, can only be transferred to family members or for estate planning purposes. Holders of Class B Common Shares are entitled to convert their shares into Common Shares at any time on a share-for-share basis. When Class B Common Shares are transferred out of a familial relationship, they automatically convert to Common Shares.

As of March 31, 2022, 3,667 Class B Common Shares remained outstanding. Prior conversions of Class B Common Shares have virtually eliminated the company's dual class voting structure. As of March 31, 2022, the holders of the Common Shares represented approximately 99.9% of the company's total outstanding voting power.

Equity Compensation Plan

On May 17, 2018, the shareholders of the company approved the Invacare Corporation 2018 Equity Compensation Plan (the "2018 Plan"), which was adopted on March 27, 2018 by the company's Board of Directors (the "Board"). The company's Board adopted the 2018 Plan in order to authorize additional Common Shares for grant as equity compensation, and to reflect changes to Section 162(m) of the Internal Revenue Code (the "Code") resulting from the U.S. Tax Cuts and Jobs Act of 2017.

Following shareholder approval of the 2018 Plan, all of the Common Shares then-remaining available for issuance under the Invacare Corporation 2013 Equity Compensation Plan (the "2013 Plan") and all of the Common Shares that were forfeited or remained unpurchased or undistributed upon termination or expiration of awards under the 2013 Plan and under the Invacare Corporation 2003 Performance Plan (the "2003 Plan"), become available for issuance under the 2018 Plan. Awards granted previously under the 2013 Plan and 2003 Plan will remain in effect under their original terms.

The 2018 Plan uses a fungible share-counting method, under which each Common Share underlying an award of stock options or stock appreciation rights ("SAR") will count against the number of total shares available under the 2018 Plan as one share; and each Common Share underlying any award other than a stock option or a SAR will count against the number of total shares available under the 2018 Plan as two shares. Shares underlying awards made under the 2003

Plan or 2013 Plan that are forfeited or remain unpurchased or undistributed upon termination or expiration of the awards will become available under the 2018 Plan for use in future awards. Any Common Shares that are added back to the 2018 Plan as the result of forfeiture, termination or expiration of an award granted under the 2018 Plan or the 2013 Plan will be added back in the same manner such shares were originally counted against the total number of shares available under the 2018 Plan or 2013 Plan, as applicable. Each Common Share that is added back to the 2018 Plan due to a forfeiture, termination or expiration of an award granted under the 2003 Plan will be added back as one Common Share.

The Compensation and Management Development Committee of the Board (the "Compensation Committee"), in its discretion, may grant an award under the 2018 Plan to any director or employee of the company or an affiliate. As of March 31, 2022, 5,125,830 Common Shares were available for future issuance under the 2018 Plan in connection with the following types of awards with respect to the company's Common Shares: incentive stock options, nonqualified stock options, SARs, restricted stock, restricted stock units, unrestricted stock and performance shares. The Compensation Committee also may grant performance units that are payable in cash. The Compensation Committee has the authority to determine which participants will receive awards, the amount of the awards and the other terms and conditions of the awards.

The 2018 Plan provides that shares granted come from the company's authorized but unissued Common Shares or treasury shares. In addition, the company's stock-based compensation plans allow employee participants to exchange shares for minimum withholding taxes, which results in the company acquiring treasury shares.

The amounts of equity-based compensation expense recognized as part of SG&A expenses in All Other in business segment reporting were as follows (in thousands):

	For the Three Months Ended March 31,	
	2022	2021
Restricted stock and restricted stock units	\$ 655	\$ 912
Performance shares and performance share units	(345)	668
Total stock-based compensation expense	\$ 310	\$ 1,580

As of March 31, 2022, unrecognized compensation expense related to equity-based compensation arrangements granted under the company's 2018 Plan and previous plans, which is related to non-vested awards, was as follows (in thousands):

	March 31, 2022
Restricted stock and restricted stock units	\$ 5,911
Performance shares and performance share units	817
Total unrecognized stock-based compensation expense	\$ 6,728

The following table summarizes information about stock option activity for the three months ended March 31, 2022:

		Weighted Average Exercise Price
Options outstanding at January 1, 2022	750,159	\$ 12.69
Expired	(3,000)	17.47
Options outstanding at March 31, 2022	<u>747,159</u>	\$ 12.67
Options exercise price range at March 31, 2022	\$ 12.15 to \$	14.49
Options exercisable at March 31, 2022	747,159	
Shares available for grant under the 2018 Plan at March 31, 2022*	5,125,830	

* Shares available for grant under the 2018 Plan as of March 31, 2022 are reduced by awards and increased by forfeitures or expirations. At March 31, 2022, an aggregate of 805,637 Common Shares underlie awards which were forfeited or expired unexercised under the 2003 and 2013 Plans and thus are available for future issuance under the 2018 Plan upon transfer.

The following table summarizes information about stock options outstanding at March 31, 2022:

Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at March 31, 2022	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at March 31, 2022	Weighted Average Exercise Price
\$12.15 – \$20.00	747,159	3.7	\$ 12.67	747,159	\$ 12.67

The 2018 Plan provides for a one-year minimum vesting period for stock options and, generally, options must be exercised within ten years from the date granted. No stock options were issued in 2022 or 2021.

Restricted Stock and Restricted Stock Units

The following table summarizes information about restricted stock and restricted stock units (primarily for non-U.S. recipients):

		Weighted Average Fair Value
Stock / Units unvested at January 1, 2022	1,160,847	\$ 8.17
Forfeited	<u>(35,692)</u>	8.40
Stock / Units unvested at March 31, 2022	<u>1,125,155</u>	\$ 8.17

The restricted awards generally vest ratably over the three years after the award date. Unearned restricted awards compensation, determined as the market value of the shares at the date of grant, is being amortized on a straight-line basis over the vesting period as adjusted for forfeiture estimates.

Performance Shares and Performance Share Units

The following table summarizes information about performance shares and performance share units (primarily for non-U.S. recipients):

		Weighted Average Fair Value
Shares / Units unvested at January 1, 2022	<u>972,288</u>	\$ 7.76
Shares / Units unvested at March 31, 2022	<u>972,288</u>	\$ 7.76

During the three months ended March 31, 2022, no performance shares and performance share units (for non-U.S. recipients) were granted. Performance awards have a three year performance period with payouts based on achievement of certain performance goals. The awards are classified as equity awards as they will be settled in common shares upon vesting. The number of shares earned will be determined at the end of the three-year performance period based on achievement of performance criteria for January 1, 2020 through December 31, 2022 and January 1, 2021 through December 31, 2023, respectively established by the Compensation Committee at the time of grant. Recipients will be entitled to receive a number of Common Shares equal to

the number of performance shares that vest based upon the levels of achievement which may range between 0% and 150% of the target number of shares with the target being 100% of the initial grant.

The fair value of the performance awards is based on the stock price on the date of grant discounted for the estimated value of dividends foregone as the awards are not eligible for dividends except to the extent vested. The grant fair value is further updated each reporting period while variable accounting applies. The company assesses the probability that the performance targets will be met with expense recognized whenever it is probable that at least the minimum performance criteria will be achieved. Depending upon the company's assessment of the probability of achievement of the goals, the company may not recognize any expense associated with performance awards in a given period, may reverse prior expense recorded or record additional expense to recognize the cumulative estimated achievement level of proportionate term of the award. Performance award compensation expense is generally expected to be recognized over three years. The company continues to recognize expense (benefit) related to the awards granted in 2020 and 2021 as it is considered probable that the performance goals for those awards will be met.

The annual award of equity compensation awards was deferred from the first quarter to the second quarter of 2022.

Accumulated Other Comprehensive Income (Loss) by Component

Changes in accumulated other comprehensive income (loss) ("OCI") (in thousands):

	Foreign Currency	Long-Term Notes	Defined Benefit Plans	Derivatives	Total
December 31, 2021	\$ 18,961	\$ 2,127	\$ (4,101)	\$ 1	\$ 16,988
OCI before reclassifications	(6,768)	426	318	875	(5,149)
Amount reclassified from accumulated OCI	—	—	(94)	(51)	(145)
Net current-period OCI	(6,768)	426	224	824	(5,294)
March 31, 2022	<u>\$ 12,193</u>	<u>\$ 2,553</u>	<u>\$ (3,877)</u>	<u>\$ 825</u>	<u>\$ 11,694</u>

	Foreign Currency	Long-Term Notes	Defined Benefit Plans	Derivatives	Total
December 31, 2020	\$ 50,329	\$ (517)	\$ (3,674)	\$ (702)	\$ 45,436
OCI before reclassifications	2,802	2,875	470	(1,218)	4,929
Amount reclassified from accumulated OCI	—	—	(121)	426	305
Net current-period OCI	2,802	2,875	349	(792)	5,234
March 31, 2021	<u>\$ 53,131</u>	<u>\$ 2,358</u>	<u>\$ (3,325)</u>	<u>\$ (1,494)</u>	<u>\$ 50,670</u>

Reclassifications out of accumulated OCI were as follows (in thousands):

	Amount reclassified from OCI		Affected line item in the Statement of Comprehensive (Income) Loss
	For the Three Months Ended March 31,		
	2022	2021	
Defined Benefit Plans			
Service and interest costs	\$ (94)	\$ (121)	Selling, general and administrative expenses
Tax	—	—	Income taxes
Total after tax	<u>\$ (94)</u>	<u>\$ (121)</u>	
Derivatives			
Foreign currency forward contracts hedging sales	\$ (27)	\$ 22	Net sales
Foreign currency forward contracts hedging purchases	(31)	452	Cost of products sold
Total loss (income) before tax	(58)	474	
Tax	7	(48)	Income taxes
Total after tax	<u>\$ (51)</u>	<u>\$ 426</u>	

Charges Related to Restructuring Activities

The company's restructuring charges were originally necessitated primarily by continued declines in Medicare and Medicaid reimbursement by the U.S. government, as well as similar healthcare reimbursement pressures abroad, which negatively affected the company's customers (e.g. home health care providers) and continued pricing pressures faced by the company due to the outsourcing by competitors to lower cost locations. Restructuring decisions were also the result of reduced profitability in each of the segments. Restructuring actions have continued into 2022.

For the three months ended March 31, 2022, severance and other charges totaled \$3,790,000 which were related to North America of \$1,662,000, Europe of \$2,119,000 and All Other of \$9,000. Payments for the three months ended March 31, 2022 were \$1,336,000 and the cash payments were funded with the company's cash on hand. The 2022 charges are expected to be paid out within 24 months.

For the three months ended March 31, 2021, charges totaled \$1,552,000 which were related to North America of

\$822,000 and Europe of \$730,000. In North America costs were incurred related to severance. The European charges were for severance costs \$454,000 and contract terminations \$276,000 primarily related to the closure of a German manufacturing facility. Payments for the three months ended March 31, 2021 were \$6,283,000 and the cash payments were funded with company's cash on hand.

There have been no material changes in accrued balances related to the charges, either as a result of revisions to the plans or changes in estimates. In addition, the savings anticipated as a result of the company's restructuring plans have been or are expected to be achieved, primarily resulting in reduced salary and benefit costs principally impacting selling, general and administrative expenses, and to a lesser extent, costs of products sold. To date, the company's liquidity has been sufficient to absorb these charges and payments.

A progression by reporting segment of the accruals recorded as a result of the restructuring for the three months ended March 31, 2022 is as follows (in thousands):

	Severance	Other	Total
December 31, 2021 Balances			
North America	\$ 482	\$ —	\$ 482
Total	482	—	482
Charges			
North America	1,124	538	1,662
Europe	2,119	—	2,119
All Other	9	—	9
Total	3,252	538	3,790
Payments			
North America	(422)	(538)	(960)
Europe	(367)	—	(367)
All Other	(9)	—	(9)
Total	(798)	(538)	(1,336)
March 31, 2022 Balances			
North America	1,184	—	1,184
Europe	1,752	—	1,752
Total	\$ 2,936	\$ —	\$ 2,936

Income Taxes

The company had an effective tax rate of 5.8% and 15.4% on losses before tax for the three months ended March 31, 2022 and March 31, 2021, respectively, compared to an expected benefit of 21.0% on the pre-tax loss for each period. The company's effective tax rate for the three months ended March 31, 2022 and March 31, 2021 were unfavorable as compared to the U.S. federal statutory rate, principally due to the negative impact of the company not being able to record tax benefits related to the significant losses in countries which had tax valuation allowances. The effective tax rate was increased for the three months ended March 31, 2022 and March 31, 2021 by certain taxes outside the United States, excluding countries with tax valuation allowances, that were at an effective rate higher than the U.S. statutory rate.

Net Loss Per Common Share

The following table sets forth the computation of basic and diluted net loss per common share for the periods indicated.

(In thousands except per share data)	For the Three Months Ended March 31,	
	2022	2021
Basic		
Weighted average common shares outstanding	35,046	34,495
Net loss	\$ (24,197)	\$ (14,044)
Net loss per common share	\$ (0.69)	\$ (0.41)
Diluted		
Weighted average common shares outstanding	35,046	34,495
Share options and awards	373	715
Weighted average common shares assuming dilution	35,419	35,210
Net loss	\$ (24,197)	\$ (14,044)
Net loss per common share *	\$ (0.69)	\$ (0.41)

* Net loss per common share assuming dilution calculated utilizing weighted average shares outstanding-basic for the periods in which there was a net loss.

For the three months ended March 31, 2022 and March 31, 2021, shares associated with equity compensation awards of 1,861,644 and 1,100,648, respectively, were excluded from the weighted average common shares assuming dilution as incremental shares were anti-dilutive.

conversion prices were above the company's average stock price for the period and other requirements for the notes to be convertible to shares were not met.

At March 31, 2022, the majority of the anti-dilutive incremental shares were awards granted at an exercise price above \$12.15, which was higher than the average fair market value price of \$2.14. At March 31, 2021, the majority of the anti-dilutive incremental shares were awards granted at an exercise price above \$24.45, which was higher than the average fair market value price of \$9.32.

For the three months ended March 31, 2022 and March 31, 2021, respectively, no shares were included in the common shares assuming dilution related to the company's issued warrants as the average market price of the company shares for these periods did not exceed the strike price of the warrants.

Further, upon adoption of ASU 2020-06, effective in 2021 for the company, use of the if-converted earnings per share method is required. However, no shares were included in the weighted average common shares assuming dilution for the three months ended March 31, 2022 and March 31, 2021 related to the company's convertible senior notes as

Concentration of Credit Risk

The company manufactures and distributes durable medical equipment to the home health care, retail and extended care markets. The company performs credit evaluations of its customers' financial condition. The company utilizes De Lage Landen, Inc. ("DLL"), a third-party financing company, to provide lease financing to Invacare's U.S. customers. The DLL agreement provides for direct leasing between DLL and the Invacare customer. The company retains a recourse obligation of \$888,000 at March 31, 2022 to DLL for events of default under the contracts, which total \$6,711,000 at March 31, 2022. Guarantees, ASC 460, requires the company to record a guarantee liability as it relates to the limited recourse obligation. As such, the company has recorded an immaterial liability for this guarantee obligation within other long-term obligations. The company's recourse is reevaluated by DLL biannually, considers activity between the biannual dates and excludes any receivables purchased by the company from DLL. The company monitors the collections status of these contracts and has provided amounts for estimated losses in its allowances for doubtful accounts in accordance with *Receivables*, ASC 310-10-05-4. Credit losses are provided for in the financial statements.

Substantially all the company's receivables are due from health care, medical equipment providers and long-term care facilities located throughout the United States, Australia, Canada, New Zealand and Europe or also direct from governmental entities in certain countries. A significant portion of products sold to dealers, both foreign and domestic, is ultimately funded through government reimbursement programs such as Medicare and Medicaid. Changes in these programs can have a significant shift in reimbursement to customers from managed care entities. As a consequence, changes in these programs can have an adverse impact on dealer liquidity and profitability. In addition, reimbursement guidelines in the home health care industry have a substantial impact on the nature and type of equipment an end user can obtain as well as the timing of reimbursement and, thus, affect the product mix, pricing and payment patterns of the company's customers.

Derivatives

ASC 815 requires companies to recognize all derivative instruments in the consolidated balance sheet as either assets or liabilities at fair value. The accounting for changes in fair value of a derivative is dependent upon whether or not the derivative has been designated and qualifies for hedge accounting treatment and the type of hedging relationship. For derivatives designated and qualifying as hedging instruments, the company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

Cash Flow Hedging Strategy

The company uses derivative instruments in an attempt to manage its exposure to transactional foreign currency exchange risk. Foreign forward exchange contracts are used to manage the price risk associated with forecasted sales denominated in foreign currencies and the price risk associated with forecasted purchases of inventory over the next twelve months.

The company recognizes its derivative instruments as assets or liabilities in the consolidated balance sheet measured at fair value. All of the company's derivative instruments are designated and qualify as cash flow hedges. Accordingly, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the fair value of the hedged item, if any, is recognized in current earnings during the period of change.

To protect against increases/decreases in forecasted foreign currency cash flows resulting from inventory purchases/sales over the next year, the company utilizes foreign currency forward contracts to hedge portions of its forecasted purchases/sales denominated in foreign currencies. The gains and losses are included in cost of products sold and selling, general and administrative expenses on the consolidated statement of comprehensive income (loss). If it is later determined that a hedged forecasted transaction is unlikely to occur, any prospective gains or losses on the forward contracts would be recognized in earnings. The company does not expect any material amount of hedge ineffectiveness related to forward contract cash flow hedges during the next twelve months.

The company has historically not recognized any material amount of ineffectiveness related to forward contract cash flow hedges because the company generally limits its hedges to between 50% and 90% of total forecasted transactions for a given entity's exposure to currency rate changes and the transactions hedged are recurring in nature. Furthermore, most of the hedged transactions are related to intercompany sales and purchases for which settlement occurs on a specific day each month. Forward contracts with a total notional amount in USD of \$10,666,000 and \$26,667,000 matured during the three months ended March 31, 2022 and March 31, 2021, respectively.

Outstanding foreign currency forward exchange contracts qualifying and designated for hedge accounting treatment were as follows (in thousands USD):

	March 31, 2022		December 31, 2021	
	Notional Amount	Unrealized Net Gain (Loss)	Notional Amount	Unrealized Net Gain (Loss)
USD / CAD	18,131	164	—	—
USD / EUR	34,226	647	—	—
USD / MXN	3,285	139	23	1
EUR / GBP	23,302	92	—	—
EUR / NOK	5,136	(37)	—	—
NOK / SEK	3,829	(124)	—	—
	<u>\$ 87,909</u>	<u>\$ 881</u>	<u>\$ 23</u>	<u>\$ 1</u>

Derivatives Not Qualifying or Designated for Hedge Accounting Treatment

The company utilizes foreign currency forward contracts that are not designated as hedges in accordance with ASC 815. These contracts are entered into to eliminate the risk associated with the settlement of short-term intercompany trading receivables and payables between Invacare Corporation and its foreign subsidiaries. The currency forward contracts are entered into at the same time as the intercompany

receivables or payables are created so that upon settlement, the gain/loss on the settlement is offset by the gain/loss on the foreign currency forward contract. No material net gain or loss was realized by the company in 2022 or 2021 related to these contracts and the associated short-term intercompany trading receivables and payables.

Foreign currency forward exchange contracts not qualifying or designated for hedge accounting treatment, as well as ineffective hedges, entered into in 2022 and 2021, respectively, and outstanding were as follows (in thousands USD):

	March 31, 2022		December 31, 2021	
	Notional Amount	Gain (Loss)	Notional Amount	Gain (Loss)
USD / AUD	\$ 2,287	\$ (13)	\$ 3,792	\$ (57)
USD / CAD	16,588	(23)	14,556	(24)
USD / EUR	74,439	360	70,454	(1,104)
USD / DKK	12,286	—	10,850	(257)
USD / GBP	—	—	4,028	32
USD / NOK	5,290	57	2,352	(81)
USD / SEK	2,120	11	2,344	(131)
AUD / NZD	8,684	(57)	7,366	(17)
USD / THB	4,500	92	4,500	86
EUR / SEK	6,095	175	—	—
	<u>\$ 132,289</u>	<u>\$ 602</u>	<u>\$ 120,242</u>	<u>\$ (1,553)</u>

The fair values of the company's derivative instruments were as follows (in thousands):

	March 31, 2022		December 31, 2021	
	Assets	Liabilities	Assets	Liabilities
<u>Derivatives designated as hedging instruments under ASC 815</u>				
Foreign currency forward exchange contracts	\$ 1,144	\$ 263	\$ 1	\$ —
<u>Derivatives not designated as hedging instruments under ASC 815</u>				
Foreign currency forward exchange contracts	987	385	385	1,938
Total derivatives	<u>\$ 2,131</u>	<u>\$ 648</u>	<u>\$ 386</u>	<u>\$ 1,938</u>

The fair values of the company's foreign currency forward exchange contract assets and liabilities are included in Other Current Assets and Accrued Expenses, respectively in the Condensed Consolidated Balance Sheets.

The effect of derivative instruments on Accumulated Other Comprehensive Income (Loss) (OCI) and the Condensed Consolidated Statements of Comprehensive Income (Loss) was as follows (in thousands):

Derivatives (foreign currency forward exchange contracts) in ASC 815 cash flow hedge relationships	Amount of Gain (Loss) Recognized in Accumulated OCI on Derivatives (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
<u>Three months ended March 31, 2022</u>			
Foreign currency forward exchange contracts	\$ 875	\$ 51	\$ —
<u>Three months ended March 31, 2021</u>			
Foreign currency forward exchange contracts	\$ (1,218)	\$ (426)	\$ —
<u>Derivatives (foreign currency forward exchange contracts) not designated as hedging instruments under ASC 815</u>			<u>Amount of Gain (Loss) Recognized in Income on Derivatives</u>
<u>Three months ended March 31, 2022</u>			
Foreign currency forward exchange contracts			\$ 602
<u>Three months ended March 31, 2021</u>			
Foreign currency forward exchange contracts			\$ (987)

The gains or losses recognized as the result of the settlement of cash flow hedge foreign currency forward contracts are recognized in net sales for hedges of inventory sales and in cost of products sold for hedges of inventory purchases. For the three months ended March 31, 2022, net sales were increased by \$27,000 while cost of products sold was decreased by \$31,000 for net pre-tax realized gain of \$58,000. For the three months ended March 31, 2021, net sales were decreased by \$22,000 while cost of products sold was increased by \$452,000 for net realized pre-tax loss of \$474,000.

A gain of \$602,000 was recognized in selling, general and administrative (SG&A) expenses for the three months ended March 31, 2022 compared to a loss of \$987,000 for the three months ended March 31, 2021 related to forward contracts not designated as hedging instruments. The forward contracts were entered into to offset gains/losses that were also recorded in SG&A expenses on intercompany trade receivables or

payables. The gains/losses on the non-designated hedging instruments were substantially offset by gains/losses on intercompany trade payables.

The company's derivative agreements provide the counterparties with a right of set off in the event of a default. The right of set off would enable the counterparty to offset any net payment due by the counterparty to the company under the applicable agreement by any amount due by the company to the counterparty under any other agreement. For example, the terms of the agreement would permit a counterparty to a derivative contract that is also a lender under the company's Credit Agreement to reduce any derivative settlement amounts owed to the company under the derivative contract by any amounts owed to the counterparty by the company under the Credit Agreement. In addition, the agreements contain cross-default provisions that could trigger a default by the company under the agreement in the event of a default by the company under another agreement with the same counterparty.

Fair Values

Pursuant to ASC 820, the inputs used to derive the fair value of assets and liabilities are analyzed and assigned a level I, II or III priority, with level I being the highest and level III being the lowest in the hierarchy. Level I inputs are quoted prices in active markets for identical assets or liabilities.

Level II inputs are quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets. Level III inputs are based on valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The following table provides a summary of the company's assets and liabilities that are measured on a recurring basis (in thousands):

	Basis for Fair Value Measurements at Reporting Date		
	Quoted Prices in Active Markets for Identical Assets / (Liabilities)	Significant Other Observable Inputs	Significant Other Unobservable Inputs
	Level I	Level II	Level III
<u>March 31, 2022</u>			
Forward exchange contracts—net	—	\$ 1,483	—
<u>December 31, 2021</u>			
Forward exchange contracts—net	—	\$ (1,552)	—

The carrying values and fair values of the company's financial instruments are as follows (in thousands):

	March 31, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	\$ 52,337	\$ 52,337	\$ 83,745	\$ 83,745
Forward contracts in Other current assets	2,131	2,131	386	386
Forward contracts in Accrued expenses	(648)	(648)	(1,938)	(1,938)
Total debt (including current maturities of long-term debt) *	(311,869)	(243,865)	(308,129)	(259,472)
2022 Notes	(2,647)	(2,674)	(2,642)	(2,632)
Series I 2024 Notes	(72,207)	(64,264)	(72,140)	(64,897)
Series II 2024 Notes	(79,247)	(75,437)	(78,251)	(74,165)
2026 Notes	(119,391)	(63,113)	(119,036)	(81,718)
Other	(38,377)	(38,377)	(36,060)	(36,060)

* The company's total debt is shown net of fees associated with the convertible senior notes due in 2022, 2024 and 2026 on the company's consolidated balance sheet. Accordingly, the fair values of the convertible senior notes due in 2022, 2024 and 2026 are included in the long-term debt presented in this table are also shown net of fees. Total debt amounts exclude operating and finance lease obligations.

The company, in estimating its fair value disclosures for financial instruments, used the following methods and assumptions:

Cash, cash equivalents: The carrying value reported in the balance sheet for cash, cash equivalents equals its fair value. The fair values are deemed to be categorized as Level 1.

Forward Contracts: The company operates internationally, and as a result, is exposed to foreign currency fluctuations. Specifically, the exposure includes intercompany loans and third-party sales or payments. In an attempt to reduce this exposure, foreign currency forward contracts are utilized and accounted for as hedging instruments. The forward contracts are used to hedge the following currencies: AUD, CAD, DKK, EUR, GBP, MXN, NOK, NZD, SEK, THB, and USD. The company does not use derivative financial instruments for speculative purposes. Fair values for the company's foreign exchange forward contracts are based on quoted market prices for contracts with similar maturities. The fair values are deemed to be categorized as Level 2. The company's forward contracts are included in Other Current Assets or Accrued Expenses in the consolidated balance sheets.

Total debt: Fair value for the company's convertible debt is based on quoted market-based estimates as of the end of the period, while the revolving credit facility fair value is based upon an estimate of the market for similar borrowing arrangements. The fair values are deemed to be categorized as Level 2 in the fair value hierarchy. Other total debt is primarily attributable to credit facilities borrowings where the carrying value reported in the balance approximates its fair value.

Business Segments

The company operates in two primary business segments: North America and Europe with each selling the company's primary product categories, which include: lifestyle, mobility and seating and respiratory therapy products. Sales in Asia Pacific are reported in All Other and include products similar to those sold in North America and Europe. The accounting policies of each segment are the same as those described in the summary of significant accounting policies for the company's consolidated financial statements. Intersegment sales and transfers are based on the costs to manufacture plus a reasonable profit element.

Segment performance is measured and resources are allocated based on a number of factors, with the primary income or loss measure being segment operating income (loss). Segment operating income (loss) represents net sales less cost of products sold less selling general and administrative expenses. Segment operating income (loss)

excludes unallocated corporate general and administrative expenses not allocated to the segments and intersegment sales and profit eliminations, which are included in All Other. In addition, segment operating income (loss) further excludes charges related to restructuring activities, asset impairment and gain on sale of business (as applicable).

This performance measure, segment operating income (loss), is used by the Chief Operating Decision Maker (CODM) for purposes of making decisions about allocating resources to a segment and assessing its performance. In addition, this metric is reviewed by the company's Board of Directors regarding segment performance and is a key metric in the performance management assessment of the company's employees.

The information by segment is as follows (in thousands):

	For the Three Months Ended March 31,	
	2022	2021
Revenues from external customers		
Europe	\$ 118,079	\$ 112,775
North America	75,319	75,974
All Other (Asia Pacific)	7,590	7,453
Consolidated	<u>\$ 200,988</u>	<u>\$ 196,202</u>
Intersegment revenues		
Europe	\$ 4,435	\$ 5,308
North America	11,096	14,195
Consolidated	<u>\$ 15,531</u>	<u>\$ 19,503</u>
Restructuring charges before income taxes		
Europe	\$ 2,119	\$ 730
North America	1,662	822
All Other	9	—
Consolidated	<u>\$ 3,790</u>	<u>\$ 1,552</u>
Operating income (loss)		
Europe	\$ 3,225	\$ 3,832
North America	(8,336)	(2,375)
All Other	(7,724)	(5,640)
Charges related to restructuring activities	(3,790)	(1,552)
Consolidated operating loss	<u>(16,625)</u>	<u>(5,735)</u>
Loss on debt extinguishment including debt finance charges and associated fees	—	(709)
Net interest expense	<u>(6,252)</u>	<u>(5,730)</u>
Loss before income taxes	<u>\$ (22,877)</u>	<u>\$ (12,174)</u>

Net sales by product, are as follows (in thousands):

	For the Three Months Ended March 31,	
	2022	2021
Europe		
Lifestyle	\$ 61,064	\$ 58,298
Mobility and Seating	47,402	44,222
Respiratory Therapy	4,663	6,038
Other(1)	4,950	4,217
	<u>\$ 118,079</u>	<u>\$ 112,775</u>
North America		
Lifestyle	\$ 34,301	\$ 36,185
Mobility and Seating	25,422	22,733
Respiratory Therapy	15,460	16,784
Other(1)	136	272
	<u>\$ 75,319</u>	<u>\$ 75,974</u>
All Other (Asia Pacific)		
Mobility and Seating	\$ 2,690	\$ 3,218
Lifestyle	2,826	2,524
Respiratory Therapy	779	282
Other(1)	1,295	1,429
	<u>\$ 7,590</u>	<u>\$ 7,453</u>
Total Consolidated	<u>\$ 200,988</u>	<u>\$ 196,202</u>

(1) Includes various services, including repair services, equipment rentals and external contracting.

Contingencies

General

In the ordinary course of its business, the company is a defendant in a number of lawsuits, primarily product liability actions in which various plaintiffs seek damages for injuries allegedly caused by defective products. All the product liability lawsuits that the company faces in the United States have been referred to the company's captive insurance company and/or excess insurance carriers while all non-U.S. lawsuits have been referred to the company's commercial insurance carriers. All such lawsuits are generally contested vigorously. The coverage territory of the company's insurance is worldwide with the exception of those countries with respect to which, at the time the product is sold for use or at the time a claim is made, the U.S. government has suspended or prohibited diplomatic or trade relations. The amount recorded for identified contingent liabilities is based on estimates. Amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. Actual costs to be incurred in future periods may vary from the estimates, given the inherent uncertainties in evaluating certain exposures.

As a medical device manufacturer, the company is subject to extensive government regulation, including numerous laws directed at preventing fraud and abuse and laws regulating reimbursement under various government programs. The marketing, invoicing, documenting, developing, testing, manufacturing, labeling, promoting, distributing and other practices of health care suppliers and medical device manufacturers are all subject to government scrutiny. Most of the company's facilities are subject to inspection at any time by the FDA or similar medical device regulatory agencies in other jurisdictions. Violations of law or regulations can result in administrative, civil and criminal penalties and sanctions, which could have a material adverse effect on the company's business.

Medical Device Regulatory Matters

The FDA in the United States and comparable medical device regulatory authorities in other jurisdictions regulate virtually all aspects of the marketing, invoicing, documenting, development, testing, manufacturing, labeling, promotion, distribution and other practices regarding medical devices. The company and its products are subject to the laws and regulations of the FDA and other regulatory bodies in the various jurisdictions where the company's products are manufactured or sold. The company's failure to comply with the regulatory requirements of the FDA and other applicable medical device regulatory requirements can subject the company to administrative or judicially imposed sanctions or

enforcement actions. These sanctions include injunctions, consent decrees, warning letters, civil penalties, criminal penalties, product seizure or detention, product recalls and total or partial suspension of production.

In December 2012, the company became subject to a consent decree of injunction filed by the FDA with respect to the company's Corporate facility and its Taylor Street manufacturing facility in Elyria, Ohio. The consent decree initially limited the company's (i) manufacture and distribution of power and manual wheelchairs, wheelchair components and wheelchair sub-assemblies at or from its Taylor Street manufacturing facility ("Taylor Street products"), except in verified cases of medical necessity, (ii) design activities related to wheelchairs and power beds that take place at the impacted Elyria facilities and (iii) replacement, service and repair of products already in use from the Taylor Street manufacturing facility. Under the terms of the consent decree, in order to resume full operations, the company had to successfully complete independent, third-party expert certification audits at the impacted Elyria facilities, comprising three distinct certification reports separately submitted to, and subject to acceptance by, the FDA; submit its own report to the FDA; and successfully complete a reinspection by the FDA of the company's Corporate and Taylor Street facilities.

On July 24, 2017, following its June 2017 reinspection of the Corporate and Taylor Street facilities, the FDA notified the company that it was in substantial compliance with the FDA Act, FDA regulations and the terms of the consent decree and, that the company was permitted to resume full operations at those facilities including the resumption of unrestricted sales of products made in those facilities.

The consent decree will continue in effect for at least five years from July 24, 2017, during which time the company's Corporate and Taylor Street facilities must complete two semi-annual audits in the first year and then four annual audits in the next four years performed by an independent company-retained audit firm. The expert audit firm will determine whether the facilities remain in continuous compliance with the Federal Food, Drug and Cosmetic Act ("FDA Act"), FDA regulations and the terms of the consent decree and issue post audit reports contemporaneously to the FDA, and the FDA has the authority to inspect these facilities and any other FDA registered facility, at any time.

The FDA has continued to actively inspect the company's facilities, other than through the processes established under the consent decree. The company expects that the FDA will, from time to time, inspect substantially all the company's domestic and foreign FDA-registered facilities.

In 2021, FDA conducted an inspection of the company's Corporate and Taylor Street facilities from May 25 through June 24, 2021. At the close of the inspection, six FDA Form 483 observations were issued, and the company timely responded to FDA, has diligently taken actions to address FDA's inspectional observations, and has provided FDA monthly updates on the corrective actions taken to address these observations. On November 18, 2021, the company received a warning letter from the FDA concerning certain of the inspectional observations in the June 2021 FDA Form 483 related to the complaint handling process, the corrective and preventive action ("CAPA") process, and medical device reporting ("MDR") associated with oxygen concentrators (the "Warning Letter"). On November 16, 2021, the company received a consent decree non-compliance letter from the FDA concerning the same complaint and CAPA handling matters as in the Warning Letter observations but associated with the Taylor Street products (this letter, together with the Warning Letter, the "FDA Letters"). The company timely responded to the FDA Letters, has diligently taken actions to address FDA's concerns, and has provided FDA with periodic updates on the corrective actions taken to address the matters in the FDA Letters. The company remains committed to resolving the FDA's concerns; however, it is not possible to predict the outcome or timing of a resolution at this time. There can be no assurance that the FDA will be satisfied with the company's responses to the FDA Letters, nor any assurance as to the timeframe that may be required for the company to adequately address the FDA's concerns or whether the matters in the FDA Letters will result in an extension in the duration of the consent decree. As of the date of filing of the company's Quarterly Report on Form 10-Q, there has been no impact on the Company's ability to produce and market its products as a result of the FDA Letters.

Under the consent decree, the FDA has the authority to order the company to take a wide variety of actions if the FDA finds that the company is not in compliance with the consent decree, FDA Act or FDA regulations, including requiring the company to cease all operations relating to Taylor Street products. The FDA also can order the company to undertake a partial cessation of operations or a recall, issue a safety alert, public health advisory, or press release, or to take any other corrective action the FDA deems necessary with respect to Taylor Street products.

The FDA also has authority under the consent decree to assess liquidated damages of \$15,000 per violation per day for any violations of the consent decree, FDA regulations or the FDA Act. The FDA also may assess liquidated damages for shipments of adulterated or misbranded devices in the amount of twice the sale price of any such adulterated or misbranded device. The liquidated damages, if assessed, are limited to a total of \$7,000,000 for each calendar year. The authority to

assess liquidated damages is in addition to any other remedies otherwise available to the FDA, including civil money penalties.

The results of regulatory claims, proceedings, investigations, or litigation are difficult to predict. An unfavorable resolution or outcome of the FDA Letters, any other FDA warning letters or inspectional observations, or other FDA enforcement related to company facilities, could materially and adversely affect the company's business, financial condition, and results of operations.

The limitations previously imposed by the FDA consent decree negatively affected net sales in the North America segment and, to a certain extent, the Asia Pacific region beginning in 2012. The limitations led to delays in new product introductions. Further, uncertainty regarding how long the limitations would be in effect limited the company's ability to renegotiate and bid on certain customer contracts and otherwise led to a decline in customer orders.

Although the company has been permitted to resume full operations at the Corporate and Taylor Street facilities, the negative effect of the consent decree on customer orders and net sales in the North America segment and Asia Pacific region has been considerable, and it is uncertain as to whether, or how quickly, the company will be able to rebuild net sales to more typical historical levels, irrespective of market conditions. Accordingly, when compared to the company's historic results, the previous limitations in the consent decree had, and likely may continue to have, a material adverse effect on the company's business, financial condition and results of operations.

Warranty Matters

The company's warranty reserves are subject to adjustment in future periods based on historical analysis of warranty claims and as new developments occur that may change the company's estimates related to specific product recalls. Refer to Current Liabilities in the Notes to the Consolidated Financial Statements for the total provision amounts and a reconciliation of the changes in the warranty accrual.

Any of the above contingencies could have an adverse impact on the company's financial condition or results of operations.

For additional information regarding the consent decree, other regulatory matters, and risks and trends that may impact the company's financial condition or results of operations, please see the following sections of the company's Annual Report on Form 10-K for the year ended December 31, 2021: Item 1. Business - Government Regulation and Item 1A. Risk Factors; Item 3. Legal Proceedings; and Item 7. Management's

Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The company is at times exposed to market risk through various financial instruments, including fixed rate and floating rate debt instruments. Based on March 31, 2022 debt levels, a 1% change in interest rates would have no impact on annual interest expense as the company did not have any variable rate debt outstanding. Additionally, the company operates internationally and, as a result, is exposed to foreign currency fluctuations. Specifically, the exposure results from intercompany loans, intercompany sales or payments and third-party sales or payments. In an attempt to reduce this exposure, foreign currency forward contracts are utilized to hedge intercompany purchases and sales as well as third-party purchases and sales. The company does not believe that any potential loss related to these financial instruments would have a material adverse effect on the company's financial condition or results of operations.

The company is party to the Credit Agreement which was originally entered into on January 16, 2015 and matures in January 2024, as extended by an amendment to the Credit Agreement which became effective on May 29, 2020. Accordingly, while the company is exposed to increases in interest rates, its exposure to the volatility of the current market environment is currently limited until the Credit Agreement expires. The Credit Agreement contains customary default provisions, with certain grace periods and exceptions, which provide that events of default that include, among other things, failure to pay amounts due, breach of covenants, representations or warranties, bankruptcy, the occurrence of a material adverse effect, exclusion from any medical reimbursement program, and an interruption of any material manufacturing facilities for more than ten consecutive days. Should the company fail to comply with these requirements, the company would potentially have to attempt to obtain alternative financing and thus likely be required to pay much higher interest rates.

Item 4. Controls and Procedures.*(a) Evaluation of Disclosure Controls and Procedures*

As of March 31, 2022, an evaluation was performed, under the supervision and with the participation of the company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on that evaluation, the company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the company's disclosure controls and procedures were effective as of March 31, 2022, in ensuring that information required to be disclosed by the company in the reports it files and submits under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and (2) accumulated and communicated to the company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting

The company is currently implementing a new enterprise resource planning (ERP) system. This project is a multi-year initiative and is intended to improve efficiency and effectiveness of certain financial and business transaction processes, as well as the underlying systems environment. These initiatives are not being implemented in response to any identified internal control deficiency or weakness.

During the quarter ended March 31, 2022, the company continued its phased implementation of the new ERP.

Other than the ERP system implementation described above, no other changes in the company's internal control over financial reporting have occurred during the company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

In the ordinary course of its business, the company is a defendant in a number of lawsuits, primarily product liability actions in which various plaintiffs seek damages for injuries allegedly caused by defective products. All the product liability lawsuits that the company faces in the United States have been referred to the company's captive insurance company and/or excess insurance carriers while all non-U.S. lawsuits have been referred to the company's commercial insurance carriers. All such lawsuits are generally contested vigorously. The coverage territory of the company's insurance is worldwide with the exception of those countries with respect to which, at the time the product is sold for use or at the time a claim is made, the U.S. government has suspended or prohibited diplomatic or trade relations. Management does not believe that the outcome of any of these actions will have a material adverse effect upon the company's business or financial condition.

In December 2012, the company became subject to a consent decree of injunction filed by the FDA in the U.S. District Court for the Northern District of Ohio with respect to the company's Corporate facility and its Taylor Street manufacturing facility in Elyria, Ohio. On July 24, 2017, following its reinspection of the Corporate and Taylor Street facilities, FDA notified the company that it was in substantial compliance with the FDA Act, FDA regulations and the terms of the consent decree and that the company was permitted to resume full operations at those facilities, including the resumption of unrestricted sales of products made in those facilities.

The consent decree will continue in effect for at least five years from July 24, 2017, during which time the company's Corporate and Taylor Street facilities must complete to two semi-annual audits in the first year and then four annual audits in the next four years performed by a company-retained expert firm. The expert audit firm will determine whether the facilities remain in continuous compliance with the FDA Act, regulations and the terms of the consent decree.

The FDA has the authority to inspect the Corporate and Taylor Street facilities, and any other FDA registered facility, at any time. The FDA also has the authority to order the company to take a wide variety of actions if the FDA finds that the company is not in compliance with the consent decree, FDA Act or FDA regulations, including requiring the company to cease all operations relating to Taylor Street products. The FDA also can order the company to undertake a partial cessation of operations or a recall, issue a safety alert,

public health advisory, or press release, or to take any other corrective action the FDA deems necessary with respect to Taylor Street products.

The FDA also has authority under the consent decree to assess liquidated damages of \$15,000 per violation per day for any violations of the consent decree, FDA Act or FDA regulations. The FDA also may assess liquidated damages for shipments of adulterated or misbranded devices in the amount of twice the sale price of any such adulterated or misbranded device. The liquidated damages, if assessed, are limited to a total of \$7,000,000 for each calendar year. The authority to assess liquidated damages is in addition to any other remedies otherwise available to the FDA, including civil money penalties.

In November 2021, the company received a Warning Letter from the FDA concerning certain of the June 2021 FDA Form 483 inspectional observations related to the complaint handling, CAPA and MDR processes, associated with oxygen concentrators. The company also received a consent decree non-compliance letter from the FDA concerning the same complaint and CAPA handling matters as in the Warning Letter but associated with the Taylor Street products. The company timely responded to the FDA Letters, has diligently taken actions to address FDA's concerns, and has provided FDA with periodic updates on the corrective actions taken to address the matters in the FDA Letters. The company remains committed to resolving the FDA's concerns; however, it is not possible to predict the outcome or timing of a resolution at this time. There can be no assurance that the FDA will be satisfied with the company's responses to the FDA Letters, nor any assurance as to the timeframe that may be required for the company to adequately address the FDA's concerns or whether the matters in the FDA Letters will result in an extension in the duration of the consent decree.

For additional information regarding the consent decree, please see the "Contingencies" note to the financial statements contained in Part I of this Quarterly Report on Form 10-Q, the risk factors referred to in Part I, Item 1A of this Quarterly Report on Form 10-Q, and the following sections of the company's Annual Report on Form 10-K for the period ending December 31, 2021: Item 1. Business - Government Regulation; Item 1A. Risk Factors; and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Outlook and - Liquidity and Capital Resources.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents information with respect to repurchases of common shares made by the company during the three months ended March 31, 2022.

Period	Total Number of Shares Purchased (1)	Avg. Price Paid Per Share \$	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (2)
1/1/2022 - 1/31/2022	—	\$ —	—	2,453,978
2/1/2022 - 2/28/2022	—	—	—	2,453,978
3/1/2022 - 3/31/2022	—	—	—	2,453,978
Total	—	\$ —	—	2,453,978

- (1) No shares were repurchased between January 1, 2022 and March 31, 2022 or were surrendered to the company by employees for minimum tax withholding purposes in conjunction with the vesting of restricted shares awarded to the employees or exercise of non-qualified options under the company's equity compensation plans.
- (2) In 2001, the Board of Directors authorized the company to purchase up to 2,000,000 Common Shares, excluding any shares acquired from employees or directors as a result of the exercise of options or vesting of restricted shares pursuant to the company's performance plans. The Board of Directors reaffirmed its authorization of this repurchase program on November 5, 2010, and on August 17, 2011 authorized an additional 2,046,500 shares for repurchase under the plan. To date, the company has purchased 1,592,522 shares under this program, with authorization remaining to purchase 2,453,978 shares. The company purchased no shares pursuant to this Board authorized program during the quarter ended March 31, 2022.

Under the terms of the company's Credit Agreement, repurchases of shares by the company generally are not permitted except in certain limited circumstances in connection with the vesting or exercise of employee equity compensation awards.

Item 6. Exhibits

Exhibit No.	
10.1	Form of Performance Unit Award under Invacare Corporation 2018 Equity Compensation Plan
10.2	Termination Agreement between Invacare International GmbH and Ralf Ledda
10.3	Director Compensation
31.1	Chief Executive Officer Rule 13a-14(a)/15d-14(a) Certification (filed herewith).
31.2	Chief Financial Officer Rule 13a-14(a)/15d-14(a) Certification (filed herewith).
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS*	XBRL instance document
101.SCH*	XBRL taxonomy extension schema
101.CAL*	XBRL taxonomy extension calculation linkbase
101.DEF*	XBRL taxonomy extension definition linkbase
101.LAB*	XBRL taxonomy extension label linkbase
101.PRE*	XBRL taxonomy extension presentation linkbase
104	Cover page of the Quarterly Report on Form 10-Q formatted in Inline XBRL.

* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INVACARE CORPORATION

Date: May 9, 2022

By: /s/ Kathleen P. Leneghan

Name: Kathleen P. Leneghan

Title: Senior Vice President and Chief Financial Officer

(As Principal Financial and Accounting Officer and on behalf of the registrant)



AWARD AGREEMENT
(For Performance Unit Award)

To: [Insert Name]

Date of Grant: [Insert Date]

There hereby is granted to you, as a key employee of Invacare Corporation (“Invacare”) or of a subsidiary, an award of Performance Units. This award is granted to you pursuant to the Invacare Corporation 2018 Equity Compensation Plan, as amended from time to time (the “Plan”), and is subject to the terms and conditions set forth below and in the Plan. This award is granted for valuable future services to be rendered by you to Invacare or a subsidiary. Please acknowledge your acceptance of the terms of this award by signing below.

Anthony LaPlaca
Sr. Vice President, General Counsel and Secretary

I. PERFORMANCE UNITS. Subject to the terms of this Award Agreement, Exhibit A attached to this Award Agreement sets forth the number of Performance Units that you will receive based on the average daily closing price of Invacare common shares from October 1, 2024 through December 31, 2024 (the “Average Price”). December 31, 2024 shall be the “Vesting Date” for purposes of this Award Agreement. You will receive \$1.00 in cash for each Performance Unit you receive. If the Threshold Price (as defined in Exhibit A) is not achieved, you will not receive any Performance Units or any payment under this Award. Within ninety (90) days following the Vesting Date, the Compensation and Management Development Committee of the Board of Directors of Invacare (the “Committee”) will determine the Average Price and the amount of Performance Units you are entitled to receive (if any). The aggregate cash value of the Performance Units you receive (if any) will be paid to you after the Compensation Committee’s determination and by April 5, 2025, subject to the terms of this Award Agreement and less any applicable tax or other withholdings. The Performance Units may only be paid out in cash and will not be counted towards the Plan’s Aggregate Share Limit (as defined in the Plan). Once you receive payment for the Performance Units, the Performance Units will be terminated and cancelled.

II. TERM OF AWARD. Your award shall not be affected by any temporary leave of absence approved in writing by Invacare and described in Section 1.421-7(h) of the Federal Income Tax Regulations. If, prior to the Vesting Date, you cease to be an employee for any reason other than Retirement, death or disability, you will forfeit any and all rights you have to the Performance Units.

If you die, become disabled or Retire prior to the Vesting Date and while you are an employee, you, or your estate or personal representative, shall receive a prorated number of Performance Units. The prorated number of Performance Units shall be equal to (a) *times* (b), in which (a) is the number of Performance Units you would have received under Exhibit A based on the Average Price if you had not died, become disabled or Retired; and (b) is (i) the number of completed months between the first day of the Performance Period and the date of your death or termination due to disability or Retirement *divided by* (ii) 36. Any payment to which you (or your estate or personal representative) become entitled pursuant to this paragraph shall be paid to you (or your estate or personal representative) by April 5, 2025. For purposes of this Agreement, “Retirement” or “Retire” means a termination of your employment with Invacare or a subsidiary after you have attained either (i) age fifty-five

(55) with ten (10) years of service to Invacare or a subsidiary or (ii) age sixty-five (65) with five (5) years of service to Invacare or a subsidiary.

If, prior to the Vesting Date, the Compensation Committee finds that you intentionally committed an act materially inimical to the interests of Invacare or a subsidiary, you shall forfeit all of the Performance Units and any payment with respect to the Performance Units as of the time you committed such act, as determined by the Committee.

If there is a Change in Control (as defined in the Plan) that occurs prior to December 31, 2024, then the Performance Units will be treated in accordance with Section 14.02 or Section 14.03 of the Plan, as applicable; provided, however, that for purposes of Section 14.02(b) or Section 14.03(a), as applicable, the “actual level of achievement” with respect to the Average Price on Exhibit A will be based on the average closing price of Invacare’s common shares for the thirty (30) day period preceding the date of the consummation of the Change in Control.

III. TERMINATION OF AWARD UNDER CERTAIN CIRCUMSTANCES.

The Compensation Committee may cancel your award at any time prior to the Vesting Date, in which case you shall forfeit all of the Performance Units and any payment with respect to the Performance Units as of the date of such cancellation, if you are not in compliance with all applicable provisions of this Agreement or the Plan or if you, without the prior written consent of the Committee, engage in any of the following activities: (i) you render services for an organization, or engage in a business, that is, in the judgment of the Compensation Committee, in competition with Invacare; or (ii) you disclose to anyone outside of Invacare, or use for any purpose other than Invacare’s business, any confidential information or material relating to Invacare, whether acquired by you during or after employment with Invacare, in a fashion or with a result that is or may be injurious to the best interests of Invacare, as determined by the Compensation Committee.

The Compensation Committee may, in its discretion and as a condition to the continuance of this award, require you to represent in writing that you are in compliance with all applicable provisions of this Agreement and the Plan and have not engaged in any activities referred to in clauses (i) and (ii) above.

IV. NO EQUITY OR DIVIDENDS. The Performance Units represent the right to a cash payment of \$1.00 per Performance Unit. The Performance Units are not, and do not represent, common shares or other forms of equity and do not entitle you to dividends, dividend equivalents,

voting rights or any other shareholder rights. No common shares of Invacare will be transferred or delivered to you in connection with payment of the Performance Units.

V. TRANSFERABILITY. This Agreement shall be binding upon and inure to the benefit of any successor of Invacare and your heirs, estate and personal representative. Your award shall not be transferable other than by will or the laws of descent and distribution.

VI. ADJUSTMENTS OR AMENDMENTS. Subject to Section 4.06 of the Plan, in the event that, subsequent to the date of this Agreement and prior to the Vesting Date, the outstanding common shares of Invacare are, as a result of a stock split, stock dividend, combination or exchange of shares, exchange of other securities, reclassification, reorganization, redesignation, merger, consolidation, recapitalization, liquidation, dissolution, sale of assets or other such change, including, without limitation, any transaction described in Section 424(a) of the Internal Revenue Code (the "Code"), increased, decreased, changed into or exchanged for a different number or kind of shares of stock or other securities of Invacare or another entity or converted into cash, then, except as otherwise provided below, there shall automatically be a corresponding adjustment to the Average Price performance targets set forth in Exhibit A. Notwithstanding the preceding provisions of this Paragraph VI, the Compensation Committee may, in its sole discretion, make other adjustments or amendments to the Performance Units and/or amend the provisions of the Plan and/or this Agreement, to the extent appropriate, equitable and in compliance with the Plan and provisions of Section 409A of the Code to the extent applicable and any such adjustment or amendment shall be final, binding and conclusive.

VII. PROVISIONS OF PLAN CONTROL. This Agreement is subject to all of the terms, conditions and provisions of the Plan (all of which are incorporated herein by reference) and to such rules, regulations, and interpretations related to the Plan as may be adopted by the Compensation Committee and as may be in effect from time to time. In the event and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions, and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. The Compensation Committee has authority to interpret and construe any provision of this Agreement and its interpretation and construction shall be binding and conclusive.

VIII. LIABILITY. The liability of Invacare under this Agreement and any payments made hereunder is limited to the obligations set forth herein with respect to such payment and no term or provision of this Agreement shall be construed to impose any liability on Invacare, its officers, employees or any subsidiary with respect to any loss, cost or expense which you may incur in connection with or arising out of any transaction in connection with this Agreement.

IX. WITHHOLDING. You agree that, as a condition to your receipt of payment for the Performance Units hereunder, Invacare may make appropriate provision for tax withholding, if required, with respect to the transactions contemplated by this Agreement.

X. ADJUSTMENT AND CLAWBACK. You acknowledge that this award and any payment made hereunder is subject to Invacare's clawback rights under Section 15.13 of the Plan. In addition, you acknowledge that the Plan will be administered in compliance with Section 10D of the Securities Exchange Act of 1934, as amended, any applicable rules or regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on

which Invacare's shares may be traded, and any policy of Invacare adopted pursuant to such law, rules, or regulations. This Agreement may be amended to further such purpose without your consent.

XI. SECTION 409A OF THE CODE. It is intended that this Agreement and the compensation and benefits hereunder meet the requirements for compliance with, or exemption from, Section 409A of the Code ("Section 409A"), and this Agreement shall be so interpreted and administered. In addition to the general amendment rights of Invacare with respect to the Plan, Invacare specifically retains the unilateral right (but not the obligation) to make, prospectively or retroactively, any amendment to this Agreement or any related document as it deems necessary or desirable to more fully address issues in connection with exemption from (or compliance with) Section 409A and other laws. In no event, however, shall this section or any other provisions of this Agreement be construed to require Invacare to provide any gross-up for the tax consequences of any provisions of, or payments under, this Agreement. Except as may be provided in another agreement to which Invacare is bound, Invacare and its affiliates shall have no responsibility for tax or legal consequences to you (or your beneficiaries) resulting from the terms or operation of this Agreement or the Plan. _

XII. DATA PRIVACY. You hereby acknowledge that the administration of this award is subject to Invacare's Data Privacy Policy, as may be amended from time to time, and you consent to the terms of such policy.

ACCEPTANCE

The undersigned hereby accepts the terms of the Performance Units Award granted herein and acknowledges receipt of a copy of the Invacare Corporation 2018 Equity Compensation Plan, as amended.

(Signature of Award Recipient) (Date)

EXHIBIT A

Number of Performance Units

Subject to the terms of the Plan and the Performance Unit Award Agreement, you will be entitled to receive the number of Performance Units set forth opposite to the Average Price achieved between October 1, 2024 and December 31, 2024. If the Average Price falls between the amounts set forth below, then the number of Performance Units shall be adjusted using straight-line interpolation between such amounts. If the Average Price is less than \$5.00 (the “Threshold Price”), then you will not receive any Performance Units or any payment under this Award Agreement. The maximum number of Performance Units and cash payment that you may receive is set forth at the \$15.00 Average Price level.

<u>Average Price</u>	<u>Number of Performance Units</u>	<u>Cash Payment</u>
Less than \$5.00 (Threshold Price)	Zero	\$0
\$5.00	[]	[]
\$7.50	[]	[]
\$10.00	[]	[]
\$12.50	[]	[]
\$15.00 or above	[] (maximum units)	[] (maximum payment)

* Pursuant to Section 2.01(hh) of the Plan, if the Compensation Committee determines that a change in the business, operations, corporate structure or capital structure of Invacare, or the manner in which Invacare conducts its business, or other events or circumstances render the performance targets set forth above unsuitable, the Compensation Committee may in its discretion modify such performance targets or the related minimum acceptable level of achievement, in whole or in part, as the Compensation Committee deems appropriate and equitable.

CONFIDENTIAL, WITHOUT PREJUDICE & NOT TO BE USED IN COURT

TERMINATION AGREEMENT

between

Invacare International GmbH, Benkenstrasse 260, 4108 Witterswil,
Switzerland

(the "**Company**")

and

Ralf Ledda, Helsinkistrasse 7, 4142 Münchenstein, Switzerland

(the "**Employee**")

(each individually a "**Party**" and collectively the "**Parties**")

Preamble

The Parties entered into an employment agreement dated October 21/23, 2016 (the "**Employment Agreement**").

The Company terminated the Employment Agreement and the Employee's employment with the Company with effect on September 30, 2022.

With the intent to amicably settle all aspects of employment and the termination thereof, the Parties agree as follows:

1. Termination of Employment

The Employee's employment with the Company terminates with effect on September 30, 2022 (the "**Termination Date**"). For the avoidance of doubt, the Termination Date is not subject to any deferment for whatever reason, including but not limited to sickness or accident.

2. Salary and Benefits

Subject to the Employee's compliance with the Employment Agreement and the terms of this Agreement, the Employee's base salary and

benefits (less statutory and contractual deductions, where applicable) shall continue at the same rate and will be paid in regular monthly installments until and including the Termination Date.

3. Bonus

The Employee shall be entitled to receive a bonus for 2021 if and to the extent the 2021 bonus targets are achieved, as determined by the Compensation and Management Development Committee of the Board of Directors of Invacare Corporation (the "Compensation Committee"). The Employee shall be entitled to receive a pro rata bonus (10/12ths) for 2022 to the extent the Company and EMEA bonus targets for 2022 as established by the Compensation Committee are achieved. Any such bonus payment for 2022 shall be paid when Invacare pays 2022 bonus payments to other bonus plan participants

4. Equity

Vesting of any restricted stock units and performance shares will be treated in accordance with the respective award agreements. As of the Termination Date, the Employee will have attained "retirement" in accordance with the respective award agreements.

5. Education Allowance

The Employee shall be eligible to claim the education allowance, if any, as per clause 3.4 of the Employment Agreement on a pro rata basis until and including the Termination Date against presentation of the corresponding receipts and subject to the provisions of clause 3.4 of the Employment Agreement.

6. Expenses

The Company shall reimburse the Employee for all necessary expenses (if any) incurred in connection with the performance of his duties under the Employment Agreement up and until the start of the garden leave period

and in accordance with the respective provisions of the Company's rules and policies relating to expenses.

7. Final Payment, Lump Sum

In consideration of the Employee's obligations under this Agreement, including the Non-Competition and Non-Solicitation clause in Section 8 below and the Annex, and in full and final settlement of all of the Employee's rights and claims out of or in connection with the Employment Agreement and the termination thereof, and subject to the Employee's continued full compliance with the Employment Agreement and the terms of this Agreement, the Employee shall receive a one-time, final lump sum payment in the amount of CHF110'000 (gross, less applicable statutory and contractual deductions), payable on the Termination Date.

8. Non-Competition, Non-Solicitation

1. The Parties agree that the Company has a legitimate interest in the Employee refraining from competing against it both during the notice period and for a certain period after the termination of employment. It is therefore agreed that the non-competition and non-solicitation clauses 15-17 set out in the Employment Agreement shall be replaced by the non-solicitation and non-compete covenants attached to this Agreement as an Annex.
2. During the Restricted Period (as defined in the Annex), the Company shall pay the Employee a compensation for each month (October – December 2022) in the amount of CHF 18'028 gross per month which is equal to 50% of his last monthly base salary, for a total of CHF 54'084 during the Restricted Period. Such compensation shall be paid monthly at the end of each month after deduction of the amounts to be withheld under the statutory provisions.

9. Release from Duty

1. Unless otherwise instructed by the Company at a later date, the Employee is released from his duty to perform work until the Termination Date and the Employee shall instead be on garden leave until the Termination Date. Notwithstanding this garden leave, the Employee shall until the Termination Date provide the Company with all information and

reasonable assistance, primarily by telephone or email, as may be necessary to allow for a smooth transition of his duties to the Company.

2. Any accrued but untaken vacation (if any) are deemed fully compensated by this garden leave.
3. During garden leave, the Employee shall be free to enter into new employment or become professionally active on a self-employed basis, provided, however, that the Employee's confidentiality and secrecy obligations, as described in clause 13, are binding and must be strictly observed. The Employee agrees to notify the Company in advance about any such new professional activities (to the extent such activities are started prior to the Termination Date).
4. During the period ending at the Termination Date, the Employee further agrees to refrain from directly or indirectly engaging in any capacity in any business which competes with the Company or any of its affiliates. For the avoidance of doubt, the Parties explicitly agree that the non-solicitation and non-competition covenants set forth in clause 8 (and Annex, respectively) shall in any event be in effect until 31 December 2022.
5. If the Employee is or will be professionally active for any other employer or on a self-employed basis during the period ending at the Termination Date, the Company reserves its right to deduct from, or set off, any payments provided for by this Agreement against any income the Employee may earn in connection therewith.

10. No Further Claims

All claims that the Employee has or may have in connection with his employment with the Company or the termination thereof, including but not limited to potential claims regarding salary, benefits, bonus, restricted stock units and performance shares, expenses, accrued overtime (if any) or vacation/holidays, company car, schooling fees, pension and social security, are fully and finally compensated by the payments as well as release from duty pursuant to this Agreement.

11. Non-Derogatory Statements, Communication

The Parties agree not to make any negative or untrue statement or communication of whatever nature about the other Party (and with respect to the Company, about any of its affiliates and their respective members of the board, directors, officers and employees) to any third

Party.

12. Letter of Reference

On the Termination Date, the Company shall provide the Employee with a final, favorable letter of reference. Upon request, the Company shall provide the Employee with an interim letter of reference at an earlier date.

13. Confidentiality

1. The Employee hereby undertakes to keep the terms of this Agreement strictly confidential and not to disclose them to any third party, unless required by law or any court or governmental authority.
2. Termination of the Employee's employment pursuant to the terms of this Agreement shall not relieve the Employee from his statutory and contractual obligations to keep in strict confidence any information pertaining to the Company, its affiliates and its or their business that is not public and has been disclosed or otherwise made available to him during his employment with the Company.

14. Pension

1. The Employee shall participate in the Company's pension plan through to the Termination Date. The contributions and the benefits are determined by the rules and regulations of the pension plan. The Employee's contributions shall be deducted by the Company from payments to be made under this Agreement.
2. The Employee must inform the Company's pension fund as soon as possible, but no later than 14 days before the Termination Date, as to where the vested benefits should be transferred. Should no transfer instruction be given by the Employee within six months after the Termination Date, the Company's pension fund will transfer the vested benefits to the Federal Substitute Scheme.

15. Tax, Social Security and Pension Plan; Deductions

1. The payments to be made under this Agreement shall be paid in accordance with the Company's normal payroll procedure. The Company shall make the necessary contributions to tax and social security authorities, as well as to the pension plan in accordance with the relevant

rules and regulations and shall deduct the Employee's contributions from all amounts to be paid under this Agreement.

2. The Company shall issue proper salary statements for 2021 and 2022 to the Employee in early 2022 and 2023. The correct filing of income tax returns or other tax statements as applicable under any applicable tax laws and the payment of the respective income and other taxes, if applicable, is the exclusive responsibility of the Employee.

16. Possible Continuation of Insurance Coverage

1. The Employee remains insured under the Company's existing insurance coverage until the Termination Date or, if earlier, until taking up substitute employment in Switzerland, on the same terms as applicable at the date of execution of this Agreement.
2. The Employee acknowledges having been informed by the Company of the possibility and of the terms to maintain the previous insurance coverage under the terms of separate insurance policies, according to the terms of the Company's insurance policies, if any. Premiums for such separate insurance policies will have to be paid by the Employee.

17. Return of Property

1. The Employee shall, at the Company's first request, but latest until the Termination Date, return to the Company all of the Company's property, including mobile phone, laptop, documents, papers, office supplies, staff manuals, electronic equipment, business cards, keys and access badges and all confidential information (whether recorded in physical or digital form) pertaining to the Company, its subsidiaries or affiliates and/or their business.
2. The Employee shall return the company car within seven days of the date of this Termination Agreement and shall contact the Company to arrange the return of the company car. In case of damages or undue wear and tear attributable to the Employee, the Company shall be entitled to deduct the corresponding costs from all payments provided for in this Agreement. Commencing upon Employee's return of the company car, the company shall provide the Employee a monthly car allowance (pro rated for partial months) of CHF 1'650 per month plus a fuel allowance of CHF 200,00 per month until the Termination Date.
3. The Employee further agrees to permanently delete by the Termination Date or such earlier date as the Company may designate, all Company related electronic data (including emails, files, documents, notes,

contacts etc.) that he has stored on any private devices (mobile phone, computer, laptop, internet accounts and other storage media etc.) and not to make or keep any copies or backups thereof. The Employee shall co-operate with the Company's request to give access to the computer or other equipment of the Employee containing information belonging to the Company for inspection or removal of such information.

4. The Employee confirms that he has no remaining private data stored on any Company email account, computer, server or other data storage. The Employee expressly agrees that the Company shall have the right to process all remaining data on any such account, computer, server or data storage should the Company require access thereto.
5. The Employee shall sign a separate document confirming he has complied with the obligation in this clause 17 and that he is no longer in possession of any confidential documents or information.

18. Resignations

1. The Employee shall resign from any other company, statutory or other positions held with the Company or with any undertaking affiliated with the Company in any jurisdiction of the world with immediate effect.
2. The Employee shall sign and execute any further documents and take all actions as may be required by the Company to give effect to this clause 18.

19. Full and Final Settlement

The Employee confirms that, upon performance of the Company's obligations under this Agreement, he shall have no claim whatsoever against the Company, any of its affiliates or any of its or their employees, directors, managers, officers, advisors, consultants, agents, partners or corporate bodies and that all of the Employee's rights and claims arising out of or in connection with the Employee's employment with the Company are fully and finally settled.

20. Severability

If any term or provision of this Agreement, or the application thereof shall for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement, in particular the termination of the Employee's employment with the Company with effect on the Termination Date, or the application of such term or provision to persons

or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, but rather shall be enforced to the fullest extent permitted by law.

21. Final provisions

1. Any amendment to or modification of this Agreement including this provision shall be in writing and signed by the parties to this Agreement.
2. This Agreement shall in all respects be governed by and construed in accordance with the substantive Swiss law.

22. Signatures

Place, Date: Witterswill 1 MAR 2022

Invacare International GmbH

/s/ Geoffrey Purtill,
SVP & GM EMEA & ASIA PAC,
/s/ Lorna Forman
EMEA Finance Manager
[Name]
[Function]

Place, Date: Whistler, 27 FEB 2022

/s/ Ralf Ledda
Ralf Ledda

Annex
Non-Competition, Non-Solicitation

1. For a period of 3 (three) months following the Termination Date ("**Restricted Period**") i.e. until 31 December 2022, the Employee shall comply with the following non-solicitation and non-compete covenants.
2. Non-Compete: At all times during the employment relationship and for the Restricted Period, the Employee shall not, directly or indirectly, for his own account or for the account of a third party, as an employee, contractor, consultant or in a similar function, for or without compensation, permanently or occasionally, work for or have an interest in a business that is a competitor of the Company or companies affiliated with it ("**Competitor**"). This does not apply to financial shareholdings which do not have any entrepreneurial impact and do not exceed 1% of the share capital of publicly traded companies. Furthermore, this does not apply to any work for Competitors which has no connection whatsoever with the Employee's previous work for the Company.

For the avoidance of doubt, Competitor includes AAT Alber Antriebstechnik. Also, Competitor shall be understood to mean any business which sells products or services in the field of durable medical equipment or acts as a rehabilitation dealer or buying group, including, without limitation, companies such as Auxillium, Rehavital or Rehateam. Notwithstanding the foregoing, a rehabilitation dealer or buying group that has done business with the Company or any of its affiliates at any time during 2021 or 2022 (including, Auxillium, Rehavital or Rehateam) shall be considered a Competitor for purposes of this Agreement and Annex only until the Termination Date.

The non-compete obligation shall apply in all markets in the European Economic Area in which the Company or companies affiliated with it operate as of the date of this Agreement, it being understood that Germany and Switzerland are material markets for the Company.

3. Non-Recruitment: At all times during the employment relationship and for the Restricted Period, the Employee will, neither for himself nor as a self-employed person or engaged person or otherwise for third parties, directly or indirectly, induce or influence any employee of the Company or an affiliated company to terminate his or her employment relationship with the Company or an affiliated company.

4. Non-Solicitation of Clients: At all times during the employment relationship and for the Restricted Period, the Employee will not (without the prior written consent of the Company), whether directly or indirectly, on his own behalf or on behalf of or in conjunction with any other person, firm, company or any other entity and in competition with the restricted business (as defined below):

- solicit or entice away or endeavour to solicit or entice away from the Company or any affiliated company or otherwise seek to obtain business from a client (as defined below) or prospective client (as defined below); or
- deal with or accept orders or business from a client or prospective client pursuant to the paragraph below.

For the purposes of this clause 4

- restricted business means any business and practice of services carried out by the Company or any affiliated company in the twelve-month period immediately prior to the Termination Date ("**Relevant Period**") and in which the Employee was materially involved or connected with in the course of his employment at any time during the Relevant Period;
- client means any person, firm, limited liability partnership, company or other entity who or which is at the Termination Date and/or was at any time during the Relevant Period, a customer or supplier of the Company or any affiliated company and: (i) with whom or which the Employee had dealings (other than on a minimal basis) during the course of his employment at any time during the Relevant Period; or (ii) in respect of whom the Employee had personal knowledge, contact or dealings in the course of his duties at any time during Relevant Period; or (iii) about whom the Employee had access to confidential information; and
- prospective client means any person, firm, limited liability partnership, company or other entity who or which is as at the Termination Date and/or was at any time during the Relevant Period in discussions with the Company or any affiliated company with a view to entering into a contract with the Company or any affiliated company for the provision of goods or services, and in which discussions the Employee was involved (other than on a

minimal basis) or about which discussions the Employee had access to confidential information.

5. If Employee breaches of any of the non-compete and non-solicitation obligations in this Annex, then in addition to any other rights and remedies available to it, the Company shall not be obliged to pay the compensation pursuant to Section 8 of the Agreement.
6. If any provisions of this post-contractual non-compete and non-solicitation obligations should be or become invalid, in particular with regard to the duration of the prohibition of competition, the extent of the prohibited activities or the territorial range, the invalid provisions shall be replaced by a provision which contains the admissible maximum period of the prohibition of competition, the admissible field of activities and the admissible territorial scope.



Yes, you can.®

Non-Employee Director Compensation
Effective April 2022

Board Members:

Annual Retainer:	\$ 105,000
Annual Equity Award:	\$ 90,000 (1)(2)
<hr/>	
	<u>\$ 195,000</u>

Lead Director Fee: \$ 20,000

Committee Chair Fees:

Audit	\$ 15,000
Compensation	\$ 15,000
Nominating & Governance	\$ 10,000
Regulatory & Compliance	\$ 15,000

Meeting Fees: \$ 1,500 (3)

Notes:

- (1) Target Value of restricted stock units*
- (2) New Directors receive an award of a pro-rated number of shares of the most recent annual grant based on the months remaining until the next annual grant*
- (3) For meetings attended in excess of 24 in a year*

CERTIFICATIONS

I, Matthew E. Monaghan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Invacare Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2022

/s/ MATTHEW E. MONAGHAN

Matthew E. Monaghan
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Kathleen P. Leneghan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Invacare Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ KATHLEEN P. LENEGHAN

Kathleen P. Leneghan
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: May 9, 2022

Certification
Pursuant to Section 18 U.S.C. Section 1350,
as adopted pursuant to Section 906
of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Invacare Corporation (the “company”) on Form 10-Q for the period ending March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew E. Monaghan, President and Chief Executive Officer of the company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

/s/ MATTHEW E. MONAGHAN

Matthew E. Monaghan
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 9, 2022

A signed original of this written statement required by Section 906 has been provided to Invacare Corporation and will be retained by Invacare Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Certification
Pursuant to Section 18 U.S.C. Section 1350,
as adopted pursuant to Section 906
of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Invacare Corporation (the “company”) on Form 10-Q for the period ending March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kathleen P. Leneghan, Senior Vice President and Chief Financial Officer of the company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

/s/ KATHLEEN P. LENEGHAN

Kathleen P. Leneghan
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: May 9, 2022

A signed original of this written statement required by Section 906 has been provided to Invacare Corporation and will be retained by Invacare Corporation and furnished to the Securities and Exchange Commission or its staff upon request.