UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[☒] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2020

OR

[☐] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 001-15103

INVACARE CORPORATION
(Exact name of registrant as specified in its charter)

Ohio	**95-2680965**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

One Invacare Way, Elyria, Ohio	**44035**
(Address of principal executive offices)	(Zip Code)

(440) 329-6000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol	Name of exchange on which registered
Common Shares, without par value	IVC	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act. (Check One): Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 3, 2020, the registrant had 34,413,122 Common Shares and 6,357 Class B Common Shares outstanding.

Yes, you can.

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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.

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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 June 30, 2020 and December 31, 2019, and in the condensed consolidated statement of comprehensive income (loss) for the three months ended June 30, 2020 and June 30, 2019. 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 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, 2019. 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-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 actively monitor the impact of the coronavirus (COVID-19), which negatively impacted the company's business in the second quarter with regard to reduced net sales on a global basis primarily related to mobility and seating products. In addition, we experienced a decrease in the operating profit of the European segment as a result of a significant decline in net sales related to the pandemic. The company anticipates sequential net sales growth in the third and fourth quarters of 2020, on a consolidated basis, with the resumption of access to clinics for its products. However, these anticipated net sales levels will remain at lower levels than the same periods in 2019. 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 new information which may emerge concerning the severity of the pandemic and actions by government authorities to contain COVID-19 or treat its impact, among other things.

As an "essential" business making medical devices, the company has continued to operate in nearly all of its facilities, having taken the recommended public health measures to ensure worker and workplace safety. The company has seen high demand globally for its respiratory products, beds and therapeutic support surfaces. These products are being deployed in the fight against the COVID-19 pandemic in expanded medical facilities to relieve the strain on hospital systems by providing more medical beds and access to purified oxygen needed in respiratory care. The company continues to work to increase its capacity to produce these critical products and resolve global supply chain challenges that are compounded by the effects of the pandemic. As a result, there are practical limits to the extent the company can increase output. In addition, the company continues to take steps to offset cost increases from pandemic-related supply chain disruptions.

The initial stages of the pandemic appropriately focused the provision of healthcare to urgent non-elective care, reducing access to clinicians and healthcare facilities on which other parts of the company's business rely to engage with customers for product trials and fittings. As a result, and combined with various stay-at-home orders, the company experienced a global decline in quotes for mobility and seating products, and a resultant decline in orders. In the first month of the third quarter of 2020, quotes and orders for mobility and seating products improved in the major markets the company serves. While we believe the decline in demand for mobility and seating product is temporary in nature, the rebound of the business will depend on the restoration of access to healthcare and lifting of public health measures, and will be impacted by several items including government actions and policies related to the pandemic, and the magnitude of the pandemic.

The company continues to optimize its balance sheet for the current environment. In the second quarter of 2020, the

company entered into separate privately negotiated agreements with certain holders to exchange an aggregate of $73,875,000 of its 2021 and 2022 Notes into new 5% Series II Convertible Senior Exchange Notes (the "2024 Series II Notes") of the company. This transaction enhanced our financial flexibility in reducing short-term debt by extending a significant portion of our near-term convertible debt to November 2024. This action, as well as other actions completed in the first half of 2020, as example completing the divestiture of Dynamic Controls and an unsecured loan under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, both of which added to the company's cash balances, borrowing availability under the ABL revolver, and the anticipated generation of Adjusted EBITDA and free cash flow, should provide the company sufficient liquidity to manage the business and meet its obligations.

Strategy

The company 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. To execute this transformation, the company is undertaking a substantial multi-year transformation plan.

Transformation

The company is executing a multi-year transformation 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. The company's transformation and growth plan balances innovative organic growth, product portfolio changes across all regions, and cost improvements in supply chain and administrative functions. Key elements of the enhanced transformation and growth plan are:

- Globally, continue to drive all business segments and product lines based on their potential to achieve a leading market position and to support profitability goals;
- In Europe, leverage centralized innovation and supply chain capabilities while reducing the cost and complexity of a legacy infrastructure;
- In North America, adjust the portfolio to consistently grow profitability amid cost increases by adding new products, reducing costs and continuing to improve customers' experience;
- In Asia Pacific, remain focused on sustainable growth and expansion in the southeast Asia region; and
- Take actions globally to reduce working capital and improve free cash flow.

As it navigates the uncertain business environment resulting from COVID-19, 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 company's business that have declined. In the medium-term, the company still expects to execute on its transformation, such as the previously announced German plant consolidation and the global IT modernization initiative.

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 sustainable and favorable business potential.

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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)	2Q20*	2Q19	% Change Fav/(Unfav)	Foreign Exchange % Impact	Divestiture % Impact	Constant Currency % Change Fav/(Unfav)
Europe	101,894	133,991	(24.0)	(3.3)	—	(20.7)
North America	86,569	89,553	(3.3)	(0.3)	—	(3.0)
All Other (Asia Pacific)	7,837	12,314	(36.4)	(7.1)	(37.4)	8.1
Consolidated	196,300	235,858	(16.8)	(1.9)	(2.0)	(12.9)

($ in thousands USD)	YTD 2Q20**	YTD 2Q19	Reported % Change	Foreign Exchange % Impact	Divestiture % Impact	Constant Currency % Change Fav/(Unfav)
Europe	222,862	258,835	(13.9)	(2.9)	—	(11.0)
North America	173,540	175,797	(1.3)	(0.2)	—	(1.1)
All Other (Asia/Pacific)	18,338	24,645	(25.6)	(6.2)	(24.1)	4.7
Consolidated	414,740	459,277	(9.7)	(1.9)	(1.3)	(6.5)

* Date format is quarter and year in each instance.
** YTD means the first six months of the year in each instance.

The table above provides net sales change as reported and as adjusted to exclude the impact of foreign exchange translation and divestitures (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 and divestitures. 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. For the divestiture impact, the company adjusted a portion of net sales as the Dynamic Controls business was divested as of March 7, 2020.

Europe **-** Constant currency net sales decreased $27,786,000 in 2Q20 compared to 2Q19 as a result of the pandemic with public health measures in certain countries severely limiting access to healthcare professionals and institutions needed for certain product selections. The countries which the company has a significant portion of the operations are France, Germany, UK and the Nordic countries. These measures lowered sales for mobility and seating products most significantly, and, to a lesser extent, non-bed lifestyles products. Sales of these products were partially offset by growth in bed, mattresses and respiratory product sales. Constant currency net sales decreased YTD 2Q20 compared to YTD 2Q19 primarily due to the impact of the pandemic.

North America **-** Constant currency net sales for 2Q20 decreased $2,713,000 compared to 2Q19 with declines in sales of non-bed lifestyle and mobility and seating products, partially offset by increased sales of respiratory and bed and mattress products. The decline in mobility and seating as well as non-bed lifestyle products was significantly impacted by the pandemic with public health measures severely limiting access to healthcare professionals and institutions to provide certain product. While mobility and seating products declined, the majority of the decline was attributable to manual mobility and seating products as power wheelchairs declined by 0.9%. Constant currency net sales decreased YTD 2Q20 compared to YTD 2Q19 with mobility and seating and lifestyles products sales decreases largely offset by an increase in respiratory products sales.

All Other **-** Constant currency net sales, which relate entirely to the Asia Pacific region, increased $628,000 for 2Q20 compared to 2Q19 driven by increased sales of lifestyle and mobility and seating products, partially offset by reduced sales in respiratory products. Constant currency net sales increased YTD 2Q20 compared to YTD 2Q19 primarily driven by increased sales in lifestyle products, primarily mattress products.

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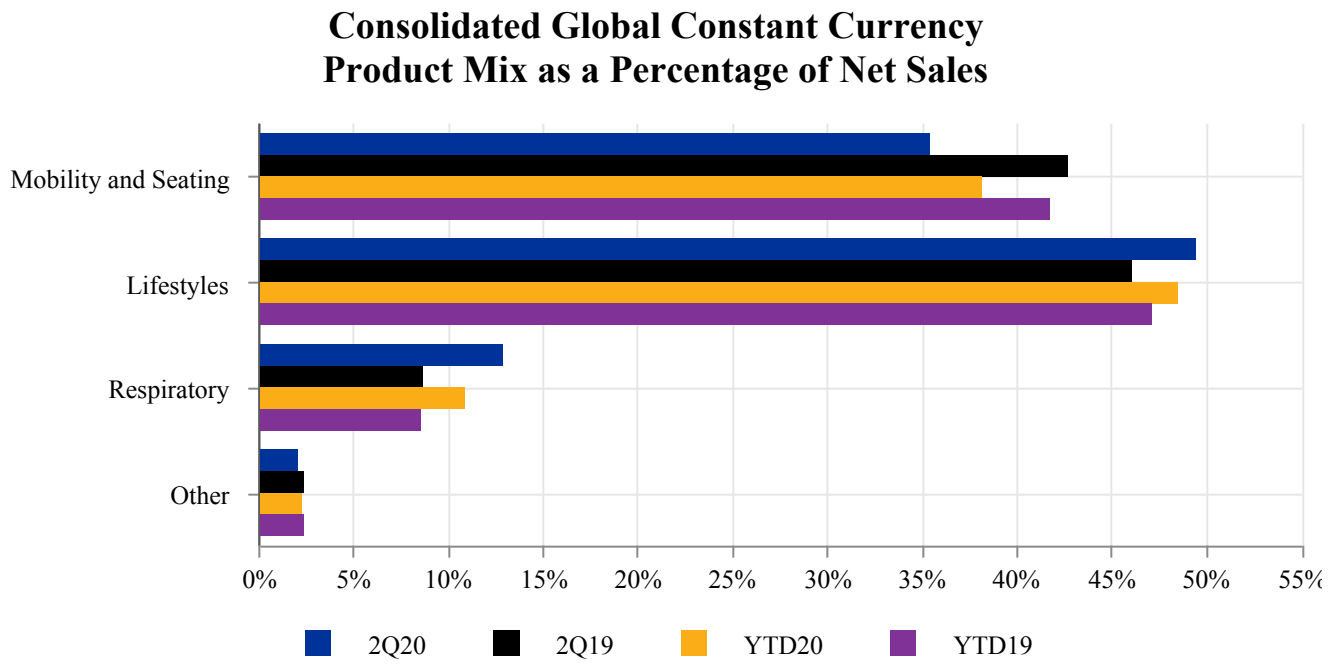

Constant currency net sales of mobility and seating products, which comprise most of the company's clinically complex product portfolio, was 35.5% of net sales in 2Q20 from 42.8% in 2Q19 and decreased to 38.2% YTD 2Q20 from 41.8% YTD 2Q19.

This decrease reflects the significant impacts of the pandemic limiting the access to healthcare professionals and institutions needed for certain product selections, specifically for mobility and seating product and non-bed related lifestyle products as well as higher pandemic related respiratory and bed and mattress products during 2Q20.

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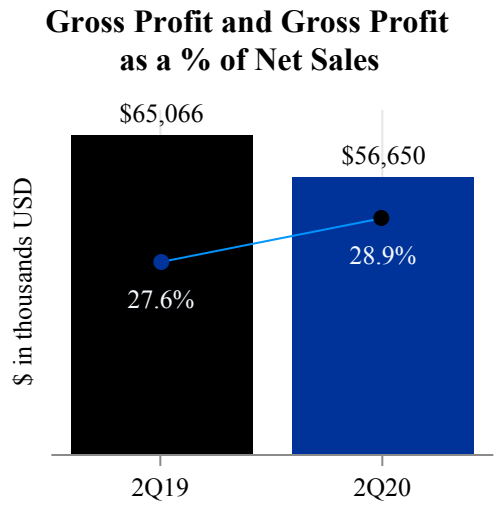
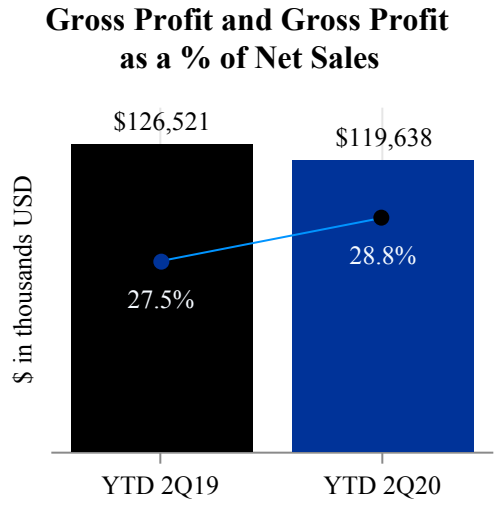
GROSS PROFIT



Gross profit as a percentage of net sales for 2Q20 increased 130 basis points to 28.9%, attributable to favorable product mix, pricing, continuous improvement initiatives driving material and freight cost savings, and reduced R&D expense partially offset by unfavorable foreign exchange.



Gross profit as a percentage of net sales for YTD 2Q20 increased 130 basis points to 28.8%, attributable to the company's continuous improvement initiatives driving material and freight cost savings, favorable product mix, pricing and reduced R&D expense partially offset by unfavorable foreign exchange.

Gross profit drivers by segment:

Europe - Gross profit as a percentage of net sales for 2Q20 decreased 0.9 of a percentage point and $9,643,000, compared to 2Q19. Gross profit as a percentage of net sales for YTD 2Q20 increased 0.1 of a percentage point or a decrease of $9,331,000, compared to YTD 2Q19. The decrease in gross profit dollars was driven by lower sales and unfavorable foreign exchange.

North America - Gross profit as a percentage of net sales for 2Q20 increased 2.3 percentage points or $2,390,000, compared to 2Q19. Gross profit as a percentage of net sales for YTD 2Q20 increased 1.8 percentage points, or $4,149,000, compared to YTD 2Q19. The increase in gross profit dollars was driven by favorable sales mix including pricing, lower material, freight costs partially offset by increased warranty costs.

All Other - Gross profit primarily relates to the company's Asia Pacific businesses. Gross profit as a percentage of net sales for Asia Pacific increased 11.2 percentage points while gross profit dollars declined $967,000 for Asia Pacific and $1,163,000 for total All Other, compared to 2Q19. Gross profit as a percentage of net sales for Asia Pacific for YTD 2Q20 increased 5.9 percentage points while gross profit dollars declined $1,232,000 for Asian Pacific and $1,701,000 for total All Other, compared to YTD 2Q19. The decrease in gross profit dollars was primarily due to the divestiture of the Dynamic Controls business as of March 7, 2020.

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SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

($ in thousands USD)	2Q20	2Q19	Reported Change	Foreign Exchange Impact	Divestiture % Impact	Constant Currency Change
SG&A expenses - $	57,404	68,255	(10,851)	878	1,148	(8,825)
SG&A expenses - % change			(15.9)	(1.0)	(1.7)	(13.2)
% to net sales	29.2	28.9				

($ in thousands USD)	YTD 2Q20	YTD 2Q19	Reported Change	Foreign Exchange Impact	Divestiture % Impact	Constant Currency Change
SG&A expenses - $	119,142	133,496	(14,354)	1,177	1,426	(11,751)
SG&A expenses - % change			(10.8)	(0.8)	(1.1)	(8.9)
% to net sales	28.7	29.1				

SG&A expenses excluding the impact of foreign currency translation and divestitures, which is referred to as "constant currency SG&A," decreased for 2Q20 and YTD 2Q20 compared to the same periods last year primarily due to reduced employment costs and favorable foreign currency transactions.

The divestiture impact is related to a portion of the SG&A expenses related to the Dynamic Controls business divested as of March 7, 2020.

In general, SG&A expense for 2Q20 was impacted by the pandemic and includes the benefit of programs offered primarily by European countries related to furloughs and reduced workhours as well as general reduction in discretionary spending.

SG&A expense drivers by segment:

Europe - SG&A expenses for 2Q20 decreased $6,347,000 or 19.6% compared to 2Q19 with foreign currency translation decreasing SG&A expenses by $550,000, or 1.7%. Constant currency SG&A expenses decreased $5,797,000, or 17.9%. The decreased expense was primarily attributable to lower employment costs and a gain on the sale of a building of $971,000. Employment costs include the benefit of furloughs and reduced workhours of approximately $2,000,000.

SG&A expense for YTD 2Q20 decreased $7,103,000 or 11.5% compared to YTD 2Q19 with foreign currency translation decreasing SG&A expenses by $1,055,000, or 1.7%. Constant currency SG&A expenses decreased $6,048,000, or 9.8%. The decreased expense was primarily attributable to lower employment costs, gain on the sale of a building and lower depreciation expense.

North America - SG&A expenses for 2Q20 decreased 15.0%, or $3,664,000, compared to 2Q19 with foreign currency translation decreasing SG&A expenses by $206,000. Constant currency SG&A expenses decreased $3,458,000, or 14.2% driven primarily by employment, sales and marketing and product liability costs.

SG&A expenses for YTD 2Q20 decreased 8.3%, or $4,240,000, compared to YTD 2Q19 with foreign currency translation decreasing SG&A expenses by $42,000. Constant currency SG&A expenses decreased $4,198,000, or 8.2% driven primarily by employment and consulting costs.

All Other - SG&A expenses for 2Q20 decreased by $840,000 compared to 2Q19 with foreign currency translation decreasing SG&A expenses by $122,000 and divestitures decreasing SG&A expenses by $1,148,000. Constant currency SG&A expenses increased by $430,000. All Other includes SG&A related to the Asia Pacific businesses and non-allocated corporate costs. SG&A expenses related to non-allocated corporate costs for 2Q20 increased 11.4%, or $1,052,000, compared to 2Q19 driven primarily by increased equity compensation expense. Related to the Asia Pacific businesses, 2Q20 SG&A decreased 48.8%, or $1,892,000, compared to 2Q19 with foreign currency translation decreasing SG&A expenses $122,000, and divestitures decreasing SG&A expenses by $1,148,000 or 29.6%. Constant currency SG&A expenses decreased $622,000, or 22.8%, due to reduced employment costs.

SG&A expense for YTD 2Q20 decreased by $3,011,000 compared to YTD 2Q19 with foreign currency translation decreasing SG&A expenses by $80,000 and divestitures decreasing SG&A expense by $1,426,000. Constant currency SG&A expenses decreased by $1,508,000. SG&A expenses related to non-allocated corporate costs for YTD 2Q20 increased 6.6%, or $996,000, compared to YTD 2Q19 driven

primarily by increased equity compensation expense. Related to the Asia Pacific businesses, YTD 2Q20 SG&A decreased 54.1%, or $4,007,000, compared to YTD 2Q19 with foreign currency translation decreasing SG&A expenses $80,000, and divestitures decreasing SG&A expenses by $1,426,000, or 1.1%. Constant currency SG&A expenses decreased $2,501,000, or 41.9%, due to employment costs and foreign currency transactions.

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OPERATING INCOME (LOSS)

($ in thousands USD)	2Q20	2Q19	$ Change	% Change	YTD 2Q20	YTD 2Q19	$ Change	% Change
Europe	2,174	5,470	(3,296)	(60.3)	9,024	11,252	(2,228)	(19.8)
North America	4,812	(1,243)	6,055	487.1	2,767	(5,622)	8,389	149.2
All Other	(7,740)	(7,416)	(324)	(4.4)	(11,295)	(12,605)	1,310	10.4
Gain on sale of business	200	—	200	—	9,790	—	9,790	—
Charges related to restructuring	(1,685)	(1,321)	(364)	(27.6)	(3,077)	(2,013)	(1,064)	(52.9)
Consolidated Operating Income (Loss)	(2,239)	(4,510)	2,271	50.4	7,209	(8,988)	16,197	180.2

For 2Q20, consolidated operating loss improved due to reduced SG&A expenses and favorable gross margin as a percentage of sales partially offset by reduced net sales impacted by the pandemic For YTD 2Q20, consolidated operating profitability improved significantly due to a $9,790,000 gain from the divestiture of Dynamic Controls as well as reduced SG&A expenses offset by net sales declines impacted by the pandemic.

Operating income (loss) by segment:

Europe **-** Operating income for 2Q20 declined by $3,296,000, or 60.3%, due to a $9,643,000 decrease in gross profit from 24.0% lower net sales and unfavorable foreign exchange translation offset by reduced SG&A expenses. Operating income for YTD 2Q20 decreased $2,228,000 compared to YTD 2Q19 due to lower net sales and unfavorable foreign exchange partially offset by reduced SG&A expenses.

North America **-** Operating income for 2Q20 improved by $6,055,000 primarily due to reduced SG&A expenses and improved gross profit due to lower material and freight costs as well as improved product mix and pricing. Operating income for YTD 2Q20 increased $8,389,000 compared to YTD 2Q19 driven primarily by margin improvements and reduced SG&A expenses.

All Other **-** Operating loss for All Other includes the operating income of the Asia Pacific businesses, offset by unallocated SG&A expenses and intercompany eliminations, which were flat. Operating loss increased $324,000 primarily driven by increased equity compensation expense partially offset by operating profit improvement in the Asia Pacific business driven by reduced SG&A expense. Operating loss for YTD 2Q20 improved $1,310,000 compared to YTD 2Q19 primarily due to improved operating profit in the Asia Pacific business partially offset by increased equity compensation expense.

Charges Related to Restructuring Activities

Restructuring charges totaled $3,077,000 for YTD 2Q20 principally related to severance costs. Restructuring charges were incurred in the Europe ($2,240,000), North America ($719,000) and All Other ($118,000) segments.

Restructuring charges totaled $2,013,000 for YTD 2Q19 principally related to severance costs. Restructuring charges were incurred in the Europe ($640,000), North America ($1,208,000) and All Other $165,000 segments.

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OTHER ITEMS

Net Gain (Loss) on Convertible Debt Derivatives

($ in thousands USD)	Change in Fair Value Gain (Loss)	
	2Q19	YTD 2Q19
Convertible Note Hedge Assets	(5,525)	9,600
Convertible Debt Conversion Liabilities	6,995	(8,403)
Net Gain on Convertible Debt Derivatives	1,470	1,197

The company recognized a net gain of $1,470,000 and $1,197,000 in 2Q19 and YTD 2Q19, respectively related to the fair value of convertible debt derivatives. As a result of the company's receipt of shareholder approval authorizing the company to elect to settle future conversions of its convertible notes in common shares, 2Q19 was the last quarter for which the company recognized any gain or loss on the fair value of its note hedge assets and convertible debt conversion liabilities.

Loss on debt extinguishment including debt finance changes and fees

($ in thousands USD)	2Q20	2Q19	$ Change	% Change
Loss on debt extinguishment including debt finance fees	6,599	—	6,599	—

($ in thousands USD)	YTD 2Q20	YTD 2Q19	$ Change	% Change
Loss on debt extinguishment including debt finance fees	6,599	—	6,599	—

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 Notes") of the company and $5,593,000 in cash. The result of the exchange was a loss on debt extinguishment including debt and finance fees of $6,599,000.

Interest

($ in thousands USD)	2Q20	2Q19	$ Change	% Change
Interest expense	7,054	7,721	(667)	(8.6)
Interest income	(23)	(119)	96	(80.7)

($ in thousands USD)	YTD 2Q20	YTD 2Q19	$ Change	% Change
Interest expense	13,730	15,035	(1,305)	(8.7)
Interest income	(83)	(248)	165	(66.5)

The decrease in interest expense for 2Q20 and YTD 2Q20 compared to the same periods last year was primarily related to the repurchase and retirement of $16,000,000 in principal amount of 2021 Notes in 3Q19.

Income Taxes

The company had an effective tax rate of 4.7% and 21.9% on losses before tax for the three and six months ended June 30, 2020, respectively, compared to an expected benefit of 21.0% on pre-tax loss for each period. The company had an effective tax rate of 19.5% and 17.8% on losses before tax for the three and six months ended and June 30, 2019, respectively, compared to an expected benefit for the three and six months ended June 30, 2019 of 21.0% on the pre-tax loss for each period. The company's effective tax rate for the three and six months ended June 30, 2020 and June 30, 2019 were unfavorable as compared to the U.S. federal statutory rate expected benefit, 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 and six months ended June 30, 2020 and June 30, 2019 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, except for the gain on the disposition of the Dynamic group which was not taxable locally. In addition, the company had accrued withholding taxes on earnings of its Chinese subsidiary based on the expectation of not permanently reinvesting those earnings. The sale of this entity, without such distribution resulted in the reversal of this accrual in the amount of $988,000 for the six months ended June 30, 2020.

As a result of the COVID-19 pandemic and the global impact on business activity, various governments have provided programs to help offset the liquidity pressures and impact on society. The company has taken advantage of some of these programs and will continue to consider other programs as they are announced. To date, the company has

determined it will benefit by: 1) deferral of U.S. payroll tax related to employer portion of social security through 2020, to be paid over 2 years, 2) a U.S. business interest limitation increase from 30% to 50% of after-tax income 3) the treatment of qualified improvement property as 15-year property in the U.S., 4) and the deferral of income and indirect tax payments over various periods in other countries around the world where the company operates. Such programs have deferred approximately $9,900,000 in the second quarter of 2020 as a benefit to cash flows for the period.

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LIQUIDITY AND CAPITAL RESOURCES

The company continues to maintain an adequate liquidity position through its cash balances and bank lines of credit (see Long-Term Debt in the Notes to Condensed Consolidated Financial Statements included in this report). Key balances on the company's balance sheet and related metrics:

($ in thousands USD)	June 30, 2020	December 31, 2019	$ Change	% Change
Cash and cash equivalents	104,192	80,063	24,129	30.1
Working capital [1]	114,154	137,220	(23,066)	(16.8)
Total debt [2]	318,916	283,256	35,660	12.6
Long-term debt [2]	263,607	280,684	(17,077)	(6.1)
Total shareholders' equity	302,146	308,516	(6,370)	(2.1)
Credit agreement gross borrowing availability [3]	26,978	34,516	(7,538)	(21.8)

(1) Current assets less current liabilities.

(2) Long-term debt and Total debt at gross carrying amounts which excludes debt issuance costs and debt discounts classified as debt and includes long-term and total obligations for financing leases.

(3) Reflects the combined availability of the company's North American and European asset-based revolving credit facilities as of June 30, 2020. The change in borrowing availability is due to changes in the calculated borrowing base, primarily due to lower accounts receivable balances as a result of reduced net sales impacted by the pandemic. At June 30, 2020, the company had drawn $20,800,000 on the North American credit facility and $5,921,800 on the European 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 $104,192,000 and $80,063,000 at June 30, 2020 and December 31, 2019, respectively. The increase in cash in the first six months of 2020 is attributable to borrowing of $26,721,800 on the North America and Europe credit facilities under the company's credit agreement which provides for an asset-based-lending senior secured revolving credit facility; the proceeds of $14,563,000 from the sale of Dynamic Controls in March 2020; and an unsecured loan of $10,000,000 pursuant to sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. This increase in cash was primarily offset by cash used for operations including the continued investment in our transformation strategy.

In addition in the second quarter of 2020, the company entered into separate privately negotiated agreements with certain holders of its 2021 and 2022 Notes to exchange $35,375,000 in aggregate principal amount of the company's 5.00% Convertible Senior Notes due 2021 (the "2021 Notes") and $38,500,000 in aggregate principal amount of the company's 4.50% Convertible Senior Notes due 2022 (the "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 "2024 Series II Notes") of the company and approximately $5,593,000 in cash. The 2024 Series II Notes bear interest at a fixed rate of 5.00% per year payable semi-annually and will mature in November 2024, unless earlier repurchased, redeemed or converted. Prior to May 2024, the 2024 Series II 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 maturity, the 2024 Series II Notes will be redeemable by the company upon satisfaction of certain conditions and during certain periods. In addition, the principal amount of the 2024 Series II 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 if the 2024 Series II Notes do not convert, and does not bear interest. Debt issuance costs of $1,518,000 were capitalized and are being amortized as interest expense through November 2024. These debt issuance costs were capitalized and are being amortized as interest expense through November 2024 of which $1,489,000 have yet to be amortized as of June 30, 2020. The fees paid in the second quarter totaled $1,307,000.

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 2021, 2022 and 2024 and financing lease obligations, increased by $35,660,000 to $318,916,000 at June 30, 2020 from $283,256,000 as of December 31, 2019. The increase is primarily driven by borrowing on the company's credit agreement of $26,721,800 and loan proceeds related to the CARES Act. The CARES Act funds may be forgivable partially or in full, if certain conditions are met. While the company believes it will utilize the funds for forgivable eligible expenditures under the program, there is no certainty at this time that the loan will be forgiven.

The company may from time to time seek to retire or purchase its convertible senior notes, in open market purchases, privately negotiated transactions or otherwise. Such purchases, if any, will depend on prevailing market conditions, the company's liquidity requirements, contractual restrictions and other factors. The amounts involved in any such transactions, individually or in the aggregate, may be material.

In addition during the second quarter of 2020, the company accessed government programs to bolster short-term liquidity including the temporary delay of direct and indirect tax payments, with repayment beginning later in the year and into 2021 and 2022. Such programs have deferred approximately $9,900,000 in the second quarter 2020.

See "Long-Term Debt" and "Leases and Commitments" in the Notes to Condensed Consolidated Financial Statements for more details regarding the company's convertible notes and credit facilities and lease liabilities, respectively.

The company is actively managing its business to maintain cash flow and liquidity. Based on the company's current expectations, the company believes that its cash balances and available borrowing capacity under its credit facilities 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, the impact of COVID-19, currency fluctuations or regulatory issues or the company's failure to execute its business plans or if the company's transformation takes longer than expected, the company may require additional financing, or may be unable to comply with its obligations under the credit facilities, and its lenders could demand repayment of any amounts outstanding under the company's credit facilities. As the company cannot predict the duration or scope of the COVID-19 pandemic and its impact on the company's customers and suppliers, the negative financial impact to the company's results cannot be reasonably estimated, but could be material.

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.

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 capital leases, was 4.55% and 4.64%, respectively, for the for the three and six months ended June 30, 2020 and 4.78% for the year ended December 31, 2019. See "Long-Term Debt" in the Notes to the Condensed Consolidated Financial Statements for more details regarding the company's credit facilities.

CAPITAL EXPENDITURES

The company estimates that capital investments for 2020 could be approximately $22,000,000 compared to actual capital expenditures of $10,874,000 in 2019. The anticipated increase relates primarily to the company's investments to transform the company, including investments related to the ERP project and new products. The company believes that its balances of cash and cash equivalents and existing borrowing facilities will be sufficient to meet its operating cash requirements and fund capital expenditures (see "Liquidity and Capital Resources"). However, because the company cannot predict the duration or scope of the COVID-19 pandemic and its impact on the company, the pandemic may cause delay or curtailment of the company's planned capital expenditures. The Credit Agreement limits the company's annual capital expenditures to $35,000,000.

DIVIDEND POLICY

On May 21, 2020, the Board of Directors decided to suspend the quarterly dividend on the company's common shares in light of the impacts of COVID-19 on the business.

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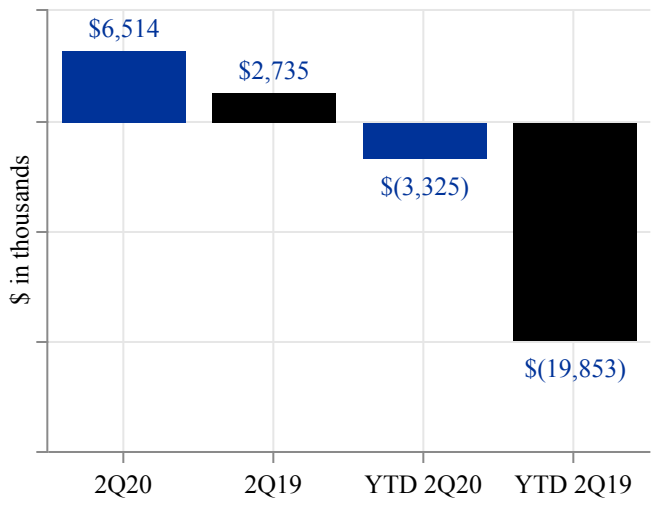
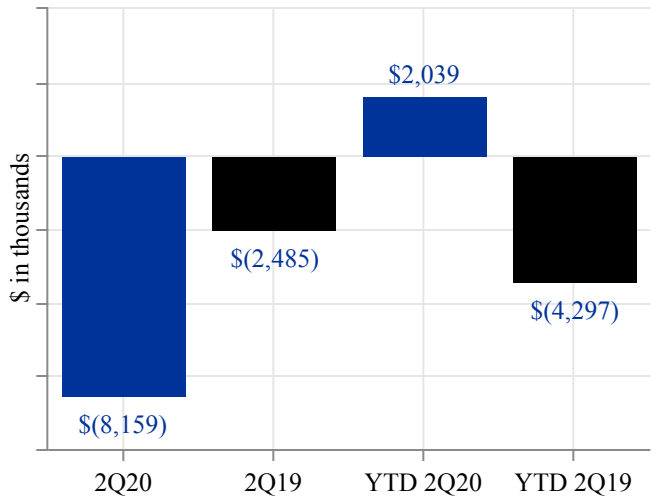
CASH FLOWS

Net Cash Provided (Used) by Operating Activities



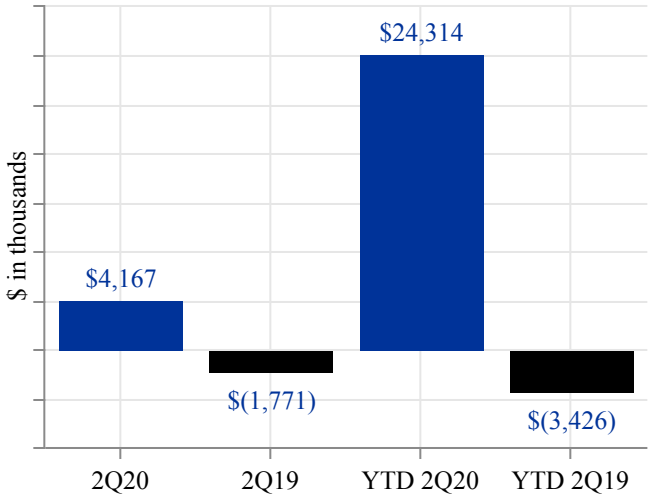
The significant reduction in cash used by operating activities for the six months ended June 30, 2020 was driven primarily by a decrease in receivables as a result of reduced sales impacted by the pandemic, an increase to accounts payable and improvement in net loss offset by increased inventories. Inventories increased significantly as a result of the pandemic and the company's long lead supply chain. This inventory should convert to cash in the next few quarters. In addition, 2Q20 operating cash flow benefited from deferred indirect and payroll taxes of $9,900,000. Such deferrals will be paid out in the next four quarters.

Net Cash Provided (Used) by Investing Activities



Cash flows provided by investing activities for the first six months of 2020 were higher compared to cash flows used in the same period last year, driven by gross proceeds of $14,563,000 from the sale of its former subsidiary Dynamic Controls in the first quarter of 2020. In addition, the company used $2,113,000 to purchase SAP licenses related to its ERP implementation and capitalized other ERP-related implementation costs in the first six months of 2020.

Net Cash Provided (Used) by Financing Activities



Cash flows provided by financing activities increased in the first six months of 2020 compared to the same period last year driven primarily by borrowing of $26,721,800 on the North America and Europe credit facility under the company's credit agreement which provides for an asset-based-lending senior secured revolving credit facility as well as an unsecured CARES Act loan. This was offset by cash paid related to the convertible debt amend and extend transaction executed during the second quarter of 2020 of $6,900,000 related to debt fees and payments to note holders.

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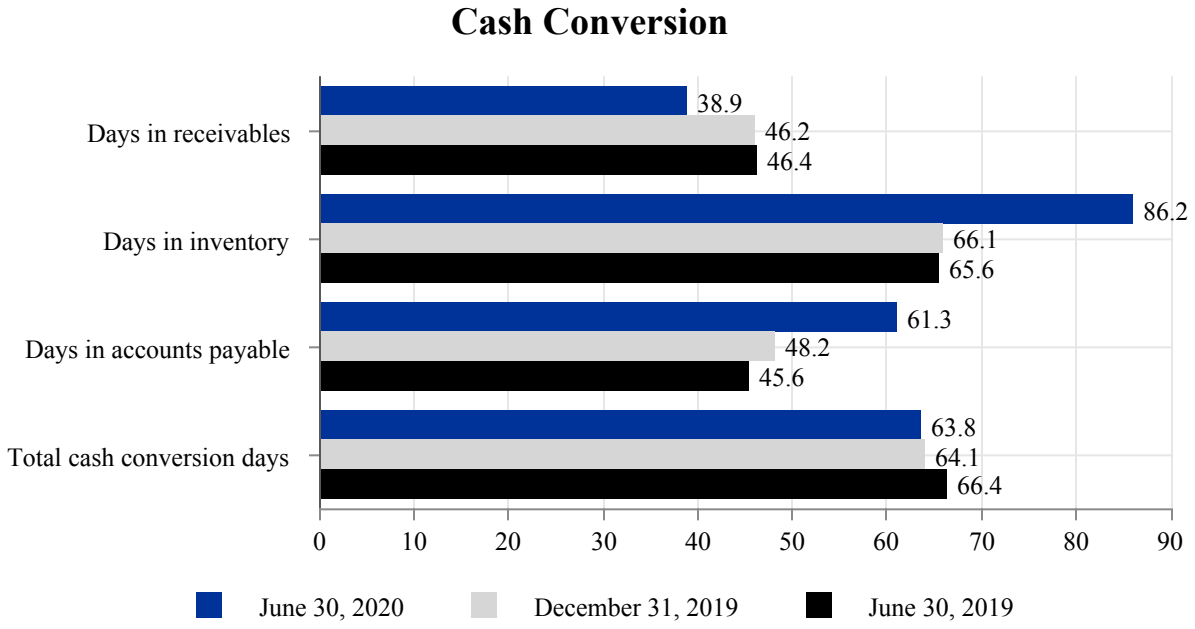
Free cash flow is a non-GAAP financial measure and is reconciled to the corresponding GAAP measure as follows:

($ in thousands USD)	2Q20	2Q19	YTD 2Q20	YTD 2Q19
Net cash provided (used) by operating activities	6,514	2,735	(3,325)	(19,853)
Plus: Sales of property and equipment	389	44	393	64
Less: Purchases of property and equipment	(8,758)	(2,509)	(10,879)	(4,321)
Free Cash Flow	(1,855)	270	(13,811)	(24,110)

Free cash flow for the first six months 2020 and 2019 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 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 second quarter of the year. In addition, investment in inventory is typically heavy in the first half of the year with planning around the company's supply chain to fulfill shipments in the second half of the year and can be impacted by footprint rationalization projects. As a result, historically, the company realizes stronger cash flow in the second half of the year versus the first half of the year. However, because the company cannot predict the duration or scope of the COVID-19 pandemic and its negative impact on the company's cash flow, these historic trends may not apply in 2020 or beyond.

The company's approximate cash conversion days at June 30, 2020, December 31, 2019 and June 30, 2019 were as follows:



For the quarter ended June 30, 2020, days in inventory and days in accounts payable were both impacted by the business disruption due to the COVID-19 pandemic. As a result of the company's long lead time supply chain, inventory level increased and accounts payable levels were elevated for the quarter ended June 30, 2020.

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.

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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. Please 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, 2019 as well as the revenue recognition and warranty disclosure below.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

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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. Forward-looking statements are those that describe future outcomes or expectations that are usually identified by words such as "will," "should," "could," "plan," "intend," "expect," "continue," "forecast," "believe," and "anticipate" and include, for example, statements related to the expected effects on the company's business of the COVID-19 pandemic; sales and free cash flow trends; the impact of contingency plans and SG&A and investment reductions; the company's liquidity and working capital expectations; the company's future financial results; and similar statements. Actual results may differ materially as a result of various risks and uncertainties, including the duration and scope of the COVID-19 pandemic, the restoration of access to healthcare and lifting of public health measures, and impact on the demand for the company's products; the ability of the company to obtain needed raw materials and components 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 and actions taken in response to the pandemic 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; 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 to maintain competitive prices for its products; lack of market acceptance of the company's new product innovations; 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 enhanced transformation and growth plan such as its new product introductions, additional investments in sales force and demonstration equipment, plant consolidation in Germany, 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, that may result from delays in the implementation of, any failure to realize benefits from, its current and planned business initiatives; adverse changes in government and third-party payor reimbursement levels and practices in the U.S.; adverse impacts of new tariffs or increases in commodity prices or freight costs; 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; adverse effects of regulatory or governmental inspections of the company's facilities at any time and governmental investigations or enforcement actions; exchange rate fluctuations; and those other risks and uncertainties expressed in the cautionary statements and risk factors in the company's annual report on Form 10-K, quarterly reports on Form 10-Q and other filings with the Securities and Exchange Commission. The company may not be able to predict and may have little or no control over many factors or events that may influence its future results and, except as required by law, shall have no obligation to update any forward-looking statements.

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements.

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

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net sales	$ 196,300	$ 235,858	$ 414,740	$ 459,277
Cost of products sold	139,650	170,792	295,102	332,756
Gross Profit	56,650	65,066	119,638	126,521
Selling, general and administrative expenses	57,404	68,255	119,142	133,496
Gain on sale of business	(200)	—	(9,790)	—
Charges related to restructuring activities	1,685	1,321	3,077	2,013
Operating Income (Loss)	(2,239)	(4,510)	7,209	(8,988)
Net gain on convertible debt derivatives	—	(1,470)	—	(1,197)
Loss on debt extinguishment including debt finance charges and fees	6,599	—	6,599	—
Interest expense	7,054	7,721	13,730	15,035
Interest income	(23)	(119)	(83)	(248)
Loss Before Income Taxes	(15,869)	(10,642)	(13,037)	(22,578)
Income tax provision	750	2,075	2,850	4,025
Net Loss	$ (16,619)	$ (12,717)	$ (15,887)	$ (26,603)
Dividends Declared per Common Share	$ —	$ 0.0125	$ 0.0125	$ 0.0250
Net Loss per Share—Basic	$ (0.48)	$ (0.38)	$ (0.47)	$ (0.79)
Weighted Average Shares Outstanding—Basic	34,437	33,749	34,111	33,527
Net Loss per Share—Assuming Dilution	$ (0.48)	$ (0.38)	$ (0.47)	$ (0.79)
Weighted Average Shares Outstanding—Assuming Dilution	34,479	33,764	34,198	33,539
Net Loss	$ (16,619)	$ (12,717)	$ (15,887)	$ (26,603)
Other comprehensive income (loss):				
Foreign currency translation adjustments	5,109	(9,086)	915	(3,984)
Defined Benefit Plans:				
Amortization of prior service costs and unrecognized (losses) gains	—	(101)	(169)	(75)
Deferred tax adjustment resulting from defined benefit plan activity	(2)	22	16	16
Valuation reserve associated with defined benefit plan activity	2	(22)	(16)	(16)
Current period gain on cash flow hedges	1,030	1,685	888	1,176
Deferred tax loss related to gain on cash flow hedges	(114)	(160)	(114)	(139)
Other Comprehensive Income (Loss)	6,025	(7,662)	1,520	(3,022)
Comprehensive Loss	$ (10,594)	$ (20,379)	$ (14,367)	$ (29,625)
(Elements as a % of Net Sales)				
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of products sold	71.1	72.4	71.2	72.5
Gross Profit	28.9	27.6	28.8	27.5
Selling, general and administrative expenses	29.2	28.9	28.7	29.1
Gain on sale of business	(0.1)	—	(2.4)	—
Charges related to restructuring activities	0.9	0.6	0.7	0.4
Operating Income (Loss)	(1.1)	(1.9)	1.7	(2.0)
Net gain on convertible debt derivatives	—	(0.6)	—	(0.3)
Loss on debt extinguishment including debt finance charges and fees	3.4	—	1.6	—
Interest expense	3.6	3.3	3.3	3.3
Interest income	—	(0.1)	—	(0.1)
Loss Before Income Taxes	(8.1)	(4.5)	(3.1)	(4.9)
Income tax provision	0.4	0.9	0.7	0.9
Net Loss	(8.5)%	(5.4)%	(3.8)%	(5.8)%

See notes to condensed consolidated financial statements.

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INVACARE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (unaudited)

	June 30, 2020	December 31, 2019
Assets	(In thousands)	
Current Assets		
Cash and cash equivalents	$ 104,192	$ 80,063
Trade receivables, net	93,854	116,669
Installment receivables, net	403	736
Inventories, net	148,286	120,500
Other current assets	45,375	37,909
Total Current Assets	392,110	355,877
Other Assets	3,882	4,216
Intangibles	26,178	26,447
Property and Equipment, net	47,557	46,607
Financing Lease Assets, net	25,528	26,900
Operating Lease Assets, net	15,928	18,676
Goodwill	374,957	373,403
Total Assets	$ 886,140	$ 852,126
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 105,533	$ 88,003
Accrued expenses	109,358	120,947
Current taxes payable	1,449	345
Current portion of financing lease obligations	2,341	2,514
Current portion of operating lease obligations	6,307	6,790
Short-term debt and current maturities of long-term obligations	52,968	58
Total Current Liabilities	277,956	218,657
Long-Term Debt	204,158	219,464
Finance Lease Long-Term Obligations	25,376	26,480
Operating Leases Long-Term Obligations	9,580	12,060
Other Long-Term Obligations	66,924	66,949
Shareholders' Equity		
Preferred Shares (Authorized 300 shares; none outstanding)	—	—
Common Shares (Authorized 150,000 shares; 38,596 and 37,609 issued and outstanding at June 30, 2020 and December 31, 2019, respectively)—no par	9,815	9,588
Class B Common Shares (Authorized 12,000 shares; 6 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively)—no par	2	2
Additional paid-in-capital	322,770	312,650
Retained earnings	70,931	87,475
Accumulated other comprehensive income	4,648	3,128
Treasury Shares (4,183 and 3,953 shares at June 30, 2020 and December 31, 2019, respectively)	(106,020)	(104,327)
Total Shareholders' Equity	302,146	308,516
Total Liabilities and Shareholders' Equity	$ 886,140	$ 852,126

See notes to condensed consolidated financial statements.

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

	For the Six Months Ended June 30,	
	2020	2019
Operating Activities	(In thousands)	
Net loss	$ (15,887)	$ (26,603)
Adjustments to reconcile net loss to net cash used by operating activities:		
Gain on sale of business	(9,790)	—
Depreciation and amortization	6,660	7,809
Amortization operating lease right of use assets	3,589	4,655
Provision for losses on trade and installment receivables	219	482
(Provision) benefit for deferred income taxes	(91)	36
Provision for other deferred liabilities	493	471
Provision for equity compensation	5,326	4,303
Loss (gain) on disposals of property and equipment	(978)	124
Loss on debt extinguishment including debt finance charges and fees	6,599	—
Amortization of convertible debt discount	5,594	6,665
Amortization of debt fees	942	1,225
Gain on convertible debt derivatives	—	(1,197)
Changes in operating assets and liabilities:		
Trade receivables	17,940	(1,087)
Installment sales contracts, net	324	353
Inventories, net	(31,279)	3,772
Other current assets	(7,393)	(2,246)
Accounts payable	22,011	(5,891)
Accrued expenses	(6,708)	(12,208)
Other long-term liabilities	(896)	(516)
Net Cash Used by Operating Activities	(3,325)	(19,853)
Investing Activities		
Purchases of property and equipment	(10,879)	(4,321)
Proceeds from sale of property and equipment	393	64
Proceeds from sale of business	14,563	—
Change in other long-term assets	106	(40)
Other	(2,144)	—
Net Cash Provided (Used) by Investing Activities	2,039	(4,297)
Financing Activities		
Proceeds from revolving lines of credit and long-term borrowings	41,937	—
Payments on revolving lines of credit and financing leases	(8,616)	(1,747)
Payment of financing costs	(1,307)	—
Payment of dividends	(414)	(819)
Payments to debt holders	(5,593)	—
Purchase of treasury shares	(1,693)	(860)
Net Cash Provided (Used) by Financing Activities	24,314	(3,426)
Effect of exchange rate changes on cash	1,101	180
Increase (decrease) in cash and cash equivalents	24,129	(27,396)
Cash and cash equivalents at beginning of year	80,063	116,907
Cash and cash equivalents at end of period	$ 104,192	$ 89,511

See notes to condensed consolidated financial statements.

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INVACARE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statement of Shareholders' Equity

(In thousands)	Common Shares	Class B Shares	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehen-sive Income	Treasury Shares	Total
March 31, 2020 Balance	$ 9,815	$ 2	$ 313,623	$ 87,550	$ (1,377)	$ (105,101)	**$ 304,512**
Exercise of share options	—	—	—	—	—	(347)	**(347)**
Performance awards	—	—	1,282	—	—	—	**1,282**
Restricted share awards	—	—	2,844	—	—	(572)	**2,272**
Net loss	—	—	—	(16,619)	—	—	(16,619)
Foreign currency translation adjustments	—	—	—	—	5,109	—	5,109
Unrealized gain on cash flow hedges	—	—	—	—	916	—	916
Total comprehensive loss	—	—	—	—	—	—	**(10,594)**
Exchange of convertible notes	—	—	5,021	—	—	—	**5,021**
June 30, 2020 Balance	$ 9,815	$ 2	$ 322,770	$ 70,931	$ 4,648	$ (106,020)	**$ 302,146**
March 31, 2019 Balance	$ 9,588	$ 2	$ 299,180	$ 128,153	$ 17,433	$ (103,814)	**$ 350,542**
Performance awards	—	—	534	—	—	—	**534**
Non-qualified share options	—	—	87	—	—	—	**87**
Restricted share awards	—	—	2,252	—	—	(479)	**1,773**
Net loss	—	—	—	(12,717)	—	—	(12,717)
Foreign currency translation adjustments	—	—	—	—	(9,086)	—	(9,086)
Unrealized gain on cash flow hedges	—	—	—	—	1,525	—	1,525
Defined benefit plans: Amortization of prior service costs and unrecognized losses and credits	—	—	—	—	(101)	—	(101)
Total comprehensive loss	—	—	—	—	—	—	**(20,379)**
Convertible Debt Derivative Adjustment	—	—	(220)	—	—	—	**(220)**
Dividends	—	—	—	(411)	—	—	**(411)**
June 30, 2019 Balance	$ 9,588	$ 2	$ 301,833	$ 115,025	$ 9,771	$ (104,293)	**$ 331,926**

See notes to condensed consolidated financial statements.

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INVACARE CORPORATION AND SUBSIDIARIES
Consolidated Statement of Shareholders' Equity

(In thousands)	Common Shares	Class B Shares	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehen-sive Income	Treasury Shares	Total
January 1, 2020 Balance	$ 9,588	$ 2	$ 312,650	$ 87,475	$ 3,128	$ (104,327)	**$ 308,516**
Exercise of share options	90	—	(90)	—	—	(1,121)	**(1,121)**
Performance awards	—	—	1,676	—	—		**1,676**
Restricted share awards	137	—	3,513	—	—	(572)	**3,078**
Net loss	—	—	—	(15,887)	—	—	(15,887)
Foreign currency translation adjustments	—	—	—	—	915	—	915
Unrealized loss on cash flow hedges	—	—	—	—	774	—	774
Defined benefit plans: Amortization of prior service costs and unrecognized losses and credits	—	—	—	—	(169)	—	(169)
Total comprehensive loss							**(14,367)**
Exchange of convertible notes	—	—	5,021	—	—	—	**5,021**
Dividends	—	—	—	(414)	—	—	**(414)**
Adoption of credit loss standard	—	—	—	(243)	—	—	**(243)**
June 30, 2020 Balance	$ 9,815	$ 2	$ 322,770	$ 70,931	$ 4,648	$ (106,020)	**$ 302,146**
January 1, 2019 Balance	$ 9,419	$ 2	$ 297,919	$ 142,447	$ 12,793	$ (103,433)	**$ 359,147**
Performance awards	29	—	970	—	—	(348)	**651**
Non-qualified share options	—	—	211	—	—		**211**
Restricted share awards	140	—	2,953	—	—	(512)	**2,581**
Net loss	—	—	—	(26,603)	—	—	(26,603)
Foreign currency translation adjustments	—	—	—	—	(3,984)	—	(3,984)
Unrealized loss on cash flow hedges	—	—	—	—	1,037	—	1,037
Defined benefit plans: Amortization of prior service costs and unrecognized losses and credits	—	—	—	—	(75)	—	(75)
Total comprehensive loss							**(29,625)**
Convertible debt derivative adjustments	—	—	(220)	—	—	—	**(220)**
Dividends	—	—	—	(819)	—	—	**(819)**
June 30, 2019 Balance	$ 9,588	$ 2	$ 301,833	$ 115,025	$ 9,771	$ (104,293)	**$ 331,926**

See notes to condensed consolidated financial statements.

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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 June 30, 2020 and the results of its operations and changes in its cash flow for the six months ended June 30, 2020 and 2019, respectively. Certain foreign subsidiaries, represented by the European segment, are consolidated using a May 31 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 and six months ended June 30, 2020 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 June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Statements." ASU 2016-13 requires a new credit loss standard for most financial assets and certain other instruments. For example, entities are required to use an "expected loss" model that will generally require earlier recognition of allowances for losses for trade receivables. The standard also requires additional disclosures, including disclosures regarding how an entity tracks credit quality. The company adopted ASU 2016-13, effective on January 1, 2020, which resulted in an increase for credit losses of $243,000 with the offsetting impact recorded to retained earnings.

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The guidance in ASU 2017-04 eliminates the requirement to determine the fair value of individual assets and liabilities of a reporting unit to measure goodwill impairment. Under the amendments in the new ASU, goodwill impairment testing will be performed by comparing the fair value of the reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. The company adopted ASU 2017-04 as of January 1, 2020 with no impact to the company's financial statements upon adoption.

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes," which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. ASU 2019-12 removes the following exceptions: 1) exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income), 2) exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment, 3) exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign subsidiary becomes a subsidiary and 4) the exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The ASU also simplifies other areas of Topic 740 by clarifying and amending existing guidance. The amendments in the ASU will be applied using different approaches depending on what the specific amendments relate to. The company early adopted ASU 2019-12 on a prospective basis as of January 1, 2020 with no impact to the company's financial statements upon adoption.

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Divested Businesses

On March 7, 2020, the company, completed the sale (the "Transaction") of its indirect subsidiary, Dynamic Controls, a New Zealand incorporated unlimited company ("Dynamic Controls"), to Allied Motion Christchurch Limited, a New Zealand limited company (the "Purchaser"), pursuant to a Securities Purchase Agreement among the company, Invacare Holdings New Zealand, a New Zealand incorporated unlimited company, and the Purchaser, dated March 6, 2020 (the "Purchase Agreement"). Dynamic Controls is a producer of electronic control systems for powered medical mobility devices, including systems incorporating the LiNX™ technology platform. Dynamic Controls was a component of the All Other Segment.

Dynamic Controls is a supplier of power mobility products and respiratory components to the company as well as supplying power mobility products to external customers. Sales in 2020 through the date of disposition were $5,331,000, including intercompany sales of $2,532,000, compared to sales for the full year of 2019 of $30,261,000, including intercompany sales of $13,087,000. Income before income taxes was approximately $445,000 in 2020, through the date of disposition, compared to $853,000 in 2019, inclusive of intercompany profits on sales to the company.

The transaction was the result of considering options for the products sold by Dynamic Controls which resulted in selling the business to a third-party which can provide access to further technological innovations to further differentiate the company's power mobility products.

The gross proceeds from the Transaction were $14,563,000, net of taxes and expenses. The company realized a pre-tax gain of $9,790,000 and recorded expenses related to the sale of the business totaling $2,150,000, of which $1,746,000 have been paid as of June 30, 2020.

The Purchase Agreement contains customary indemnification obligations of each party with respect to breaches of their respective representations, warranties and covenants, and certain other specified matters, which are subject to certain exceptions, terms and limitations described further in the Purchase Agreement.

At the closing of the Transaction, the parties entered into a supply agreement pursuant to which Dynamic Controls will supply certain electronic components as required by the company for a five-year period following the Transaction, including ongoing supply and support of the LiNX™ electronic control system with informatics technology, continued contract manufacturing of certain electronic components for the company's respiratory products and continued infrastructure and applications support for the informatics solution for the company's respiratory products. The estimated continued inflows and outflows following the disposal with the Purchaser are not expected to be material to the company.

The assets and liabilities of Dynamic Controls as of March 7, 2020 and December 31, 2019 consisted of the following (in thousands):

	March 7, 2020	December 31, 2019
Trade receivables, net	$ 4,129	$ 1,804
Inventories, net	3,082	3,008
Other assets	855	933
Property and equipment, net	600	707
Operating lease assets, net	2,127	1,870
Total assets	$ 10,793	$ 8,322
Accounts payable	$ 4,692	$ 4,501
Accrued expenses	2,473	2,108
Current taxes payable	41	92
Current portion of operating lease obligations	366	393
Long-term obligations	1,019	1,754
Total liabilities	$ 8,591	$ 8,848

Trade receivables as of March 7, 2020 includes receivables previously classified as intercompany related to product sold by Dynamic Controls to other Invacare entities.

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Current Assets

Receivables

Receivables consist of the following (in thousands):

	June 30, 2020	December 31, 2019
Accounts receivable, gross	$ 113,649	$ 141,732
Customer rebate reserve	(10,318)	(13,922)
Cash discount reserves	(4,784)	(5,326)
Allowance for doubtful accounts	(4,071)	(4,804)
Other, principally returns and allowances reserves	(622)	(1,011)
Accounts receivable, net	$ 93,854	$ 116,669

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. The decrease in customer rebates reserve from December 31, 2019 to June 30, 2020 was primarily the result of rebate payments, the majority of which are paid in the first quarter of each year.

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 located throughout the United States, Australia, Canada, New Zealand, China 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 adopted ASU 2016-13, "Measurement of Credit Losses on Financial Statements" on January 1, 2020. Accordingly, the company is now applying an "expected loss" model that will generally require earlier recognition of allowances for losses for trade receivables. In addition, the company expects more variability in its allowance for doubtful accounts as it previously provided for bad debts based on a specific reserve methodology while the new expected loss methodology requires companies to provide for estimated losses beginning at the time of sale. The adoption of the new standard resulted in an increases in credit losses of $243,000 as disclosed in the Condensed Consolidated Statement of Shareholders' Equity.

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 based on specific analysis of each customer. In Canada, good-standing receivables and installment receivables are deemed low risk and assigned a loss percentage of 0.2%.

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 0.3%. About half of the locations have a portion of their receivables assigned as medium risk with an average expected loss percentage of 0.9%. Only a few locations have any receivables characterized as high risk and the average credit loss percentage for those locations is 2.7%. 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 0.3%. 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):

	Six Months Ended June 30, 2020
Balance as of beginning of period	$ 4,804
Current period provision	116
Direct write-offs charged against the allowance	(849)
Balance as of end of period	$ 4,071

The current period provision includes the immaterial impact of the adoption of ASU 2016-03. 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 2020.

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. See 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.

Upon adoption of ASU 2016-03, the company recorded a new contingent liability in the amount of $306,000 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. In addition, the company, prior to 2020, provided financing directly for its Canadian customers for which DLL is not an option, as DLL typically provides financing to Canadian customers only on a limited basis. The installment receivables recorded on the books of the company represent a single portfolio segment of finance receivables to the independent provider channel and long-term care customers. The portfolio segment is comprised of two classes of receivables distinguished by geography and credit quality. The U.S. installment receivables are the first class and represent installment receivables re-purchased from DLL because the customers were in default. Default with DLL is defined as a customer being delinquent by three payments. The Canadian installment receivables represent the second class of installment receivables which were originally financed by the company because third party financing was not available to the HME providers. The Canadian installment receivables were typically financed for twelve months and historically have had a very low risk of default.

The estimated allowance for uncollectible amounts and evaluation for impairment 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 for impairment. 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.

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Installment receivables consist of the following (in thousands):

	June 30, 2020			December 31, 2019		
	Current	Long-Term	Total	Current	Long-Term	Total
Installment receivables	$ 741	$ 338	$ 1,079	$ 1,192	$ 1,257	$ 2,449
Less: Unearned interest	(10)	—	(10)	(22)	—	(22)
	731	338	1,069	1,170	1,257	2,427
Allowance for doubtful accounts	(328)	(287)	(615)	(434)	(1,080)	(1,514)
Installment receivables, net	$ 403	$ 51	$ 454	$ 736	$ 177	$ 913

Installment receivables purchased from DLL during the six months ended June 30, 2020 increased the gross installment receivables balance by $286,000, which will be part of the company's 2020 class of installment receivables. No sales of installment receivables were made by the company during the quarter. There was no impact on the allowance for doubtful accounts for installment receivables as a result of the adoption of ASU 2016-03 as the installment receivables in the U.S. are specifically reserved for by account and no adjustment was needed to the allowance for doubtful accounts for Canada installment receivables.

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

	Six Months Ended June 30, 2020	Year Ended December 31, 2019
Balance as of beginning of period	$ 1,514	$ 1,542
Current period provision	103	479
Direct write-offs charged against the allowance	(1,002)	(507)
Balance as of end of period	$ 615	$ 1,514

Installment receivables by class as of June 30, 2020 consist of the following (in thousands):

	Total Installment Receivables	Unpaid Principal Balance	Related Allowance for Doubtful Accounts	Interest Income Recognized
U.S.				
Impaired installment receivables with a related allowance recorded	$ 741	$ 741	$ 613	$ —
Canada				
Non-Impaired installment receivables with no related allowance recorded	336	326	—	20
Impaired installment receivables with a related allowance recorded	2	2	2	—
Total Canadian installment receivables	338	328	2	20
Total				
Non-Impaired installment receivables with no related allowance recorded	336	326	—	20
Impaired installment receivables with a related allowance recorded	743	743	615	—
Total installment receivables	$ 1,079	$ 1,069	$ 615	$ 20

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Installment receivables by class as of December 31, 2019 consist of the following (in thousands):

	Total Installment Receivables	Unpaid Principal Balance	Related Allowance for Doubtful Accounts	Interest Income Recognized
U.S.				
Impaired installment receivables with a related allowance recorded	$ 1,762	$ 1,762	$ 1,497	$ —
Canada				
Non-Impaired installment receivables with no related allowance recorded	670	648	—	92
Impaired installment receivables with a related allowance recorded	17	17	17	—
Total Canadian installment receivables	687	665	17	92
Total				
Non-Impaired installment receivables with no related allowance recorded	670	648	—	92
Impaired installment receivables with a related allowance recorded	1,779	1,779	1,514	—
Total installment receivables	$ 2,449	$ 2,427	$ 1,514	$ 92

Installment receivables with a related allowance recorded as noted in the table above represent those installment receivables on a non-accrual basis in accordance with ASU 2010-20. As of June 30, 2020, the company had no U.S. installment receivables past due of 90 days or more for which the company is still accruing interest. Individually, all U.S. installment receivables are assigned a specific allowance for doubtful accounts based on management's review when the company does not expect to receive both the contractual principal and interest payments as specified in the loan agreement. In Canada, the company had an immaterial amount of Canadian installment receivables which were past due of 90 days or more as of December 31, 2019 for which the company was still accruing interest.

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

	June 30, 2020			December 31, 2019		
	Total	U.S.	Canada	Total	U.S.	Canada
Current	$ 330	$ —	$ 330	$ 659	$ —	$ 659
0-30 Days Past Due	3	—	3	2	—	2
31-60 Days Past Due	3	—	3	4	—	4
61-90 Days Past Due	—	—	—	—	—	—
90+ Days Past Due	743	741	2	1,784	1,762	22
	$ 1,079	$ 741	$ 338	$ 2,449	$ 1,762	$ 687

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Inventories, Net

Inventories consist of the following (in thousands):

	June 30, 2020	December 31, 2019
Finished goods	$ 64,336	$ 54,064
Raw materials	69,061	54,638
Work in process	14,889	11,798
Inventories, net	$ 148,286	$ 120,500

As a result of COVID-19 which significantly reduced net sales in the second quarter of 2020, and given the company's long lead-time supply chain, inventory levels increased significantly. The company believes such inventory levels will be reduced over the next few quarters with sequential sales growth for the company.

Other Current Assets

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

	June 30, 2020	December 31, 2019
Tax receivables principally value added taxes	$ 19,318	$ 16,049
Receivable due from information technology provider	9,687	6,262
Prepaid inventory	2,369	684
Derivatives (foreign currency forward exchange contracts)	2,178	838
Prepaid insurance	1,264	2,918
Service contracts	595	2,013
Prepaid social charges	562	1,216
Recoverable income taxes	228	297
Deferred financing fees	209	207
Prepaid and other current assets	8,965	7,425
Other Current Assets	$ 45,375	$ 37,909

In the fourth quarter of 2019, the company entered into an agreement to outsource substantially all of the company's information technology ("IT") business service activities, including, among other things, support, rationalization and upgrading of the company's legacy information technology systems and implementation of a global enterprise resource planning system. The agreement provides for reimbursement by the IT provider of IT expenses incurred by the company which are shown as Receivable due from IT provider above. The amount of pass through charges will diminish as IT expenses are recorded directly by the IT provider. In addition, a corresponding current payable is due to the IT provider. See "Accrued Expenses" in the notes to the Condensed Consolidated Financial Statements included elsewhere in this report.

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Long-Term Assets

Other Long-Term Assets

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

	June 30, 2020	December 31, 2019
Cash surrender value of life insurance policies	$ 2,172	$ 2,124
Deferred income taxes	927	928
Deferred financing fees	512	602
Investments	85	85
Installment receivables	51	177
Other	135	300
Other Long-Term Assets	$ 3,882	$ 4,216

Property and Equipment

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

	June 30, 2020	December 31, 2019
Machinery and equipment	$ 283,916	$ 296,078
Land, buildings and improvements	26,276	33,054
Capitalized software	9,949	3,509
Furniture and fixtures	9,552	9,898
Leasehold improvements	7,436	9,023
Property and Equipment, gross	337,129	351,562
Accumulated depreciation	(289,572)	(304,955)
Property and Equipment, net	$ 47,557	$ 46,607

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. As a result of the initiation of the ERP project, the company capitalized certain costs in accordance with ASC 350 as shown in capitalized software above.

In the third quarter of 2018, the company agreed to sell its Isny, Germany location with a net book value at the signing of the agreement of approximately $2,900,000, which is included in Land, buildings and improvements in the table above as of December 31, 2019. In accordance with the agreement, control transferred to the buyer in April 2020. The company recorded a gain on the transaction of $971,000.

Goodwill

The change in goodwill from December 31, 2019 to June 30, 2020 was due to foreign currency translation.

In accordance with *Intangibles—Goodwill and Other*, ASC 350, goodwill is tested annually for impairment. The company first estimates the fair value of each reporting unit and compares the calculated fair value to the carrying value of each reporting unit. A reporting unit is defined as an operating segment or one level below. The company has determined that its reporting units are North America / HME, Europe, Institutional Products Group and Asia Pacific.

In consideration of the negative impact of COVID-19 on the global economy, the company performed an interim test of goodwill for impairment in the first quarter of 2020 and no impairment was recorded. For the second quarter of 2020, the company concluded that the facts and circumstances driving the conclusions from the first quarter review had not changed materially. While there was no indication of impairment in the second quarter of 2020 related to goodwill for the Europe or Institutional Products Group reporting units, a future potential impairment is possible for these reporting units should actual results differ materially from the company's current forecasted results or market inputs used to determine the discount rate change significantly. Please refer to Goodwill in the company's Annual Report on Form 10-K for the period ending December 31, 2019 for further disclosure regarding the company's impairment analysis review methodology.

Intangibles

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

	June 30, 2020		December 31, 2019	
	Historical Cost	Accumulated Amortization	Historical Cost	Accumulated Amortization
Customer lists	$ 50,985	$ 50,985	$ 51,108	$ 51,108
Trademarks	23,383	—	23,479	—
Developed technology	7,488	6,730	7,483	6,642
Patents	5,496	5,496	5,521	5,521
License agreements	2,850	824	2,884	770
Other	1,162	1,151	1,163	1,150
Intangibles	$ 91,364	$ 65,186	$ 91,638	$ 65,191

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, 2019 to June 30, 2020 were the result of foreign currency translation and amortization.

The company evaluates the carrying value of definite-lived assets annually in the fourth quarter and whenever events or circumstances indicate possible impairment. In consideration of the negative impact of COVID-19 on the global economy, the company performed a review of intangibles for impairment in the first quarter of 2020 and concluded there was no impairment to be recorded. For the second quarter of 2020, the company concluded that the facts and circumstances driving the conclusions from the first quarter review had not changed materially. 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 amounts for indefinite-lived assets are 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 intangibles was $177,000 in the first six months of 2020 and is estimated to be $372,000 in 2020, $390,000 in 2021, $390,000 in 2022, $389,000 in 2023, $355,000 in 2024 and $213,000 in 2025. Amortized intangibles are being amortized on a straight-line basis over remaining lives of 1 to 10 years with most of the intangibles being amortized over an average remaining life of approximately 8 years.

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Current Liabilities

Accrued Expenses

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

	June 30, 2020	December 31, 2019
Salaries and wages	$ 31,445	$ 29,725
Taxes other than income taxes, primarily Value Added Taxes	25,220	22,194
Warranty	10,634	11,626
Professional	8,095	6,869
Severance	6,014	7,023
IT service contracts	3,704	6,125
Freight	3,348	3,744
Deferred revenue	2,794	3,173
Rebates	2,767	10,743
Product liability, current portion	2,589	2,736
Interest	2,183	3,608
Derivative liabilities (foreign currency forward exchange contracts)	1,036	905
Insurance	740	699
Rent	405	415
Supplemental Executive Retirement Program liability	391	391
Advance payment on sale of land & buildings	—	3,471
IT licenses	—	2,114
Other items, principally trade accruals	7,993	5,386
Accrued Expenses	$ 109,358	$ 120,947

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 appropriate 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, 2019 to June 30, 2020 primarily relates to payments principally made in the first quarter each year.

In the fourth quarter of 2019, the company entered into an agreement with an IT provider to outsource substantially all of the company’s information technology business service activities, including, among other things, support, rationalization and upgrading of the company’s legacy information technology systems and implementation of a global enterprise resource planning (“ERP”) system. Accrued expenses related to IT outsourcing are reflected in IT service contracts. Separately, the company entered into licenses for a new ERP system which are shown as IT licenses.

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

Balance as of January 1, 2020	$ 11,626
Warranties provided during the period	3,266
Settlements made during the period	(4,493)
Changes in liability for pre-existing warranties during the period, including expirations	235
Balance as of June 30, 2020	$ 10,634

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

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Long-Term Debt

Debt consists of the following (in thousands):

	June 30, 2020	December 31, 2019
Convertible senior notes at 5.00%, due in February 2021	$ 24,644	$ 56,628
Convertible senior notes at 4.50%, due in June 2022	71,454	101,815
Convertible senior notes at 5.00%, due in November 2024	61,908	60,817
Series II Convertible senior notes at 5.00%, due November 2024	62,175	—
Other obligations	36,945	262
	257,126	219,522
Less current maturities of long-term debt	(52,968)	(58)
Long-Term Debt	$ 204,158	$ 219,464

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 June 30, 2020, debt fees yet to be amortized through January 2024 totaled $721,000.

The company had outstanding letters of credit and other reserves of $7,938,000 and $8,827,000 as of June 30, 2020 and December 31, 2019, respectively. The company had outstanding borrowings of $20,800,000 under its U.S. and Canadian Credit Facility as of June 30, 2020. The company had outstanding borrowings of $2,219,200 (€2,000,000) under its French Credit Facility and $3,702,600 (£3,000,000) under its UK Credit Facility as of June 30, 2020, together referred to as the European Credit Facility. The company had no borrowings under the Credit Facilities as of December 31, 2019. The weighted average interest rate on all borrowings, excluding capital leases, was 4.64% for the six months ended June 30, 2020 and 4.78% for the year ended December 31, 2019.

U.S. and Canadian Borrowers Credit Facility

For the company's U.S. and Canadian 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 "U.S. and Canadian Credit Facility"). Up to $20,000,000 of the U.S. and Canadian Credit Facility will be available for issuance of letters of credit. The aggregate principal amount of the U.S. and Canadian 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 U.S. and Canadian Credit Facility is determined based on a borrowing base formula. The aggregate usage under the U.S. and Canadian 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) 85% of the net orderly liquidation value of U.S. eligible machinery and equipment and (ii) $0 as of June 30, 2020 (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 U.S. and Canadian Credit Facility, *less* (g) letters of credit issued and undrawn under the U.S. and Canadian Credit

Facility, *less* (h) a $5,000,000 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 June 30, 2020, the company was in compliance with all covenant requirements. As of June 30, 2020, the company had borrowings of $20,800,000 on gross borrowing availability of $20,919,000 under the U.S. and Canadian 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. Borrowings under the U.S. and Canadian Credit Facility are secured by substantially all of the company's U.S. and Canadian assets, other than real estate.

Interest will accrue on outstanding indebtedness under the Credit Agreement at the LIBOR 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 U.S. and Canadian 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 U.S. and Canadian Credit Facility of not less than the greater of (i) 11.25% of the maximum amount that may be drawn under the U.S. and Canadian Credit Facility for five (5) consecutive business days, or (ii) $6,000,000 on any business day. The company also is subject to dominion triggers under the U.S. and Canadian Credit Facility requiring the company to maintain borrowing capacity of not less than $7,500,000 on any business day 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. There was $20,800,000 outstanding under the U.S. and Canadian Credit Facility at June 30, 2020.

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 U.S. and Canadian 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 June 30, 2020, the company had borrowings of $2,219,200 (€2,000,000) under its French Credit Facility and $3,702,600 (£3,000,000) under its UK Credit Facility as of June 30, 2020, together referred to as the European Credit Facility. As of June 30, 2020, the gross borrowing availability to the European Borrowers under the European Credit Facility was approximately $6,059,000, considering the $3,000,000 minimum availability reserve and the $3,750,000 dominion trigger amount described below.

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 LIBOR rate, plus a margin ranging from 2.50% to 3.00%, or for swing line loans, at the overnight LIBOR 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 U.S. and Canadian 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 U.S. and Canadian 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 the greater of (i) 11.25% of the maximum amount that may be drawn under the European Credit Facility for five (5) consecutive business days, or (ii) $3,000,000 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 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 U.S. and Canadian 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 June 30, 2020, the company had borrowings of $2,219,200 (€2,000,000) under its French Credit Facility and $3,702,600 (£3,000,000) under its UK Credit Facility as of June 30, 2020, together referred to as the European Credit Facility.

Convertible senior notes due 2021

In the first quarter of 2016, the company issued $150,000,000 aggregate principal amount of 5.00% Convertible Senior Notes due 2021 (the "2021 notes") in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2021 notes bear interest at a rate of 5.00% per year payable semi-annually in arrears on February 15 and August 15 of each year, beginning August 15, 2016. The 2021 notes will mature on February 15, 2021, unless repurchased or converted in accordance with their terms prior to such date. Prior to August 15, 2020, the 2021 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 2021 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 2021 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 June 30, 2020, $25,716,000 aggregate principal amount of the 2021 Notes remained outstanding, following the repurchase of $16,000,000 aggregate principal amount of 2021 Notes for cash in the third quarter of 2019, the exchange transactions completed in the fourth quarter of 2019 and the second quarter of 2020, as further discussed below.

Holders of the 2021 notes may convert their 2021 notes at their option at any time prior to the close of business on the business day immediately preceding August 15, 2020 only under the following circumstances: (1) during any fiscal quarter commencing after March 31, 2016 (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 2021 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 2021 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 2021 notes on each such trading day; or (3) upon the occurrence of specified corporate events described in the Indenture. On or after August 15, 2020 until the close of business on the second scheduled trading day immediately preceding the maturity of the 2021 Notes, holders may convert their 2021 Notes, at the option of the holder, regardless of the foregoing circumstances.

Holders of the 2021 notes will have the right to require the company to repurchase all or some of their 2021 notes at 100% of their principal, plus any accrued and unpaid interest, upon the occurrence of certain fundamental changes. The

initial conversion rate is 60.0492 common shares per $1,000 principal amount of 2021 notes (equivalent to an initial conversion price of approximately $16.65 per common share). Until the company received shareholder approval on May 16, 2019 authorizing it to elect to settle future conversions of the 2021 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 $34,480,000. The company recognized a gain of $4,504,000 and a loss of $2,210,000 for the three and six months ended June 30, 2019, respectively, related to the convertible debt conversion liability.

In connection with the offering of the 2021 notes, the company entered into privately negotiated convertible note hedge transactions with two financial institutions (the "option counterparties"). These transactions cover, subject to customary anti-dilution adjustments, the number of the company's common shares that will initially underlie the 2021 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 2021 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 will be adjusted to reflect fair value each quarter. The fair value of the convertible note hedge assets at issuance was $27,975,000. The company recognized a loss of $3,652,000 and a gain of $2,852,000 for the three and six months ended June 30, 2019, respectively, related to the convertible note hedge asset.

The company entered into separate, privately negotiated warrant transactions with the option counterparties 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 $22.4175 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 stock and should be classified in shareholder's equity. The amount paid for the warrants and capitalized in shareholder's equity was $12,376,000.

The net proceeds from the offering of the 2021 notes were approximately $144,034,000, after deducting fees and offering expenses of $5,966,000, which were paid in 2016. These debt issuance costs were capitalized and are being amortized as interest expense through February 2021. In accordance with ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, these debt issuance costs are presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability. Approximately $5,000,000 of the net proceeds from the offering were used to repurchase the company's common shares from purchasers of 2021 notes in the offering in privately negotiated transactions. 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 $15,600,000.

The liability components of the 2021 notes consist of the following (in thousands):

	June 30, 2020	December 31, 2019
Principal amount of liability component	$ 25,716	$ 61,091
Unamortized discount	(944)	(3,916)
Debt fees	(128)	(547)
Net carrying amount of liability component	$ 24,644	$ 56,628

The unamortized discount of $944,000 is to be amortized through February 2021. The effective interest rate on the liability component was 11.1%. Non-cash interest expense of $682,000 and $1,506,000 was recognized for the three and six months ended June 30, 2020, respectively, compared to $2,162,000 and $3,947,000 for the three and six months ended June 30, 2019, respectively. Actual interest expense accrued was $631,000 and $1,376,000 for the three and six months ended June 30, 2020, respectively, compared to $1,875,000 and $3,750,000 for the three and six months ended June 30, 2019, respectively, based on the stated coupon rate of 5.0%. The 2021 notes were not convertible as of June 30, 2020 nor was the applicable conversion threshold met.

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 June 30, 2020, $81,500,000 aggregate principal amount of the 2022 Notes remained outstanding, following the exchange transactions completed in the second quarter of 2020, 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 gain of $2,491,000 and loss of $6,193,000 for the three and six months ended June 30, 2019, respectively, 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 will be adjusted to reflect fair value each quarter. The fair value of the convertible note hedge assets at issuance was $24,780,000. The company recognized a loss of $1,873,000 and a gain of $6,748,000 for the three and six months ended June 30, 2019, respectively, related to the convertible note hedge asset.

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.

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. In accordance with ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, these 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.

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

	June 30, 2020	December 31, 2019
Principal amount of liability component	$ 81,500	$ 120,000
Unamortized discount	(8,883)	(16,027)
Debt fees	(1,163)	(2,158)
Net carrying amount of liability component	$ 71,454	$ 101,815

The unamortized discount of $8,883,000 is to be amortized through June 2022. The effective interest rate on the liability component was 10.9%. Non-cash interest expense of $1,323,000 and $2,783,000 was recognized for the three and six months ended June 30, 2020, respectively, compared to $1,404,000 and $2,718,000 for the three and six months ended June 30, 2019, respectively. Actual interest expense accrued of $1,220,000 and $2,570,000 for the three and six months ended June 30, 2020, respectively, compared to $1,350,000 and $2,700,000 for the three and six months ended June 30, 2019, respectively, based on the stated coupon rate of 4.5%. The 2022 notes were not convertible as of June 30, 2020 nor was the applicable conversion threshold met.

Convertible senior notes 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 "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 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 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 2024 Notes, the company may, at its election, redeem for cash all or part of the 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 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 2024 Notes, which means the company is not required to redeem or retire the 2024 Notes periodically.

Holders of the 2024 notes may convert their 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 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 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 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 2024 Notes for redemption pursuant to the terms of the Indenture. Holders of the 2024 notes will have the right to require the company to repurchase all or some of their 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 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 2024 Notes, holders may convert their 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 note exchanged. Debt issuance costs of $1,394,000 were capitalized and are being amortized as interest expense through November 15. In accordance with ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, these 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 2024 notes consist of the following (in thousands):

	June 30, 2020	December 31, 2019
Principal amount of liability component	$ 72,909	$ 72,909
Unamortized discount	(9,831)	(10,733)
Debt fees	(1,170)	(1,359)
Net carrying amount of liability component	$ 61,908	$ 60,817

The unamortized discount of $9,831,000 is to be amortized through November 15, 2024. The effective interest rate on the liability component was 8.77%. Non-cash interest expense of $454,000 and $902,000 was recognized for the three and six months ended June 30, 2020, respectively. Actual interest expense accrued $912,000 and $1,823,000 for the three and six months ended June 30, 2020, respectively, based on the stated coupon rate of 5.0%. The 2024 notes were not convertible as of June 30, 2020 nor was the applicable conversion threshold met.

Series II Convertible senior notes 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 Notes") of the company and $5,593,000 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 November 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 II 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 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 Notes, the company may, at its election, redeem for cash all or part of the Series II 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 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 Notes, which means the company is not required to redeem or retire the Series II Notes periodically.

Holders of the Series II notes may convert their Series II 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 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 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 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 Notes for redemption pursuant to the terms of the Indenture. Holders of the Series II notes will have the right to require the company to repurchase all or some of their Series II 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 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, holders may convert their Series II, at

the option of the holder, regardless of the foregoing circumstances.

The principal amount of the Series II 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 amount accreted as of June 30, 2020 was $254,000.

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 and 2022 note exchanged. Debt issuance costs of $1,518,000 were capitalized and are being amortized as interest expense through November 2024. In accordance with ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, these 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 Notes consist of the following (in thousands):

	June 30, 2020
Principal amount of liability component - including accretion	$ 74,129
Unamortized discount	(10,465)
Debt fees	(1,489)
Net carrying amount of liability component	$ 62,175

The unamortized discount of $10,465,000 is to be amortized through November 15, 2024. The effective interest rate on the liability component was 8.99%. Non-cash interest expense of $403,000 was recognized for the three and six months ended June 30, 2020, respectively. Actual interest expense accrued of $277,000 for the three and six months ended June 30, 2020, respectively, based on the stated coupon rate of 5.0%. The 2024 notes were not convertible as of June 30, 2020 nor was the applicable conversion threshold met.

CARES Act Loan

On May 15, 2020 the company entered into an unsecured loan agreement in the aggregate amount of $10,000,000 pursuant to sections 1102 and 1106 of the Coronavirus Aid, Relief and Economic Security, "CARES," Act which was evidenced by a promissory note, dated May 13, 2020, and bears interest at a fixed rate of 1.00%, payable in monthly payments commencing on December 13, 2020. Payments were subsequently deferred to commence on March 13, 2021. This loan may be forgivable, partially or in full, if certain conditions are met, principally based on having been disbursed for permissible purposes and based on average levels of employment over a designated period of time. The company has recorded $1,570,000 of the amount borrowed in current maturities of long term debt.

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Other Long-Term Obligations

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

	June 30, 2020	December 31, 2019
Deferred income taxes	$ 22,735	$ 23,376
Product liability	12,845	13,414
Pension	7,231	7,006
Deferred gain on sale leaseback	5,662	5,819
Supplemental Executive Retirement Plan liability	5,307	5,433
Deferred compensation	4,894	5,354
Uncertain tax obligation including interest	2,606	2,612
Other	5,644	3,935
Other Long-Term Obligations	$ 66,924	$ 66,949

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 $76,000 and $151,000 for the for the three and six months ended June 30, 2020, respectively, compared to $73,000 and $146,000 for the three and six months ended June 30, 2019, respectively.

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Leases and Commitments

The company reviews new contracts in accordance with ASU 2016-02, "Leases" 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 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 June 30, 2020, the company is committed under non-cancelable operating leases, which have initial or remaining terms in excess of one year and expire on various dates through 2035.

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 permitted to sublet the properties; however, the properties are currently being utilized exclusively by the company and there is no current subletting. 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 capital 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 condensed consolidated balance sheet. The gains realized were $76,000 and $151,000 for the three and six months ended June 30, 2020, respectively, compared to $73,000 and $146,000 for the three and six months ended June 30, 2019, respectively.

In December 2018, the company entered into a 20-year lease agreement in Germany. The lease commenced in July 2020.

Lease expense for the three and six months ended June 30, 2020 and June 30, 2019, respectively, were as follows (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Operating leases	$ 2,041	$ 3,070	$ 4,284	$ 5,479
Variable and short-term leases	938	466	1,859	1,080
Total operating leases	$ 2,979	$ 3,536	$ 6,143	$ 6,559
Finance lease interest cost	$ 326	$ 320	$ 654	$ 631
Finance lease depreciation	663	642	1,366	1,251
Total finance leases	$ 989	$ 962	$ 2,020	$ 1,882

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Future minimum operating and finance lease commitments, as of June 30, 2020, are as follows (in thousands):

	Finance Leases	Operating Leases
2020	$ 1,798	$ 4,264
2021	3,504	7,092
2022	2,594	4,478
2023	2,539	1,795
2024	2,503	1,349
Thereafter	25,440	3,040
Total future minimum lease payments	38,378	22,018
Amounts representing interest	(10,661)	(6,131)
Present value of minimum lease payments	27,717	15,887
Less: current maturities of lease obligations	(2,341)	(6,307)
Long-term lease obligations	$ 25,376	$ 9,580

Supplemental cash flow amounts for the six months ended June 30, 2020 were as follows (in thousands):

Cash Activity: Cash paid in measurement of amounts for lease liabilities	June 30, 2020
Operating Leases	$ 6,410
Financing Leases	1,881
Total	$ 8,291

Non-Cash Activity: Right-of-use assets obtained in exchange for lease obligations	June 30, 2020
Operating Leases	$ 1,489
Financing Leases	1,104
Total	$ 2,593

Weighted-average remaining lease terms and discount rates for finance and operating leases are as follows as of June 30, 2020:

	June 30, 2020
Weighted-average remaining lease term - finance leases	14.0 years
Weighted-average remaining lease term - operating leases	4.4 years
Weighted-average discount rate - finance leases	3.82%
Weighted-average discount rate - operating leases	7.87%

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Revenue

The company has two revenue streams: products and services. Services include repair, refurbishment, preventive maintenance and rental of product. Services for the North America segment include maintenance and repair of product. 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 product. The following tables disaggregate the company's revenues by major source and by reportable segment for the three and six months ended June 30, 2020 and June 30, 2019 (in thousands):

	Three Months Ended June 30, 2020		
	Product	Service	Total
Europe	$ 99,215	$ 2,679	$ 101,894
North America	86,414	155	86,569
Other (Asia/Pacific)	6,815	1,022	7,837
Total	$ 192,444	$ 3,856	$ 196,300
% Split	98%	2%	100%

	Six Months Ended June 30, 2020		
	Product	Service	Total
Europe	$ 216,900	$ 5,962	$ 222,862
North America	173,178	362	173,540
Other (Asia/Pacific)	16,137	2,201	18,338
Total	$ 406,215	$ 8,525	$ 414,740
% Split	98%	2%	100%

	Three Months Ended June 30, 2019		
	Product	Service	Total
Europe	$ 130,483	$ 3,508	$ 133,991
North America	89,069	484	89,553
Other (Asia/Pacific)	11,091	1,223	12,314
Total	$ 230,643	$ 5,215	$ 235,858
% Split	98%	2%	100%

	Six Months Ended June 30, 2019		
	Product	Service	Total
Europe	$ 252,168	$ 6,667	$ 258,835
North America	174,946	851	175,797
Other (Asia/Pacific)	22,195	2,450	24,645
Total	$ 449,309	$ 9,968	$ 459,277
% 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 product. While the company has a significant amount of contract types, the sales split by contract type is estimated as follows: general terms and conditions (31%), large national customers (26%), governments, principally pursuant to tender contracts (20%) and other customers including buying groups and independent customers (23%).

All product 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. Revenue is measured as the amount of consideration expected to be received in exchange for transferring product or providing 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. 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 product 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 (see "Receivables" and "Accrued Expenses" in the Notes to the Condensed 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 June 30, 2020 and December 31, 2019, the company had deferred revenue of $2,794,000 and $3,173,000, respectively, related to outstanding performance obligations.

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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, carry a 10% lower cash dividend rate 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. The Board of Directors suspended further dividends Common Shares and the Class B Common Shares.

As of June 30, 2020, 6,357 Class B Common Shares remained outstanding. Prior conversions of Class B Common Shares have substantially diminished the significance of the company's dual class voting structure. As of June 30, 2020, 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 share options or share 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 share 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 June 30, 2020, 3,513,468 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 share options, nonqualified share options, SARs, restricted shares, restricted share units, unrestricted shares 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 Common Shares authorized for issuance under the 2018 Plan includes an additional 1,400,000 Common Shares that were approved by shareholders at the company's 2020 annual meeting on May 21, 2020.

During the quarter the company transferred 1,004,079 shares into the 2018 Plan from the 2003 and 2013 Plans in total. At June 30, 2020, an aggregate of 0 Common Shares underlie awards which forfeited or expired unexercised under the 2003 and 2013 Plans and thus are available to be transferred under the 2018 Plan.

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 equity 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 segments were as follows (in thousands):

	For the Six Months Ended June 30,	
	2020	2019
Restricted share / units	$ 3,650	$ 3,093
Performance shares / units	1,676	999
Non-qualified and performance share options	—	211
Total share-based compensation expense	$ 5,326	$ 4,303

As of June 30, 2020, 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 options and shares, was as follows (in thousands):

	June 30, 2020
Restricted share and restricted share units	$ 9,262
Performance shares and performance share units	11,961
Total unrecognized share-based compensation expense	$ 21,223

Total unrecognized compensation cost will be adjusted for future changes in actual and estimated forfeitures and for updated vesting assumptions for the performance share awards (see "Share Options" and "Performance Shares and Performance Share Units" below). No tax benefits for share-based compensation were realized during the three and six months ended June 30, 2020 and 2019, respectively, due to a valuation allowance against deferred tax assets. In accordance with ASC 718, any tax benefits resulting from tax deductions in excess of the compensation expense recognized is classified as a component of financing cash flows.

Share Options

Generally, non-qualified share option awards have a term of ten years and were granted with an exercise price per share equal to the fair market value of one of the company's Common Shares on the date of grant. Share option awards granted in 2017 were performance-based awards and became exercisable based upon achievement of performance goals established by the Compensation Committee and achieved over the three-year period ended in 2019 and were subject to the Compensation Committee's exercise of negative discretion to reduce the number of options vested based on the progress towards the company's transformation. The company recognized the compensation expense over a weighted-average period of approximately two years.

The following table summarizes information about share option activity for the six months ended June 30, 2020:

	June 30, 2020	Weighted Average Exercise Price
Options outstanding at January 1, 2020	1,441,202	$ 18.26
Canceled	(23,032)	19.95
Options outstanding at June 30, 2020	1,418,170	$ 18.23
Options exercise price range at June 30, 2020	$ 12.15 to	$ 33.36
Options exercisable at June 30, 2020	1,415,170	
Shares available for grant at June 30, 2020*	3,513,468	

* Shares available for grant under the 2018 Plan as of June 30, 2020 reduced by net restricted share and restricted share unit award activity of 696,358 shares and performance share and performance share unit award activity of 1,859,054 shares.

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The following table summarizes information about stock options outstanding at June 30, 2020:

	Options Outstanding			Options Exercisable	
Exercise Prices	Number Outstanding at June 30, 2020	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at June 30, 2020	Weighted Average Exercise Price
$12.15 – $20.00	780,284	5.3	$ 12.74	777,059	$ 12.73
$20.01 – $25.00	302,699	1.1	24.45	302,924	24.45
$25.01 – $30.00	330,691	0.1	25.28	330,691	25.28
$30.01 – $33.36	4,496	0.9	33.36	4,496	33.36
Total	1,418,170	3.2	$ 18.23	1,415,170	$ 18.24

The 2018 Plan provides for a one-year minimum vesting period for share options and, generally, options must be exercised within ten years from the date granted. No share options were issued in 2020 or 2019. The performance-based options issued in 2017 vested after the conclusion of the three-year performance period ending December 31, 2019.

Restricted Share and Restricted Share Units

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

	June 30, 2020	Weighted Average Fair Value
Shares / Units unvested at January 1, 2020	965,085	$ 11.32
Granted	764,012	7.11
Vested	(448,772)	11.45
Canceled	(94,843)	10.18
Shares / Units unvested at June 30, 2020	1,185,482	$ 8.65

The 2018 Plan provides for a one-year minimum vesting period for restricted share awards, the outstanding restricted share awards generally vest ratably over the three years after the award date. Unearned restricted share 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.

Performance Shares and Performance Share Units

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

	June 30, 2020	Weighted Average Fair Value
Shares / Units unvested at January 1, 2020	753,272	$ 11.82
Granted	523,329	7.08
Canceled	(65,976)	9.48
Shares / Units unvested at June 30, 2020	1,210,625	$ 9.90

During the six months ended June 30, 2020, performance shares and performance share units (for non-U.S. recipients) were granted as performance awards with 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 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 share 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 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 make up for expense not recorded in a prior period. Performance award compensation expense is generally expected to be recognized over three years. Expense is being recognized for the 2018, 2019 and 2020 awards as it

is considered probable that the performance goals for those awards will be met.

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Accumulated Other Comprehensive Income (Loss) by Component

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

	Foreign Currency	Long-Term Notes	Defined Benefit Plans	Derivatives	Total
March 31, 2020	$ 10,562	$ (8,349)	$ (3,468)	$ (122)	$ (1,377)
OCI before reclassifications	5,893	(784)	439	1,422	6,970
Amount reclassified from accumulated OCI	—	—	(439)	(506)	(945)
Net current-period OCI	5,893	(784)	—	916	6,025
June 30, 2020	$ 16,455	$ (9,133)	$ (3,468)	$ 794	$ 4,648

	Foreign Currency	Long-Term Notes	Defined Benefit Plans	Derivatives	Total
December 31, 2019	$ 8,898	$ (2,491)	$ (3,299)	$ 20	$ 3,128
OCI before reclassifications	7,557	(6,642)	(159)	1,161	1,917
Amount reclassified from accumulated OCI	—	—	(10)	(387)	(397)
Net current-period OCI	7,557	(6,642)	(169)	774	1,520
June 30, 2020	$ 16,455	$ (9,133)	$ (3,468)	$ 794	$ 4,648

	Foreign Currency	Long-Term Notes	Defined Benefit Plans	Derivatives	Total
March 31, 2019	$ 19,691	$ 317	$ (2,677)	$ 102	$ 17,433
OCI before reclassifications	(6,569)	(2,517)	(277)	1,881	(7,482)
Amount reclassified from accumulated OCI	—	—	176	(356)	(180)
Net current-period OCI	(6,569)	(2,517)	(101)	1,525	(7,662)
June 30, 2019	$ 13,122	$ (2,200)	$ (2,778)	$ 1,627	$ 9,771

	Foreign Currency	Long-Term Notes	Defined Benefit Plans	Derivatives	Total
December 31, 2018	$ 12,244	$ 2,662	$ (2,703)	$ 590	$ 12,793
OCI before reclassifications	878	(4,862)	(418)	1,622	(2,780)
Amount reclassified from accumulated OCI	—	—	343	(585)	(242)
Net current-period OCI	878	(4,862)	(75)	1,037	(3,022)
June 30, 2019	$ 13,122	$ (2,200)	$ (2,778)	$ 1,627	$ 9,771

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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 June 30,		For the Six Months Ended June 30,		
	2020	2019	2020	2019	
Defined Benefit Plans					
Service and interest costs	$ (439)	$ 176	$ (10)	$ 343	Selling, general and administrative expenses
Tax	—	—	—	—	Income tax provision
Total after tax	$ (439)	$ 176	$ (10)	$ 343	
Derivatives					
Foreign currency forward contracts hedging sales	$ (326)	$ 164	$ (211)	$ 8	Net sales
Foreign currency forward contracts hedging purchases	(265)	(544)	(230)	(628)	Cost of products sold
Total loss (income) before tax	(591)	(380)	(441)	(620)	
Tax	85	24	54	35	Income tax provision
Total after tax	$ (506)	$ (356)	$ (387)	$ (585)	

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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 affect 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 North America and Asia Pacific. In addition, as a result of the company's transformation strategy, additional restructuring actions were implemented in 2017 and have continued into 2020.

For the six months ended June 30, 2020, charges totaled $3,077,000 which were related to North America of $719,000, Europe of $2,240,000 and All Other of $118,000. In North America and All Other, costs were incurred related to severance. The European charges were for severance costs of $1,894,000 and contract terminations of $346,000. Payments for the six months ended June 30, 2020 were $4,086,000 and the cash payments were funded with the company's cash on hand. The 2020 charges are expected to be paid out within twelve months.

For the six months ended June 30, 2019, charges totaled $2,013,000 which were related to North America of $1,208,000, Europe of $640,000 and All Other of $165,000. In North America, costs were incurred related to severance of $1,164,000 and contract terminations of $44,000. The European and All Other charges were for severance costs. Payments for the six months ended June 30, 2019 were $2,113,000 and the cash payments were funded with company's cash on hand. Most of the 2019 charges have been paid out.

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 not been materially impacted by the restructuring plans. Please refer to Charges Related to Restructuring Activities of company's Annual Report on Form 10-K for the period ending December 31, 2019 for disclosure of restructuring activity prior to 2020.

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A progression by reporting segment of the accruals recorded as a result of the restructuring for the six months ended June 30, 2020 is as follows (in thousands):

	Severance	Contract Terminations	Total
December 31, 2019 Balances			
North America	$ 211	$ —	$ 211
Europe	6,406	4	6,410
All Other	406	—	406
Total	7,023	4	7,027
Charges			
North America	691	—	691
Europe	592	73	665
All Other	36	—	36
Total	1,319	73	1,392
Payments			
North America	(562)	—	(562)
Europe	(959)	(73)	(1,032)
All Other	(276)	—	(276)
Total	(1,797)	(73)	(1,870)
March 31, 2020 Balances			
North America	340	—	340
Europe	6,039	4	6,043
All Other	166	—	166
Total	$ 6,545	$ 4	$ 6,549
Charges			
North America	$ 28	$ —	$ 28
Europe	1,302	273	1,575
All Other	82	—	82
Total	1,412	273	1,685
Payments			
North America	(265)	—	(265)
Europe	(1,596)	(273)	(1,869)
All Other	(82)	—	(82)
Total	(1,943)	(273)	(2,216)
June 30, 2020 Balances			
North America	103	—	103
Europe	5,745	4	5,749
All Other	166	—	166
Total	$ 6,014	$ 4	$ 6,018

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Income Taxes

The company had an effective tax rate of 4.7% and 21.9% on losses before tax for the three and six months ended June 30, 2020, respectively, compared to an expected benefit of 21.0% on the pre-tax loss for each period. The company had an effective tax rate of 19.5% and 17.8% on losses before tax for the three and six months ended and June 30, 2019, respectively, compared to an expected benefit for the three and six months ended June 30, 2019 of 21.0% on the pre-tax loss for each period. The company's effective tax rate for the three and six months ended June 30, 2020 and June 30, 2019 were unfavorable as compared to the U.S. federal statutory rate expected benefit, 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 and six months ended June 30, 2020 and June 30, 2019 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, except for the gain on the disposition of the Dynamic group which was not taxable locally. In addition, the company had accrued withholding taxes on earnings of its Chinese subsidiary based on the expectation of not permanently reinvesting those earnings. The sale of this entity, without such distribution resulted in the reversal of this accrual in the amount of $988,000 for the six months ended June 30, 2020.

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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 June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Basic				
Weighted average common shares outstanding	34,437	33,749	34,111	33,527
Net loss	$ (16,619)	$ (12,717)	$ (15,887)	$ (26,603)
Net loss per common share	$ (0.48)	$ (0.38)	$ (0.47)	$ (0.79)
Diluted				
Weighted average common shares outstanding	34,437	33,749	34,111	33,527
Share options and awards	42	15	87	12
Weighted average common shares assuming dilution	34,479	33,764	34,198	33,539
Net loss	$ (16,619)	$ (12,717)	$ (15,887)	$ (26,603)
Net loss per common share *	$ (0.48)	$ (0.38)	$ (0.47)	$ (0.79)

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

At June 30, 2020, 325,299 shares associated with shares options were excluded from the average common shares assuming dilution for the three months ended June 30, 2020 as they were anti-dilutive. At June 30, 2020, the majority of the anti-dilutive shares were granted at an exercise price of $25.24, which was higher than the average fair market value price of $6.69 and $7.22 for the three and six months ended June 30, 2020.

At June 30, 2019, 326,799 shares associated with share options were excluded from the average common shares assuming dilution for the three months ended June 30, 2019 as they were anti-dilutive. At June 30, 2019, the majority of the anti-dilutive shares were granted at an exercise price of $25.24, which was higher than the average fair market value price of $6.52 and $6.85 for the three and six months ended June 30, 2019.

For both the three and six months ended June 30, 2020 and June 30, 2019, 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.

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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 $2,557,000 at June 30, 2020 to DLL for events of default under the contracts, which total $8,566,000 at June 30, 2020. Guarantees, ASC 460, requires the company to record a guarantee liability as it relates to the limited recourse obligation. The company's recourse is re-evaluated 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. A significant portion of products sold to dealers, both foreign and domestic, is ultimately funded through government reimbursement programs such as Medicare and Medicaid. The company has also seen 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.

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Derivatives

ASC 815 requires companies to recognize all derivative instruments 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 measured at fair value. A majority 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 condensed 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 $97,763,000 and $71,239,000 matured for the six months ended June 30, 2020 and June 30, 2019, respectively.

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

	June 30, 2020		December 31, 2019	
	Notional Amount	Unrealized Net Gain (Loss)	Notional Amount	Unrealized Net Gain (Loss)
USD / AUD	$ 1,920	$ (9)	$ 3,840	$ (106)
USD / CAD	1,623	(12)	3,888	32
USD / CNY	892	—	—	—
USD / EUR	61,494	528	110,905	122
USD / GBP	2,074	108	3,972	(8)
USD / NZD	780	(15)	2,760	(166)
USD / SEK	2,406	(29)	5,062	(38)
USD / MXP	5,573	(427)	6,763	346
EUR / CAD	—	—	4,151	24
EUR / CHF	4,818	(130)	9,821	10
EUR / GBP	15,942	621	29,824	(216)
EUR / SEK	4,262	(68)	9,493	(46)
EUR / NOK	2,897	134	5,797	15
DKK / SEK	2,732	41	5,936	24
NOK / SEK	2,681	157	5,151	18
	$ 110,094	$ 899	$ 207,363	$ 11

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 2020 or 2019 related to these contracts and the associated short-term intercompany trading receivables and payables.

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Foreign currency forward exchange contracts not qualifying or designated for hedge accounting treatment, as well as ineffective hedges, entered into in 2020 and 2019, respectively, and outstanding were as follows (in thousands USD):

	June 30, 2020		December 31, 2019	
	Notional Amount	Gain (Loss)	Notional Amount	Gain (Loss)
AUD / USD	$ 4,500	$ (177)	$ 10,000	$ (94)
CAD / USD	11,000	169	8,000	(50)
EUR / USD	—	—	10,000	104
DKK / USD	94,900	321	—	—
GBP / USD	—	—	7,000	40
NZD / USD	580	(3)	4,500	(101)
EUR / CAD	1,944	(54)	—	—
EUR / GBP	3,500	(47)	—	—
AUD / NZD	7,000	(16)	7,900	23
EUR / SEK	43,000	50	—	—
	$ 166,424	$ 243	$ 47,400	$ (78)

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

	June 30, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Derivatives designated as hedging instruments under ASC 815				
Foreign currency forward exchange contracts	$ 1,599	$ 700	$ 668	$ 657
Derivatives not designated as hedging instruments under ASC 815				
Foreign currency forward exchange contracts	579	336	170	248
Total derivatives	$ 2,178	$ 1,036	$ 838	$ 905

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.

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

Derivatives 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)
Three months ended June 30, 2020			
Foreign currency forward exchange contracts	$ 1,422	$ 506	$ (120)
Six months ended June 30, 2020			
Foreign currency forward exchange contracts	$ 1,161	$ 387	$ (56)
Three months ended June 30, 2019			
Foreign currency forward exchange contracts	$ 1,881	$ 356	$ 44
Six months ended June 30, 2019			
Foreign currency forward exchange contracts	$ 1,622	$ 585	$ 52

Derivatives not designated as hedging instruments under ASC 815	Amount of Gain (Loss) Recognized in Income on Derivatives
Three months ended June 30, 2020	
Foreign currency forward exchange contracts	$ 967
Six months ended June 30, 2020	
Foreign currency forward exchange contracts	$ 243
Three months ended June 30, 2019	
Foreign currency forward exchange contracts	$ (202)
Six months ended June 30, 2019	
Foreign currency forward exchange contracts	$ (214)

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 product sold for hedges of inventory purchases. For the three and six months ended June 30, 2020, net sales were increased by $326,000 and $211,000 while cost of product sold was decreased by $265,000 and $230,000 for net pre-tax realized gain of $591,000 and $441,000, respectively. For the three and six months ended June 30, 2019, net sales were decreased by $164,000 and $8,000 while cost of product sold was decreased by $544,000 and $628,000 for net realized pre-tax gains of $380,000 and $620,000, respectively.

Gains of $967,000 and $243,000 were recognized in selling, general and administrative (SG&A) expenses for the three and six months ended June 30, 2020 compared to losses of $213,000 and $201,000 for the three and six months ended June 30, 2019 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. The company does not present any derivatives on a net basis in its financial statements, other than the conversion and bond hedge derivatives which are presented net on the condensed consolidated statement of comprehensive income (loss), and all derivative balances presented are subject to provisions that are similar to master netting agreements.

During the first quarter of 2016, the company entered into privately negotiated convertible 2021 note hedges and 2021 warrants in connection with its sale of $150,000,000 in aggregate principal amount of the company's 5.00% Convertible Senior Notes due 2021. The 2021 warrants, which increased paid in capital by $12,376,000, are clearly and closely related to the convertible 2021 notes and thus classified as equity. The 2021 note hedge asset and 2021 convertible debt conversion liability were recorded, based on initial fair values, as an asset of $27,975,000 and a liability of $34,480,000, respectively, with the offset to the income statement.

During the second quarter of 2017, the company entered into privately negotiated convertible 2022 note hedges and warrants in connection with its sale of $120,000,000 in aggregate principal amount of the company's 4.50% Convertible Senior Notes due 2022. The 2022 warrants, which increased paid in capital by $14,100,000, are clearly and closely related to the convertible 2022 notes and thus classified as equity. The 2022 note hedge assets and 2022 convertible debt conversion liability were recorded, based on initial fair values, as an asset of $24,780,000 and a liability of $28,859,000, respectively, with the offset to the income statement. See "Long-Term Debt" in the Notes to the Condensed Consolidated Financial Statements included elsewhere in this report for more detail.

The fair values of the outstanding convertible note derivatives as of June 30, 2020 and their effect on the Statement of Comprehensive Income (Loss) were as follows (in thousands):

		Gain (Loss)		Gain (Loss)	
	Fair Value	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Convertible 2021 debt conversion long-term liability	$ —	$ —	$ 4,504	$ —	$ (2,210)
Convertible 2022 debt conversion long-term liability	—	—	2,491	—	(6,193)
Convertible 2021 note hedge long-term asset	—	—	(3,652)	—	2,852
Convertible 2022 note hedge long-term asset	—	—	(1,873)	—	6,748
Net fair value and net gain on convertible debt derivatives	$ —	$ —	$ 1,470	$ —	$ 1,197

The 2021 and 2022 convertible debt conversion liability amounts and the 2021 and 2022 note hedge asset amounts are included in Other Long-Term Obligations and Other Long-Term Assets, respectively, in the company's condensed consolidated balance sheets. The 2019 year-to-date changes in the fair values of the convertible debt conversion liabilities and note hedge derivatives were significantly impacted by the change in the company's share price.

On May 16, 2019, the company received shareholder approval authorizing it to elect to settle future conversions of convertible notes in common shares. As a result of the shareholder approval, the note hedge assets and conversion liabilities may no longer be bifurcated and accounted for as separate derivatives and thus were eliminated together with a corresponding offset to additional paid-in-capital.

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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
June 30, 2020			
Forward exchange contracts—net	—	$ 1,142	—
December 31, 2019			
Forward exchange contracts—net	—	$ (67)	—

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

	June 30, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	$ 104,192	$ 104,192	$ 80,063	$ 80,063
Other investments	85	85	85	85
Installment receivables, net of reserves	454	454	913	913
Total debt (including current maturities of long-term debt) *	(300,730)	(282,686)	(267,366)	(225,037)
Forward contracts in Other Current Assets	2,178	2,178	838	838
Forward contracts in Accrued Expenses	(1,036)	(1,036)	(905)	(905)

* The company's total debt is shown net of discount and fees associated with the Convertible Senior Notes due in 2021, 2022 and 2024 on the company's condensed consolidated balance sheet. Accordingly, the fair values of the Convertible Senior Notes due in 2021, 2022 and 2024 are included in the long-term debt presented in this table are also shown net of the discount and fees. Total debt amounts also include lease obligations for both operating and financing leases.

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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.

Other investments: The company has made an investment in a limited partnership, which is accounted for using the cost method, adjusted for any estimated declines in value. The investment was acquired in private placement and there is no quoted market price or stated rate of return. The company does not have the ability to easily sell the investment. The company completes an evaluation of the residual value related to such investments in the fourth quarter each year.

Installment receivables: The carrying value reported in the balance sheet for installment receivables approximates its fair value. The interest rates associated with these receivables have not varied significantly since inception. Management believes that after consideration of the credit risk, the net book value of the installment receivables approximates market value.

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. Lease obligations for both operating and financing leases are based on present values of minimum lease payments. The fair values are deemed to be categorized as Level 2 in the fair value hierarchy.

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, CHF, CNY, DKK, EUR, GBP, MXP, NOK, NZD, SEK 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 company's forward contracts are included in Other Current Assets or Accrued Expenses in the condensed consolidated balance sheets.

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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 profit or loss measure being segment operating profit (loss). Segment operating profit (loss) represents net sales less cost of products sold less selling general and administrative expenses. Segment operating profit (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 profit (loss) further excludes charges related to restructuring activities, asset impairments 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.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues from external customers				
Europe	$ 101,894	$ 133,991	$ 222,862	$ 258,835
North America	86,569	89,553	173,540	175,797
All Other (Asia Pacific)	7,837	12,314	18,338	24,645
Consolidated	$ 196,300	$ 235,858	$ 414,740	$ 459,277
Intersegment revenues				
Europe	$ 4,185	$ 3,820	$ 8,411	$ 7,272
North America	22,249	19,442	42,731	39,979
All Other (Asia Pacific)	—	2,745	2,529	5,872
Consolidated	$ 26,434	$ 26,007	$ 53,671	$ 53,123
Restructuring charges before income taxes				
Europe	$ 1,575	$ 320	$ 2,240	$ 640
North America	28	655	719	1,208
All Other	82	346	118	165
Consolidated	$ 1,685	$ 1,321	$ 3,077	$ 2,013
Operating income (loss)				
Europe	$ 2,174	$ 5,470	$ 9,024	$ 11,252
North America	4,812	(1,243)	2,767	(5,622)
All Other	(7,740)	(7,416)	(11,295)	(12,605)
Charge expense related to restructuring activities	(1,685)	(1,321)	(3,077)	(2,013)
Gain on sale of business	200	—	9,790	—
Consolidated operating income (loss)	(2,239)	(4,510)	7,209	(8,988)
Net gain on convertible debt derivatives	—	1,470	—	1,197
Loss on debt extinguishment including debt finance charges and associated fees	(6,599)	—	(6,599)	—
Net Interest expense	(7,031)	(7,602)	(13,647)	(14,787)
Loss before income taxes	$ (15,869)	$ (10,642)	$ (13,037)	$ (22,578)

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Europe				
Lifestyle	$ 52,018	$ 60,866	$ 110,321	$ 122,700
Mobility and Seating	39,646	62,802	92,424	116,533
Respiratory Therapy	5,679	5,446	10,610	9,956
Other(1)	4,551	4,877	9,507	9,646
	$ 101,894	$ 133,991	$ 222,862	$ 258,835
North America				
Lifestyle	$ 40,502	$ 44,855	$ 83,043	$ 87,858
Mobility and Seating	26,339	29,919	55,913	58,386
Respiratory Therapy	19,572	14,298	34,221	28,703
Other(1)	156	481	363	850
	$ 86,569	$ 89,553	$ 173,540	$ 175,797
All Other (Asia Pacific)				
Mobility and Seating	$ 2,652	$ 7,454	$ 8,087	$ 15,341
Lifestyle	3,669	2,552	6,801	5,260
Respiratory Therapy	315	716	848	888
Other(1)	1,201	1,592	2,602	3,156
	$ 7,837	$ 12,314	$ 18,338	$ 24,645
Total Consolidated	$ 196,300	$ 235,858	$ 414,740	$ 459,277

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

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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 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, 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, FDA; submit its own report to the FDA; and successfully complete a reinspection by 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, FDA notified the company that it is 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 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 a company-retained expert firm. The expert audit firm will determine whether the facilities remain in continuous compliance with the FDA Act, FDA regulations and the terms of the consent decree. 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.

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The results of regulatory claims, proceedings, investigations, or litigation are difficult to predict. An unfavorable resolution or outcome of any 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 2010 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. See Current Liabilities in the Notes to the Condensed 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, 2019: 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.

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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. 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. While the company is exposed to increases in interest rates, including on borrowings under its Credit Agreement, its exposure to the volatility of the current market environment is currently limited until the Credit Agreement expires in 2021. Should the company be required to seek and obtain additional or alternative financing, such financing, if available, may require the company to pay substantially higher interest rates. As discussed elsewhere in this report, the COVID-19 pandemic has negatively impacted, and will continue to negatively impact the company's business and results of operations. As we cannot predict the duration or scope of the COVID-19 pandemic, the negative financial impact to the company's results cannot be reasonably estimated, but could be material.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

As of June 30, 2020, 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 June 30, 2020, 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

There have been no changes in the company's internal control over financial reporting that 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.

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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 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.

FDA has the authority to inspect the Corporate and Taylor Street facilities, and any other FDA registered facility, at any time. 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.

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. 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 FDA, including civil money penalties.

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, 2019: 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 1A. Risk Factors

The COVID-19 pandemic has disrupted the company's operations and could have a material adverse effect on the company's business, financial condition and liquidity.

The company's business could be materially and adversely affected by the outbreak of a widespread health epidemic. The present coronavirus (or COVID-19) pandemic has disrupted the company's operations and affected the company's business, including as government authorities impose mandatory closures, work-from-home orders and social distancing protocols, and seek voluntary facility closures or impose other restrictions that could materially adversely affect the company's ability to adequately staff, maintain its operations and obtain raw materials and components from suppliers. Specifically, the company has experienced at least one temporary facility closure, and may experience in the future additional temporary facility closures in response to government mandates in certain jurisdictions in which the company operates and in response to positive diagnoses for COVID-19 in certain facilities for the safety of the company's associates.

The COVID-19 outbreak has also disrupted the company's supply chain and could materially adversely impact its ability to secure supplies for its facilities and to provide personal protective equipment for its employees, which could materially adversely affect the company's operations. There may also be long-term effects on the company's customers in and the economies of affected countries.

New and changing government actions to address the COVID-19 pandemic continue to occur on a regular basis. As a result, the countries in which the company's products are manufactured and distributed are in varying stages of restrictions. Certain jurisdictions have had to re-establish restrictions due to a resurgence in COVID-19 cases. Additionally, although access to healthcare for many of the company's customers has begun to be restored or increased, such access may be forced to be limited or closed as any new COVID-19 outbreaks occur. Even as government restrictions are lifted and economies gradually reopen, the shape of the economic recovery is uncertain and may continue to negatively impact the Company's results of operations, cash flows and financial position in subsequent quarters. Given this current level of economic and operational uncertainty over the impacts of COVID-19, the ultimate financial impact cannot be reasonably estimated at this time.

The COVID-19 pandemic and similar issues in the future could have a material adverse effect on the company's ability to operate, results of operations, financial condition and liquidity. In addition, preventive measures the company may voluntarily put in place, may have a material adverse effect on its business for an indefinite period of time, such as the potential shut down of certain locations, decreased employee availability, potential border closures and others. The company's suppliers and customers may also face these and other challenges, which could lead to continued disruption in the company's supply chain, as well as decreased customer demand for the company's products. These issues may also materially affect the company's future access to its sources of liquidity, particularly its cash flows from operations, financial condition and capitalization. Although these disruptions may continue to occur, the long-term economic impact and near-term financial impacts of such issues, may not be reasonably estimated due to the uncertainty of future developments.

In addition to the foregoing risk factor and the other information set forth in this report, you should carefully consider the risk factors disclosed in Item 1A of the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and Part II, Item 1A of the company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2020.

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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 June 30, 2020.

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)
4/1/2020 - 4/30/2020	39,862	$ 8.72	—	2,453,978
5/1/2020 - 5/31/2020	101,036	5.66	—	2,453,978
6/1/2020 - 6/30/2020	—	—	—	2,453,978
Total	140,898	$ 6.53	—	2,453,978

(1) All 140,898 shares repurchased between April 1, 2020 and June 30, 2020 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 the exercise of non-qualified options by employees 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 June 30, 2020.

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. See Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources, regarding covenants of the company's senior credit facilities with respect to share purchases.

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Item 5. Other Information

Effective August 1, 2020, Anthony C. LaPlaca, the Company's Senior Vice President, General Counsel and Secretary, was appointed to serve in the additional capacity of Chief Administrative Officer. Mr. LaPlaca has served as Senior Vice President, General Counsel and Secretary of the Company since January 2009. In connection with Mr. LaPlaca's appointment as Chief Administrative Officer, his annual base salary rate was increased by approximately 5%, effective August 1, 2020.

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Item 6. Exhibits

Exhibit No.	
10.1	Promissory Note dated May 13, 2020, between Invacare Corporation and KeyBank National Association
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.

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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: August 5, 2020

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)

Exhibit 10.1

U.S. Small Business Administration

NOTE

SBA Loan #	15672773-05
SBA Loan Name	Invacare Corporation
Date	May 13, 2020
Loan Amount	$10,000,000.00
Interest Rate	1.00%
Borrower	Invacare Corporation
Operating Company	N/A
Lender	KeyBank National Association

1. PROMISE TO PAY:

In return for the Loan, Borrower promises to pay to the order of Lender the amount of $10,000,000.00 and 00/100 Dollars, interest on the unpaid principal balance, and all other amounts required by this Note.

2. DEFINITIONS:

"Collateral" means any property taken as security for payment of this Note or any guarantee of this Note.

"Guarantor" mans each person or entity that signs a guarantee of payment of this Note.

"Loan" means the loan evidenced by this Note.

"Loan Documents" means the documents related to this loan signed by Borrower, and Guarantor, or anyone who pledges collateral.

"SBA" means the Small Business Administration, an Agency of the United States of America.

3. PAYMENT TERMS:

Borrower must make all payments at the place Lender designates. The payment terms for this Note are:

The interest rate is 1.00% per year. The interest rate may only be changed in accordance with SOP 50 10.

Borrower must pay principal and interest payments of $421,020.80 every month beginning 7 month(s) from the month this Note is dated; payments must be made on the 13th calendar day in the months they are due.

Lender will apply each installment payment first to pay interest accrued to the day Lender receives the payment, then to bring principal current, then to pay any late fees, and will apply any remaining balance to reduce principal.

Loan Prepayment:

Notwithstanding any provision in this Note to the contrary:

Borrower may prepay this Note. Borrower may prepay 20 percent or less of the unpaid principal balance at any time without notice. If Borrower prepays more than 20 percent and the Loan has been sold on the secondary market, Borrower must: a. Give Lender written notice; b. Pay all accrued interest; and c. If the prepayment is received less than 21 days from the date Lender receives the notice, pay an amount equal to 21 days' interest from the date lender receives the notice, less any interest accrued during the 21 days and paid under subparagraph b., above.

If Borrower does not prepay within 30 days from the date Lender receives the notice, Borrower must give Lender a new notice.

All remaining principal and accrued interest is due and payable 2 years from date of Note.

Conditional Loan Forgiveness:

The indebtedness evidenced by this Note may be forgiven, pursuant to and subject to, the terms of the Paycheck Protection Program (15 U.S.C. § 636(a)(36)), and the guidance issued in relation thereto by SBA and/or the U.S. Department of Treasury.

Late Charge: If a payment on this Note is more than 10 days late, Lender may charge Borrower a late fee of up to 5% of the unpaid portion of the regularly scheduled payment.

4. DEFAULT:

Borrower is in default under this Note if Borrower does not make a payment when due under this Note, or if Borrower or Operating Company:

A. Fails to do anything required by this Note and other Loan Documents;
B. Defaults on any other loan with Lender;
C. Does not preserve, or account to Lender's satisfaction for, any of the Collateral or its proceeds;
D. Does not disclose, or anyone acting on their behalf does not disclose, any material fact to Lender or SBA:
E. Makes, or anyone acting on their behalf makes a materially false or misleading representation to Lender or SBA;
F. Defaults on any loan or agreement with another creditor, if Lender believes the default may materially affect Borrower's ability to pay this Note;
G. Fails to pay any taxes when due;
H. Becomes the subject of a proceeding under any bankruptcy or insolvency law;
I. Has a receiver or liquidator appointed for any part of their business or property;
J. Makes an assignment for the benefit of creditors;
K. Has any adverse change in financial condition or business operation that Lender believes may materially affect Borrower's ability to pay this Note;
L. Reorganizes, merges, consolidates, or otherwise changes ownership or business structure without Lender's prior written consent; or
M. Becomes the subject of a civil or criminal action that Lender believes may materially affect Borrower's ability to pay this Note.

5. LENDER'S RIGHTS IF THERE IS A DEFAULT:

Without notice or demand and without giving up any of its rights, Lender may:

A. Require immediate payment of all amounts owing under this Note;
B. Collect all amounts owing from any Borrower or Guarantor;
C. File suit and obtain judgment;
D. Take possession of any Collateral; or
E. Sell, lease, or otherwise dispose of, any Collateral at public or private sale, with or without advertisement.

6. LENDER'S GENERAL POWERS:

Without notice and without Borrower's consent, Lender may:

A. Bid on or buy the Collateral at its sale or the sale of another lienholder, at any price it chooses;

B. Incur expenses to collect amounts due under this Note, enforce the terms of this Note or any other Loan Document, and preserve or dispose of the Collateral. Among other things, the expenses may include payments for property taxes, prior liens, insurance, appraisals, environmental remediation costs, and reasonable attorney's fees and costs. If Lender incurs such expenses, it may demand immediate repayment from Borrower or add the expenses to the principal balance;

C. Release anyone obligated to pay this Note;

D. Compromise, release, renew, extend or substitute any of the Collateral; and

E. Take any action necessary to protect the Collateral or collect amounts owing on this Note.

7. WHEN FEDERAL LAW APPLIES:

When SBA is the holder, this Note will be interpreted and enforced under federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to this Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt federal law.

8. SUCCESSORS AND ASSIGNS:
Under this Note, Borrower and Operating Company include the successors of each, and Lender includes its successors and assigns.

9. GENERAL PROVISIONS:
A. All individuals and entities signing this Note are jointly and severally liable.
B. Borrower waives all suretyship defenses.
C. Borrower must sign all documents necessary at any time to comply with the Loan Documents and to enable Lender to acquire, perfect, or maintain Lender's liens on Collateral.
D. Lender may exercise any of its rights separately or together, as many times and in any order it chooses. Lender may delay or forgo enforcing any of its rights without giving up any of them.
E. Borrower may not use an oral statement of Lender or SBA to contradict or alter the written terms of this Note.
F. If any part of this Note is unenforceable, all other parts remain in effect.
G. To the extent allowed by law, Borrower waives all demands and notices in connection with this Note, including presentment, demand, protest, and notice of dishonor. Borrower also waives any defenses based upon any claim that lender did not obtain any guarantee: did not obtain, perfect, or maintain a lien upon Collateral; impaired Collateral; or did not obtain the fair market value of Collateral at a sale.

10. BORROWER'S NAME(S) AND SIGNATURE(S):

By signing below, each individual or entity becomes obligated under this Note as Borrower.

Invacare Corporation
a(n) Corporation

/s/ Kathleen Leneghan 5/15/2020
Kathleen Leneghan **Date**
Senior Vice President & Chief Financial Officer

LOAN AGREEMENT

****

THIS LOAN AGREEMENT ("Agreement") is made on May 13, 2020, between the **Invacare Corporation** and **KEYBANK NATIONAL ASSOCIATION** identified in the SBA Approval issued by the U.S. Small Business Administration ("SBA") to Lender, dated April 28, 2020 SBA Loan Number 15672773-05 ("Approval").

SBA has authorized a guaranty of a loan from Lender to Borrower under the Paycheck Protection Program (15 U.S.C. § 636(a)(36)) (the "Act") in the original principal amount of **$10,000,000.00** (the "Loan").

In consideration of the promises in this Agreement and for other good and valuable consideration, Borrower and Lender agree as follows:

1. Subject to the terms and conditions of this Agreement, Lender agrees to make the Loan if Borrower complies with the following "Borrower Requirements". Borrower must:

    a. Provide Lender with all certifications, documents or other information Lender is required by the Authorization to obtain from Borrower or any third party;

    b. Execute a note and any other documents required by Lender;

    c. Complies with the terms and conditions of this Agreement; and

    d. Does everything necessary for Lender to comply with the terms and conditions of the Loan.

2. Borrower represents and warrants, as of the date hereof, that:

    a. Borrower was in business as of February 15, 2020 and had employees for which Borrower paid salaries, wages, or the equivalent and for which Borrower paid payroll taxes;

    b. Borrower has reviewed the Act and represents, warrants and certifies to Lender that Borrower is an eligible applicant under the Act and the guidance promulgated by SBA and U.S. Department of Treasury related thereto;

    c. The information provided in the application for the Loan and the information provided in all supporting documents and forms is true and accurate. Borrower acknowledges that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to $250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than $5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than $1,000,000;

    d. The amount of the Loan was calculated using tax documentation provided by Borrower to Lender. Borrower hereby represents and warrants that these tax documents are identical to those submitted by Borrower to the IRS and that the information contained therein is true, correct and complete;

e. Borrower shall use the Loan only for payroll costs, interest on mortgages, rent, and utilities and Borrower shall use account no. (*redacted*) to facilitate application of the Loan towards the approved costs; and

f. Borrower has suffered an adverse impact to its business as a result of the COVID-19 pandemic.

3. Borrower hereby acknowledges the following:

   a. Any forgiveness of the Loan amount, in full or in part, is contingent on Borrower using the Loan only for the purposes identified in this Agreement;

   b. Any request made by Borrower to Lender for forgiveness of the Loan, in full or in part, shall include documentation verifying the use of Loan proceeds towards permitted uses, satisfactory to Lender it its sole discretion;

   c. Any and all information and supporting documentation provided by Borrower to Lender is and shall be true, accurate and complete in all respects.

4. The terms and conditions of this Agreement:

   a. Are binding on Borrower and its successors and assigns; and

   b. Will remain in effect after the closing of the Loan.

5. Failure to abide by an of the terms of this Agreement will constitute an event of default under the note and other loan documents.

6. If Borrower defaults on the Loan and the SBA suffers a loss, the name of the Borrower will be referred for listing in the CAIVRS database, which may affect their eligibility for further financial assistance.

7. Electronic Signatures. Each party agrees that the electronic signatures, whether digital or encrypted, of the parties included in this Agreement, if any, are intended to authenticate this writing and to have the same force and effect as manual signatures. The term "electronic signature" means any electric sound, symbol, or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or email electronic signatures. Without limiting the generality of the foregoing, delivery of an executed counterpart's signature page of this Agreement, by facsimile, electronic mail in portable document format (.pdf) or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, has the same effect as delivery of an executed original of this Agreement.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the parties hereto have set their hands effective as of the date first written above.

BORROWER:
Invacare Corporation

By: /s/ Kathleen Leneghan
Kathleen Leneghan, Senior Vice President & Chief Financial Officer

Exhibit 31.1

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.

/s/ MATTHEW E. MONAGHAN

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

Date: August 5, 2020

Exhibit 31.2

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: August 5, 2020

Exhibit 32.1

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 June 30, 2020 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: August 5, 2020

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.

Exhibit 32.2

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 June 30, 2020 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: August 5, 2020

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.