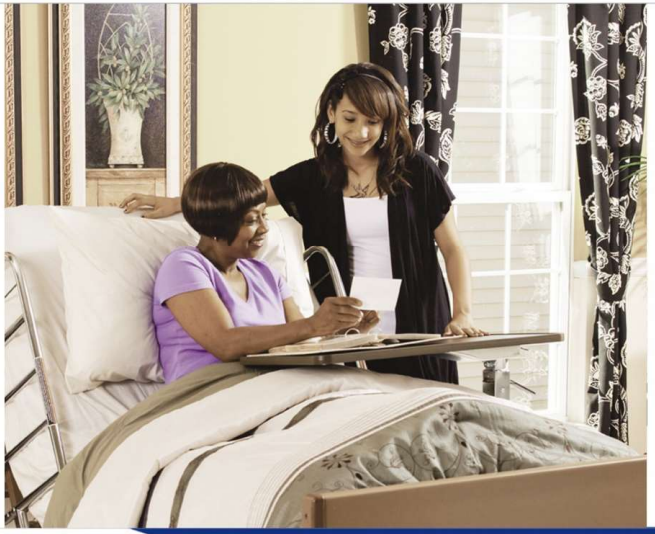


Third Quarter 2018 | Conference Call and Webcast | November 6, 2018

Matt Monaghan: Chairman, President and CEO
Kathy Leneghan: SVP and CFO
Lois Lee: Director, Treasury and Investor Relations

Forward-Looking Statements

This presentation 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, any statement made regarding the company's future results. Actual results may differ materially as a result of various risks and uncertainties, including those expressed in the cautionary statement in the company’s earnings press release for the third quarter 2018 posted on www.invacare.com/investorrelations, as well as in the company's annual reports 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.

Financial results presented are as of September 30, 2018, unless otherwise noted.

Agenda

COMPANY UPDATE

FINANCIAL RESULTS

OUTLOOK

Market Update

- Impact of tariffs more significant in 3rd quarter than expected
- Higher material cost resulted in customer price increases which may reduce sales
- National Competitive Bidding impacted Lifestyles and Respiratory
- Europe facility consolidation extending into 4Q18
- NA/HME restructuring

Agenda

COMPANY UPDATE

FINANCIAL RESULTS

OUTLOOK

3Q18 Highlights versus Last Year

- Reported net sales decreased 2.5% to $244.6 million
- Gross profit decreased by $5.2 million
- Operating loss improved by $0.6 million
- EBITDA of $(1.0) million, an improvement of $1.2 million
- GAAP loss per share was $(0.36) versus $(0.57); adjusted net loss per share was $(0.40) versus $(0.41)
- Free cash flow usage of $2.5 million compared to usage of $4.8 million

(in millions USD)	3Q18	3Q17	$ Change	% Change
Reported Net Sales	$244.6	$250.9	$(6.3)	(2.5)%
Constant Currency Net Sales	$245.3	$250.9	$(5.6)	(2.2)%
Gross Margin % of Net Sales	26.8%	28.2%	--	(140) bps
Gross Profit	$65.6	$70.7	$(5.2)	(7.3)%
Constant Currency SG&A	$70.5	$75.9	$(5.4)	(7.1%)
Operating Loss	$(5.3)	$(5.9)	$0.6	10.3%
Free Cash Flow	$(2.5)	$(4.8)	$2.3	47.4%
EBITDA	$(1.0)	$(2.2)	$1.2	55.5%

Segment Performance – Europe

($M)	3Q18	3Q17	2Q18	% /$Δ YOY	%/$ Δ Seq
Reported Sales	**144.3**	**143.3**	**138.9**	**0.7%**	**3.9%**
Mobility & Seating	67.0	64.3	58.4	4.2%	14.7%
Lifestyles	66.9	68.3	69.6	(2.0)%	(3.9)%
Respiratory	5.5	6.3	6.5	(12.1)%	(15.1)%
Other	5.0	4.5	4.4	10.9%	14.0%
Operating Income	**11.8**	**12.0**	**5.2**	**$(0.2)**	**$6.6**

- Constant currency net sales increased 0.4% and constant currency sequential net sales increased 8.5% as a result of increased sales in Mobility and Seating partially offset by decreases in Lifestyles and Respiratory
- Gross profit and operating income decreased principally due to increased R&D, unfavorable manufacturing variances and increased freight costs primarily related to product transfers associated with facility consolidation
- Impact of unfavorable manufacturing costs related to the product transfers was approximately $0.5 million
- Operating income increased $6.6 million sequentially

Segment Performance – NA/HME

($M)	3Q18	3Q17	2Q18	% /$Δ YOY	%/$ Δ Seq
Reported Sales	**73.7**	**79.5**	**79.9**	**(7.3)%**	**(7.7)%**
Mobility & Seating	30.4	28.4	31.1	6.8%	(2.2)%
Lifestyles	30.1	32.8	31.6	(8.2)%	(4.6)%
Respiratory	13.0	17.8	17.0	(27.2)%	(23.5)%
Other	0.2	0.5	0.3	(49.8)%	(15.8)%
Operating Loss	**(12.8)**	**(12.4)**	**(8.4)**	**$(0.4)**	**$(4.4)**

- Constant currency net sales decreased 6.9% due to decreases in Respiratory and Lifestyles which more than offset increases in Mobility & Seating products of 8.9%
- Constant currency sequential net sales increased 1.2% in Mobility and Seating products
- Gross profit decreased primarily due to lower sales, increased freight costs and unfavorable material costs influenced by tariffs
- Significantly higher material costs due to the impact of tariffs of unfavorable $1.3 million
- Operating loss increased slightly primarily related to lower sales and gross margin partially offset by reduced SG&A

Segment Performance – IPG

($M)	3Q18	3Q17	2Q18	% /$Δ YOY	%/$ Δ Seq
Reported Sales	**15.1**	**14.0**	**13.7**	**8.4%**	**10.5%**
Operating Income	**1.6**	**1.2**	**1.2**	**$0.4**	**$0.4**

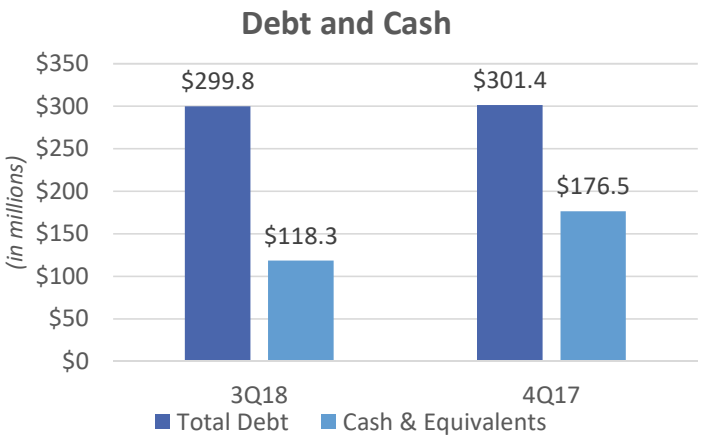
- Constant currency net sales increased 8.8% and constant currency sequential net sales increased 10.7% principally due to increased sales of interior design projects and bed products
- Gross profit and operating income improved principally due to an increase in sales and reduced warranty expense
- This segment is transitioning regarding its channel strategy

Segment Performance – Asia Pacific

($M)	3Q18	3Q17	2Q18	% /$Δ YOY	%/$ Δ Seq
Reported Sales	**11.4**	**14.1**	**13.7**	**(19.5)%**	**(16.9)%**
Mobility & Seating	7.4	8.2	8.4	(9.9)%	(13.0)%
Lifestyles	2.3	2.8	2.7	(18.5)%	(17.4)%
Respiratory	0.4	0.4	0.5	(1.6)%	(29.3)%
Continuing Care	0.2	1.1	0.4	(86.6)%	(66.4)%
Other	1.2	1.7	1.5	(26.9)%	(18.8)%
Operating Income (Loss)	**0.0**	**0.4**	**1.6**	**$(0.4)**	**$(1.6)**

- Constant currency net sales decreased 13.0% driven by lower sales in institutional products, as well as decreases in Mobility and Seating and Lifestyle products
- Operating Income decreased as a result of a net sales decrease partially offset by reduced R&D expense

Selected Balance Sheet Metrics



	3Q18	3Q17
Free Cash Flow (millions)	$(2.5)	$(4.8)
Cash Conversion Days	66.5	81.9

Cash and Free Cash Flow

- Free cash flow usage improved $2.3 million compared to last year
- Previously, we guided free cash flow usage for 2018 similar to 2017
- Cash flow usage may increase given the previously described headwinds

Total Debt:

- Total Debt: $270.0 million in convertible debt and $29.8 million of other debt, primarily leases
- Zero drawn on revolving credit facilities with availability of $36.0 million, as of 9/30/18

Capital Structure:

- Based on current expectations, the company believes its cash balances and the available borrowing capacity under its credit facilities should be sufficient to fund its transformation

Agenda

COMPANY UPDATE

FINANCIAL RESULTS

OUTLOOK

Elements of Shareholder Value Plan Remain; Path Changing

Region	Components & Interim Update	Contributing Benefit *	Additional Sales *
Europe	**Sales Growth** ❑ 2018 minor pruning with growth expected in 2019	$12.5M	$25-$40M
	Cost Reduction ❑ Complete transfer of manual wheelchair manufacturing from Sweden and Switzerland and to an existing facility in France with expected annualized savings of $3.3 million ❑ Reduce inventory and cease expedited freight costs	$12.5M	N/A
North America	**Mobility and Seating Sales Growth** ❑ Good alignment and favorable formulary position with top customers ❑ Power products on Federal Supply Schedule for Veterans Administration ❑ Continue to streamline for improved gross margin ❑ Continue work to offset impact of tariffs	$25M	$50-$80M
North America	**Post-Acute Care and Respiratory Sales Growth** ❑ Actions in process to mitigate tariffs; In near-term, PAC and respiratory impacted by NCB uncertainty ❑ Some risk in timing of achieving goal	$25M	$50-$80M
North America	**Cost Reductions** ❑ Continue to optimize costs with actions to drive efficiencies (e.g., Nov 2018 RIF)	$25M	N/A

Significant market dynamics impacting North America – revising plan to deliver on our commitment

** For illustrative purposes only; not projected results*

Q&A

Appendix

Transformation to Invacare 2.0

Goal is to leverage the company's strong technical capabilities for solving clinically complex needs to generate better returns for re-investment and growth

2015 → 2019+

Phase 1 – Assess and Reorient

- ❑ Increase commercial effectiveness
- ❑ Shift and narrow the product portfolio
- ❑ Focus innovation on clinically complex solutions
- ❑ Accelerate quality efforts on quality and excellence
- ❑ Develop and expand talent

Results: Reduced non-core sales, gross margin % improvements, SG&A investments and cash flow usage

Phase 2 – Build and Align

- ❑ Leverage commercial improvements
- ❑ Optimize the business for cost and efficiency
- ❑ Continue to improve quality systems
- ❑ Launch new clinically product platforms
- ❑ Expand talent management and culture

Expected Outcome: Growth in sales and gross profit dollars; operating income and free cash flow turning

Phase 3 – Grow

- ❑ Lead in quality culture and operations excellence
- ❑ Grow above market

Expected Outcome: Margins, operating income reflect leverage on business infrastructure

Mid-way through Phase Two commercial transformation

Recent Performance – Key Expectations

	Phase 1 and 2 Indicators	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
Constant Currency Net Sales[(a)(b)(c)]	↓	(1.6)%	(4.5)%	(8.1)%	(4.4)%	(9.3)%	(4.5)%	(2.3)%	(4.4)%	(0.5)%	(2.2)%
Gross Margin Percentage of Net Sales[(a)(b)]	↑ %	+120 bps	+/- 0 bps	-60 bps	+180 bps	+100 bps	+80 bps	-60 bps	+/- 0 bps	-40 bps	-140 bps
Gross Profit[(a)(b)]	↓ $	$2.1M	$(4.2)M	$(12.1)M	$(2.7)M	$(8.6)M	$(2.7)M	$(0.4)M	$1.4M	$2.3M	$(5.2)M
Constant Currency SG&A[(a)(b)(c)]	↑	2.7%	0.8%	(2.3)%	2.7%	(0.4)%	(1.9)%	(5.0)%	(6.6)%	(6.7)%	(7.1)%
Free Cash Flow[(d)]	↓	$(17.4)M	$1.5M	$(10.6)M	$(33.4)M	$(22.4)M	$(4.8)M	$20.6M	$(26.7)M	$(24.6)M	$(2.5)M
Operating (Loss) Income[(d)]		$(5.8)M	$2.6M	$(6.9)M	$(10.7)M	$(15.7)M	$(5.9)M	$(7.9)M	$(5.1)M	$(6.8)M	$(5.3)M
EBITDA[(d)]		$(2.2)M	$(1.1)M	$(3.2)M	$(7.1)M	$(12.0)M	$(2.2)M	$(3.9)M	$(1.0)M	$(3.2)M	$(1.0)M

(a) Compared to same period prior year.
(b) The comparative periods for Q116 and Q216 exclude the divested rentals businesses.
(c) The comparative periods for Q416, Q117, Q217 and Q317 exclude divested Garden City Medical.
(d) Amounts shown represent actual results achieved, not comparison to same period prior year.

"Say-Do" Ratio: Results are tracking with key indicators

Reconciliation of Non-GAAP Performance Metrics to GAAP Financial Measures

(Dollars in millions)	3Q17	2Q18	Q318
Net Loss	(18.6)	(16.5)	(12.0)
Income Taxes	3.4	3.0	3.8
Loss Before Taxes	(15.1)	(13.6)	(8.2)
Interest Expense	6.8	7.0	7.1
Interest Income	(0.1)	(0.1)	(0.1)
Net Gain (Loss) on Convertible Debt Derivatives	2.6	(0.0)	(4.1)
Operating Loss	(5.9)	(6.8)	(5.3)
Operating Loss	(5.9)	(6.8)	(5.3)
Depreciation and Amortization	3.6	3.6	4.3
EBITDA	(2.2)	(3.2)	(1.0)
Net Cash Provided by Operating Activities	(2.9)	(22.4)	(2.4)
Plus: Sales of Property and Equipment, including advances	(0.0)	(0.0)	3.5
Less: Purchases of Property and Equipment	(1.9)	(2.2)	(3.6)
Free Cash Flow	(4.8)	(24.6)	(2.5)
Reported Net Sales % Change	-6.4%	5.4%	-2.5%
Less: Foreign Exchange Impact	1.1%	5.9%	-0.3%
Less: Impact of Divested Entities	-3.0%	0.0%	0.0%
Constant Currency Sales % Change	-4.5%	-0.5%	-2.2%
Reported SG&A % Change	-2.3%	-2.6%	-7.9%
Less: Foreign Exchange Impact	1.0%	4.1%	-0.8%
Less: Impact of Divested Entities	-1.4%	0.0%	0.0%
Constant Currency SG&A % Change	-1.9%	-6.7%	-7.1%

Non-GAAP Financial Measures

Some of the information in this presentation is derived from the company's consolidated financial data but not presented in its financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under Securities and Exchange Commission rules. These non-GAAP financial measures supplement the company's GAAP disclosures and should not be considered an alternative to the GAAP measure. The reconciliations to their most directly comparable GAAP financial measures are included in Appendix A. The company uses non-GAAP financial measures including the following:

- "Constant currency net sales", which is net sales excluding the impact of foreign currency translation.
- "Constant currency sequential net sales", which is a given period's net sales as compared to the most recent prior period's net sales with each period's net sales translated at the foreign exchange rates for the quarter ended March 31, 2018.
- "Constant currency SG&A", which is SG&A excluding the impact of foreign currency translation.
- "Free cash flow", which is net cash provided (used) by operating activities less purchases of property and equipment plus proceeds, including the advances from sales of property and equipment.
- "EBITDA", which is net earnings (loss) from continuing operations plus: income taxes, interest expense-net, net gain or loss on convertible debt derivatives, gain on sale of business, asset write-down to an intangible asset, and depreciation and amortization.
- "Adjusted net earnings (loss)", which is defined as net loss before income taxes net of adjusted income taxes.