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, 2019

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)

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 ☒

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

As of August 1, 2019, the registrant had 33,673,829 Common Shares and 6,357 Class B Common Shares outstanding.

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About Invacare Corporation

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

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

The discussion and analysis presented below is concerned with material changes in financial condition and results of operations between the periods specified in the condensed consolidated balance sheets at June 30, 2019 and December 31, 2018, and in the condensed consolidated statement of comprehensive income (loss) for the three and six months ended June 30, 2019 and June 30, 2018. 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, 2018 and for some matters, SEC filings from prior periods may be useful sources of information.

In the first quarter of 2019, the company reassessed the alignment of its reporting segments and concluded that the North America/Home Medical Equipment (NA/HME) and Institutional Products Group (IPG) segments should be combined into a single operating segment, now referred to as North America. This change better reflects how the company manages, allocates resources and assesses performance of the businesses contained in the new North America segment. Additionally, the company reassessed the activity of the businesses in its former Asia/Pacific segment and concluded that the Asia Pacific businesses should be reported as part of the All Other segment, since those businesses, individually and collectively, are not large enough relative to the company's overall business to merit disclosure as a separate reporting segment. The company believes that these changes provide improved transparency of the company’s business results to its shareholders, and better align with how the company manages its businesses. Segment results for 2018 have been reclassified to reflect the realignment of the company’s reporting segments and be comparable to the segment results for 2019.

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 nearly forty-year history. Some of these acquisitions have been combined into integrated operating units, while others remain relatively independent.

Strategy

The company had a strategy to be a leading provider of durable medical equipment to 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 three-phase multi-year transformation plan.

Transformation

The company is executing a multi-year transformation to shift to its new strategy. This is expected to yield better financial results from the application of the company's resources to products and solutions that provide greater healthcare value in clinically complex rehabilitation and post-acute care. The transformation is divided into the following three phases:

Phase One - Assess and Reorient

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

Phase Two - Build and Align

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

Phase Three - Grow

- Lead in quality culture and operations excellence; and
- Grow above market.

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. The company has engaged third-party experts to help assess, plan and support the execution of improvement opportunities, in an effort to ensure the best plans are adopted across the entire enterprise.

Key elements of the enhanced transformation and growth plan:

- Re-evaluate all business segments and product lines for the potential to be profitable and to achieve a leading market position given evolving market dynamics;
- 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 support consistent profitable growth, drive faster innovation, and redesign business processes to lower cost and improve customers' experience;
- In Asia Pacific, remain focused on sustainable growth and expansion in the southeast Asia region; and
- Globally, take actions to reduce working capital and improve free cash flow.

The company intends to continue to make significant investments in its transformation, reduce sales in certain areas, refocus resources away from less accretive activities, and look at its global infrastructure for opportunities to drive efficiency.

Favorable Long-term Demand

Ultimately, demand for the company's products and services is based on the need to provide care for people with certain conditions. The company's medical devices provide solutions for end-users and caregivers. Therefore, the demand for the company's medical equipment is largely driven by population growth and the incidence of certain conditions where treatment may be supplemented by the company's devices. The company also provides solutions to help equipment providers and residential care operators deliver cost-effective and high-quality care. The company believes that its commercial team, customer relationships, products and solutions, supply chain infrastructure, and strong research and development pipeline will create favorable business potential.

OUTLOOK

The company continues to expect to achieve the earnings and free cash flow usage targets announced for 2019 and into 2020 with a combination of low single-digit sales growth, gross margin improvements and substantial cost reductions. Certain product lines may be discontinued to focus investment on higher margin profitable areas of growth. The company participates in growing markets and believes its long-term economic potential remains strong.

For 2019, the company anticipates net sales growth in Europe and North America mobility and seating products, which is anticipated to be offset by, the previously announced, expected year-over-year reduction in respiratory sales in North America impacted by market uncertainty due to recently implemented reimbursement changes. In addition, the company anticipates margin expansion as a result of cost improvement actions. These actions should contribute to improved earnings in 2019.

As a result of the successful implementation of strategic improvement initiatives, the company anticipates an improvement in free cash flow usage for 2019 as compared to 2018 driven by improvements in segment operating loss compared to 2018, and the benefit of converting the higher inventory levels at the end of 2018 to cash in 2019. It further assumes that these benefits will be partially offset by increased working capital to support growth, especially in North America mobility and seating products with an extended quote-to-cash cycle, higher capital expenditures, and cash needed to fund restructuring actions. The company has historically generated negative free cash flow during the first half of the year. This pattern continued in 2019 due to the timing of annual one-time payments such as customer rebates and employee bonuses earned during the prior year, and higher working capital usage from seasonal inventory increases. The absence of these payments and somewhat seasonally stronger sales in the second half of the year typically result in more favorable free cash flow in the second half of the year. The company expects capital expenditures of approximately $15,000,000 to $20,000,000 in 2019.

Furthermore, the company believes that a return to positive Adjusted EBITDA driven by operational performance and its balance sheet will support the company's transformation plans and enable the company to address future debt maturities.

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RESULTS OF OPERATION - 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)	2Q19*	2Q18	Reported % Change	Foreign Exchange % Impact	Constant Currency % Change
Europe	133,991	138,896	(3.5)	(7.7)	4.2
North America	89,553	93,571	(4.3)	(0.4)	(3.9)
All Other (Asia Pacific)	12,314	13,685	(10.0)	(6.1)	(3.9)
Consolidated	235,858	246,152	(4.2)	(4.8)	0.6

($ in thousands USD)	YTD 2Q19**	YTD 2Q18	Reported % Change	Foreign Exchange % Impact	Constant Currency % Change
Europe	258,835	270,210	(4.2)	(7.3)	3.1
NA/HME	175,797	188,240	(6.6)	(0.4)	(6.2)
All Other (Asia/Pacific)	24,645	24,762	(0.5)	(7.2)	6.7
Consolidated	459,277	483,212	(5.0)	(4.7)	(0.3)

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

"Constant currency sequential net sales," as shown on the next page, is a non-GAAP financial measure in which a given quarter's net sales are compared to the most recent prior quarter's net sales with each quarter's net sales translated at the foreign exchange rates for the quarter ended March 31, 2019. Management believes that both financial measures provide meaningful information for evaluating the core operating performance of the company.

Constant currency net sales performance drivers by segment:

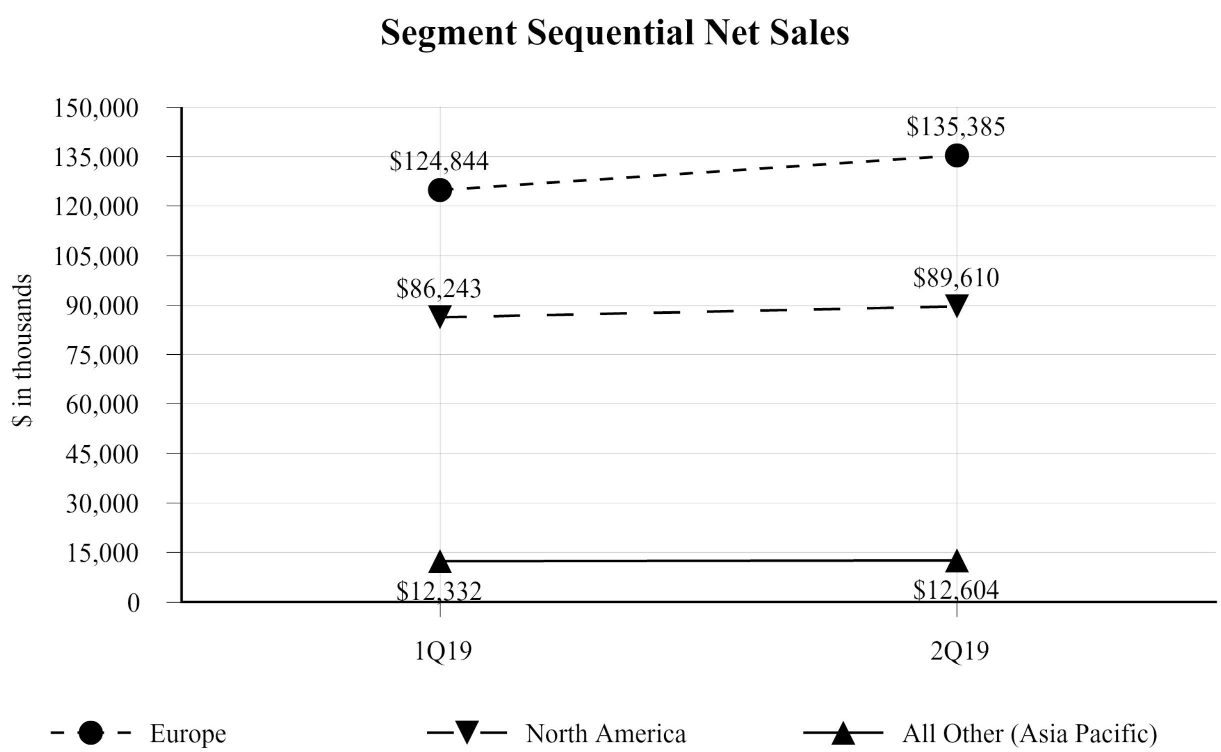
Europe - Constant currency net sales increased in 2Q19 compared to 2Q18 driven by increases in mobility and seating partially offset by decreased sales of lifestyle and respiratory products. Constant currency YTD 2Q19 net sales increased compared to YTD 2Q18 due to increases in mobility and seating and lifestyle products partially offset by decreased sales of respiratory products.

North America - Constant currency net sales for 2Q19 decreased compared to 2Q18 primarily as as result of declines in respiratory product due to reimbursement changes, as anticipated. Constant currency respiratory product net sales declined $4.4 million for 2Q19 compared to 2Q18, impacted by reimbursement changes by Centers for Medicare and Medicaid Services, effective January 1, 2019. Lifestyle product constant currency net sales increased, partially offset by lower mobility and seating constant currency net sales. The YTD 2Q19 decrease in constant currency net sales compared to YTD 2Q2018 was driven primarily by decreased respiratory sales, which declined $12.1 million on a constant currency basis.

All Other - Constant currency net sales, which relate entirely to the Asia Pacific region, decreased for 2Q19 compared to 2Q18 driven by net sales decreases in mobility and seating and lifestyle product, partially offset by higher respiratory sales. The 2Q19 net sales were impacted by a slowdown in reimbursement in New Zealand as a result of the government's fiscal year end. The YTD 2Q19 constant currency net sales increase compared to the same period last year was driven by net sales increases in mobility and seating and respiratory products.

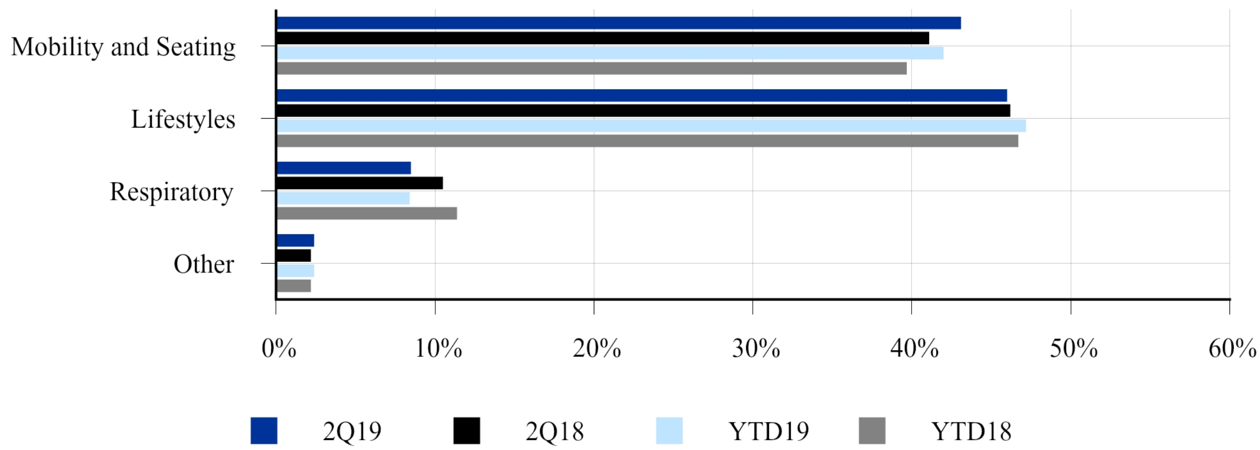
The following tables provide net sales at reported foreign exchange rates for the quarters ended June 30 and March 31, 2019, respectively, and net sales for the quarter ended June 30, 2019, as translated at the foreign exchange rates for the quarter ended March 31, 2019 with each then compared to each other (constant currency sequential net sales).

	2Q19 at Reported Foreign Exchange Rates	Foreign Exchange Translation Impact	2Q19 at 1Q19 Foreign Exchange Rates	1Q19 at 1Q19 Foreign Exchange Rates	Sequential Growth $	Sequential Growth %
Europe	$ 133,991	$ 1,394	$ 135,385	$ 124,844	$ 10,541	8.4%
North America	89,553	57	89,610	86,243	3,367	3.9
All Other (Asia Pacific)	12,314	290	12,604	12,332	272	2.2
Consolidated	$ 235,858	$ 1,741	$ 237,599	$ 223,419	$ 14,180	6.3%



The net sales amounts in the preceding table are converted at 1Q19 foreign exchange rates so that the sequential change in net sales can be shown, excluding the impact of changes in foreign currency exchange rates. The sequential change from 1Q19 to 2Q19 reflects the historical trend in which the company's sales are generally stronger as the year progresses.

Consolidated Global Constant Currency Product Segment Sales and Product Mix Shift

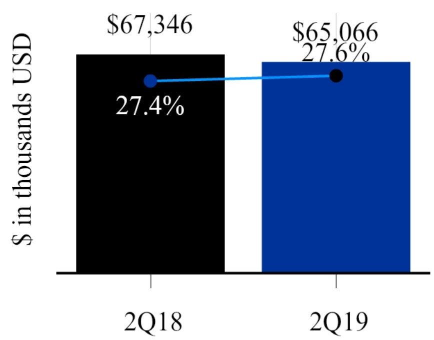


Constant currency net sales of mobility and seating products, which comprise most of the company's clinically complex product portfolio, increased to 43.1% in 2Q19 from 41.1% in 2Q18 and increased to 42.0% YTD19 from 39.7% in YTD18.

This increase reflects the company's continued transformation efforts, especially where the company has shifted the product portfolio and alignment of resources to focus on clinically complex solutions.

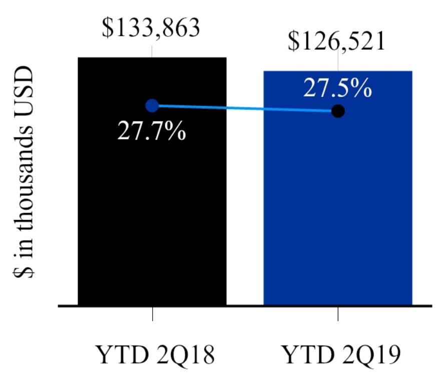
GROSS PROFIT

Gross Profit and Gross Margin as a % of Net Sales



Gross profit dollars for 2Q19 decreased compared to 2Q18 principally due to reduced net sales and the negative impact of foreign exchange. Gross profit as a percentage of net sales was higher by 20 basis points compared to 2Q18 driven primarily by lower freight and material costs partially offset by unfavorable foreign exchange in Europe. The company was able to significantly mitigate the direct and indirect negative impact of tariffs instituted in second half of 2018. In 2Q19, increased costs influenced by the tariffs were approximately $400,000 in the North America segment.

Gross Profit and Gross Margin as a % of Net Sales



Gross Profit dollars for YTD 2Q19 decreased compared to YTD 2Q18 principally due to due to reduced net sales and unfavorable foreign exchange. Gross profit as a percentage of net sales was lower by 20 basis points compared to the same period last year primarily due to unfavorable product mix and the negative impact of direct and indirect tariffs instituted in the second half of 2018, which increased costs by approximately $800,000.

Gross profit and gross margin drivers by segment:

Europe - Gross margin as a percentage of net sales for 2Q19 decreased 0.1 of a percentage point, while gross profit dollars decreased $1,856,000, compared to 2Q18. The decrease in gross profit dollars was driven primarily by unfavorable sales mix and unfavorable foreign exchange, both translation and transaction.

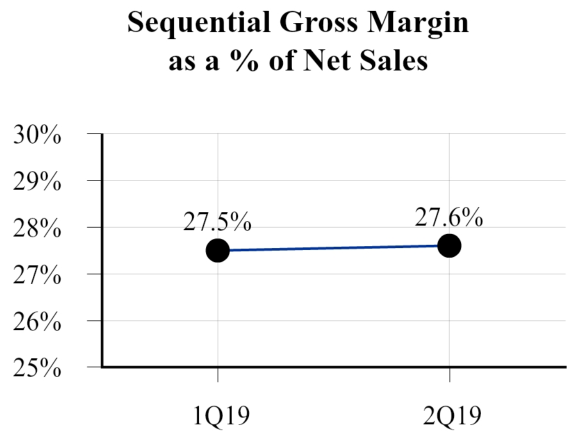
Gross margin as a percentage of net sales for YTD 2Q19 decreased 0.6 of a percentage point, while gross profit dollars decreased $5,174,000, compared to the same period last year. The decrease in gross profit dollars was driven by unfavorable sales mix and unfavorable foreign exchange, both translation and transaction, partially offset by positive operational variances.

North America - Gross margin as a percentage of net sales for 2Q19 increased 1.5 percentage points, while gross profit dollars increased $18,000, compared to 2Q18. The slight increase in gross profit dollars was primarily due to favorable customer mix and lower freight costs, partially offset by lower sales volumes and the negative impact of tariffs and related material cost increases of approximately $400,000 in 2Q19.

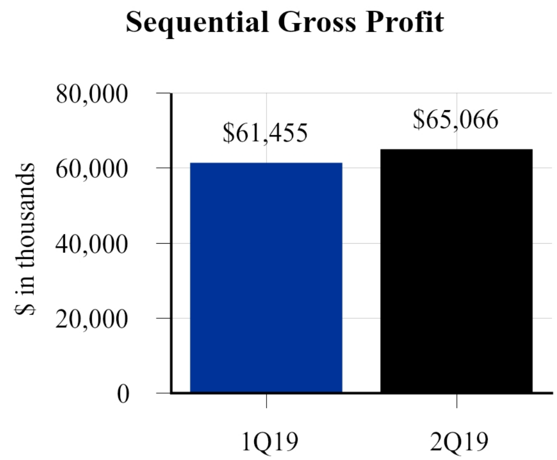
Gross margin as a percentage of net sales for YTD 2Q19 increased 1.4 percentage points, while gross profit dollars decreased $972,000, compared to YTD 2Q18. Gross margin improved despite the negative impact of tariffs and related material cost increases of approximately $800,000 in YTD 2Q19.

All Other - Gross margin, which primarily relates to the company's Asia Pacific businesses, decreased 2.7 percentage points, as a percentage of net sales, and gross profit dollars decreased $441,000, compared to 2Q18. The decrease in gross profit dollars was primarily due to lower sales volumes.

Gross margin as a percentage of net sales for YTD 2Q19 decreased 2.7 percentage points, while gross profit dollars decreased $1,196,000, compared to YTD 2Q18. The decrease in gross profit dollars was primarily due to unfavorable net sales mix and higher warranty expense.



Sequential gross profit as a percentage of net sales was approximately flat comparing 1Q19 to 2Q19.



Sequential quarterly gross profit dollars increased $3,611,000. The increase in gross profit dollars was driven by increased net sales from 1Q19 to 2Q19.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

($ in thousands USD)	2Q19	2Q18	Reported Change	Foreign Exchange Impact	Constant Currency Change
SG&A Expenses - $	68,255	73,763	(5,508)	2,671	(2,837)
SG&A Expenses - % change			(7.5)	(3.7)	(3.8)
% to net sales	28.9	30.0			

($ in thousands USD)	YTD 2Q19	YTD 2Q18	Reported Change	Foreign Exchange Impact	Constant Currency Change
SG&A Expenses - $	133,496	145,027	(11,531)	4,955	(6,576)
SG&A Expenses - % change			(8.0)	(3.5)	(4.5)
% to net sales	29.1	30.0			

SG&A expense excluding the impact of foreign currency translation, which is referred to as "constant currency SG&A", decreased for 2Q19 and YTD 2Q19 compared to the same periods last year primarily due to reduced employment costs and product liability expense. The reduction in SG&A expense was primarily driven by cost reduction actions implemented in 2018.

SG&A expense drivers by segment:

Europe - SG&A expenses for 2Q19 decreased $2,156,000 or 6.2% compared to 2Q18 with foreign currency translation decreasing SG&A expenses by $2,299,000, or 6.6%. Constant currency SG&A expenses increased $143,000, or 0.4%. The increased expense was primarily attributable to unfavorable foreign currency transactions and higher consulting costs partially offset by decreased employment costs.

SG&A expenses for YTD 2Q19 decreased by 7.0%, or $4,661,000, compared to YTD 2Q18 with foreign currency translation decreasing SG&A expenses by $4,171,000, or 6.3%. Constant currency SG&A expenses decreased $490,000, or 0.7%. The decreased expense was primarily attributable to decreased employment costs partially offset by unfavorable foreign currency transactions.

North America - SG&A expenses for 2Q19 decreased 19.7%, or $5,994,000, compared to 2Q18 with foreign currency translation decreasing SG&A expenses by $115,000. Constant currency SG&A expenses decreased $5,879,000, or 19.4% driven primarily by decreased employment costs.

SG&A expenses for YTD 2Q19 decreased 15.2%, or $9,147,000, compared to YTD 2Q18 with foreign currency translation decreasing SG&A expenses by $260,000. Constant currency SG&A expenses decreased $8,887,000, or 14.8% driven primarily by decreased employment costs.

All Other - SG&A expenses increased by $2,642,000 with foreign currency translation decreasing SG&A expenses by $257,000. All Other includes SG&A related to the Asia Pacific businesses and non-allocated corporate costs. Related to the Asia Pacific businesses, 2Q19 SG&A increased 2.5%, or $95,000, compared to 2Q18 with foreign currency translation decreasing SG&A expenses $257,000, or 6.8%. Constant currency SG&A expenses increased $352,000, or 9.3%, due to higher sales & marketing and consulting costs. SG&A expenses, related to non-allocated corporate costs, for 2Q19 increased 50.4%, or $2,547,000, compared to 2Q18. The increase was driven primarily by increased stock compensation expense and consulting costs.

SG&A expenses for YTD 2Q19 increased $2,277,000 compared to YTD 2Q18 with foreign currency translation decreasing SG&A expenses $524,000. Related to the Asia Pacific businesses, YTD 2Q19 SG&A decreased 2.1%, or $161,000, compared to 2Q18 with foreign currency translation decreasing SG&A expenses $524,000, or 6.9%. Constant currency SG&A expenses increased $363,000, or 4.8%, due to higher sales & marketing and consulting costs. SG&A expenses, related to non-allocated corporate costs, for 2Q19 increased 23.0%, or $2,438,000, compared to 2Q18. The increase was driven primarily by increased stock compensation expense and consulting costs.

OPERATING INCOME (LOSS)

($ in thousands USD)	2Q19	2Q18	$ Change	% Change	YTD 2Q19	YTD 2Q18	$ Change	% Change
Europe	5,470	5,171	299	5.8	11,252	11,765	(513)	(4.4)
North America	(1,243)	(7,257)	6,014	82.9	(5,622)	(13,797)	8,175	59.3
All Other	(7,416)	(4,331)	(3,085)	(71.2)	(12,605)	(9,132)	(3,473)	(38.0)
Charges related to restructuring	(1,321)	(344)	(977)	(284.0)	(2,013)	(745)	(1,268)	(170.2)
Consolidated Operating Loss	(4,510)	(6,761)	2,251	33.3	(8,988)	(11,909)	2,921	24.5

For 2Q19 and YTD 2Q19, consolidated operating loss improved due to reduced SG&A expense partially offset by lower gross profit, higher restructuring costs, and unfavorable foreign exchange.

Operating income (loss) by segment:

Europe - Operating income for 2Q19 increased compared to 2Q18 principally due to constant currency net sales growth partially offset by unfavorable sales mix and unfavorable foreign exchange. The negative impact from foreign currency translation was $800,000. Operating income for YTD 2Q19 decreased compared to YTD 2Q18 as constant currency sales growth was offset by unfavorable sales mix and the negative impact of foreign currency translation of $1,500,000.

North America - Operating loss for 2Q19 and YTD 2Q19 improved compared to the same periods a year ago primarily due to improved gross margin and reduced SG&A expense. Gross margin improved despite the negative impact of tariffs and related material cost increases of approximately $400,000 in 2Q19 and $800,000 YTD 2Q19.

All Other - Operating loss for 2Q19 and YTD 2Q19 increased compared to the same periods a year ago driven by the decrease in net sales in the AsiaPacific region and increased stock compensation expense.

Charge Related to Restructuring Activities

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 Other segment ($165,000).

Restructuring charges totaled $745,000 for YTD 2Q18 principally related to severance costs. Restructuring charges were incurred in Europe ($401,000), North America ($86,000) and Other ($258,000) segments.

OTHER ITEMS

Net Gain (Loss) on Convertible Debt Derivatives

($ in thousands USD)	Change in Fair Value - Gain (Loss)			
	2Q19	2Q18	YTD 2Q19	YTD 2Q18
Convertible Note Hedge Assets	(5,525)	11,467	9,600	15,753
Convertible Debt Conversion Liabilities	6,995	(11,446)	(8,403)	(15,629)
Net Gain on Convertible Debt Derivatives	1,470	21	1,197	124

The company recognized a net gain of $1,470,000 and $1,197,000 in 2Q19 and YTD 2Q19, respectively, compared to a net gain of $21,000 and $124,000 in 2Q18 and YTD 2Q18, respectively, related to the fair value of convertible debt derivatives. Due to shareholder approval to settle, or partially settle, convertible debt with common shares, this is the last quarter to fair value note hedge assets and convertible debt conversion liabilities. See "Long-Term Debt" in the notes to the Consolidated Financial Statements included elsewhere in this report for more detail.

Interest

($ in thousands USD)	2Q19	2Q18	$ Change	% Change
Interest Expense	7,721	6,964	757	10.9
Interest Income	(119)	(136)	17	(12.5)

($ in thousands USD)	YTD 2Q19	YTD 2Q18	$ Change	% Change
Interest Expense	15,035	13,926	1,109	8.0
Interest Income	(248)	(385)	137	(35.6)

The increase in interest expense for 2Q19 and YTD 2Q19 compared to the same periods last year was primarily related to interest associated with leases.

Income Taxes

The company had an effective tax rate of 19.5% and 17.8% on losses before tax from continuing operations for the three and six months ended June 30, 2019, respectively, compared to an expected benefit of 21.0% on the continuing operations pre-tax loss for each period. The company had an effective tax rate of 21.9% and 21.0% for the three and six months ended June 30, 2018, respectively, compared to an expected benefit of 21.0% on the continuing operations pre-tax loss for each period. The company's effective tax rate for each of the three and six months ended June 30, 2019 and June 30, 2018 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, 2019 and June 30, 2018 by certain taxes outside the United States, excluding countries with tax valuation allowances, that were at an effective rate higher than the U.S. statutory rate.

LIQUIDITY AND CAPITAL RESOURCES

The company continues to maintain an adequate liquidity position through its cash balances and unused 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, 2019	December 31, 2018	$ Change	% Change
Cash and cash equivalents	89,511	116,907	(27,396)	(23.4)
Working capital [(1)]	174,123	199,202	(25,079)	(12.6)
Total debt [(2)]	320,754	299,912	20,842	6.9
Long-term debt [(2)]	311,157	297,802	13,355	4.5
Total shareholders' equity	331,926	359,147	(27,221)	(7.6)
Credit agreement borrowing availability [(3)]	35,028	33,362	1,666	5.0

(1) Current assets less current liabilities.

(2) Long-term debt and Total debt include debt issuance costs recognized as a deduction from the carrying amount of debt liability and debt discounts classified as debt as well as long term lease obligations for both operating and financing leases.

(3) Reflects the combined availability of the company's North American and European asset-based revolving credit facilities. The change in borrowing availability is due to changes in the calculated borrowing base.

The company's cash and cash equivalents balances were $89,511,000 and $116,907,000 at June 30, 2019 and December 31, 2018, respectively. The decrease in cash was the result of normal operations and continued investment in our transformation strategy.

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, except in China where the cash balance, as of June 30, 2019, was $411,000. The company continues the process of eliminating its operations there, which until completed, restricts access to certain cash balances.

The company's total debt outstanding, inclusive of the debt discount related to debentures included in equity as well as the debt discount and fees associated with the company's Convertible Senior Notes due 2021 and 2022, increased by $20,842,000 to $320,754,000 at June 30, 2019 from $299,912,000 as of December 31, 2018. As a result of implementing ASU 2016-02, "Leases" as of January 1, 2019, the company recorded operating lease liabilities which totaled $21,393,000 as of June 30, 2019. 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.

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, 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.

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 4.78% for the for the three and six months ended June 30, 2019 and for the year ended December 31, 2018.

See "Long-Term Debt" in the Notes to the Consolidated Financial Statements for more details regarding the company's credit facilities.

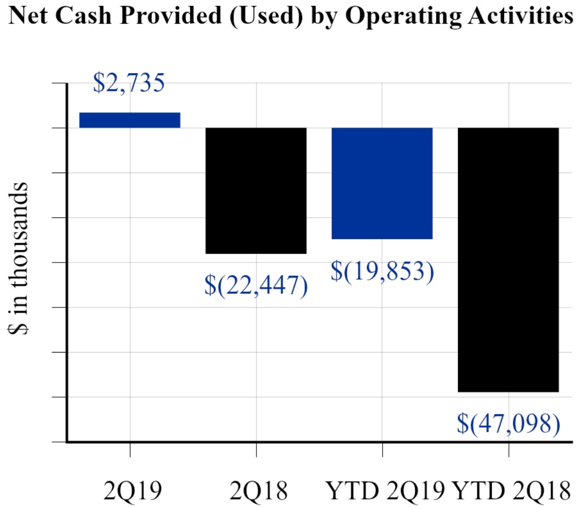
CAPITAL EXPENDITURES

The company estimates that capital investments for 2019 could approximate between $15,000,000 and $20,000,000, compared to actual capital expenditures of $9,823,000 in 2018. The anticipated increase relates primarily to the company's investments to transform the company. 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 required capital expenditures (see "Liquidity and Capital Resources"). The Credit Agreement limits the company's annual capital expenditures to $35,000,000. As of June 30, 2019, the company had no material capital expenditure commitments outstanding.

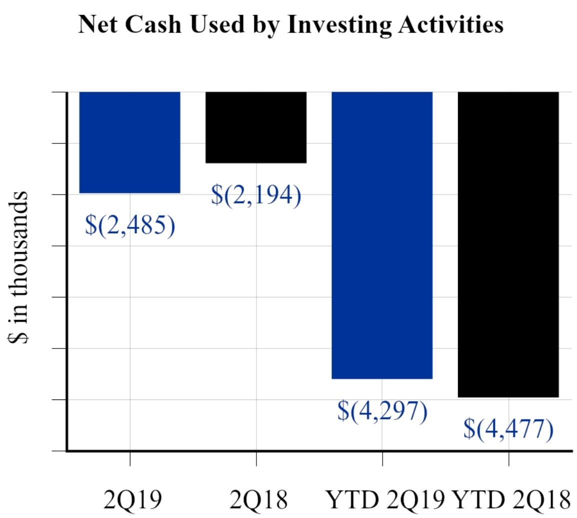
DIVIDEND POLICY

On May 16, 2019, the company's Board of Directors declared a quarterly cash dividend of $0.0125 per Common Share to shareholders of record as of July 5, 2019, which was paid on July 22, 2019. The Board of Directors has suspended the company’s regular quarterly dividend on the Class B Common Shares. Fewer than 7,000 Class B Common Shares remain outstanding and suspending the regular Class B dividend allows the company to save on the administrative costs and compliance expenses associated with that dividend. Holders of Class B Common Shares are entitled to convert their shares into Common Shares at any time on a share-for-share basis and would be eligible for any Common Share dividends declared following any such conversion.

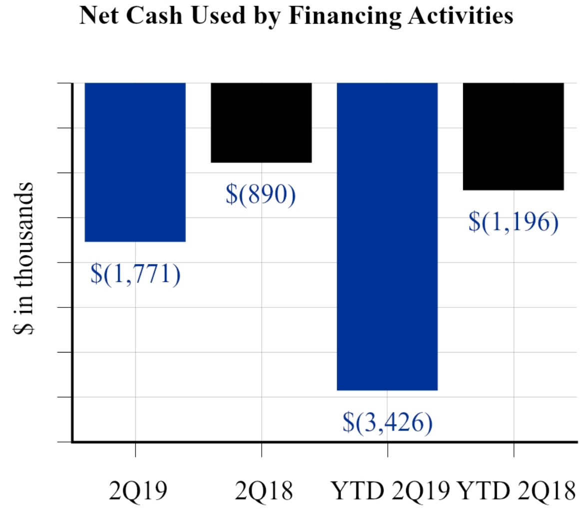
CASH FLOWS



The cash used by operating activities for the six months ended June 30, 2019 was driven by a net loss, decreased payables and accrued liabilities and increased receivables, partially offset by reduced inventory. The decrease in cash used by operating activities in the first six months of 2019 compared to the same period last year was principally driven by a reduced net loss and reduced inventory.



Cash flows used by investing activities for the first six months of 2019 were comparable to the same period last year, driven by purchases of property, plant and equipment.



Cash flows used by financing activities increased in the first six months of 2019 compared to the same period last year driven primarily by higher payments on capital leases.

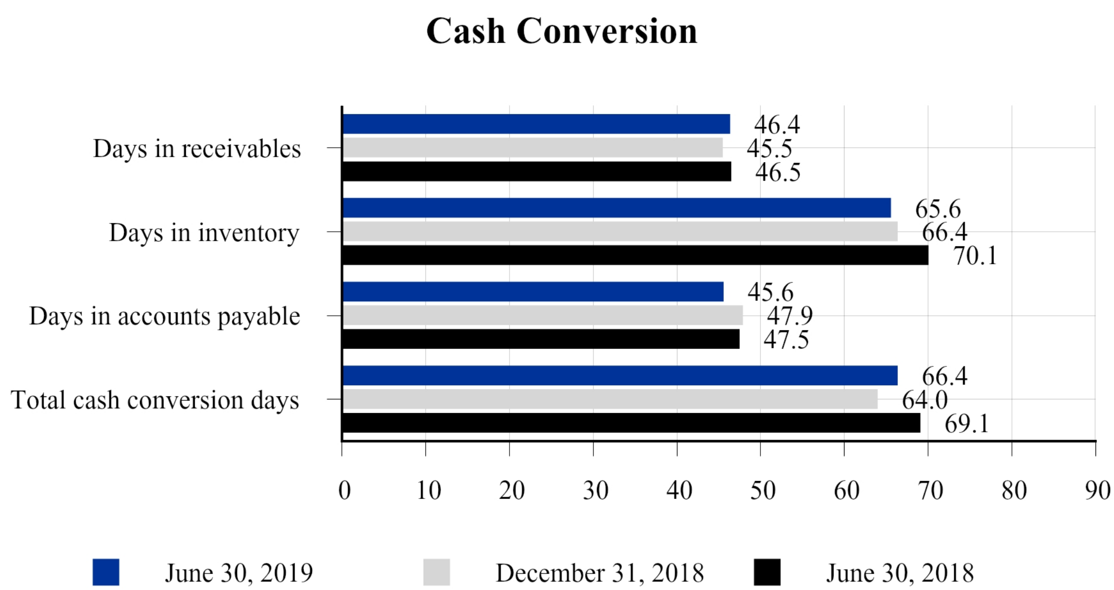
Free cash flow is a non-GAAP financial measure and is reconciled to the corresponding GAAP measure as follows:

($ in thousands USD)	2Q19	2Q18	YTD 2Q19	YTD 2Q18
Net cash used by operating activities	2,735	(22,447)	(19,853)	(47,098)
Plus: Sales of property and equipment	44	27	64	37
Less: Purchases of property and equipment	(2,509)	(2,162)	(4,321)	(4,227)
Free Cash Flow	270	(24,582)	(24,110)	(51,288)

Free cash flow for the first six months 2019 and 2018 was negatively 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, to lesser extent, into the second quarter of the year. In addition, the second quarter of the year represents the period annual employee bonuses are paid, if earned. Investment in inventory is historically 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. On that basis and considering anticipated increased working capital investment as a result of anticipated sales growth in the second half of the year and higher capital expenditures, the company anticipates its cash flow seasonality for 2019 will be similar to 2018, with full year 2019 cash flow usage estimated to be at or below approximately $25 million.

The company's approximate cash conversion days at June 30, 2019, December 31, 2018 and June 30, 2018 are as follows:



The current quarter days in receivables were comparable to the same period a year ago while days in inventory for the quarter ended June 30, 2019 were favorable to the quarter ended June 30, 2018 due to better inventory management.

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

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

ACCOUNTING ESTIMATES AND PRONOUNCEMENTS

CRITICAL ACCOUNTING ESTIMATES

The 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 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, 2018 as well as the revenue recognition and warranty disclosure below.

Revenue Recognition

The company recognizes revenues when control of the product or service is transferred to unaffiliated customers. *Revenues from Contracts with Customers*, ASC 606, provides guidance on the application of generally accepted accounting principles to revenue recognition issues. The company has concluded that its revenue recognition policy is appropriate and in accordance with GAAP under ASC 606.

All of the company's product-related contracts, and a portion related to services, have a single performance obligation, which is the promise to transfer an individual good or service, with revenue recognized at a point in time. Certain service-related contracts contain multiple performance obligations that require the company to allocate the transaction price to each performance obligation. For such contracts, the company allocates revenue to each performance obligation based on its relative standalone selling price at inception of the contract. The company determined the standalone selling price based on the expected cost-plus margin methodology. Revenue related to the service contracts with multiple performance obligations is recognized over time. To the extent performance obligations are satisfied over time, the company defers revenue recognition until the performance obligations are satisfied.

The determination of when and how much revenue to recognize can require the use of significant judgment. 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 to the customer.

Revenue is measured as the amount of consideration expected to be received in exchange for transferring the product or providing services. The amount of consideration received and recognized as revenue by the company can vary as a result of variable consideration terms included in the contracts such as 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. 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 the company 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 in the Notes to the Consolidated Financial Statements include elsewhere in this report).

Depending on the terms of the contract, the company may defer recognizing a portion of the revenue at the end of a given period as the result of title transfer terms that are based upon delivery and or acceptance which align with transfer of control of the company's products to its customers.

Sales are made only to customers with whom the company believes collection is reasonably assured based upon a credit analysis, which may include obtaining a credit application, a signed security agreement, personal guarantee and/or a cross corporate guarantee depending on the credit history of the customer. Credit lines are established for new customers after an evaluation of their credit report and/or other relevant financial information. Existing credit lines are regularly reviewed and adjusted with consideration given to any outstanding past due amounts.

The company records distributed product sales gross as a principal since the company takes title to the products and has the risks of loss for collections, delivery and returns. The company's payment terms are for relatively short periods and thus do not contain any element of financing. Additionally, no contract costs are incurred that would require capitalization and amortization.

Sales, value-added, and other taxes the company collects concurrent with revenue producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. Shipping and handling costs are included in cost of products sold.

The majority of the company's warranties are considered assurance-type warranties and continue to be recognized as expense when the products are sold (see Current Liabilities in the Notes to the Consolidated Financial Statements include elsewhere in this report). These warranties cover against defects in material and workmanship for various periods depending on the product from the date of sale to the customer. Certain components carry a lifetime warranty. In addition, the company has sold extended warranties that, while immaterial, require the company to defer the revenue associated with those warranties until earned. A provision for estimated warranty cost is recorded at the time of sale based upon actual experience. The company continuously assesses the adequacy of its product warranty accruals 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 recall, which could require additional warranty reserve provisions. See Accrued Expenses in the Notes to the Consolidated Financial Statements for a reconciliation of the changes in the warranty accrual. In addition, the company has sold extended warranties that, while immaterial, require the company to defer the revenue associated with those warranties until earned. The company has established procedures to appropriately defer such revenue.

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 Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the meaning of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995. Terms such as "will," "should," "could," "plan," "intend," "expect," "continue," "believe" and "anticipate," as well as similar comments, denote forward-looking statements that are subject to inherent uncertainties that are difficult to predict. Actual results and events may differ significantly from those expressed or anticipated as a result of risks and uncertainties, which include, but are not limited to, the following: adverse effects of the company's consent decree of injunction with the U.S. Food and Drug Administration (FDA), including but not limited to, compliance costs, inability to rebuild negatively impacted customer relationships, unabsorbed capacity utilization, including fixed costs and overhead; any circumstances or developments that might adversely impact the third-party expert auditor's required audits of the company's quality systems at the facilities impacted by the consent decree, including any possible failure to comply with the consent decree or FDA regulations; regulatory proceedings or the company's failure to comply with regulatory requirements or receive regulatory clearance or approval for the company's products or operations in the United States or abroad; adverse effects of regulatory or governmental inspections of company facilities at any time and governmental enforcement actions; including the investigation of pricing practices at one of the company's former rentals businesses; inability of the company to sustain profitable sales growth 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 business initiatives, including its enhanced transformation and growth plan; possible adverse effects on the company's liquidity that may result from delays in the implementation or realization of benefits of its current business initiatives, or from any requirement to settle repurchase rights of its outstanding convertible notes in cash; product liability or warranty claims; product recalls, including more extensive warranty or recall experience than expected; possible adverse effects of being leveraged, including interest rate or event of default risks; exchange rate fluctuations, particularly in light of the relative importance of the company's foreign operations to its overall financial performance and including the existing and potential impacts from the Brexit referendum; potential impacts of the United States administration's policies, and any legislation or regulations that may result from those policies, and of new United States tax laws, rules, regulations or policies; legal actions, including adverse judgments or settlements of litigation or claims in excess of available insurance limits; adverse changes in government and other third-party payor reimbursement levels and practices both in the U.S. and in other countries (such as, for example, more extensive pre-payment reviews and post-payment audits by payors, or the continuing impact of the U.S. Medicare National Competitive Bidding program); ineffective cost reduction and restructuring efforts or inability to realize anticipated cost savings or achieve desired efficiencies from such efforts; delays, disruptions or excessive costs incurred in facility closures or consolidations; tax rate fluctuations; additional tax expense or additional tax exposures, which could affect the company's future profitability and cash flow; inability to design, manufacture, distribute and achieve market acceptance of new products with greater functionality or new product platforms that deliver the anticipated benefits at competitive prices; consolidation of health care providers; increasing pricing pressures in the markets for the company's products; lower cost imports; uncollectible accounts receivable; difficulties in implementing/upgrading Enterprise Resource Planning systems; risk of cybersecurity attack, data breach or data loss and/or delays in or inability to recover or restore data and IT systems; risks inherent in managing and operating businesses in many different foreign jurisdictions; decreased availability or increased costs of materials which could increase the company's costs of producing or acquiring the company's products, including the adverse impacts of new tariffs and possible increases in material costs or freight costs; heightened vulnerability to a hostile takeover attempt or other shareholder activism; provisions of Ohio law or in the company's debt agreements, charter documents or other agreements that may prevent or delay a change in control, as well as the risks described from time to time in the company's reports as filed with the Securities and Exchange Commission. Except to the extent required by law, the company does not undertake and specifically declines any obligation to review or update any forward-looking statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments or otherwise.

Part I. FINANCIAL INFORMATION
Item 1. Financial Statements.

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

(In thousands, except per share data)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Net sales	$ 235,858	$ 246,152	$ 459,277	$ 483,212
Cost of products sold	170,792	178,806	332,756	349,349
Gross Profit	65,066	67,346	126,521	133,863
Selling, general and administrative expenses	68,255	73,763	133,496	145,027
Charges related to restructuring activities	1,321	344	2,013	745
Operating Loss	(4,510)	(6,761)	(8,988)	(11,909)
Net gain on convertible debt derivatives	(1,470)	(21)	(1,197)	(124)
Interest expense	7,721	6,964	15,035	13,926
Interest income	(119)	(136)	(248)	(385)
Loss Before Income Taxes	(10,642)	(13,568)	(22,578)	(25,326)
Income tax provision	2,075	2,975	4,025	5,325
Net Loss	$ (12,717)	$ (16,543)	$ (26,603)	$ (30,651)
Dividends Declared per Common Share	$ 0.0125	$ 0.0125	$ 0.0250	$ 0.0250
Net Loss per Share—Basic	$ (0.38)	$ (0.50)	$ (0.79)	$ (0.93)
Weighted Average Shares Outstanding—Basic	33,749	33,169	33,527	33,040
Net Loss per Share—Assuming Dilution	$ (0.38)	$ (0.50)	$ (0.79)	$ (0.93)
Weighted Average Shares Outstanding—Assuming Dilution	33,764	33,996	33,539	33,867
Net Loss	$ (12,717)	$ (16,543)	$ (26,603)	$ (30,651)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(9,086)	(23,438)	(3,984)	(11,622)
Defined Benefit Plans:				
Amortization of prior service costs and unrecognized gains (losses)	(101)	290	(75)	243
Deferred tax adjustment resulting from defined benefit plan activity	22	33	16	(49)
Valuation reserve associated with defined benefit plan activity	(22)	(33)	(16)	49
Current period gain on cash flow hedges	1,685	1,966	1,176	1,719
Deferred tax loss related to gain on cash flow hedges	(160)	(261)	(139)	(151)
Other Comprehensive Loss	(7,662)	(21,443)	(3,022)	(9,811)
Comprehensive Loss	$ (20,379)	$ (37,986)	$ (29,625)	$ (40,462)
(Elements as a % of Net Sales)				
Net Sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of products sold	72.4	72.6	72.5	72.3
Gross Profit	27.6	27.4	27.5	27.7
Selling, general and administrative expenses	28.9	30.0	29.1	30.0
Charges related to restructuring activities	0.6	0.1	0.4	0.2
Operating Loss	(1.9)	(2.7)	(2.0)	(2.5)
Net gain on convertible debt derivatives	(0.6)	—	(0.3)	—
Interest expense	3.3	2.8	3.3	2.9
Interest income	(0.1)	(0.1)	(0.1)	(0.1)
Loss Before Income Taxes	(4.5)	(5.5)	(4.9)	(5.2)
Income tax provision	0.9	1.2	0.9	1.1
Net Loss	(5.4)%	(6.7)%	(5.8)%	(6.3)%

See notes to condensed consolidated financial statements.

INVACARE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (unaudited)

	June 30, 2019	December 31, 2018
	(In thousands)	
Assets		
Current Assets		
Cash and cash equivalents	$ 89,511	$ 116,907
Trade receivables, net	120,072	119,743
Installment receivables, net	623	1,574
Inventories, net	123,721	128,123
Other current assets	34,050	31,063
Total Current Assets	367,977	397,410
Other Assets	3,669	6,360
Intangibles	25,561	26,506
Property and Equipment, net	44,252	45,984
Financing Lease Assets, net	27,388	28,322
Operating Lease Assets, net	21,185	—
Goodwill	377,551	381,273
Total Assets	$ 867,583	$ 885,855
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 86,051	$ 92,469
Accrued expenses	97,975	99,867
Current taxes payable	231	3,762
Current portion of financing lease obligations	2,258	2,110
Current portion of operating lease obligations	7,339	—
Total Current Liabilities	193,854	198,208
Long-Term Debt	233,435	225,733
Finance Lease Long-term Obligations	27,103	27,802
Operating Leases Long-term Obligations	14,054	—
Other Long-Term Obligations	67,211	74,965
Shareholders' Equity		
Preferred Shares (Authorized 300 shares; none outstanding)	—	—
Common Shares (Authorized 150,000 shares; 37,617 and 37,010 issued and outstanding at June 30, 2019 and December 31, 2018, respectively)—no par	9,588	9,419
Class B Common Shares (Authorized 12,000 shares; 6 shares issued and outstanding at June 30, 2019 and December 31, 2018, respectively)—no par	2	2
Additional paid-in-capital	301,833	297,919
Retained earnings	115,025	142,447
Accumulated other comprehensive income	9,771	12,793
Treasury shares (3,950 and 3,841 shares at June 30, 2019 and December 31, 2018, respectively)	(104,293)	(103,433)
Total Shareholders' Equity	331,926	359,147
Total Liabilities and Shareholders' Equity	$ 867,583	$ 885,855

See notes to condensed consolidated financial statements.

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

	For the Six Months Ended June 30,	
	2019	2018
Operating Activities	(In thousands)	
Net loss	$ (26,603)	$ (30,651)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	7,809	7,700
Amortization operating lease right of use assets	4,655	—
Provision for losses on trade and installment receivables	482	716
Provision (benefit) for deferred income taxes	36	(128)
Provision (benefit) for other deferred liabilities	471	(7)
Provision for equity compensation	4,303	2,943
Loss on disposals of property and equipment	124	21
Amortization of convertible debt discount	6,665	5,650
Amortization of debt fees	1,225	1,246
Gain on convertible debt derivatives	(1,197)	(124)
Changes in operating assets and liabilities:		
Trade receivables	(1,087)	(1,659)
Installment sales contracts, net	353	294
Inventories	3,772	(17,079)
Other current assets	(2,246)	(1,076)
Accounts payable	(5,891)	3,231
Accrued expenses	(12,208)	(18,289)
Other long-term liabilities	(516)	114
Net Cash Used by Operating Activities	(19,853)	(47,098)
Investing Activities		
Purchases of property and equipment	(4,321)	(4,227)
Proceeds from sale of property and equipment	64	37
Change in other long-term assets	(40)	(287)
Net Cash Used by Investing Activities	(4,297)	(4,477)
Financing Activities		
Payments on revolving lines of credit, long-term borrowings and capital leases	(1,747)	(602)
Proceeds from exercise of stock options	—	2,618
Payment of dividends	(819)	(808)
Purchase of treasury stock	(860)	(2,404)
Net Cash Used by Financing Activities	(3,426)	(1,196)
Effect of exchange rate changes on cash	180	(1,359)
Decrease in cash and cash equivalents	(27,396)	(54,130)
Cash and cash equivalents at beginning of year	116,907	176,528
Cash and cash equivalents at end of period	$ 89,511	$ 122,398

See notes to condensed consolidated financial statements.

INVACARE CORPORATION AND SUBSIDIARIES
Consolidated Statement of Shareholders' Equity

(In thousands)	Common Stock	Class B Stock	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Earnings	Treasury Stock	Total
March 31, 2019 Balance	$ 9,588	$ 2	$ 299,180	$ 128,153	$ 17,433	$ (103,814)	**$ 350,542**
Performance awards	—	—	534	—	—	—	**534**
Non-qualified stock options	—	—	87	—	—	—	**87**
Restricted stock 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 adjustments	—	—	(220)	—	—	—	**(220)**
Dividends	—	—	—	(411)	—	—	**(411)**
June 30, 2019 Balance	$ 9,588	$ 2	$ 301,833	$ 115,025	$ 9,771	$ (104,293)	**$ 331,926**
March 31, 2018 Balance	$ 9,395	$ 2	$ 293,211	$ 173,488	$ 48,502	$ (101,926)	**$ 422,672**
Exercise of stock options	20	—	1,186	—	—	—	**1,206**
Performance awards	—	—	(658)	—	—	—	**(658)**
Non-qualified stock options	—	—	(197)	—	—	—	**(197)**
Restricted stock awards	2	—	2,030	—	—	(1,484)	**548**
Net loss	—	—	—	(16,543)	—	—	(16,543)
Foreign currency translation adjustments	—	—	—	—	(23,438)	—	(23,438)
Unrealized gain on cash flow hedges	—	—	—	—	1,705	—	1,705
Defined benefit plans: Amortization of prior service costs and unrecognized losses and credits	—	—	—	—	290	—	290
Total comprehensive loss	—	—	—	—	—	—	**(37,986)**
Dividends	—	—	—	(405)	—	—	**(405)**
June 30, 2018 Balance	$ 9,417	$ 2	$ 295,572	$ 156,540	$ 27,059	$ (103,410)	**$ 385,180**

See notes to condensed consolidated financial statements.

INVACARE CORPORATION AND SUBSIDIARIES
Consolidated Statement of Shareholders' Equity

(In thousands)	Common Stock	Class B Stock	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Earnings	Treasury Stock	Total
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 stock options	—	—	211	—	—	—	**211**
Restricted stock awards	140	—	2,953	—	—	(512)	**2,581**
Net loss	—	—	—	(26,603)	—	—	(26,603)
Foreign currency translation adjustments	—	—	—	—	(3,984)	—	(3,984)
Unrealized gain 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**
January 1, 2018 Balance	$ 9,304	$ 2	$ 290,125	$ 187,999	$ 36,870	$ (101,006)	**$ 423,294**
Exercise of stock options	46	—	2,571	—	—	—	**2,617**
Performance awards	—	—	(27)	—	—	—	**(27)**
Non-qualified stock options	—	—	30	—	—	(920)	**(890)**
Restricted stock awards	67	—	2,873	—	—	(1,484)	**1,456**
Net loss	—	—	—	(30,651)	—	—	(30,651)
Foreign currency translation adjustments	—	—	—	—	(11,622)	—	(11,622)
Unrealized gain on cash flow hedges	—	—	—	—	1,568	—	1,568
Defined benefit plans: Amortization of prior service costs and unrecognized losses and credits	—	—	—	—	243	—	243
Total comprehensive loss							**(40,462)**
Dividends	—	—	—	(808)	—	—	**(808)**
June 30, 2018 Balance	$ 9,417	$ 2	$ 295,572	$ 156,540	$ 27,059	$ (103,410)	**$ 385,180**

See notes to condensed consolidated financial statements.

Accounting Policies

Principles of Consolidation: The 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, 2019 and the results of its operations and changes in its cash flow for the six months ended June 30, 2019 and 2018, 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, 2019 are not necessarily indicative of the results to be expected for the full year.

Use of Estimates: The 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 February 2016, the FASB issued ASU 2016-02, "Leases." ASU 2016-02 requires lessees to put most leases on their balance sheet while recognizing expense in a manner similar to existing accounting. The new accounting guidance was effective for fiscal periods beginning after December 15, 2018 and early adoption was permitted. The company adopted ASU 2016-02, effective on January 1, 2019, using the optional transitional method in which periods prior to 2019 were not restated. The company elected to apply the package of practical expedients in which lease identification, classification and treatment of initial direct costs was retained, and recognized right of use lease assets and liabilities for all leases with a lease term of greater than a year. The company completed an assessment of its systems, data and processes related to implementing the standard and completed its information system design and solution development as well as the development of related internal controls. As a result of adoption of this standard, the company recorded $23,420,000 in operating lease right of use assets offset by lease liabilities on the company's consolidated balance sheets. The standard did not have a material impact on the company's results of operations or cash flows.

In February 2018, the FASB issued ASU No. 2018-02, “Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income,” which allows reclassification of certain tax effects created as a result of changing methodologies, laws and tax rates legislated in the Tax Cuts and Jobs Act of 2017 (the Act). This new standard allows for stranded income tax effects resulting from the Act to be reclassified into retained earnings to allow for their tax effect to reflect the appropriate tax rate. Due to the full valuation allowance on our U.S. net deferred tax assets, a reclassification of stranded tax effects to retained earnings was not required.

Reclassifications: Finance lease assets and related long-term liabilities have been reclassified from Property and Equipment, net and Long-Term Debt, respectively, to Finance Lease Assets, net and Long-term Obligations - Financing Leases, respectively, in the Consolidated Balance Sheets as of December 31, 2018 to conform with the presentation for 2019.

In the first quarter of 2019, the company reassessed the alignment of its reporting segments and concluded that the former North America/Home Medical Equipment (NA/HME) and Institutional Products Group (IPG) segments should be combined into a single operating segment, now referred to as North America. This change better reflects how the company manages, allocates resources and assesses performance of the businesses contained in the new North America segment. Additionally, the company reassessed the activity of the businesses in its former Asia/Pacific segment and concluded that the Asia Pacific businesses should be reported as part of the All Other segment, since those businesses, individually and collectively, are not large enough relative to the company's overall business to merit disclosure as a separate reporting segment. The company believes that these changes provide improved transparency of the company’s business results to its shareholders, and better align with how the company manages its businesses. Segment results for 2018 have been reclassified to reflect the realignment of the company’s reporting segments and be comparable to the segment results for 2019.

Recent Accounting Pronouncements (Not Yet 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 will be 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 amendments in the pronouncement are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Entities may early adopt the amendments as of fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The company is currently reviewing the impact of the adoption of ASU 2016-13 on the company's financial statements.

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 new standard is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and should be applied on a prospective basis. Early adoption is permitted for annual or interim goodwill impairment testing performed after January 1, 2017. The company is currently reviewing the impact of the adoption of ASU 2017-04 but does not expect the adoption to impact the company's financial statements.

Current Assets

Receivables

Receivables consist of the following (in thousands):

	June 30, 2019	December 31, 2018
Accounts receivable, gross	$ 140,738	$ 146,482
Customer rebate reserve	(10,497)	(15,452)
Allowance for doubtful accounts	(5,151)	(5,268)
Cash discount reserves	(4,002)	(4,777)
Other, principally returns and allowances reserves	(1,016)	(1,242)
Accounts receivable, net	$ 120,072	$ 119,743

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, 2018 to June 30, 2019 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 estimated allowance for uncollectible amounts is based primarily on management's evaluation of the financial condition of specific customers. 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 Consolidated Financial Statements for a description of the financing arrangement. Long-term installment receivables are included in "Other Assets" on the consolidated balance sheet.

The company's U.S. customers electing to finance their purchases can do so using DLL. In addition, the company often provides 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 are 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. The company has not made any changes to either its accounting policies or methodology to estimate allowances for doubtful accounts in the last twelve months.

Installment receivables consist of the following (in thousands):

	June 30, 2019			December 31, 2018		
	Current	**Long-Term**	**Total**	**Current**	**Long-Term**	**Total**
Installment receivables	$ 1,284	$ 1,446	$ 2,730	$ 1,986	$ 1,374	$ 3,360
Less: Unearned interest	(23)	—	(23)	(22)	—	(22)
	1,261	1,446	2,707	1,964	1,374	3,338
Allowance for doubtful accounts	(638)	(899)	(1,537)	(390)	(1,152)	(1,542)
Installment receivables, net	$ 623	$ 547	$ 1,170	$ 1,574	$ 222	$ 1,796

Installment receivables purchased from DLL during the six months ended June 30, 2019 increased the gross installment receivables balance by $89,000. No sales of installment receivables were made by the company during the quarter.

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

	Six Months Ended June 30, 2019	**Year Ended December 31, 2018**
Balance as of beginning of period	$ 1,542	$ 2,644
Current period provision	298	550
Direct write-offs charged against the allowance	(303)	(1,652)
Balance as of end of period	$ 1,537	$ 1,542

Installment receivables by class as of June 30, 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	$ 2,052	$ 2,052	$ 1,521	$ —
Canada				
Non-Impaired installment receivables with no related allowance recorded	662	639	—	57
Impaired installment receivables with a related allowance recorded	16	16	16	—
Total Canadian installment receivables	678	655	16	57
Total				
Non-Impaired installment receivables with no related allowance recorded	662	639	—	57
Impaired installment receivables with a related allowance recorded	2,068	2,068	1,537	—
Total installment receivables	$ 2,730	$ 2,707	$ 1,537	$ 57

Installment receivables by class as of December 31, 2018 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	$ 2,669	$ 2,669	$ 1,540	$ —
Canada				
Non-Impaired installment receivables with no related allowance recorded	689	667	—	127
Impaired installment receivables with a related allowance recorded	2	2	2	—
Total Canadian installment receivables	691	669	2	127
Total				
Non-Impaired installment receivables with no related allowance recorded	689	667	—	127
Impaired installment receivables with a related allowance recorded	2,671	2,671	1,542	—
Total installment receivables	$ 3,360	$ 3,338	$ 1,542	$ 127

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, 2019, 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, 2018 for which the company was still accruing interest.

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

	June 30, 2019			December 31, 2018		
	Total	U.S.	Canada	Total	U.S.	Canada
Current	$ 661	$ —	$ 661	$ 663	$ —	$ 663
0-30 Days Past Due	8	—	8	11	—	11
31-60 Days Past Due	3	—	3	10	—	10
61-90 Days Past Due	3	—	3	6	—	6
90+ Days Past Due	2,055	2,052	3	2,670	2,669	1
	$ 2,730	$ 2,052	$ 678	$ 3,360	$ 2,669	$ 691

Inventories

Inventories consist of the following (in thousands):

	June 30, 2019	December 31, 2018
Finished goods	$ 55,674	$ 55,120
Raw materials	56,963	62,766
Work in process	11,084	10,237
Inventories, net	$ 123,721	$ 128,123

Other Current Assets

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

	June 30, 2019	December 31, 2018
Value added tax receivables	$ 18,486	$ 16,372
Service contracts	2,000	2,201
Derivatives (foreign currency forward exchange contracts)	1,972	1,020
Prepaid insurance	1,213	2,626
Prepaid inventory	965	521
Recoverable income taxes	646	787
Prepaid debt fees	396	395
Prepaid and other current assets	8,372	7,141
Other Current Assets	$ 34,050	$ 31,063

Long-Term Assets

Other Long-Term Assets

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

	June 30, 2019	December 31, 2018
Convertible 2022 note hedge asset	$ —	$ 2,062
Convertible 2021 note hedge asset	—	1,028
Cash surrender value of life insurance policies	1,998	1,948
Deferred financing fees	208	402
Long-term installment receivables	547	222
Long-term deferred taxes	580	352
Investments	86	90
Other	250	256
Other Long-Term Assets	$ 3,669	$ 6,360

As part of issuing convertible notes, the company entered into related convertible note hedge derivatives which were included in Other Long-Term Assets, the value of which was adjusted quarterly to reflect fair value. On May 16, 2019, shareholders approved the use of shares to potentially settle conversion of the company's convertible notes. As a result of the shareholder approval, the note hedge assets and conversion liabilities are no longer bifurcated and accounted for as separate derivatives and thus no longer are separate long-term assets.

See "Long-Term Debt" in the notes to the Consolidated Financial Statements included elsewhere in this report for more detail regarding the company's issuance of convertible notes and the related convertible note hedge derivatives.

Property and Equipment

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

	June 30, 2019	December 31, 2018
Machinery and equipment	$ 299,121	$ 301,039
Land, buildings and improvements	33,053	37,606
Leasehold improvements	9,159	8,847
Furniture and fixtures	9,846	9,898
Property and Equipment, gross	351,179	357,390
Less allowance for depreciation	(306,927)	(311,406)
Property and Equipment, net	$ 44,252	$ 45,984

Lease Assets

In the first quarter of 2019, the company recorded operating lease assets as a result of the adoption of ASU 2016-02. The company's operating lease assets, and financing lease asset, have been separately disclosed on the Consolidate Balance Sheets. Finance lease assets have been reclassified from Property and Equipment, net to Finance Lease Assets in the Consolidated Balance Sheets as of December 31, 2018 to conform with the presentation for 2019.

Goodwill

The change in goodwill from December 31, 2018 to June 30, 2019 was due to foreign currency translation. As part of the company's realignment of its reportable and operating segments in the first quarter of 2019, the company considered whether the reporting units used for purposes of assessing impairment of goodwill should be changed and concluded that no changes were necessary.

Intangibles

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

	June 30, 2019		December 31, 2018	
	Historical Cost	Accumulated Amortization	Historical Cost	Accumulated Amortization
Customer lists	$ 51,512	$ 51,143	$ 51,828	$ 50,768
Trademarks	24,237	—	24,385	—
Developed technology	7,537	6,594	7,608	6,563
Patents	5,517	5,518	5,500	5,497
License agreements	764	764	733	733
Other	1,162	1,149	1,162	1,149
Intangibles	$ 90,729	$ 65,168	$ 91,216	$ 64,710

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, 2018 to June 30, 2019 were the result of foreign currency translation and amortization.

The company evaluates the carrying value of definite-lived assets whenever events or circumstances indicate possible impairment. Definite-lived assets are determined to be impaired if the future un-discounted 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. The company reviews indefinite-lived assets for impairment annually in the fourth quarter of each year and whenever events or circumstances indicate possible impairment. 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 $779,000 in the first six months of 2019 and is estimated to be $1,237,000 in 2019, $178,000 in 2020, $178,000 in 2021, $178,000 in 2022, $178,000 in 2023 and $153,000 in 2024. Amortized intangibles are being amortized on a straight-line basis over remaining lives of 1 to 6 years with most of the intangibles being amortized over an average remaining life of approximately 2 years.

Current Liabilities

Accrued Expenses

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

	June 30, 2019	December 31, 2018
Salaries and wages	$ 26,070	$ 23,289
Taxes other than income taxes, primarily Value Added Taxes	22,796	23,197
Warranty	13,860	16,353
Professional	5,631	5,888
Interest	3,906	3,992
Advance payment on sale of land & buildings	3,471	—
Freight	3,370	3,363
Deferred revenue	2,676	2,416
Product liability, current portion	2,631	2,728
Rebates	2,368	7,966
Severance	1,582	1,657
Insurance	889	738
Derivative liabilities (foreign currency forward exchange contracts)	428	219
Rent	415	483
Supplemental Executive Retirement Program liability	391	391
Other items, principally trade accruals	7,491	7,187
Accrued Expenses	$ 97,975	$ 99,867

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 the 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.

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, 2018 to June 30, 2019 primarily relates to payments principally made in the first quarter each year.

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 sale 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 accruals 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.

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

Balance as of January 1, 2019	$	16,353
Warranties provided during the period		2,541
Settlements made during the period		(5,752)
Changes in liability for pre-existing warranties during the period, including expirations		718
Balance as of June 30, 2019	$	13,860

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

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. In accordance with the agreement, control will not transfer to the buyer until April 2020; however, the company received an advance payment for a portion of the proceeds, as disclosed above. The advance payment was reflected in the investing section of the Consolidated Statement of Cash Flows in the third quarter of 2018. The company will continue to depreciate the building and expects to record a gain on the transaction when completed in 2020.

Long-Term Debt

Debt consists of the following (in thousands):

	June 30, 2019	December 31, 2018
Convertible senior notes at 5.00%, due in February 2021	$ 134,801	$ 130,260
Convertible senior notes at 4.50%, due in June 2022	98,634	95,473
Long-Term Debt	$ 233,435	$ 225,733

The company had outstanding letters of credit of $3,089,000 and $3,123,000 as of June 30, 2019 and December 31, 2018, respectively. There were no borrowings denominated in foreign currencies as of June 30, 2019 and December 31, 2018. The weighted average interest rate on all borrowings, excluding capital leases, was 4.78% for the six months ended June 30, 2019 and for the year ended December 31, 2018.

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, 2021. 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, 2019, debt fees yet to be amortized through January 2021 totaled $604,000.

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 $100,000,000, 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 $25,000,000 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) $438,600 as of June 30, 2019 (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, 2019, the company was in compliance with all covenant requirements and had borrowing capacity on the U.S. and Canadian Credit Facility under the Credit Agreement of $22,070,000, considering the minimum availability reserve, then-outstanding letters of credit, other reserves and the $11,250,000 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) $5,000,000 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 $11,250,000 on any business day or $12,500,000 for five consecutive days in order to avoid triggering full control by an agent for the lenders of the company's cash receipts for application to the company’s obligations under the agreement.

The Credit Agreement contains customary default provisions, with certain grace periods and exceptions, which provide for events of default that include, among other things, failure to pay amounts due, breach of covenants, representations or warranties, bankruptcy, the occurrence of a material adverse effect, exclusion from any medical reimbursement program, and an interruption of any material manufacturing facilities for more than 10 consecutive days. There were no borrowings outstanding under the U.S. and Canadian Credit Facility at June 30, 2019.

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 2021, 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, 2019, the aggregate borrowing availability to the European Borrowers under the European Credit Facility was approximately $12,958,000, considering the $3,000,000 minimum availability reserve and the $3,375,000 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 $3,375,000 on any business day or 12.50% of the maximum amount that may be drawn under the European Credit Facility for five (5) consecutive business days in order to avoid triggering full control by an agent for the Lenders of the European Borrower's cash receipts for application to its obligations under the European Credit Facility.

The European Credit Facility is subject to customary default provisions, with certain grace periods and exceptions, consistent with those applicable to the 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. There were no borrowings outstanding under the European Credit Facility at June 30, 2019.

<u>Convertible senior notes due 2021</u>

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.

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.

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 shareholders approved the potential use of common shares to settle conversion of the 2021 Notes on May 16, 2019, 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 being removed on May 16, 2019. The fair value of the convertible debt conversion liability at issuance was $34,480,000. The fair value of the convertible debt conversion liability at June 30, 2019 was $0 compared to $1,458,000 as of December 31, 2018. 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, compared to losses of $5,609,000 and $7,982,000 for the three and six months ended June 30, 2018, 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 fair value of the convertible note hedge assets at June 30, 2019 was $0 compared to $1,028,000 as of December 31, 2018. 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, compared to gains of $5,896,000 and $7,943,000 for the three and six months ended June 30, 2018, relatively, 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, 2019	December 31, 2018
Principal amount of liability component	$ 150,000	$ 150,000
Unamortized discount	(13,246)	(17,193)
Debt fees	(1,953)	(2,547)
Net carrying amount of liability component	$ 134,801	$ 130,260

The unamortized discount of $13,246,000 is to be amortized through February 2021. The effective interest rate on the liability component was 11.1%. Non-cash interest expense of $2,162,000 and $3,947,000 was recognized for the three and six months ended June 30, 2019, respectively, compared to $1,661,000 and $3,263,000 for the three and six months ended June 30, 2018. Actual interest expense accrued was $1,875,000 and $3,750,000 for the three and six months ended June 30, 2019, respectively, compared to $1,875,000 and $3,750,000 for the three and six months ended June 30, 2018, respectively, based on the stated coupon rate of 5.0%. The 2021 notes were not convertible as of June 30, 2019 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.

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.

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 shareholders approved the potential use of common shares to settle conversion of the 2022 Notes on May 16, 2019, 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 being removed on May 16, 2019. The fair value of the convertible debt conversion liability at issuance was $28,859,000. The fair value of the convertible debt conversion liability at June 30, 2019 was $0 compared to $2,611,000 at December 31, 2018. 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, compared to a losses of $5,837,000 and $7,647,000 for the three and six months ended June 30, 2018, 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 fair value of the convertible note hedge assets at June 30, 2019 was $0 compared to $2,062,000 at December 31, 2018. 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, compared to gains of $5,571,000 and $7,810,000 for the three and six months ended June 30, 2018, 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 stock 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, 2019	December 31, 2018
Principal amount of liability component	$ 120,000	$ 120,000
Unamortized discount	(18,758)	(21,476)
Debt fees	(2,608)	(3,051)
Net carrying amount of liability component	$ 98,634	$ 95,473

The unamortized discount of $18,758,000 is to be amortized through June 2022. The effective interest rate on the liability component was 10.9%. Non-cash interest expense of $1,404,000 and $2,718,000 was recognized for the three and six months ended June 30, 2019, respectively, compared to $1,203,000 and $2,387,000 for the three and six months ended June 30, 2018, respectively. Actual interest expense accrued of $1,350,000 and $2,700,000 for the three and six months ended June 30, 2019, respectively, compared to $1,350,000 and $2,700,000 for the three and six months ended June 30, 2018, respectively, based on the stated coupon rate of 4.5%. The 2022 notes were not convertible as of June 30, 2019 nor was the applicable conversion threshold met.

Other Long-Term Obligations

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

	June 30, 2019	December 31, 2018
Deferred income taxes	$ 24,996	$ 24,681
Product liability	13,528	13,865
Pension	6,659	6,670
Deferred gain on sale leaseback	5,973	6,124
Supplemental Executive Retirement Plan liability	5,177	5,250
Deferred compensation	5,165	5,577
Uncertain tax obligation including interest	2,152	2,140
Advance payment on sale of land & buildings	—	3,524
Convertible 2022 debt conversion liability	—	2,611
Convertible 2021 debt conversion liability	—	1,458
Other	3,561	3,065
Other Long-Term Obligations	$ 67,211	$ 74,965

The convertible debt conversion liability amounts included in the above table represent the fair values of the conversion liabilities as of June 30, 2019 and December 31, 2018. On May 16, 2019, shareholders approved the use of shares to potentially settle conversion of the company's convertible notes. As a result of the shareholder approval, the conversion liabilities and note hedge assets are no longer bifurcated and accounted for as separate derivatives and thus are no longer separate long-term obligations. See "Long-Term Debt" in the notes to the Consolidated Financial Statements included elsewhere in this report for more detail.

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 $73,000 and $146,000 for the three and six months ended June 30, 2019 , respectively, compared to $71,000 and $141,000 for the three and six months ended June 30, 2018, respectively.

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. In accordance with the agreement, title will not transfer to the buyer until April 2020; however, the company received an advance payment for a portion of the proceeds, originally disclosed above and now reclassed as a short-term obligation in Accrued Expenses. The advance payment was reflected in the investing section of the Consolidated Statement of Cash Flows in the third quarter of 2018. The company will continue to depreciate the building and expects to record a gain on the transaction when completed in 2020.

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, 2019, 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 Consolidated Balance Sheet. The gains realized were $73,000 and $146,000 for the three and six months ended June 30, 2019, respectively, compared to $71,000 and $141,000 for the three and six months ended June 30, 2018, respectively.

In December 2018, the company entered into a 20-year lease agreement in Germany. The lease is not expected to commence until April 2020.

Lease expenses for the three and six months ended June 30, 2019 and June 30, 2018, respectively, were as follows (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Operating leases	$ 3,070	$ 4,224	$ 5,479	$ 8,539
Variable and short-term leases	466	—	1,080	—
Total operating leases	3,536	4,224	6,559	8,539
Finance lease interest cost	320	286	631	579
Finance lease depreciation	642	507	1,251	1,159
Total finance leases	$ 962	$ 793	$ 1,882	$ 1,738

Future minimum operating and finance lease commitments, as of June 30, 2019, are as follows (in thousands):

	Finance Leases	Operating Leases
2019	$ 1,758	$ 4,761
2020	3,356	7,657
2021	3,062	5,735
2022	2,506	3,470
2023	2,451	1,287
Thereafter	27,498	2,201
Total future minimum lease payments	40,631	25,111
Amounts representing interest	(11,270)	(3,718)
Present value of minimum lease payments	29,361	21,393
Less: current maturities of lease obligations	(2,258)	(7,339)
Long-term lease obligations	$ 27,103	$ 14,054

Supplemental cash flow amounts for the six months ended June 30, 2019 were as follows (in thousands):

Cash Activity: Cash paid in measurement of amounts for lease liabilities	June 30, 2019
Operating Leases	$ 6,688
Financing Leases	1,747
Total	$ 8,435

Non-Cash Activity: Right-of-use assets obtained in exchange for lease obligations	June 30, 2019
Operating Leases	$ 407
Financing Leases	293
Total	$ 700

Weighted-average remaining lease terms and discount rates for finance and operating leases are as follows as of June 30, 2019:

	June 30, 2019
Weighted-average remaining lease term - finance leases	14.9 years
Weighted-average remaining lease term - operating leases	3.9 years
Weighted-average discount rate - finance leases	3.75%
Weighted-average discount rate - operating leases	7.65%

Revenue

The company has two revenue streams: product 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, 2019 and June 30, 2018 (in thousands):

	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%

	Three Months Ended June 30, 2018		
	Product	Service	Total
Europe	$ 135,408	$ 3,488	$ 138,896
North America	92,934	637	93,571
Other (Asia/Pacific)	12,494	1,191	13,685
Total	$ 240,836	$ 5,316	$ 246,152
% Split	98%	2%	100%

	Six Months Ended June 30, 2018		
	Product	Service	Total
Europe	$ 263,410	$ 6,800	$ 270,210
North America	187,013	1,227	188,240
Other (Asia/Pacific)	22,439	2,323	24,762
Total	$ 472,862	$ 10,350	$ 483,212
% 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 (33%), large national customers (27%), governments, principally pursuant to tender contracts (19%) and other customers including buying groups and independent customers (21%).

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 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, 2019 and December 31, 2018, the company had deferred revenue of $2,676,000 and $2,416,000, respectively, related to outstanding performance obligations.

Equity Compensation

The company’s Common Shares have a $.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 on the Class B Common Shares.

As of June 30, 2019, 6,357 Class B Common Shares remained outstanding. Conversion of Class B Common Shares have substantially diminished the significance of the company’s dual class voting structure. As of June 30, 2019, the holders of the Common Shares represented approximately 99.9% of the company’s total outstanding voting power.

Equity Compensation Plan

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

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

The 2018 Plan uses a fungible share-counting method, under which each Common Share underlying an award of stock options or stock appreciation rights ("SAR") will count against the number of total shares available under the 2018 Plan as one share; and each Common Share underlying any award other than a stock option or a SAR will count against the number of total shares available under the 2018 Plan as two shares. Shares underlying awards made under the 2003 Plan or 2013 Plan that are forfeited or remain unpurchased or undistributed upon termination or expiration of the awards will become available under the 2018 Plan for use in future awards. Any Common Shares that are added back to the 2018 Plan as the result of forfeiture, termination or expiration of an award granted under the 2018 Plan or the 2013 Plan will be added back in the same manner such shares were originally counted against the total number of shares available under the 2018 Plan or 2013 Plan, as applicable. Each Common Share that is added back to the 2018 Plan due to a forfeiture, termination or expiration of an award granted under the 2003 Plan will be added back as one Common Share.

The Compensation and Management Development Committee of the Board (the “Compensation Committee”), in its discretion, may grant an award under the 2018 Plan to any director or employee of the company or an affiliate. As of June 30, 2019, 3,840,691 Common Shares were available for future issuance under the 2018 Plan in connection with the following types of awards with respect to the company's Common Shares: incentive stock options, nonqualified stock options, SARs, restricted stock, restricted stock units, unrestricted stock and performance shares. The Compensation Committee also may grant performance units that are payable in cash. The Compensation Committee has the authority to determine which participants will receive awards, the amount of the awards and the other terms and conditions of the awards. The Common Shares authorized for issuance under the 2018 Plan includes an additional 3,000,000 Common Shares that were approved by shareholders at the company’s 2019 annual meeting on May 16, 2019.

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

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

	For the Six Months Ended June 30,	
	2019	**2018**
Restricted stock / units	$ 3,093	$ 2,940
Performance shares / units	999	(27)
Non-qualified and performance stock options	211	30
Total stock-based compensation expense	$ 4,303	$ 2,943

As of June 30, 2019, 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, 2019
Restricted stock and restricted stock units	$ 11,932
Performance shares and performance share units	10,499
Non-qualified and performance stock options	1,728
Total unrecognized stock-based compensation expense	$ 24,159

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 "Stock 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, 2019 and 2018, 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.

Stock Options

Generally, non-qualified stock 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. Stock option awards granted in 2017 were performance-based awards which will only become exercisable if the performance goals established by the Compensation Committee are achieved over a 3-year period ending in 2019 and 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 expects the compensation expense to be recognized over a weighted-average period of approximately two years.

The following table summarizes information about stock option activity for the six months ended June 30, 2019:

	June 30, 2019		Weighted Average Exercise Price
Options outstanding at January 1, 2019	1,885,362		$ 18.78
Canceled	(31,683)		21.40
Options outstanding at June 30, 2019	1,853,679		$ 18.73
Options exercise price range at June 30, 2019	$ 12.15	to	$ 33.36
Options exercisable at June 30, 2019	1,322,519		
Shares available for grant at June 30, 2019*	3,840,691		

* Shares available for grant as of June 30, 2019 reduced by net restricted stock and restricted stock unit award activity of (469,428) shares and performance share and performance share unit award activity of 812,396 shares.

The following table summarizes information about stock options outstanding at June 30, 2019:

	Options Outstanding			Options Exercisable	
Exercise Prices	Number Outstanding at June 30, 2019	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at June 30, 2019	Weighted Average Exercise Price
$ 12.15 – $20.00	798,284	6.3	$ 12.77	267,124	$ 13.99
$ 20.01 – $25.00	713,476	1.0	22.20	713,476	22.20
$ 25.01 – $30.00	337,423	1.1	25.33	337,423	25.33
$ 30.01 – $33.36	4,496	1.9	33.36	4,496	33.36
Total	1,853,679	3.3	$ 18.73	1,322,519	$ 21.38

The 2018 Plan provides for a one-year minimum vesting period for stock options and, generally, options must be exercised within ten years from the date granted. No stock options were issued in 2019 or 2018 and those issued in 2017 were performance-based and may vest after the conclusion of the three-year performance period ending December 31, 2019 based on achievement of performance goals established by the Compensation Committee and 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. All other outstanding stock options were issued in 2014 or prior years and were not performance-based.

For the stock options issued in 2014 and prior, 25% of such options vested one year following the issuance and provided a four-year vesting period whereby options vest in 25% installments in each year. Options granted with graded vesting were accounted for as single options. The fair value of options granted is estimated on the date of grant using a Black-Scholes option-pricing model. The calculated fair value of the 2017 performance option awards was $5.38 per option.

Restricted Stock and Restricted Stock Units

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

	June 30, 2019	Weighted Average Fair Value
Stock / Units unvested at January 1, 2019	637,663	$ 15.04
Granted	799,461	9.95
Vested	(267,588)	14.73
Canceled	(142,589)	12.89
Stock / Units unvested at June 30, 2019	1,026,947	$ 11.45

The restricted stock awards generally vest ratably over the three years after the award date. Unearned restricted stock 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, 2019	Weighted Average Fair Value
Shares / Units unvested at January 1, 2019	448,294	$ 14.37
Granted	576,737	9.93
Canceled	(16,500)	11.99
Shares / Units unvested at June 30, 2019	1,008,531	$ 11.87

During the six months ended June 30, 2019, 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, 2019 through December 31, 2021 established by the Compensation Committee at the time of grant. Recipients will be entitled to receive a number of Common Shares equal to the number of performance shares that vest based upon the levels of achievement which may range between 0% and 150% of the target number of shares with the target being 100% of the initial grant.

The fair value of the performance awards is based on the stock price on the date of grant discounted for the estimated value of dividends foregone as the awards are not eligible for dividends except to the extent vested. The 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 2017, 2018 and 2019 awards as it is considered probable that the performance goals for those awards will be met.

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, 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

	Foreign Currency	Long-Term Notes	Defined Benefit Plans	Derivatives	Total
March 31, 2018	$ 59,085	$ (1,505)	$ (7,699)	$ (1,379)	$ 48,502
OCI before reclassifications	(25,407)	1,969	291	1,128	(22,019)
Amount reclassified from accumulated OCI	—	—	(1)	577	576
Net current-period OCI	(25,407)	1,969	290	1,705	(21,443)
June 30, 2018	$ 33,678	$ 464	$ (7,409)	$ 326	$ 27,059

	Foreign Currency	Long-Term Notes	Defined Benefit Plans	Derivatives	Total
December 31, 2017	$ 50,376	$ (4,612)	$ (7,652)	$ (1,242)	$ 36,870
OCI before reclassifications	(16,698)	5,076	373	743	(10,506)
Amount reclassified from accumulated OCI	—	—	(130)	825	695
Net current-period OCI	(16,698)	5,076	243	1,568	(9,811)
June 30, 2018	$ 33,678	$ 464	$ (7,409)	$ 326	$ 27,059

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

	Amount reclassified from OCI				Affected line item in the Statement of Comprehensive (Income) Loss
	For the Three Months Ended March 31,		For the Nine Months Ended September 30,		
	2019	2018	2019	2018	
Defined Benefit Plans					
Service and interest costs	$ 176	$ (1)	$ 343	$ (130)	Selling, General and Administrative
Tax	—	—	—	—	Income Taxes
Total after tax	$ 176	$ (1)	$ 343	$ (130)	
Derivatives					
Foreign currency forward contracts hedging sales	$ 164	$ 209	$ 8	$ 234	Net Sales
Foreign currency forward contracts hedging purchases	(544)	429	(628)	680	Cost of Products Sold
Total loss (income) before tax	(380)	638	(620)	914	
Tax	24	(61)	35	(89)	Income Taxes
Total after tax	$ (356)	$ 577	$ (585)	$ 825	

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 2019.

For the six months ended June 30, 2019, charges totaled $2,013,000 which were related to North America ($1,208,000), Europe ($640,000) and All Other ($165,000). In North America, costs were incurred related to severance ($1,164,000) and contract terminations ($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. The 2019 charges are expected to be paid out within twelve months.

For the six months ended June 30, 2018, charges totaled $745,000 which were related to North America ($86,000), Europe ($401,000) and All Other ($258,000). In North America, costs were incurred related to severance ($221,000) and contract termination cost reversals ($135,000). The European and All Other charges were for severance costs. Payments for the six months ended June 30, 2018 were $3,474,000 and the cash payments were funded with company's cash on hand. Most of the 2018 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. Please refer to Charges Related to Restructuring Activities of company's Annual Report on Form 10-K for the period ending December 31, 2018 for disclosure of restructuring activity prior to 2019.

A progression by reporting segment of the accruals recorded as a result of the restructuring for the six months ended June 30, 2019 is as follows (in thousands):

	Severance	Contract Terminations	Total
December 31, 2018 Balances			
North America	$ 656	$ 25	$ 681
Europe	181	—	181
All Other	820	—	820
Total	1,657	25	1,682
Charges			
North America	531	22	553
Europe	320	—	320
All Other	(181)	—	(181)
Total	670	22	692
Payments			
North America	(668)	(20)	(688)
Europe	(225)	—	(225)
All Other	(312)	—	(312)
Total	(1,205)	(20)	(1,225)
March 31, 2019 Balances			
North America	519	27	546
Europe	276	—	276
All Other	327	—	327
Total	1,122	27	1,149
Charges			
North America	633	22	655
Europe	320	—	320
All Other	346	—	346
Total	1,299	22	1,321
Payments			
North America	(466)	(49)	(515)
Europe	(309)	—	(309)
All Other	(64)	—	(64)
Total	(839)	(49)	(888)
June 30, 2019 Balances			
North America	686	—	686
Europe	287	—	287
All Other	609	—	609
Total	$ 1,582	$ —	$ 1,582

Income Taxes

The company had an effective tax rate of 19.5% and 17.8% on losses before tax from continuing operations for the three and six months ended June 30, 2019, respectively, compared to an expected benefit of 21.0% on the continuing operations pre-tax loss for each period. The company had an effective tax rate of 21.9% and 21.0% for the three and six months ended June 30, 2018, respectively, compared to an expected benefit of 21.0% on the continuing operations pre-tax loss for each period. The company's effective tax rate for each of the three and six months ended June 30, 2019 and June 30, 2018 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, 2019 and June 30, 2018 by certain taxes outside the United States, excluding countries with tax valuation allowances, that were at an effective rate higher than the U.S. statutory rate.

Net Loss Per Common Share

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

(In thousands except per share data)	For the Three Months Ended June 30, 2019	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Basic				
Average common shares outstanding	33,749	33,169	33,527	33,040
Net loss	$ (12,717)	$ (16,543)	$ (26,603)	$ (30,651)
Net loss per common share	$ (0.38)	$ (0.50)	$ (0.79)	$ (0.93)
Diluted				
Average common shares outstanding	33,749	33,169	33,527	33,040
Stock options and awards	15	827	12	827
Average common shares assuming dilution	33,764	33,996	33,539	33,867
Net loss	$ (12,717)	$ (16,543)	$ (26,603)	$ (30,651)
Net loss per common share *	$ (0.38)	$ (0.50)	$ (0.79)	$ (0.93)

* 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, 2019, 326,799 shares associated with stock 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, respectively.

At June 30, 2018, 329,315 shares associated with stock options were excluded from the average common shares assuming dilution for the three and six months ended June 30, 2018 as they were anti-dilutive. At June 30, 2018, the majority of the anti-dilutive shares were granted at an exercise price of $25.79, which was higher than the average fair market value price of $18.09 and $17.87 for the three and six months ended June 30, 2018, respectively.

For both the three and six months ended June 30, 2019 and June 30, 2018, 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 stock for these periods did not exceed the strike price of the warrants.

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 $1,916,000 at June 30, 2019 to DLL for events of default under the contracts, which total $11,208,000 at June 30, 2019. 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.

Derivatives

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

Cash Flow Hedging Strategy

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

The company recognizes its derivative instruments as assets or liabilities in the consolidated balance sheet measured at fair value. 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 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 $71,239,000 and $50,475,000 matured for the six months ended June 30, 2019 and June 30, 2018, respectively.

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

	June 30, 2019		December 31, 2018	
	Notional Amount	Unrealized Net Gain (Loss)	Notional Amount	Unrealized Net Gain (Loss)
USD / AUD	$ 1,800	$ 62	$ 6,390	$ 146
USD / CAD	2,003	18	12,221	(101)
USD / CNY	1,729	12	4,460	32
USD / EUR	36,128	1,203	70,748	173
USD / GBP	2,204	41	1,233	—
USD / NZD	4,902	109	10,359	149
USD / SEK	—	—	603	—
USD / MXP	5,696	259	7,801	37
EUR / GBP	17,047	(131)	41,087	174
EUR / SEK	6,507	138	15,106	(92)
EUR / NOK	—	—	977	—
EUR / NZD	670	47	2,042	64
DKK / SEK	—	—	1,561	—
	$ 78,686	$ 1,758	$ 174,588	$ 582

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 2019 or 2018 related to these contracts and the associated short-term intercompany trading receivables and payables.

Foreign currency forward exchange contracts not qualifying or designated for hedge accounting treatment, as well as ineffective hedges, entered into in 2019 and 2018, respectively, and outstanding were as follows (in thousands USD):

	June 30, 2019		December 31, 2018	
	Notional Amount	Gain (Loss)	Notional Amount	Gain (Loss)
AUD / USD	$ 6,100	$ (14)	$ 11,500	$ 167
CAD / USD	12,785	(126)	—	—
EUR / USD	669	22	—	—
NZD / USD	3,950	(126)	3,000	30
AUD / NZD	6,000	30	10,800	22
EUR / NOK	—	—	18	—
	$ 29,504	$ (214)	$ 25,318	$ 219

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

	June 30, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Derivatives designated as hedging instruments under ASC 815				
Foreign currency forward exchange contracts	$ 1,891	$ 133	$ 792	$ 210
Derivatives not designated as hedging instruments under ASC 815				
Foreign currency forward exchange contracts	81	295	228	9
Total derivatives	$ 1,972	$ 428	$ 1,020	$ 219

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 Consolidated Balance Sheets.

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, 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
Three months ended June 30, 2018			
Foreign currency forward exchange contracts	$ 1,128	$ (577)	$ —
Six months ended June 30, 2018			
Foreign currency forward exchange contracts	$ 743	$ (825)	$ (1)

Derivatives not designated as hedging instruments under ASC 815	Amount of Gain (Loss) Recognized in Income on Derivatives
Three months ended June 30, 2019	
Foreign currency forward exchange contracts	$ (202)
Six months ended June 30, 2019	
Foreign currency forward exchange contracts	$ (214)
Three months ended June 30, 2018	
Foreign currency forward exchange contracts	$ 197
Six months ended June 30, 2018	
Foreign currency forward exchange contracts	$ 427

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, 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 pre-tax realized gains of $380,000 and $620,000, respectively. For the three and six months ended June 30, 2018, net sales were decreased by $209,000 and $234,000 while cost of product sold was increased by $429,000 and $680,000 for net realized pre-tax losses of $638,000 and $914,000, respectively.

Losses of $202,000 and $214,000 and were recognized in selling, general and administrative (SG&A) expenses for the three and six months ended June 30, 2019 compared to gains of $197,000 and $427,000 for the three and six months ended June 30, 2018 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, and these fair values are updated quarterly 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, and these fair values are updated quarterly with the offset to the income statement. See "Long-Term Debt" in the notes to the Consolidated Financial Statements included elsewhere in this report for more detail.

The fair values of the outstanding convertible note derivatives as of June 30, 2019 and their effect on the Statement of Comprehensive Income (Loss) were as follows (in thousands):

	Fair Value	Gain (Loss) Three Months Ended		Gain (Loss) Six Months Ended	
	June 30, 2019	**June 30, 2019**	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**
Convertible 2021 debt conversion long-term liability	$ —	$ 4,504	$ (5,609)	$ (2,210)	$ (7,982)
Convertible 2022 debt conversion long-term liability	—	2,491	(5,837)	(6,193)	(7,647)
Convertible 2021 note hedge long-term asset	—	(3,652)	5,896	2,852	7,943
Convertible 2022 note hedge long-term asset	—	(1,873)	5,571	6,748	7,810
Net fair value and net gain on convertible debt derivatives	$ —	$ 1,470	$ 21	$ 1,197	$ 124

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 Consolidated Balance Sheets. The 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 stock price.

On May 16, 2019, shareholders approved the use of shares to potentially settle the company's convertible debt. As a result of the shareholder approval, the note hedge assets and conversion liabilities are no longer bifurcated and accounted for as separate derivatives and thus were eliminated with the offset to additional paid-in-capital.

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.

On May 16, 2019, shareholders approved the use of shares to potentially settle conversion of the company's convertible notes. As a result of the shareholder approval, the note hedge assets and conversion liabilities are no longer bifurcated and accounted for as separate derivatives and thus are no longer accounted for as separate assets and liabilities.

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, 2019			
Forward exchange contracts—net	—	$ 1,544	—
December 31, 2018			
Forward exchange contracts—net	—	$ 801	—
Convertible 2021 debt conversion liability	—	(1,458)	—
Convertible 2021 note hedge asset	—	1,028	—
Convertible 2022 debt conversion liability	—	(2,611)	—
Convertible 2022 note hedge asset	—	2,062	—

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

	June 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	$ 89,511	$ 89,511	$ 116,907	$ 116,907
Other investments	86	86	90	90
Installment receivables, net of reserves	1,170	1,170	1,796	1,796
Long-term debt (including current maturities of long-term debt) *	(284,189)	(248,234)	(255,645)	(181,928)
Convertible 2021 debt conversion liability in Other Long-Term Obligations	—	—	(1,458)	(1,458)
Convertible 2021 note hedge in Other Long-Term Assets	—	—	1,028	1,028
Convertible 2022 debt conversion liability in Other Long-Term Obligations	—	—	(2,611)	(2,611)
Convertible 2022 note hedge in Other Long-Term Assets	—	—	2,062	2,062
Forward contracts in Other Current Assets	1,972	1,972	1,020	1,020
Forward contracts in Accrued Expenses	(428)	(428)	(219)	(219)

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

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.

Long-term 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. Long term 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.

Convertible debt derivatives: The fair values for the convertible debt conversion liabilities and note hedge derivatives were based on valuation models in which all the significant inputs are observable in active markets.

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 Consolidated Balance Sheets.

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.

In the first quarter of 2019, the company reassessed the alignment of its reporting segments and concluded that the North America/Home Medical Equipment (NA/HME) and Institutional Products Group (IPG) segments should be combined into a single operating segment, now referred to as North America. This change better reflects how the company manages, allocates resources and assesses performance of the businesses contained in the new North America segment. Additionally, the company reassessed the activity of the businesses in its former Asia/Pacific segment and concluded that the Asia Pacific businesses should now be reported as part of the All Other segment, since those businesses, individually and collectively, are not large enough relative to the company's overall business to merit disclosure as a separate reporting segment. The company believes that these changes provide improved transparency of the company’s business results to its shareholders, and better align with how the company manages its businesses. Segment results for the 2018 have been reclassified to reflect the realignment of the company’s reporting segments and be comparable to the segment results for 2019.

As part of the company's realignment of its reportable and operating segments, the company considered whether the reporting units used for purposes of assessing impairment of goodwill should be changed and concluded that no changes were necessary.

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

	For the Three Months Ended June 30, 2019	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Revenues from external customers				
Europe	$ 133,991	$ 138,896	$ 258,835	$ 270,210
North America	89,553	93,571	175,797	188,240
All Other (Asia Pacific)	12,314	13,685	24,645	24,762
Consolidated	$ 235,858	$ 246,152	$ 459,277	$ 483,212
Intersegment revenues				
Europe	$ 3,820	$ 4,877	$ 7,272	$ 8,734
North America	19,442	24,033	39,979	47,625
All Other (Asia Pacific)	2,745	5,254	5,872	10,914
Consolidated	$ 26,007	$ 34,164	$ 53,123	$ 67,273
Restructuring charges before income taxes				
Europe	$ 320	$ 108	$ 640	$ 401
North America	655	(11)	1,208	86
All Other	346	247	165	258
Consolidated	$ 1,321	$ 344	$ 2,013	$ 745
Operating income (loss)				
Europe	$ 5,470	$ 5,171	$ 11,252	$ 11,765
North America	(1,243)	(7,257)	(5,622)	(13,797)
All Other	(7,416)	(4,331)	(12,605)	(9,132)
Charge expense related to restructuring activities	(1,321)	(344)	(2,013)	(745)
Consolidated operating loss	(4,510)	(6,761)	(8,988)	(11,909)
Net gain on convertible debt derivatives	1,470	21	1,197	124
Net Interest expense	(7,602)	(6,828)	(14,787)	(13,541)
Loss before income taxes	$ (10,642)	$ (13,568)	$ (22,578)	$ (25,326)

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Europe				
Lifestyle	$ 60,866	$ 66,836	$ 122,700	$ 132,147
Mobility and Seating	62,802	61,179	116,533	115,615
Respiratory Therapy	5,446	6,497	9,956	13,275
Other(1)	4,877	4,384	9,646	9,173
	$ 133,991	$ 138,896	$ 258,835	$ 270,210
North America				
Lifestyle	$ 44,855	$ 43,298	$ 87,858	$ 86,749
Mobility and Seating	29,919	30,892	58,386	59,375
Respiratory Therapy	14,298	18,744	28,703	40,888
Other(1)	481	637	850	1,228
	$ 89,553	$ 93,571	$ 175,797	$ 188,240
All Other (Asia Pacific)				
Mobility and Seating	$ 7,454	$ 8,448	$ 15,341	$ 15,339
Lifestyle	2,552	3,183	5,260	5,735
Respiratory Therapy	716	522	888	646
Other(1)	1,592	1,532	3,156	3,042
	$ 12,314	$ 13,685	$ 24,645	$ 24,762
Total Consolidated	$ 235,858	$ 246,152	$ 459,277	$ 483,212

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

Contingencies

General

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

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

In August 2018, the company received a Civil Investigative Demand (“CID”) from the U.S. Department of Justice (“DOJ”) related to DOJ's investigation into the rentals pricing practices of one of the company's former rentals businesses, which the company divested in July 2015. The former rentals business and its acquirer also received similar CID's from the DOJ, and in September 2018, the acquirer made a request for indemnification from the company under the divestiture agreement. In May 2019, the acquirer notified the company that it was informed by DOJ that the CID arises out of a *qui tam* complaint filed in December 2017 and amended in March 2018 that remains under seal, and reiterated its request for indemnification from the company under the divestiture agreement. The CID seeks documents and other information from the company, and the company is cooperating fully with the DOJ investigation. An unfavorable outcome could include the company being required to pay monetary damages, and incur attorneys' fees, penalties and other adverse actions. The company is unable to predict the outcome and is unable to make a meaningful estimate of the amount or range of loss, if any, that could result from any unfavorable outcome.

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, comprised of 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 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, 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.

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.

Separately, net sales in the North America segment have likely been impacted by uncertainty on the part of the company's customers as they coped with prepayment reviews and post-payment audits by the Centers for Medicare and Medicaid Services ("CMS") and the impact of the National Competitive Bidding ("NCB") process. In addition, net sales in the North America segment have and may continue to decline as a result of the company's strategic focus away from lower margin, less differentiated products as the company becomes more focused on its clinically complex products. In addition, respiratory sales in the North America segment are expected to decline in 2019 as a result of changes in reimbursement by CMS effective January 1, 2019.

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 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, 2018: 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 - Outlook and - Liquidity and Capital Resources.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

During the quarter ended June 30, 2019, there were no material changes to market risk information provided in the company's Annual Report on Form 10-K for the year ended December 31, 2018. Please refer to Item 7A - Quantitative and Qualitative Disclosures About Market Risk of company's Annual Report on Form 10-K for the period ending December 31, 2018.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

As of June 30, 2019, 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, 2019, in ensuring that information required to be disclosed by the company in the reports it files and submits under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and (2) accumulated and communicated to the company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting

The company implemented technology, processes and controls related to the recording of right-of-use assets and lease liabilities in connection with the adoption of ASC 842, "Leases," as described in the "Leases and Commitments" note of the financial statements. Otherwise, there were no changes in our internal control over financial reporting identified in connection with the evaluation that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

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

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

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

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, 2018: 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.

In August 2018, the company received a Civil Investigative Demand (“CID”) from the U.S. Department of Justice (“DOJ”) related to DOJ's investigation into the rentals pricing practices of one of the company's former rentals businesses, which the company divested in July 2015. The former rentals business and its acquirer also received similar CID's from the DOJ, and in September 2018, the acquirer made a request for indemnification from the company under the divestiture agreement. In May 2019, the acquirer notified the company that it was informed by DOJ that the CID arises out of a *qui tam* complaint filed in December 2017 and amended in March 2018 that remains under seal, and reiterated its request for indemnification from the company under the divestiture agreement. The CID seeks documents and other information from the company, and the company is cooperating fully with the DOJ investigation. An unfavorable outcome could include the company being required to pay monetary damages, and incur attorneys' fees, penalties and other adverse actions. The company is unable to predict the outcome and is unable to make a meaningful estimate of the amount or range of loss, if any, that could result from any unfavorable outcome.

Item 1A. Risk Factors

In addition to 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 period ended December 31, 2018.

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, 2019.

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)
4/1/2019 - 4/30/2019	—	$ —	—	2,453,978
5/1/2019 - 5/31/2019	70,541	6.80	—	2,453,978
6/1/2019 - 6/30/2019	—	—	—	2,453,978
Total	70,541	$ 6.80	—	2,453,978

(1) All 70,541 shares repurchased between April 1, 2019 and June 30, 2019 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, 2019.

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

Item 6. Exhibits

Exhibit No.	
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

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

SIGNATURES

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

INVACARE CORPORATION

Date: August 5, 2019	By:	/s/ Kathleen P. Leneghan
		Name: Kathleen P. Leneghan
		Title: Chief Financial Officer
		(As Principal Financial and Accounting Officer and on behalf of the registrant)

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, 2019

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
Chief Financial Officer
(Principal Financial Officer)

Date: August 5, 2019

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, 2019 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, 2019

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, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kathleen P. Leneghan, 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
Chief Financial Officer
(Principal Financial Officer)

Date: August 5, 2019

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.