

**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 March 31, 2021

**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)



**Yes, you can.®**

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

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

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

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

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

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

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

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

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

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

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

As of May 3, 2021, the registrant had 34,951,521 Common Shares and 3,667 Class B Common Shares outstanding.



**Yes, you can.®**

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**About Invacare Corporation**

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

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

The discussion and analysis presented below is concerned with material changes in financial condition and results of operations between the periods specified in the condensed consolidated balance sheets at March 31, 2021 and December 31, 2020, and in the condensed consolidated statement of comprehensive income (loss) for the three months ended March 31, 2021 and March 31, 2020. All comparisons

presented are with respect to the same period last year, unless otherwise stated. This discussion and analysis should be read in conjunction with the condensed consolidated financial statements and accompanying notes that appear elsewhere in this Quarterly Report on Form 10-Q and the MD&A included in the company's Annual Report on Form 10-K for the year ended December 31, 2020. For some matters, SEC filings from prior periods may be useful sources of information.

## OVERVIEW

### OVERVIEW

Invacare is a multi-national company with integrated capabilities to design, manufacture and distribute durable medical devices. The company makes products that help people move, breathe, rest and perform essential hygiene, and with those products the company supports people with congenital, acquired and degenerative conditions. The company's products and solutions are important parts of care for people with a range of challenges, from those who are active and involved in work or school each day and may need additional mobility or respiratory support, to those who are cared for in residential care settings, at home and in rehabilitation centers. The company operates in facilities in North America, Europe and Asia Pacific, which are the result of more than 50 acquisitions made over the company's 40+ year history.

#### **COVID-19 Impact on Access to Healthcare and Global Supply Chain**

The company continues to actively monitor the coronavirus (COVID-19) pandemic, which has negatively impacted the business primarily by limiting access to healthcare and disrupting the global supply chain. As a result, and consistent with expectations, the company realized lower net sales in 1Q21 compared to the first quarter of the prior year period, which was not impacted by these factors. The decline in net sales resulted in operational inefficiencies which in turn resulted in reduced profitability.

Demand for the company's products remains high as evidenced by a strong order book and elevated backlog. However, fulfilling orders during the first quarter was challenging due to global supply chain and logistics disruptions. Invacare's products include a large number of components, and these disruptions have delayed delivery of components required for final assembly and order fulfillment. Further, certain countries have reinstated shutdowns and stay-at-home orders causing additional assembly and production delays that have also delayed order fulfillment. As a result,

backlog has increased in all product categories from December 31, 2020.

While public health restrictions remain, the company anticipates, as vaccination initiatives progress, healthcare access resumes, and more active lifestyles return during the summer months, higher net sales for the balance of 2021 with growth as compared to prior year.

As a result of the company's view that the net sales decline during 1Q21 is temporary, the company has opted not to impose more robust cost containment measures to offset the impact of reduced net sales. The company believes its human capital resources will be essential to facilitate anticipated sales recovery for the remainder of 2021 and to address current backlog and anticipated demand.

The extent to which the company's operations will be further impacted by the pandemic will depend largely on future developments, which remain highly uncertain and difficult to accurately predict, including, among other things, new information which may emerge concerning the severity of the pandemic; new and growing outbreaks of COVID-19 or new strains of COVID-19; actions by government authorities to contain COVID-19 or treat its impact, such as reimposed public health restrictions or restrictions on access to healthcare facilities; efforts to combat COVID-19, such as vaccine development and distribution; and global supply chain disruption which may impact access to components and products.

As an "essential" business making medical devices, the company has continued to operate in all of its facilities, having taken the recommended public health measures to ensure worker and workplace safety. The company continues to experience high demand globally for its respiratory products. These products are being deployed in the fight against the COVID-19 pandemic to provide access to purified oxygen needed in respiratory care. The company continues to work to increase its capacity to produce these critical products and resolve global supply chain challenges that are compounded

by the effects of the pandemic. As a result, there are practical limits to the extent the company can increase output. In addition, the company continues to take steps to offset cost increases from pandemic-related supply chain disruptions.

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

The company continues to optimize its balance sheet for the current environment. In the first quarter of 2021, the company issued \$125,000,000 aggregate principal amount of 4.25% convertible senior notes due in 2026 (the "2026 Notes"), purchased related capped calls for the 2026 Notes to minimize potential dilution from the 2026 Notes, repurchased \$78,850,000 aggregate principal amount of its 4.50% convertible senior notes due 2022 (the "2022 Notes") and settled \$1,250,000 aggregate principal amount of its 5.00% convertible senior notes due 2021 (the "2021 Notes") which matured during the quarter. Borrowings on the company's asset-based lending (ABL) credit facilities were reduced in the first quarter. These transactions enhanced financial flexibility in reducing near-term debt with the proceeds of the new convertible notes maturing in March 2026. These actions, as well as the continued borrowing availability under the ABL revolving credit facilities, and the anticipated generation of Adjusted EBITDA and free cash flow, should provide the company sufficient liquidity to manage the business and meet its obligations.

## Strategy

The company has committed to providing medical products that deliver the best clinical value; promote recovery, independence and active lifestyles; and support long-term conditions and palliative care. The company's strategy aligns its resources to produce products and solutions that assist customers and end-users with the 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 strategy, the company is undertaking a substantial multi-year business optimization plan.

## Business Optimization Efforts

The company is executing a multi-year strategy to return the company to profitability by focusing its resources on products and solutions that provide greater healthcare value in clinically complex rehabilitation and post-acute care. The company's business optimization actions and growth plan balances innovative organic growth, product portfolio changes across all regions, and cost improvements in supply chain and administrative functions. Key elements of the enhanced transformation and growth plan are:

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

As it navigates the uncertain business environment resulting from COVID-19, the company continues to allocate more resources to the business units experiencing increased demand and expects to continue taking actions to mitigate the potential negative financial and operational impacts on other parts of the company's business that have declined. In the medium-term, the company still expects to execute on its business optimization strategy, such as global IT modernization initiative which is expected to ultimately result in optimization of the operating structure.

## Outlook

The company participates in growing durable healthcare markets and serves a persistent need for its products. The company will continue to improve operating efficiency, together with the lifting of public health restrictions and resolution of supply chain disruptions, to yield improved financial performance. As a result, the company continues to expect to grow revenue, profitability, and improve its cash flow performance for the year. As approximately 95% of the company's revenues are generated in the Northern Hemisphere, the company expects sales growth for the remainder of the year assuming the expectation of healthcare access resuming, a return to more active lifestyles in the

warmer months as the pandemic subsides, and amplified by the adoption of new products and pent up demand from the prior year.

The company's earnings performance is expected to benefit from: (1) new product introductions with improved commercialization plans and additional investments in the sales force and demonstration equipment, which are expected to result in profitable incremental sales, as well as higher sales and margins on existing products; and (2) margin expansion expected as a result of efficiencies related to the plant consolidations in Germany; supply chain actions to expand gross profits, offset by higher freight and logistics costs, and the impact of U.S. tariff exclusions which expired on January 1, 2021. The company expects SG&A expense to be higher than 2020 levels but lower than 2019 levels as it adds back sales and marketing related spending to support sales growth and activity-based spending. Stock compensation expense is expected to be closer to 2019 levels. In addition, while the new IT system implementation is a key project for the company in North America during 2021, benefits related to improved customer experience and efficiencies have not been considered in the guidance as a result of the anticipated timing to roll out the new system in North America.

Cash flow for 2021 is expected to fund one-time payments for severance costs related to the German plant consolidation and funding VAT and other taxes deferred from 2020 as a result of programs implemented by many jurisdictions as result of the pandemic. The company has historically generated negative cash flow performance during the first half of the year. This pattern is expected to continue 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. Quarterly cash flow is anticipated to be impacted by timing of sales growth which will impact accounts receivable collections. The company anticipates spending \$20,000,000 on capital expenditures in 2021.

### **Favorable Long-Term Demand**

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

## RESULTS OF OPERATIONS - NET SALES

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

(\$ in thousands USD)	1Q21*	1Q20	% Change Fav/(Unfav)	Foreign Exchange % Impact	Divestiture % Impact	Constant Currency % Change Fav/(Unfav)
Europe	112,775	120,968	(6.8)	8.0	—	(14.8)
North America	75,974	86,971	(12.6)	0.5	—	(13.1)
All Other (Asia Pacific)	7,453	10,501	(29.0)	14.1	(26.7)	(16.4)
Consolidated	196,202	218,440	(10.2)	5.3	(1.3)	(14.2)

\* Date format is quarter and year in each instance.

The table above provides net sales change as reported and as adjusted to exclude the impact of foreign exchange translation and divestitures (constant currency net sales). "Constant currency net sales" is a non-Generally Accepted Accounting Principles ("GAAP") financial measure, which is defined as net sales excluding the impact of foreign currency translation and divestitures. The current year's functional currency net sales are translated using the prior year's foreign exchange rates. These amounts are then compared to the prior year's sales to calculate the constant currency net sales change. For the divestiture impact, the company adjusted a portion of net sales as the Dynamic Controls business was divested as of March 7, 2020. Management believes that this financial measure provides meaningful information for evaluating the core operating performance of the company.

The global pandemic continued to impact sales across all segments. Public health restrictions limited access to healthcare professionals and institutions needed for certain product selections and global supply chain disruptions related to transportation and logistics delayed receipt of components and limited conversion of orders to shipments in the quarter. These items impacted each of the regions in 1Q21 and resulted in declines in net sales compared to the same period last year. The company believes the global supply chain disruptions from 1Q21 are temporary, and as these disruptions subside and access to healthcare increases, sales growth should return for the remainder of the year. In addition, the pandemic did not impact 1Q20.

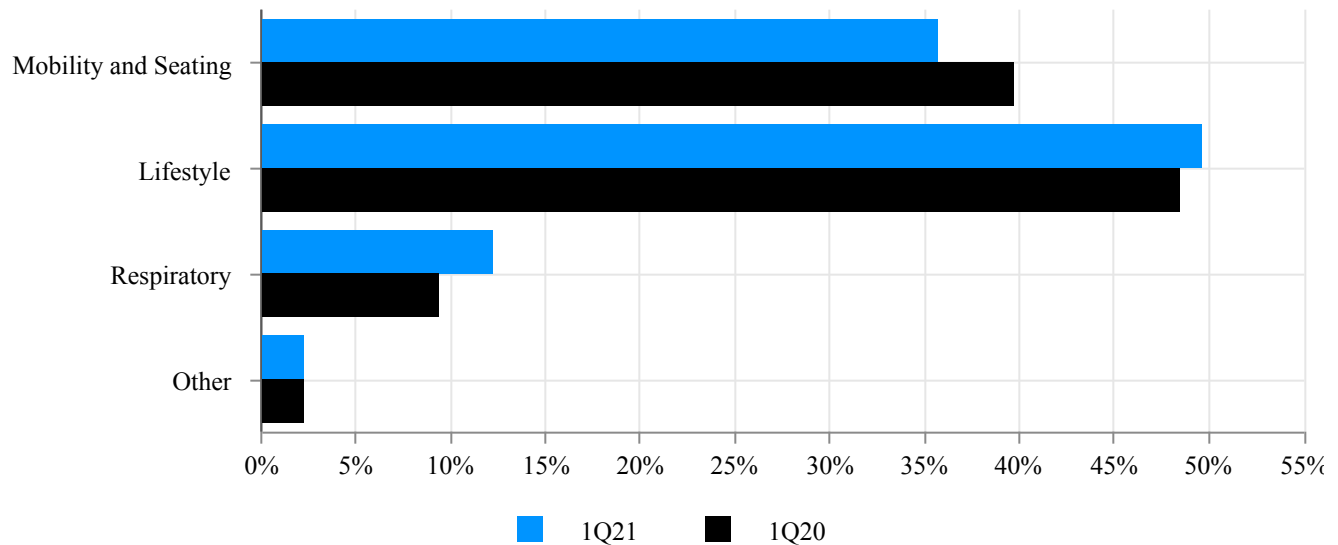
**Europe** - Constant currency net sales decreased \$17,870,000, or 14.8% in 1Q21 compared to 1Q20 as sales continued to be significantly impacted by the pandemic. Shutdown orders in certain countries contributed to decreases in sales of mobility and seating products and lifestyle products, which was slightly offset by growth in respiratory products. Shutdowns impacted the company's operations to various degrees in France, Germany, UK and the Nordic countries.

**North America** - Constant currency net sales for 1Q21 decreased \$11,391,000 or 13.1% compared to 1Q20 driven by declines in sales of mobility and seating and non-bed lifestyle products which more than offset growth in respiratory products.

**All Other** - Constant currency net sales, which relate entirely to the Asia Pacific region, decreased \$1,263,000 or 16.4% for 1Q21 compared to 1Q20 driven by declines in lifestyle products offset by growth in mobility and seating products.



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

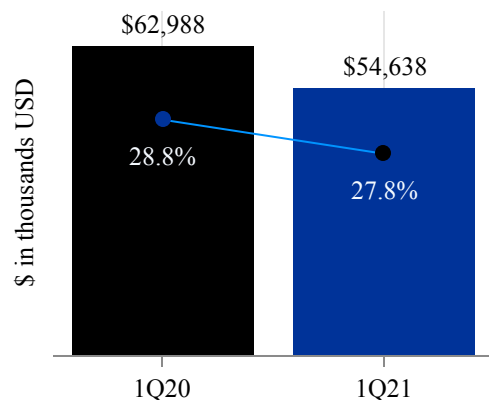


Constant currency net sales of mobility and seating products, which comprise most of the company's clinically complex product portfolio, decreased to 35.8% of net sales in 1Q21 from 39.8% in 1Q20.

This decrease reflects the significant impacts of the pandemic, particularly limited access to healthcare professionals and institutions needed for certain product selections, specifically for mobility and seating products and non-bed related lifestyle products. In addition, net sales in 1Q21 were impacted by global supply chain disruptions impacting the availability of components.

## GROSS PROFIT

### Gross Profit and Gross Profit as a % of Net Sales



Gross profit as a percentage of net sales for 1Q21 decreased 100 basis points to 27.8%, primarily attributable to unfavorable manufacturing variances as a result of reduced net sales. Gross profit was also impacted by unfavorable product mix. Unfavorable manufacturing variances in 1Q21 were the result of both lower volumes and increased costs due to component shortages and transportation delays which impacted labor costs in several of our manufacturing and assembly locations in Europe and North America.

#### Gross profit drivers by segment:

**Europe** - Gross profit as a percentage of net sales for 1Q21 decreased 1.6 percentage points and \$3,972,000, compared to 1Q20 driven by lower net sales and unfavorable manufacturing variances as a result of reduced net sales.

**North America** - Gross profit as a percentage of net sales for 1Q21 was flat while gross profit dollars declined \$3,887,000 compared to 1Q20 driven by lower net sales and unfavorable manufacturing variances as a result of reduced net sales.

**All Other** - Gross profit as a percentage of net sales for Asia Pacific increased 7.3 percentage points while gross profit dollars declined \$1,040,000 compared to 1Q20 primarily driven by reduced sales and divestiture of the Dynamic Controls business as of March 7, 2020.

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



## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

(\$ in thousands USD)	1Q21	1Q20	Reported Change	Foreign Exchange Impact	Divestiture % Impact	Constant Currency Change
SG&A expenses - \$	58,821	61,738	(2,917)	3,006	(826)	(5,097)
SG&A expenses - % change			(4.7)	5.0	(1.3)	(8.4)
% to net sales	30.0	28.3				

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

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

SG&A expenses, excluding the impact of foreign currency translation and divestitures, which is referred to as "constant currency SG&A," decreased for 1Q21 compared to the same period last year primarily due to reduced employment costs and lower sales and marketing expenses partially offset by unfavorable foreign currency transactions.

### SG&A expense drivers by segment:

**Europe** - SG&A expenses for 1Q21 decreased \$953,000 or 3.3% compared to 1Q20 with foreign currency translation increasing SG&A expenses by \$2,537,000, or 8.8%. Constant currency SG&A expenses decreased \$3,490,000, or 12.1%. The decreased expense was primarily attributable to lower employment costs and sales and marketing expenses.

**North America** - SG&A expenses for 1Q21 decreased \$3,557,000 or 13.6%, compared to 1Q20 with foreign currency translation increasing SG&A expenses by \$166,000. Constant currency SG&A expenses decreased \$3,723,000, or 14.3% driven primarily by employment costs and sales and marketing expenses.

**All Other** - SG&A expenses for 1Q21 increased by \$1,593,000 compared to 1Q20 with foreign currency translation increasing SG&A expenses by \$303,000 and divestitures decreasing SG&A expenses by \$826,000.

Constant currency SG&A expenses increased by \$2,116,000. All Other includes SG&A related to the Asia Pacific businesses and non-allocated corporate costs. SG&A expenses related to non-allocated corporate costs for 1Q21 increased 7.4%, or \$397,000, compared to 1Q20 driven primarily by stock compensation expense. Related to the Asia Pacific businesses, constant currency SG&A expenses increased \$1,719,000, due to foreign currency transactions.

## OPERATING INCOME (LOSS)

(\$ in thousands USD)	1Q21	1Q20	\$ Change	% Change
Europe	3,832	6,850	(3,018)	(44.1)
North America	(2,375)	(2,045)	(330)	(16.1)
All Other	(5,640)	(3,555)	(2,085)	(58.6)
Gain on sale of business	—	9,590	(9,590)	(100.0)
Charges related to restructuring	(1,552)	(1,392)	(160)	(11.5)
Consolidated Operating Income (Loss)	(5,735)	9,448	(15,183)	(160.7)

For 1Q21, consolidated operating income (loss) declined significantly due to a \$9,590,000 gain from the divestiture of Dynamic Controls in the prior year period and lower gross profit on net sales declines impacted by the pandemic, partially offset by lower SG&A expenses.

### Operating income (loss) by segment:

**Europe** - Operating income for 1Q21 declined by \$3,018,000, or 44.1%, primarily due to lower gross profit on net sales declines impacted by the pandemic, partially offset by lower SG&A expenses.

**North America** - Operating loss for 1Q21 increased by \$330,000, or 16.1%, primarily due to lower gross profit on net sales declines impacted by the pandemic, partially offset by lower SG&A expenses.

**All Other** - Operating loss for All Other includes the operating income of the Asia Pacific businesses, offset by unallocated SG&A expenses and intercompany eliminations. Operating loss increased \$2,085,000, or 58.6%, primarily driven by foreign currency transactions and divestiture of Dynamic Controls.

### ***Charges Related to Restructuring Activities***

Restructuring charges totaled \$1,552,000 for 1Q21 compared to \$1,392,000 for 1Q20 and were principally related to severance costs. Restructuring charges were incurred in the Europe segment of \$730,000 and North America segment of \$822,000.

## OTHER ITEMS

### *Loss on debt extinguishment including debt finance changes and fees*

(\$ in thousands USD)	1Q21	1Q20
Loss on debt extinguishment including debt finance fees	709	—

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

### *Interest*

(\$ in thousands USD)	1Q21	1Q20	\$ Change	% Change
Interest expense	5,731	6,676	(945)	(14.2)
Interest income	(1)	(60)	59	(98.3)

The decrease in interest expense for 1Q21 compared to the same period of prior year was primarily related to the adoption of ASU 2020-06 which eliminated interest expense from convertible debt discount amortization upon adoption on January 1, 2021 offset by accretion the company's 5.00% series II convertible senior exchange notes due 2024 (the "Series II 2024 Notes") which started in the second quarter of 2020. Refer to "Accounting Policies" in the Notes to the Condensed Consolidated Financial Statements for discussion of adoption.

### *Income Taxes*

The company had an effective tax rate of 15.4% on losses and 74.2% on earnings before tax for the three months ended March 31, 2021 and March 31, 2020, respectively, compared to an expected benefit for the three months ended March 31, 2021 and an expected expense for the three months ended March 31, 2020 of 21.0% on the pre-tax loss and earnings for each period. The company's effective tax rate for the three months ended March 31, 2021 and March 31, 2020 were unfavorable as compared to the U.S. federal statutory rate, principally due to the negative impact of the company not being able to record tax benefits related to the significant losses in countries which had tax valuation allowances. The effective tax rate was increased for the three months ended March 31, 2021 and March 31, 2020 by certain taxes outside the United States, excluding countries with tax valuation allowances, that were at an effective rate higher than the U.S. statutory rate, except for the gain on the disposition of Dynamic Controls which was not taxable locally for the three

months ended March 31, 2020. In addition, the company had accrued withholding taxes on earnings of its Chinese subsidiary based on the expectation of not permanently reinvesting those earnings. The sale of this entity, without such distribution resulted in the reversal of this accrual in the amount of \$988,000 for the three months ended March 31, 2020.

As a result of the COVID-19 pandemic and the global impact on business activity, various governments have provided programs to help offset the liquidity pressures and impact on society. The company has taken advantage of some of these programs and will continue to consider other programs as they are announced. To date, the company has determined it has benefited or will benefit from: 1) deferral of U.S. payroll tax related to employer portion of social security from 2020, to be paid over 2 years; 2) a U.S. business interest limitation increase from 30% to 50% of US Federal adjusted taxable income for the 2019 and 2020 tax years; 3) the treatment of qualified improvement property as 15-year property in the U.S.; 4) and the deferral of income and indirect tax payments over various periods in other countries around the world where the company operates. Such programs had resulted in tax deferrals totaling approximately \$11,000,000 through December 31, 2020 as a benefit to cash flows for that period then ended. In the first quarter of 2021, approximately \$2,800,000 was paid related to the tax deferrals from 2020.

## LIQUIDITY AND CAPITAL RESOURCES

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

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

(\$ in thousands USD)	March 31, 2021	December 31, 2020	\$ Change	% Change
Cash and cash equivalents	86,052	105,298	(19,246)	(18.3)
Working capital <sup>(1)</sup>	132,048	144,080	(12,032)	(8.4)
Total debt <sup>(2)</sup>	369,951	339,928	30,023	8.8
Long-term debt <sup>(2)</sup>	361,527	330,903	30,624	9.3
Total shareholders' equity <sup>(3)</sup>	282,701	333,846	(51,145)	(15.3)
Credit agreement borrowing availability <sup>(4)</sup>	31,792	36,509	(4,717)	(12.9)

<sup>(1)</sup> Current assets less current liabilities.

<sup>(2)</sup> Total debt and Long-term debt include finance leases but exclude debt issuance costs recognized as a deduction from the carrying amount of debt liability and debt discounts in 2020 classified as debt or equity and operating leases.

<sup>(3)</sup> 1Q21 reflects the adoption of ASU 2020-06 "Debt with Conversion and Other Options" on January 1, 2021 which reduced total shareholders' equity by \$25,128,000 and purchase of capped calls, related to the 2026 notes issued in 1Q21, also reduced total shareholders' equity by \$18,787,000.

<sup>(4)</sup> Reflects the combined availability of the company's North American and European asset-based revolving credit facilities before borrowings. The change in borrowing availability is due to changes in the calculated borrowing base, primarily due to lower accounts receivable balances as a result of reduced net sales impacted by the pandemic. At March 31, 2021, the company had \$10,376,000 of borrowings outstanding on the European credit facility and no borrowings outstanding on its North America credit facility. Outstanding borrowings are based on credit availability calculated on a month lag related to the European credit facility.

The company's cash and cash equivalents balances were \$86,052,000 and \$105,298,000 at March 31, 2021 and December 31, 2020, respectively. The decrease in cash in the first three months of 2021 is primarily attributable to use from operating activities and cash used for continued investment in business improvement initiatives. In the first quarter of 2021, the company issued \$125,000,000 principal amount of 2026 Notes, paid \$4,608,000 in financing costs, purchased capped calls related to the 2026 Notes for \$18,787,000, repurchased \$78,850,000 principal amount of 2022 Notes, repaid \$1,250,000 principal amount of 2021 Notes and reduced outstanding borrowings under its credit facilities by \$21,126,000. The North America and Europe credit facilities under the company's Credit Agreement provides for asset-based-lending senior secured revolving credit facilities.

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

Debt repayments, acquisitions, divestitures, the timing of vendor payments, the timing of customer rebate payments, the granting of extended payment terms to significant national accounts and other activity can have a significant impact on the company's cash flow and borrowings outstanding such that the cash reported at the end of a given period may be

materially different than cash levels during a given period. While the company has cash balances in various jurisdictions around the world, there are no material restrictions regarding the use of such cash for dividends within the company, loans or other purposes.

The company's total debt outstanding, inclusive of the company's convertible senior notes due 2022, 2024 and 2026 and finance lease obligations, increased by \$30,023,000 to \$369,951,000 at March 31, 2021 from \$339,928,000 as of December 31, 2020. The increase is primarily driven by issuance of \$125,000,000 principal amount of 2026 Notes offset by repayment of \$1,250,000 principal amount of 2021 Notes, repurchase of \$78,850,000 principal amount of 2022 Notes and reduction of \$21,126,000 of outstanding borrowings under the company's credit facilities.

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

The company is actively managing its business to maintain cash flow and liquidity. As discussed elsewhere in this report, the company has taken several defensive measures to enhance liquidity in response to the COVID-19 pandemic, including reducing expenses, managing capital expenditure, suspending its cash dividend, leveraging borrowings available under its credit facilities, raising capital and refinancing its near-term convertible debt, obtaining a loan pursuant to the CARES Act in the second quarter of 2020 and accessing other government programs in the US and Europe which resulted in making payments on value added tax deferrals from 2020 in the first quarter of 2021.

Based on the company's current expectations, the company believes that its cash and cash equivalent balances and available borrowing capacity under its Credit Agreement should be sufficient to meet working capital needs, capital requirements and commitments for at least the next twelve months. Notwithstanding the company's expectations, if the company's operating results decrease as the result of pressures on the business due to, for example, prolonged, or worsening of, negative impacts of the COVID-19 pandemic, currency fluctuations or regulatory issues or the company's failure to execute its business plans or if the company's business improvement actions take longer than expected to materialize, 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. If additional financing is required, there can be no assurance that financing will be available on terms satisfactory to the company, if at all. As the company cannot predict the duration or scope of the COVID-19 pandemic and its impact on the company's customers and suppliers, the negative financial impact to the company's results cannot be reasonably estimated, but could be material.

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

While most of the company's debt has fixed interest, should interest rates increase, the company expects that it would be able to absorb modest rate increases without any material impact on its liquidity or capital resources. The weighted average interest rate on revolving credit borrowings, excluding finance leases, was 4.5% for the three months ended March 31, 2021 and 4.6% for the year ended December 31, 2020. Refer to "Long-Term Debt" and "Leases and Commitments" in the Notes to the Condensed Consolidated Financial Statements for more details regarding the company's credit facilities and lease liabilities, respectively.

## CAPITAL EXPENDITURES

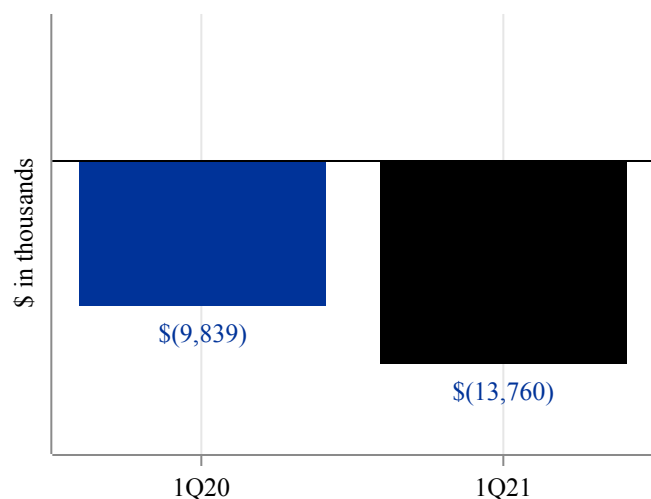
The company estimates that capital investments for 2021 could be approximately \$20,000,000 compared to actual capital expenditures of \$22,304,000 in 2020. The continued investment at this level relates primarily to the new ERP system. The company believes that its balances of cash and cash equivalents and existing borrowing facilities will be sufficient to meet its operating cash requirements and fund capital expenditures (refer to "Liquidity and Capital Resources"). The Credit Agreement limits the company's annual capital expenditures to \$35,000,000.

## DIVIDEND POLICY

On May 21, 2020, the Board of Directors suspended the quarterly dividend on the company's Common Shares in light of the impacts of the COVID-19 pandemic on the business. The Board of Directors suspended the company's regular dividend on the Class B Common Shares starting in Q3 2018. Less than 4,000 Class B Common Shares remain outstanding and suspending the regular Class B dividend allows the company to save on the administrative costs and compliance expenses associated with that dividend. Holders of Class B Common Shares are entitled to convert their shares into Common Shares at any time on a share-for-share basis and would be eligible for any Common Share dividends declared following any such conversion.

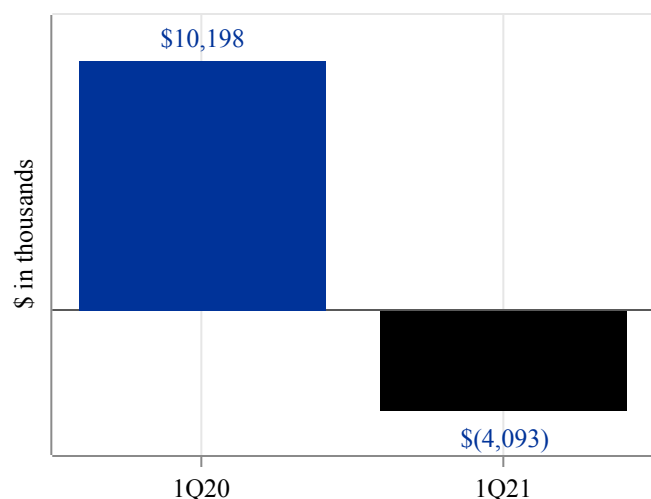
## CASH FLOWS

**Net Cash Used by Operating Activities**



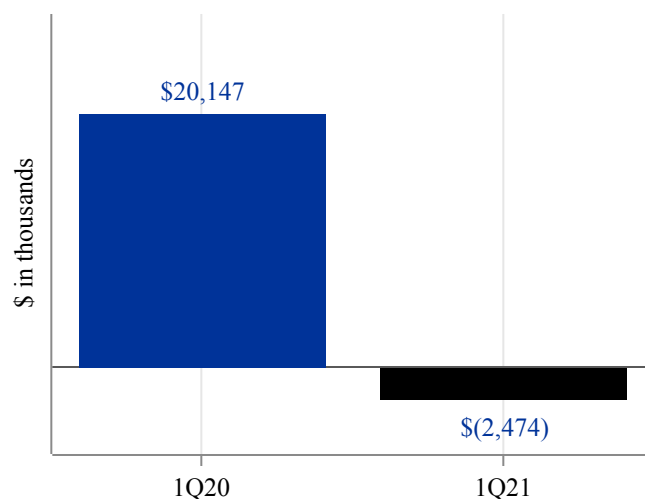
The increase in cash used by operating activities for the three months ended March 31, 2021 was driven primarily by reduced profit, increased inventory and reduction of accrued expenses. Inventories increased significantly as a result of the pandemic including supply chain disruptions. This inventory should largely convert to net sales within the next two quarters. Accrued expenses declined as result of payment of severance related to German manufacturing facility consolidation, customer rebate payments and payment of a portion of tax deferrals from 2020.

**Net Cash Provided (Used) by Investing Activities**



The year over year change in Cash flows related to investing activities was driven primarily by gross proceeds of \$14,563,000 from the sale of Dynamic Controls in the first quarter of 2020.

**Net Cash Provided (Used) by Financing Activities**



Cash flows used by financing activities in the first three months of 2021 included the issuance of \$125,000,000 principal amount of 2026 Notes, payment of \$4,608,000 in financing costs, purchase of capped calls related to the 2026 Notes for \$18,787,000, repurchase of \$78,850,000 principal amount of 2022 Notes and repayment of \$1,250,000 principal amount of 2021 Notes. In addition, the company reduced its outstanding borrowings on its credit facilities by \$21,126,000. Cash flows generated by financing activities in the first three months of 2020 were the result of increased borrowings on its credit facilities of \$21,600,000. Borrowings on credit facilities are under the company's Credit Agreement which provides an asset-based-lending senior secured revolving credit facilities.



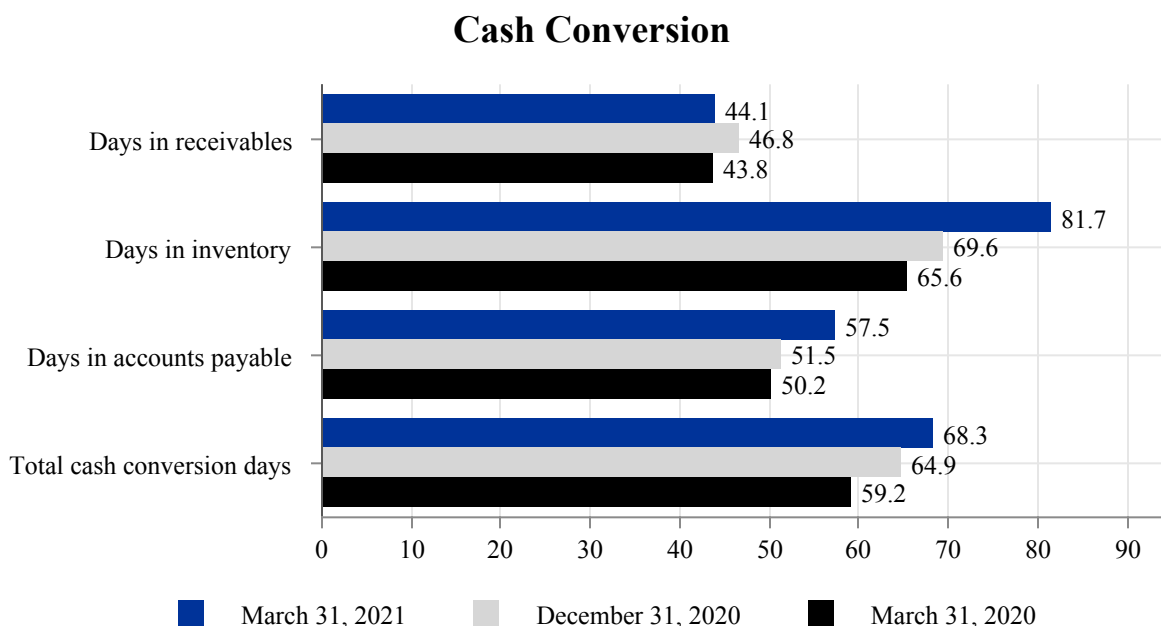
Free cash flow is a non-GAAP financial measure and is reconciled to the corresponding GAAP measure as follows:

(\$ in thousands USD)	1Q21	1Q20
Net cash used by operating activities	(13,760)	(9,839)
Plus: Sales of property and equipment	23	4
Less: Purchases of property and equipment	(4,118)	(2,121)
Free Cash Flow	<u>(17,855)</u>	<u>(11,956)</u>

Free cash flow for the first three months 2021 and 2020 was primarily impacted by the same items that affected cash flows used by operating activities. Free cash flow is a non-GAAP financial measure that is comprised of net cash used by operating activities plus purchases of property and equipment less proceeds from sales of property and equipment. Management believes that this financial measure provides meaningful information for evaluating the overall financial performance of the company and its ability to repay debt or make future investments (including acquisitions, etc.).

Generally, the first half of the year is cash consumptive and impacted by significant disbursements related to annual customer rebate payments which normally occur in the first quarter of the year and earned employee bonuses historically paid in the second quarter of the year. In addition, investment in inventory is typically heavy in the first half of the year with planning around the company's supply chain to fulfill shipments in the second half of the year and can be impacted by footprint rationalization projects. The growth in inventory in 1Q21 was also impacted by supply chain and operations disruptions which prevented the completion and sale of products. Historically, the company realizes stronger cash flow in the second half of the year versus the first half of the year. Given the company's anticipation of net sales growth for the remainder of 2021, seasonality of cash flow is also anticipated to be impacted by working capital needed to support sales growth. However, because the company cannot predict the duration or scope of the COVID-19 pandemic and its negative impact on the company's cash flow, these historic trends may not apply in 2021 or beyond.

The company's approximate cash conversion days at March 31, 2021, December 31, 2020 and March 31, 2020 were as follows:



For the quarter ended March 31, 2021, days in inventory and days in accounts payable were both impacted by the business disruption due to the COVID-19 pandemic, including supply chain disruptions.

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

of sales multiplied by 365 days. Total cash conversion days are equal to days in receivables plus days in inventory less days in accounts payable.

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



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## ACCOUNTING ESTIMATES AND PRONOUNCEMENTS

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### CRITICAL ACCOUNTING ESTIMATES

The Condensed Consolidated Financial Statements included in the report include accounts of the company and all majority-owned subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying Condensed Consolidated Financial Statements and related footnotes. In preparing the financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, thus, actual results could differ from these estimates. Refer to the Critical Accounting Estimates section within MD&A of company's Annual Report on Form 10-K for the period ending December 31, 2020.

### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

**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: the duration and scope of the COVID-19 pandemic, the resumption of access to healthcare, including clinics and elective care, and loosening of public health restrictions, or any reimposed restrictions on access to health care or tightening of public health restrictions which could impact the demand for the company’s products; global shortages in, or increasing costs for, transportation and logistics services and capacity; the inability of the company to obtain needed products, components or raw materials from its suppliers; actions that governments, businesses and individuals take in response to the pandemic, including mandatory business closures and restrictions on onsite commercial interactions; the impact of the pandemic and actions taken in response to the pandemic on global and regional economies and economic activity; the pace of recovery when the COVID-19 pandemic subsides; general economic uncertainty in key global markets and a worsening of global economic conditions or low levels of economic growth; the effects of steps the company takes to reduce operating costs; the inability of the company to sustain profitable sales growth, achieve anticipated improvements in segment operating performance, convert high inventory or accounts receivable levels to cash or reduce its costs to maintain competitive prices for its products; lack of market acceptance of the company’s new product innovations; circumstances or developments that may make the company unable to implement or realize the anticipated benefits, or that may increase the costs, of its current and planned business initiatives, in particular the key elements of its growth plan such as its new product introductions, additional investments in sales force and demonstration equipment, supply chain actions and global information technology outsourcing and ERP implementation activities, finance and accounting systems outsourcing and other outsourcing activities; possible adverse effects on the company’s liquidity, including the company’s ability to address future debt maturities; adverse changes in government and other third-party payor reimbursement levels and practices both in the U.S. and in other countries; consolidation of health care providers; increasing pricing pressures in the markets for the company’s products; risks of failures in, or disruptions to, legacy IT systems; risks of cybersecurity attack, data breach or data loss and/or delays in or inability to recover or restore data and IT systems; adverse effects of the company’s consent decree of injunction with the U.S. Food and Drug Administration (FDA), including but not limited to, compliance costs, inability to rebuild negatively impacted customer relationships,

unabsorbed capacity utilization, including fixed costs and overhead; any circumstances or developments that might adversely impact the third-party expert auditor’s required audits of the company’s quality systems at the facilities impacted by the consent decree, including any possible failure to comply with the consent decree or FDA regulations; 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; 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 Brexit; legal actions, including adverse judgments or settlements of litigation or claims in excess of available insurance limits; tax rate fluctuations; additional tax expense or additional tax exposures, which could affect the company’s future profitability and cash flow; uncollectible accounts receivable; risks inherent in managing and operating businesses in many different foreign jurisdictions; decreased availability or increased costs of materials which could increase the company’s costs of producing or acquiring the company’s products, including the adverse impacts of tariffs and increases in commodity costs or freight costs; heightened vulnerability to a hostile takeover attempt or other shareholder activism; provisions of Ohio law or in the company’s debt agreements, charter documents or other agreements that may prevent or delay a change in control, as well as the risks describe in the Annual Report on Form 10-K and from time to time in the company’s reports as filed with the Securities and Exchange Commission. Except to the extent required by law, the company does not undertake and specifically declines any obligation to review or update any forward-looking statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments or otherwise.

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

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

(In thousands, except per share data)

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Net sales	\$ 196,202	\$ 218,440
Cost of products sold	141,564	155,452
<b>Gross Profit</b>	<b>54,638</b>	<b>62,988</b>
Selling, general and administrative expenses	58,821	61,738
Gain on sale of business	—	(9,590)
Charges related to restructuring activities	1,552	1,392
<b>Operating Income (Loss)</b>	<b>(5,735)</b>	<b>9,448</b>
Loss on debt extinguishment including debt finance charges and fees	709	—
Interest expense	5,731	6,676
Interest income	(1)	(60)
<b>Earnings (Loss) Before Income Taxes</b>	<b>(12,174)</b>	<b>2,832</b>
Income tax provision	1,870	2,100
<b>Net Income (Loss)</b>	<b>\$ (14,044)</b>	<b>\$ 732</b>
<b>Dividends Declared per Common Share</b>	<b>\$ —</b>	<b>\$ 0.0125</b>
<b>Net Income (Loss) per Share—Basic</b>	<b>\$ (0.41)</b>	<b>\$ 0.02</b>
Weighted Average Shares Outstanding—Basic	34,495	33,784
<b>Net Income (Loss) per Share—Assuming Dilution</b>	<b>\$ (0.41)</b>	<b>\$ 0.02</b>
Weighted Average Shares Outstanding—Assuming Dilution	35,210	33,853
<b>Net Income (Loss)</b>	<b>\$ (14,044)</b>	<b>\$ 732</b>
Other comprehensive income (loss):		
Foreign currency translation adjustments	5,677	(4,194)
Defined Benefit Plans:		
Amortization of prior service costs and unrecognized losses	349	(169)
Deferred tax adjustment resulting from defined benefit plan activity	(58)	18
Valuation reserve associated with defined benefit plan activity	58	(18)
Current period loss on cash flow hedges	(875)	(142)
Deferred tax benefit (provision) related to gain on cash flow hedges	83	—
<b>Other Comprehensive Income (Loss)</b>	<b>5,234</b>	<b>(4,505)</b>
<b>Comprehensive Loss</b>	<b>\$ (8,810)</b>	<b>\$ (3,773)</b>
(Elements as a % of Net Sales)		
Net sales	100.0 %	100.0 %
Cost of products sold	72.2	71.2
<b>Gross Profit</b>	<b>27.8</b>	<b>28.8</b>
Selling, general and administrative expenses	30.0	28.3
Gain on sale of business	—	(4.4)
Charges related to restructuring activities	0.8	0.6
<b>Operating Income (Loss)</b>	<b>(2.9)</b>	<b>4.3</b>
Loss on debt extinguishment including debt finance charges and fees	0.4	—
Interest expense	2.9	3.1
Interest income	—	—
<b>Earnings (Loss) Before Income Taxes</b>	<b>(6.2)</b>	<b>1.3</b>
Income tax provision	1.0	1.0
<b>Net Income (Loss)</b>	<b>(7.2)%</b>	<b>0.3 %</b>

See notes to condensed consolidated financial statements.

**INVACARE CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets (unaudited)**

	March 31, 2021	December 31, 2020
Assets	(In thousands)	
<b>Current Assets</b>		
Cash and cash equivalents	\$ 86,052	\$ 105,298
Trade receivables, net	99,773	108,588
Installment receivables, net	239	379
Inventories, net	132,394	115,484
Other current assets	35,483	44,717
<b>Total Current Assets</b>	353,941	374,466
<b>Other Assets</b>	5,643	5,925
<b>Intangibles, net</b>	28,066	27,763
<b>Property and Equipment, net</b>	57,793	56,243
<b>Finance Lease Assets, net</b>	69,096	64,031
<b>Operating Lease Assets, net</b>	14,053	15,092
<b>Goodwill</b>	407,726	402,461
<b>Total Assets</b>	<u>\$ 936,318</u>	<u>\$ 945,981</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 93,111	\$ 85,424
Accrued expenses	112,278	126,273
Current taxes payable	2,470	3,359
Current portion of long-term debt	4,840	5,612
Current portion of finance lease obligations	3,584	3,405
Current portion of operating lease obligations	5,610	6,313
<b>Total Current Liabilities</b>	221,893	230,386
<b>Long-Term Debt</b>	283,750	239,441
<b>Finance Lease Long-Term Obligations</b>	68,346	63,137
<b>Operating Leases Long-Term Obligations</b>	8,356	8,697
<b>Other Long-Term Obligations</b>	71,272	70,474
<b>Shareholders' Equity</b>		
Preferred Shares (Authorized 300 shares; none outstanding)	—	—
Common Shares (Authorized 150,000 shares; 39,007 and 38,613 issued and outstanding at March 31, 2021 and December 31, 2020, respectively)—no par	9,917	9,816
Class B Common Shares (Authorized 12,000 shares; 4 and 4 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively)—no par	2	2
Additional paid-in-capital	273,982	326,088
Retained earnings	54,164	58,538
Accumulated other comprehensive income	50,670	45,436
Treasury Shares (4,184 and 4,184 shares at March 31, 2021 and December 31, 2020, respectively)	(106,034)	(106,034)
<b>Total Shareholders' Equity</b>	282,701	333,846
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$ 936,318</u>	<u>\$ 945,981</u>

See notes to condensed consolidated financial statements.

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

	<b>For the Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>(In thousands)</b>	
<b>Operating Activities</b>		
Net income (loss)	\$ (14,044)	\$ 732
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Gain on sale of business	—	(9,590)
Depreciation and amortization	4,079	3,407
Amortization of operating lease right of use assets	1,634	1,937
Provision for losses on trade and installment receivables	45	(71)
Benefit for deferred income taxes	672	240
Provision (benefit) for other deferred liabilities	(72)	469
Provision for equity compensation	1,580	1,200
Loss (gain) on disposals of property and equipment	—	1
Loss on debt extinguishment including debt finance charges and fees	709	—
Convertible debt discount amortization and accretion	870	2,732
Amortization of debt fees	418	475
Changes in operating assets and liabilities:		
Trade receivables	9,768	1,627
Installment sales contracts, net	228	26
Inventories, net	(16,018)	(2,930)
Other current assets	9,761	(10,934)
Accounts payable	6,197	7,950
Accrued expenses	(20,214)	(5,787)
Other long-term liabilities	627	(1,323)
<b>Net Cash Used by Operating Activities</b>	<b>(13,760)</b>	<b>(9,839)</b>
<b>Investing Activities</b>		
Purchases of property and equipment	(4,118)	(2,121)
Proceeds from sale of property and equipment	23	4
Proceeds from sale of business	—	14,563
Change in other long-term assets	2	(135)
Other	—	(2,113)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(4,093)</b>	<b>10,198</b>
<b>Financing Activities</b>		
Proceeds from revolving lines of credit and long-term borrowings	125,000	21,600
Repurchases of convertible debt, payments on revolving lines of credit and finance leases	(104,079)	(266)
Payment of financing costs	(4,608)	—
Payment of dividends	—	(414)
Purchases of capped calls	(18,787)	—
Purchases of treasury shares	—	(773)
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>(2,474)</b>	<b>20,147</b>
Effect of exchange rate changes on cash	1,081	(1,637)
Increase (decrease) in cash and cash equivalents	(19,246)	18,869
Cash and cash equivalents at beginning of year	105,298	80,063
Cash and cash equivalents at end of period	<u>\$ 86,052</u>	<u>\$ 98,932</u>

See notes to condensed consolidated financial statements.

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

(In thousands)	Common Shares	Class B Shares	Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehen- sive Income (Loss)	Treasury Shares	Total
<b>January 1, 2021 Balance</b>	\$ 9,816	\$ 2	\$ 326,088	\$ 58,538	\$ 45,436	\$ (106,034)	\$ 333,846
Performance awards	—	—	668	—	—	—	668
Restricted share awards	101	—	811	—	—	—	912
Net loss	—	—	—	(14,044)	—	—	(14,044)
Foreign currency translation adjustments	—	—	—	—	5,677	—	5,677
Unrealized loss on cash flow hedges	—	—	—	—	(792)	—	(792)
Defined benefit plans: Amortization of prior service costs and unrecognized losses and credits	—	—	—	—	349	—	349
Total comprehensive loss							(8,810)
Adoption of ASU 2020-06	—	—	(34,798)	9,670	—	—	(25,128)
Purchase of capped calls	\$ —	\$ —	(18,787)	\$ —	\$ —	\$ —	(18,787)
<b>March 31, 2021 Balance</b>	<u>\$ 9,917</u>	<u>\$ 2</u>	<u>\$ 273,982</u>	<u>\$ 54,164</u>	<u>\$ 50,670</u>	<u>\$ (106,034)</u>	<u>\$ 282,701</u>
<b>January 1, 2020 Balance</b>	\$ 9,588	\$ 2	\$ 312,650	\$ 87,475	\$ 3,128	\$ (104,327)	\$ 308,516
Performance awards	90	—	304	—	—	(774)	(380)
Restricted share awards	137	—	669	—	—	—	806
Net income	—	—	—	732	—	—	732
Foreign currency translation adjustments	—	—	—	—	(4,194)	—	(4,194)
Unrealized loss on cash flow hedges	—	—	—	—	(142)	—	(142)
Defined benefit plans: Amortization of prior service costs and unrecognized losses and credits	—	—	—	—	(169)	—	(169)
Total comprehensive loss							(3,773)
Dividends	—	—	—	(414)	—	—	(414)
Adoption of credit loss standard	—	—	—	(243)	—	—	(243)
<b>March 31, 2020 Balance</b>	<u>\$ 9,815</u>	<u>\$ 2</u>	<u>\$ 313,623</u>	<u>\$ 87,550</u>	<u>\$ (1,377)</u>	<u>\$ (105,101)</u>	<u>\$ 304,512</u>

See notes to condensed consolidated financial statements.

## Accounting Policies

*Principles of Consolidation:* The condensed consolidated financial statements include the accounts of the company and its wholly owned subsidiaries and include all adjustments, which were of a normal recurring nature, necessary to present fairly the financial position of the company as of March 31, 2021 and the results of its operations and changes in its cash flow for the three months ended March 31, 2021 and 2020, respectively. Certain foreign subsidiaries, represented by the European segment, are consolidated using a February 28 quarter end to meet filing deadlines. No material subsequent events have occurred related to the European segment, which would require disclosure or adjustment to the company's financial statements. All significant intercompany transactions are eliminated. The results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results to be expected for the full year.

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

*Recent Accounting Pronouncements (Already Adopted):*

In August 2020, the FASB issued ASU 2020-06 "Debt with Conversion and Other Options" (Subtopic 470-20) and Derivatives and Hedging Contracts in Entity's Own Equity (Subtopic 815-40)", which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. ASU 2020-06 removes from U.S. GAAP the separation models for (1) convertible debt with a cash conversion feature (CCF) and (2) convertible instrument with a beneficial conversion feature (BCF). As a result, after adopting the ASU's guidance, entities will not separately present in equity an embedded conversion feature in such debt. Instead, they will account for a convertible debt instrument wholly as debt, and for convertible preferred stock wholly as preferred stock (i.e., as a single unit of account), unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC 815 or (2) a convertible debt instrument was issued at a substantial premium. The guidance may be early adopted for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years.

The company adopted ASU 2020-06 effective January 1, 2021, using the modified retrospective method, which resulted in the removal of convertible debt discounts of \$25,218,000,

adjustment of \$34,798,000 to additional paid-in-capital and \$9,670,000 adjustment to retained earnings. Convertible debt discounts prior to adoption of ASU 2020-06 were amortized over the convertible debt term through interest expense. Subsequent to adoption, convertible debt discounts are not applicable when accounting for debt as a single unit of account. Interest expense for the three months ended March 31, 2020 related to debt discount amortization (which was not recognized in the first quarter of 2021 due to adoption) was \$2,732,000 or \$0.08 per basic and diluted share. There was no impact of adoption on performance metrics used for short-term or long-term incentive compensation. Accretion specific to the Series II 2024 Notes was unaffected by adoption. Due to the valuation allowance, there was no net impact to income taxes for the adoption. Subsequent to adoption weighted average shares when calculating diluted earnings per share requires the application of the if-converted method for all convertible instruments.

*Recent Accounting Pronouncements (Not Yet Adopted):*

In March 2020, the FASB issued ASU 2020-04 "Reference Rate Reform (Topic 848): Facilitation of Effects of Reference Rate Reform on Financial Reporting," which is intended to provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burden related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates if certain criteria are met. The guidance may be adopted in any period prior to the guidance expiration on December 31, 2022. The company is currently reviewing the impact of the adoption of 2020-04 but does not expect the adoption to have a material impact on the company's financial statements.



## Divested Businesses

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

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

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

The gross proceeds from the Transaction were \$14,563,000, net of taxes and expenses. The company realized a pre-tax gain of \$9,790,000 with a remaining accrued expenses balance of \$240,000 as of March 31, 2021.

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

At the closing of the Transaction, the parties entered into a supply agreement pursuant to which Dynamic Controls will supply certain electronic components as required by the company for the five-year period following the Transaction, including ongoing supply and support of the LiNX™ electronic control system with informatics technology, continued contract manufacturing of certain electronic components for the company’s respiratory products and continued infrastructure and applications support for the

informatics solution for the company’s respiratory products. The estimated continued inflows and outflows following the disposal with the Purchaser are not expected to be material to the company.

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

	<b>March 7, 2020</b>
Trade receivables, net	\$ 4,129
Inventories, net	3,082
Other assets	855
Property and equipment, net	600
Operating lease assets, net	2,127
Total assets	<u>\$ 10,793</u>
Accounts payable	\$ 4,692
Accrued expenses	2,473
Current taxes payable	41
Current portion of operating lease obligations	366
Long-term obligations	1,019
Total liabilities	<u>\$ 8,591</u>

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

## Current Assets

### Receivables

Receivables consist of the following (in thousands):

	March 31, 2021	December 31, 2020
Accounts receivable, gross	\$ 118,278	\$ 131,055
Customer rebate reserve	(8,914)	(10,730)
Cash discount reserves	(4,995)	(7,320)
Allowance for doubtful accounts	(4,172)	(4,031)
Other, principally returns and allowances reserves	(424)	(386)
Accounts receivable, net	<u>\$ 99,773</u>	<u>\$ 108,588</u>

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

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

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

In North America, excluding Canada, good-standing receivables are assigned to the low risk pool and assigned an expected loss percentage of 1.0% as these receivables are deemed to share the same risk profile and collections efforts are the same. Installment receivables in North America are characterized as collection receivables and thus reserves based on specific analysis of each customer. In Canada, good-standing receivables are deemed low risk and assigned a loss percentage of 0.2%.

In Europe, expected losses are determined by each location in each region. Most locations have a majority of their receivables assigned to the low risk pool, which has an average expected loss percentage of 0.4%. About half of the locations have a portion of their receivables assigned as medium risk with an average expected loss percentage of 1.5%. Only a few locations have any receivables characterized as high risk and the average credit loss percentage for those locations is 2.5%. Collection risk is generally low as payment terms in certain key markets, such as Germany, are immediate and in many locations the ultimate customer is the government.

In the Asia Pacific region, receivables are characterized as low risk, which have an average expected loss percentage of 0.3%. Historical losses are low in this region where the use of credit insurance is often customary.

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

	<b>Three Months Ended March 31, 2021</b>
Balance as of beginning of period	\$ 4,031
Current period provision	131
Recoveries (direct write-offs), net	10
Balance as of end of period	<u>\$ 4,172</u>

The company did not make any material changes to the assignment of receivables to the different risk pools or to the expected loss reserves in the quarter. The company is monitoring the impacts of the COVID-19 pandemic and the possibility for an impact on collections, but to date this has not materially impacted 2021.

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

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

The company has recorded a contingent liability in the amount of \$407,000 related to the contingent aspect of the company's guarantee associated with its arrangement with DLL. The contingent liability is recorded applying the same expected loss model used for the trade and installment receivables recorded on the company's books. Specifically, historical loss history is used to determine the expected loss percentage, which is then adjusted judgmentally to consider other factors, as needed.

The company's U.S. customers electing to finance their purchases can do so using DLL. 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 repurchased from DLL because the customers were in default. Default with DLL is defined as a customer being delinquent by three payments.

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

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

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

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

Installment receivables consist of the following (in thousands):

	March 31, 2021			December 31, 2020		
	Current	Long-Term	Total	Current	Long-Term	Total
Installment receivables	\$ 455	\$ 1,057	\$ 1,512	\$ 704	\$ 1,105	\$ 1,809
Allowance for doubtful accounts	(216)	(151)	(367)	(325)	(162)	(487)
Installment receivables, net	<u>\$ 239</u>	<u>\$ 906</u>	<u>\$ 1,145</u>	<u>\$ 379</u>	<u>\$ 943</u>	<u>\$ 1,322</u>

No installment receivables were purchased from DLL during the three months ended March 31, 2021. No sales of

installment receivables were made by the company during the quarter.

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

	Three Months Ended March 31, 2021	Year Ended December 31, 2020
Balance as of beginning of period	\$ 487	\$ 1,514
Current period provision (benefit)	(86)	66
Direct write-offs charged against the allowance	(34)	(1,093)
Balance as of end of period	<u>\$ 367</u>	<u>\$ 487</u>

Installment receivables by class as of March 31, 2021 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	\$ 486	\$ 486	\$ 367	\$ —
Asia Pacific				
Non-Impaired installment receivables with no related allowance recorded	1,026	1,026	—	—
Total				
Non-Impaired installment receivables with no related allowance recorded	1,026	1,026	—	—
Impaired installment receivables with a related allowance recorded	486	486	367	—
Total installment receivables	<u>\$ 1,512</u>	<u>\$ 1,512</u>	<u>\$ 367</u>	<u>\$ —</u>

Installment receivables by class as of December 31, 2020 consist of the following (in thousands):

	<b>Total Installment Receivables</b>	<b>Unpaid Principal Balance</b>	<b>Related Allowance for Doubtful Accounts</b>	<b>Interest Income Recognized</b>
U.S.				
Impaired installment receivables with a related allowance recorded	\$ 615	\$ 615	\$ 487	\$ —
Asia Pacific				
Non-impaired installment receivables with no related allowance recorded	1,194	1,194	—	—
Canada				
Non-impaired installment receivables with no related allowance recorded	—	—	—	29
Total				
Non-impaired installment receivables with no related allowance recorded	1,194	1,194	—	29
Impaired installment receivables with a related allowance recorded	615	615	487	—
Total installment receivables	<u>\$ 1,809</u>	<u>\$ 1,809</u>	<u>\$ 487</u>	<u>\$ 29</u>

Installment receivables with a related allowance recorded as noted in the table above represent those installment receivables on a non-accrual basis. As of March 31, 2021, 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.

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

	<b>March 31, 2021</b>			<b>December 31, 2020</b>		
	<b>Total</b>	<b>U.S.</b>	<b>Asia Pacific</b>	<b>Total</b>	<b>U.S.</b>	<b>Asia Pacific</b>
Current	\$ 1,026	\$ —	\$ 1,026	\$ 1,194	\$ —	\$ 1,194
0-30 days past due	—	—	—	—	—	—
31-60 days past due	—	—	—	—	—	—
61-90 days past due	—	—	—	—	—	—
90+ days past due	486	486	—	615	615	—
	<u>\$ 1,512</u>	<u>\$ 486</u>	<u>\$ 1,026</u>	<u>\$ 1,809</u>	<u>\$ 615</u>	<u>\$ 1,194</u>

**Inventories, Net**

Inventories consist of the following (in thousands):

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Finished goods	\$ 60,574	\$ 55,264
Raw materials	57,855	51,174
Work in process	13,965	9,046
Inventories, net	<u>\$ 132,394</u>	<u>\$ 115,484</u>

**Other Current Assets**

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Tax receivables principally value added taxes	\$ 17,697	\$ 22,500
Receivable due from information technology provider	3,020	2,995
Prepaid insurance	2,746	3,963
Prepaid inventory	2,106	2,700
Recoverable income taxes	816	2,182
Derivatives (foreign currency forward exchange contracts)	723	1,321
Service contracts	573	633
Deferred financing fees	342	208
Prepaid and other current assets	7,460	8,215
Other Current Assets	<u>\$ 35,483</u>	<u>\$ 44,717</u>

In the fourth quarter of 2019, the company entered into an agreement to outsource substantially all of the company's information technology ("IT") business service activities, including, among other things, support, rationalization and upgrading of the company's legacy information technology systems and implementation of a global enterprise resource planning system. The agreement provides for reimbursement by the IT provider of IT expenses incurred by the company

which are shown as Receivable due from information technology provider above. The amount of pass through charges will diminish as IT expenses are recorded directly by the IT provider. In addition, a corresponding current payable is due to the information technology provider. Refer to "Accrued Expenses" in the notes to the Condensed Consolidated Financial Statements included elsewhere in this report.

## Long-Term Assets

### Other Long-Term Assets

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Cash surrender value of life insurance policies	\$ 2,325	\$ 2,327
Deferred income taxes	1,617	2,048
Installment receivables	906	943
Deferred financing fees	599	411
Investments	84	85
Other	112	111
Other Long-Term Assets	<u>\$ 5,643</u>	<u>\$ 5,925</u>

### Property and Equipment

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Machinery and equipment	\$ 294,325	\$ 294,045
Land, buildings and improvements	28,761	28,509
Capitalized software	20,514	17,527
Furniture and fixtures	9,957	10,001
Leasehold improvements	8,247	8,194
Property and Equipment, gross	361,804	358,276
Accumulated depreciation	(304,011)	(302,033)
Property and Equipment, net	<u>\$ 57,793</u>	<u>\$ 56,243</u>

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

In the fourth quarter of 2019, the company initiated the first stage of an Enterprise Resource Planning ("ERP") software implementation. As a result of the initiation of the ERP project, the company capitalized certain costs in accordance with ASC 350 as shown in capitalized software above.



## Goodwill

The change in goodwill from December 31, 2020 to March 31, 2021 was due to foreign currency translation.

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

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

Refer to Goodwill in the company's Annual Report on Form 10-K for the period ending December 31, 2020 for further disclosure regarding the company's impairment analysis review methodology.

## Intangibles

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

	March 31, 2021		December 31, 2020	
	Historical Cost	Accumulated Amortization	Historical Cost	Accumulated Amortization
Customer lists	\$ 55,235	\$ 55,235	\$ 54,502	\$ 54,502
Trademarks	25,509	—	25,112	—
Developed technology	8,019	7,338	7,924	7,204
Patents	5,558	5,558	5,556	5,556
License agreements	2,909	1,042	2,899	979
Other	1,161	1,152	1,162	1,151
Intangibles	<u>\$ 98,391</u>	<u>\$ 70,325</u>	<u>\$ 97,155</u>	<u>\$ 69,392</u>

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

The changes in intangible balances reflected on the balance sheet from December 31, 2020 to March 31, 2021 were the result of foreign currency translation on historical cost and accumulated amortization.

The company evaluates the carrying value of definite-lived assets annually in the fourth quarter and whenever events or circumstances indicate possible impairment. Definite-lived assets are determined to be impaired if the future undiscounted cash flows expected to be generated by the asset are less than the carrying value. Actual impairment amounts for definite-lived assets are then calculated using a discounted cash flow calculation.

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

Amortization expense related to intangible assets was \$102,000 in the first three months of 2021 and is expected to be \$409,000 in 2021, \$410,000 in 2022, \$410,000 in 2023, \$354,000 in 2024, \$213,000 in 2025 and \$211,000 in

2026. Amortized intangible assets are being amortized on a straight-line basis over remaining lives of 4 to 9 years with a weighted average remaining life of approximately 7 years.

## Current Liabilities

### Accrued Expenses

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

	March 31, 2021	December 31, 2020
Salaries and wages	\$ 33,399	\$ 34,029
Taxes other than income taxes, primarily value added taxes	24,705	32,710
Warranty	11,091	10,991
Professional	10,672	7,375
Interest	3,870	2,076
Freight	3,773	3,190
IT service contracts	3,582	3,799
Derivative liabilities (foreign currency forward exchange contracts)	3,399	1,432
Deferred revenue	3,112	3,516
Product liability, current portion	2,698	2,453
Rebates	2,553	8,644
Severance	865	6,249
Insurance	782	878
Rent	583	585
Supplemental Executive Retirement Program liability	391	391
Other items, principally trade accruals	6,803	7,955
Accrued Expenses	<u>\$ 112,278</u>	<u>\$ 126,273</u>

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

Accrued rebates relate to several volume incentive programs the company offers its customers. The company accounts for these rebates as a reduction of revenue when the products are sold. Rebates are netted against gross accounts receivables. If rebates are in excess of such receivables, they are then classified as accrued expenses. The reduction in accrued rebates from December 31, 2020 to March 31, 2021 primarily relates to payments principally made in the first quarter each year.

In the fourth quarter of 2019, the company entered into an agreement with an IT provider to outsource substantially all of the company's information technology business service activities, including, among other things, support, rationalization and upgrading of the company's legacy information technology systems and implementation of a global ERP. Accrued expenses related to IT outsourcing are reflected in IT service contracts.

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

Balance as of January 1, 2021	\$ 10,991
Warranties provided during the period	1,471
Settlements made during the period	(1,477)
Changes in liability for pre-existing warranties during the period, including expirations	106
Balance as of March 31, 2021	<u>\$ 11,091</u>

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

## Long-Term Liabilities

### Long-Term Debt

Debt consists of the following (in thousands):

	March 31, 2021	December 31, 2020
Convertible senior notes at 5.00%, due in February 2021	\$ —	\$ 1,242
Convertible senior notes at 4.50%, due in June 2022	2,627	73,869
Convertible senior notes Series I at 5.00%, due in November 2024	71,939	62,984
Convertible senior notes Series II at 5.00%, due November 2024	75,334	64,919
Convertible senior notes at 4.25%, due in March 2026	117,786	—
Other obligations	20,904	42,039
	288,590	245,053
Less current maturities of long-term debt	(4,840)	(5,612)
Long-Term Debt	<u>\$ 283,750</u>	<u>\$ 239,441</u>

On September 30, 2015, the company entered into an Amended and Restated Revolving Credit and Security Agreement, which was subsequently amended (the “Credit Agreement”) and which matures on January 16, 2024. The Credit Agreement was entered into by and among the company, certain of the company’s direct and indirect U.S. and Canadian subsidiaries and certain of the company’s European subsidiaries (together with the company, the “Borrowers”), certain other of the company’s direct and indirect U.S., Canadian and European subsidiaries (the “Guarantors”), and PNC Bank, National Association (“PNC”), JPMorgan Chase Bank, N.A., J.P. Morgan Europe Limited, KeyBank National Association, and Citizens Bank, National Association (the “Lenders”). PNC is the administrative agent (the “Administrative Agent”) and J.P. Morgan Europe Limited is the European agent (the “European Agent”) under the Credit Agreement. In connection with entering into the company’s Credit Agreement, the company incurred fees which were capitalized and are being amortized as interest expense. As of March 31, 2021, debt fees yet to be amortized through January 2024 totaled \$941,000.

The company had outstanding letters of credit of \$8,301,000 and \$7,752,000 as of March 31, 2021 and December 31, 2020, respectively. Outstanding letters of credit and other reserves impacting borrowing capacity were \$7,570,000 and \$7,616,000 as of March 31, 2021 and December 31, 2020, respectively. The company had no outstanding borrowings under its North America Credit Facility as of March 31, 2021. The company had outstanding borrowings of \$5,916,000 (€4,900,000) under its French Credit Facility and \$4,460,000 (£3,200,000) under its UK Credit Facility as of March 31, 2021, together referred to as

the European Credit Facility. The company had outstanding borrowings of \$20,000,000 under its North America Credit Facility as of December 31, 2020. The company had outstanding borrowings of \$7,636,000 (€6,400,000) under its French Credit Facility and \$3,866,000 (£2,900,000) under its UK Credit Facility as of December 31, 2020, together referred to as the European Credit Facility. The weighted average interest rate on all borrowings, excluding finance leases, was 4.5% for the three months ended March 31, 2021 and 4.6% for the year ended December 31, 2020.

#### North America Borrowers Credit Facility

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

The aggregate borrowing availability under the North America Credit Facility is determined based on a borrowing base formula. The aggregate usage under the North America

Credit Facility may not exceed an amount equal to the sum of (a) 85% of eligible U.S. accounts receivable *plus* (b) the lesser of (i) 70% of eligible U.S. inventory and eligible foreign in-transit inventory and (ii) 85% of the net orderly liquidation value of eligible U.S. inventory and eligible foreign in-transit inventory (not to exceed \$4,000,000), *plus* (c) the lesser of (i) 80% of the net orderly liquidation value of U.S. eligible machinery and equipment and (ii) \$0 as of March 31, 2021 (subject to reduction as provided in the Credit Agreement), *plus* (d) 85% of eligible Canadian accounts receivable, *plus* (e) the lesser of (i) 70% of eligible Canadian inventory and (ii) 85% of the net orderly liquidation value of eligible Canadian inventory, *less* (f) swing loans outstanding under the North America Credit Facility, *less* (g) letters of credit issued and undrawn under the North America Credit Facility, *less* (h) a \$3,000,000 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 March 31, 2021, the company was in compliance with all covenant requirements. As of March 31, 2021, the company had gross borrowing base of \$38,389,000 and net borrowing availability of \$21,070,000 under the North America Credit Facility under the Credit Agreement, considering the minimum availability reserve, then-outstanding letters of credit, other reserves and the \$6,750,000 dominion trigger amount described below. Borrowings under the North America 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 North America Credit Facility are subject to commitment fees of 0.25% or 0.375% per year, depending on utilization.

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

company to maintain borrowing capacity of not less than \$6,750,000 on any business day or any five consecutive days in order to avoid triggering full control by an agent for the Lenders of the company's cash receipts for application to the company's obligations under the agreement.

The Credit Agreement contains customary default provisions, with certain grace periods and exceptions, which provide for events of default that include, among other things, failure to pay amounts due, breach of covenants, representations or warranties, bankruptcy, the occurrence of a material adverse effect, exclusion from any medical reimbursement program, and an interruption of any material manufacturing facilities for more than 10 consecutive days. The proceeds of the North America Credit Facility will be used to finance the working capital and other business needs of the company. There was \$0 outstanding borrowings under the North America Credit Facility at March 31, 2021.

#### European Credit Facility

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

The aggregate borrowing availability for each European Borrower under the European Credit Facility is determined based on a borrowing base formula. The aggregate borrowings of each of the European Borrowers under the European Credit Facility may not exceed an amount equal to (a) 85% of the European Borrower's eligible accounts receivable, *less* (b) the European Borrower's borrowings and swing line loans outstanding under the European Credit Facility, *less* (c) the European Borrower's letters of credit issued and undrawn under the European Credit Facility, *less* (d) a \$3,000,000 minimum availability reserve, *less* (e) other reserves required by the European Agent, and in each case subject to the definitions and limitations in the Credit Agreement. As of March 31, 2021, the gross borrowing base to the European Borrowers under the European Credit Facility was \$17,098,000 and the net borrowing availability was \$10,722,000, considering the \$3,000,000 minimum availability reserve and a \$3,375,000 dominion trigger amount described below. Borrowing availability is based on a prior month base in USD. Actual borrowings in GBP and EUR

fluctuate in USD between date of borrowing and when translated for consolidated reporting.

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

Interest will accrue on outstanding indebtedness under the European Credit Facility at the 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 (i) 12.5% of the maximum amount that may be drawn under the European Credit Facility for five (5) consecutive business days, or (ii) 11.25% of the maximum amount that may be drawn under the European credit facility on any business day. The European Borrowers also are subject to cash dominion triggers under the European Credit Facility requiring the European Borrower to maintain borrowing capacity of not less than \$3,750,000 on any business day or \$3,375,000 for five consecutive business days in order to avoid triggering full control by an agent for the Lenders of the European Borrower's cash receipts for application to its obligations under the European Credit Facility.

The European Credit Facility is subject to customary default provisions, with certain grace periods and exceptions, consistent with those applicable to the U.S. and Canadian Credit Facility, which provide that events of default include, among other things, failure to pay amounts due, breach of covenants, representations or warranties, cross-default, bankruptcy, the occurrence of a material adverse effect, exclusion from any medical reimbursement program, and an interruption in the operations of any material manufacturing facility for more than 10 consecutive days. The proceeds of the European Credit Facility will be used to finance the working capital and other business needs of the company. As of March 31, 2021, the company had borrowings of \$5,916,000 (€4,900,000) under its French Credit Facility and \$4,460,000 (£3,200,000) under its UK Credit Facility as of March 31, 2021, together referred to as the European Credit Facility.

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

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

#### Convertible senior notes due 2021

In the first quarter of 2016, the company issued \$150,000,000 aggregate principal amount of 5.00% Convertible Senior Notes due 2021 (the "2021 Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2021 Notes bore 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 matured on February 15, 2021. At maturity, \$1,250,000 principal amount of 2021 Notes were outstanding, which the company repaid in cash.

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”). 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 adjusted to reflect fair value each quarter. The fair value of the convertible note hedge assets at issuance was \$27,975,000.

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 met 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 were amortized as interest expense through February 2021. Debt issuance costs are presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability.

During the third quarter of 2019, the company used an aggregate of \$14,708,000 in cash to repurchase a total amount of \$16,000,000 in principal amount of 2021 Notes. After recognizing expenses on unamortized fees and discounts associated with the repurchased 2021 Notes, the repurchases resulted in a net reduction of debt of \$14,367,000 and a net loss on the repurchases of \$280,000.

During the fourth quarter of 2019, the company entered into separate privately negotiated agreements with certain holders of its 2021 Notes to exchange \$72,909,000 in aggregate principal amount of 2021 Notes for aggregate consideration of \$72,909,000 in aggregate principal amount of new 5.00% Convertible Senior Exchange Notes due 2024 (the “Series I 2024 Notes”) of the company and \$6,928,000 in cash. Refer to “Convertible senior notes Series I due 2024” below for more information. As a result of the exchange transaction in the fourth quarter of 2019 and the repurchase of \$16,000,000 in principal amount of 2021 Notes in the third

quarter of 2019, a partial unwind of the note hedge options and warrants entered into with the issuance of the 2021 Notes also occurred during the fourth quarter of 2019. Note hedge options outstanding related to the 2021 Notes were reduced from the original number of 300,000 to 138,182 and warrants relating to the 2021 Notes were reduced from the initial number of 9,007,380 to 3,860,624. The partial unwind of the note hedge options and warrants resulted in no net impact to cash or paid in capital.

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

During the third quarter of 2020, the company repurchased \$24,466,000 aggregate principal amount of 2021 Notes, resulting in a \$761,000 loss on debt extinguishment. As a result of the repurchase of 2021 Notes in the third quarter of 2020 and the exchange of 2021 Notes for new notes in the second quarter of 2020, a partial unwind of the note hedge options and warrants entered into with the issuance of the 2021 Notes also occurred. The partial unwind of the note hedge options and warrants resulted in no net impact to cash or paid-in-capital. Note hedge options outstanding relating to the 2021 Notes were reduced 62,341 and subsequently expired on February 15, 2021. Warrants outstanding on March 31, 2021 were 3,141,943. If exercised, one Common Share is issuable upon exercise of each warrant, but may be adjusted to include additional Common Shares for each warrant under certain circumstances if the relevant share price exceeds the warrant strike price for the relevant measurement period at the time of exercise. Common Shares are reserved for issuance upon exercise of the remaining warrants relating to the 2021 Notes at two Common Shares per warrant. The warrants will begin to expire on May 15, 2021 and then partially expire on each trading day over the 220 trading day period following May 15, 2021.

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

	March 31, 2021	December 31, 2020
Principal amount of liability component	\$ —	\$ 1,250
Unamortized discount	—	(7)
Debt fees	—	(1)
Net carrying amount of liability component	<u>\$ —</u>	<u>\$ 1,242</u>



The unamortized discount was reduced to \$0 upon adoption of ASU 2020-06, effective January 1, 2021. The effective interest rate on the liability component was 11.1% upon original issuance including consideration of the discount. Non-cash discount interest expense of \$824,000 was recognized for the three months ended March 31, 2020. Interest expense of \$8,000 was accrued for the three months ended March 31, 2021, compared to \$745,000 for the three months ended March 31, 2020 based on the stated coupon rate of 5.0%.

#### Convertible senior notes due 2022

In the second quarter of 2017, the company issued \$120,000,000 aggregate principal amount of 4.50% Convertible Senior Notes due 2022 (the “2022 Notes”) in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2022 Notes bear interest at a rate of 4.50% per year payable semi-annually in arrears on June 1 and December 1 of each year, beginning December 1, 2017. The 2022 Notes will mature on June 1, 2022, unless repurchased or converted in accordance with their terms prior to such date. Prior to December 1, 2021, the 2022 Notes will be convertible only upon satisfaction of certain conditions and during certain periods, and thereafter, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. Prior to May 16, 2019, the 2022 Notes were convertible, subject to certain conditions, into cash only. On May 16, 2019, the company obtained shareholder approval under applicable New York Stock Exchange rules such that conversion of the 2022 Notes may be settled in cash, the company’s common shares or a combination of cash and the company’s common shares, at the company’s election. At March 31, 2021, \$2,650,000 aggregate principal amount of the 2022 Notes remained outstanding, following the exchange transactions completed in the second quarter of 2020 and the repurchase of debt completed in the first quarter of 2021, as further discussed below.

Holders of the 2022 Notes may convert their 2022 Notes at their option at any time prior to the close of business on the business day immediately preceding December 1, 2021 only under the following circumstances: (1) during any fiscal quarter commencing after September 30, 2017 (and only during such fiscal quarter), if the last reported sale price of the company’s common shares for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price for the 2022 Notes on each applicable trading day; (2) during the five business day period after any 10 consecutive trading day period (the “measurement period”) in which the

“trading price” (as defined in the Indenture) per one thousand U.S. dollar principal amount of 2022 Notes for each trading day of such measurement period was less than 98% of the product of the last reported sale price of the company’s Common Shares and the applicable conversion rate for the 2022 Notes on each such trading day; or (3) upon the occurrence of specified corporate events described in the Indenture. On or after December 1, 2021 until the close of business on the second scheduled trading day immediately preceding the maturity of the 2022 Notes, holders may convert their 2022 Notes, at the option of the holder, regardless of the foregoing circumstances.

Holders of the 2022 Notes will have the right to require the company to repurchase all or some of their 2022 Notes at 100% of their principal, plus any accrued and unpaid interest, upon the occurrence of certain fundamental changes. The initial conversion rate is 61.6095 common shares per \$1,000 principal amount of 2022 Notes (equivalent to an initial conversion price of approximately \$16.23 per common share). Until the company received shareholder approval on May 16, 2019 authorizing it to elect to settle future conversions of the 2022 Notes in common shares, the company separately accounted for the conversion features as a derivative. The derivative was capitalized on the balance sheet as a long-term liability with adjustment to reflect fair value each quarter until the change to the conversion features as a result of the shareholder approval received on May 16, 2019 resulted in the termination of the derivative. The fair value of the convertible debt conversion liability at issuance was \$28,859,000. The company recognized a loss of \$6,193,000 in 2019 related to the convertible debt conversion liability.

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

The company entered into separate, privately negotiated warrant transactions with the option counterparty at a higher strike price relating to the same number of the company’s common shares, subject to customary anti-dilution adjustments, pursuant to which the company sold warrants to

the option counterparties. The warrants could have a dilutive effect on the company's outstanding common shares and the company's earnings per share to the extent that the price of the company's common shares exceeds the strike price of those warrants. The initial strike price of the warrants is \$21.4375 per share and is subject to certain adjustments under the terms of the warrant transactions. The company evaluated the warrants under the applicable accounting literature, including *Derivatives and Hedging*, ASC 815, and determined that the warrants meet the definition of a derivative, are indexed to the company's own shares and should be classified in shareholder's equity. The amount paid for the warrants and capitalized in shareholder's equity was \$14,100,000.

There were 120,000 note hedge options relating to the 2022 Notes outstanding at March 31, 2021, but only 2,650 remained available for exercise. Note hedge options related to the 2022 Notes will expire on June 1, 2022.

Warrants relating to the 2022 Notes outstanding on March 31, 2021 were 7,393,141. If exercised, one Common Share is issuance upon exercise of each warrant, but may be adjusted under certain circumstances if the relevant share price exceeds the warrant strike price for the relevant share price exceeds the warrant strike price for the relevant measurement period at the time of exercise. Common Shares are reserved for issuance upon exercise of the remaining warrants relating to the 2022 Notes at two Common Shares per warrant. The warrants will begin to expire on September 1, 2022 and then partially expire on each trading day over the 220 trading day period following September 1, 2022.

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

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

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

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

	March 31, 2021	December 31, 2020
Principal amount of liability component	\$ 2,650	\$ 81,500
Unamortized discount	—	(6,772)
Debt fees	(23)	(859)
Net carrying amount of liability component	<u>\$ 2,627</u>	<u>\$ 73,869</u>

The unamortized discount was reduced to \$0 upon adoption of ASU 2020-06, effective January 1, 2021. The effective interest rate on the liability component was 10.9% upon original issuance including consideration of the discount. Total interest expense subsequent to adoption of ASU 2020-06 includes coupon interest and amortization of debt fees. Non-cash discount interest expense of \$1,460,000 was recognized for the three months ended March 31, 2020. Interest expense of \$769,000 was accrued for the three months ended March 31, 2021 compared to \$1,350,000 for the three months ended March 31, 2020 based on the stated coupon rate of 4.5%. The effective interest rate of the 2022 Notes as of March 31, 2021 was 5.2%. The 2022 Notes were not convertible as of March 31, 2021 nor was the applicable conversion threshold met.

#### Convertible senior notes Series I due 2024

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

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

or a combination of cash and the company's common shares, at the company's election.

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

Holders of the Series I 2024 Notes may convert their Series I 2024 Notes at their option at any time prior to the close of business on the business day immediately preceding May 15, 2024 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending December 31, 2019 (and only during such calendar quarter), if the last reported sale price of the company's common shares for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price for the Series I 2024 Notes on each applicable trading day; (2) during the five business day period after any 10 consecutive trading day period (the "measurement period") in which the "trading price" (as defined in the Indenture) per one thousand U.S. dollar principal amount of Series I 2024 Notes for each trading day of such measurement period was less than 98% of the product of the last reported sale price of the company's common shares and the applicable conversion rate for the Series I 2024 Notes on each such trading day; (3) upon the occurrence of specified corporate events described in the Indenture; or (4) if the company calls the Series I 2024 Notes for redemption pursuant to the terms of the Indenture. Holders of the Series I 2024 Notes will have the right to require the company to repurchase all or some of their Series I 2024 Notes at 100% of their principal, plus any accrued and unpaid interest, upon the occurrence of certain fundamental changes. The initial conversion rate is 67.6819 common shares per \$1,000 principal amount of Series I 2024 Notes (equivalent to an initial conversion price of approximately \$14.78 per common share). On or after May 15, 2024 until the close of business on the second scheduled trading day immediately preceding the maturity of the Series I 2024 Notes, holders may

convert their Series I 2024 Notes, at the option of the holder, regardless of the foregoing circumstances.

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

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

	March 31, 2021	December 31, 2020
Principal amount of liability component	\$ 72,909	\$ 72,909
Unamortized discount	—	(8,888)
Debt fees	(970)	(1,037)
Net carrying amount of liability component	<u>\$ 71,939</u>	<u>\$ 62,984</u>

The unamortized discount was reduced to \$0 upon adoption of ASU 2020-06, effective January 1, 2021. The effective interest rate on the liability component was 8.77% upon original issuance including consideration of the discount. Total interest expense subsequent to adoption includes coupon interest and amortization of debt fees. Non-cash discount interest expense of \$448,000 was recognized for the three months ended March 31, 2020. Interest expense \$911,000 was accrued for the three months ended March 31, 2021 compared to \$911,000 for the three months ended March 31, 2020 based on the stated coupon rate of 5.0%. The effective interest rate of the Series I 2024 notes as of March 31, 2021 was 5.4%. The Series I 2024 Notes were not convertible as of March 31, 2021 nor was the applicable conversion threshold met.

#### Convertible senior notes Series II due 2024

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

The Series II 2024 Notes bear interest at a rate of 5.00% per year, payable semi-annually in arrears on May 15 and November 15 of each year, beginning November 15, 2020. The Series II 2024 Notes will mature on November 15, 2024, unless repurchased, redeemed or converted in accordance with

their terms prior to such date. Prior to May 15, 2024, the Series II 2024 Notes will be convertible only upon satisfaction of certain conditions and during certain periods, and thereafter, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The Series II 2024 Notes may be settled in cash, the company's common shares or a combination of cash and the company's common shares, at the company's election.

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

Holders of the Series II 2024 Notes may convert their Series II 2024 Notes at their option at any time prior to the close of business on the business day immediately preceding May 15, 2024 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending June 30, 2020 (and only during such calendar quarter), if the last reported sale price of the company's common shares for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than 130% of the conversion price for the Series II 2024 Notes on each applicable trading day; (2) during the five business day period after any 10 consecutive trading day period (the "measurement period") in which the "trading price" (as defined in the Indenture) per one thousand U.S. dollar principal amount of Series II 2024 Notes for each trading day of such measurement period was less than 98% of the product of the last reported sale price of the company's common shares and the applicable conversion rate for the Series II 2024 Notes on each such trading day; (3) upon the occurrence of specified corporate events described in the Indenture; or (4) if the company calls the Series II 2024 Notes for redemption pursuant to the terms of the Indenture. Holders of the Series II 2024 Notes will have the right to require the company to repurchase all or some of their Series II 2024 Notes at 100% of the accreted principal amount, plus any accrued and unpaid interest, upon the occurrence of certain fundamental changes. The initial conversion rate is

67.6819 common shares per \$1,000 principal amount of Series II 2024 Notes (equivalent to an initial conversion price of approximately \$14.78 per common share). On or after May 15, 2024 until the close of business on the second scheduled trading day immediately preceding the maturity of the Series II 2024 Notes, holders may convert their Series II 2024 Notes, at the option of the holder, regardless of the foregoing circumstances.

The principal amount of the Series II 2024 Notes also will accrete at a rate of approximately 4.7% per year commencing June 4, 2020, compounding on a semi-annual basis. The accreted portion of the principal is payable in cash upon maturity but does not bear interest and is not convertible into the company's common shares. The total amount accreted as of March 31, 2021 was \$2,683,000, of which \$870,000 was for the three months ended March 31, 2021. Remaining accretion until maturity (at current principal) was \$13,939,000 at March 31, 2021.

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

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

	March 31, 2021	December 31, 2020
Principal amount of liability component - including accretion	\$ 76,558	\$ 75,688
Unamortized discount	—	(9,461)
Debt fees	(1,224)	(1,308)
Net carrying amount of liability component	<u>\$ 75,334</u>	<u>\$ 64,919</u>

The unamortized discount was reduced to \$0 upon adoption of ASU 2020-06, effective January 1, 2021. The effective interest rate on the liability component was 8.99% upon original issuance including consideration of the discount. Total interest expense subsequent to adoption includes coupon interest, accretion and amortization of debt fees. Interest expense for accretion of \$870,000 was accrued for the three months ended March 31, 2021. Interest expense of \$923,000 was accrued for the three months ended March 31, 2021 based on the stated coupon rate of 5.0%. The effective interest rate of the Series II 2024 Notes as of March 31, 2021 including coupon interest, amortization of debt fees and accretion to maturity was 10.6%. The Series II 2024 Notes were not



convertible as of March 31, 2021 nor was the applicable conversion threshold met.

#### Convertible senior notes due 2026

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

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

The company may not redeem the 2026 Notes prior to March 20, 2024. The company may, at its election, redeem for cash all or part of the 2026 Notes, on or after March 20, 2024, if the last reported sale price of the company’s common shares equals or exceeds 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the company provides notice of redemption. The redemption price will be equal to 100% of the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date (subject to certain limited exceptions). No sinking fund is provided for the 2026 Notes, which means the company is not required to redeem or retire the 2026 Notes periodically.

Holders of the 2026 Notes may convert their 2026 Notes at their option at any time prior to the close of business on the business day immediately preceding September 15, 2025 in multiples of \$1,000 principal amount, only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending June 30, 2021 (and only during such calendar quarter), if the last reported sale price of the company’s common shares for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than 130% of the conversion price for the 2026 Notes on each applicable trading day; (2) during the five business day period

after any 10 consecutive trading day period (the “measurement period”) in which the “trading price” (as defined in the Indenture) per one thousand U.S. dollar principal amount of 2026 Notes for each trading day of such measurement period was less than 98% of the product of the last reported sale price of the company’s common shares and the applicable conversion rate for the 2026 Notes on each such trading day; (3) upon the occurrence of specified corporate events described in the Indenture; or (4) if the company calls any or all of the 2026 Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date. Holders of the 2026 Notes will have the right to require the company to repurchase all or some of their 2026 Notes at 100% of their principal, plus any accrued and unpaid interest, upon the occurrence of certain fundamental changes. The initial conversion rate is 94.6096 common shares per \$1,000 principal amount of 2026 notes (equivalent to an initial conversion price of approximately \$10.57 per common share). On or after September 15, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity of the 2026 Notes, holders may convert their 2026 Notes, at the option of the holder, regardless of the foregoing circumstances.

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

	<b>March 31, 2021</b>
Principal amount of liability component	\$ 125,000
Debt fees	(7,214)
Net carrying amount of liability component	<u>\$ 117,786</u>

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

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

The Capped Call Transactions are expected generally to reduce the potential dilution upon conversion of the 2026 Notes and/or offset any cash payments the company is required to make in excess of the principal amount of converted notes, as the case may be, in the event that the market price per share of the company’s common shares, as

measured under the terms of the Capped Call Transactions, is greater than the strike price of the Capped Call Transactions, which is initially \$10.57, corresponding to the initial conversion price of the 2026 Notes, subject to anti-dilution adjustments. If, however, the market price per company common share, as measured under the terms of the Capped Call Transactions, exceeds the cap price of the Capped Call Transactions, which is initially \$16.58 (subject to adjustments), there would nevertheless be dilution and/or there would not be an offset of such potential cash payments, in each case, to the extent that such market price exceeds the cap price of the Capped Call Transactions. The Capped Call Transactions expire March 15, 2026, subject to earlier exercise. There were 125,000 capped call options related to the 2026 Notes outstanding on March 31, 2021.

The company will not be required to make any cash payments to the option counterparties upon the exercise of the options that are a part of the Capped Call Transactions, but the company will be entitled to receive from the option counterparties a number of company common shares, an amount of cash or a combination thereof generally based on the amount by which the market price per company common share, as measured under the terms of the Capped Call Transactions, is greater than the strike price of the Capped Call Transactions during the relevant valuation period under the Capped Call Transactions. However, if the market price per Company common share, as measured under the terms of the Capped Call Transactions, exceeds the cap price of the Capped Call Transactions during such valuation period, the number of company common shares and/or the amount of cash the company expects to receive upon exercise of the Capped Call Transactions will be capped based on the amount by which the cap price exceeds the strike price of the Capped Call Transactions.

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

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

### CARES Act Loan

On May 15, 2020 the company entered into an unsecured loan agreement in the aggregate amount of \$10,000,000 pursuant to sections 1102 and 1106 of the Coronavirus Aid, Relief and Economic Security, "CARES," Act which was evidenced by a promissory note, dated May 13, 2020, and bears interest at a fixed rate of 1.00%. Payments have been deferred to commence in May 2021 under the program. This loan may be forgivable, partially or in full, if certain conditions are met, principally based on having been disbursed for permissible purposes and based on average levels of employment over a designated period of time. No assurance can be given that the company will be granted forgiveness of the loan in whole or in part. The company has recorded \$4,461,000 of the amount borrowed in current maturities of long term debt.

**Other Long-Term Obligations**

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Deferred income taxes	\$ 23,605	\$ 23,234
Product liability	12,968	12,304
Pension	9,107	9,088
Deferred gain on sale leaseback	5,421	5,502
Supplemental Executive Retirement Plan liability	5,319	5,368
Deferred compensation	5,192	5,318
Uncertain tax obligation including interest	3,135	3,114
Other	6,525	6,546
Other Long-Term Obligations	<u>\$ 71,272</u>	<u>\$ 70,474</u>

On April 23, 2015, the company entered into a real estate sale leaseback transaction which resulted in the company recording an initial deferred gain of \$7,414,000, the majority of which is included in Other Long-Term Obligations and will be recognized over the 20-year life of the leases. The gains realized were \$78,000 and \$75,000 for the three months ended March 31, 2021 and 2020, respectively.



## Leases and Commitments

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

The company leases a portion of its facilities, transportation equipment, data processing equipment and certain other equipment. These leases have terms from 1 to 20 years and provide for renewal options. Generally, the company is required to pay taxes and normal expenses associated with operating the facilities and equipment. As of March 31, 2021, the company is committed under non-cancelable leases, which have initial or remaining terms in excess of one year and expire on various dates through 2040.

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

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

recorded four finance leases totaling \$32,339,000 and one operating lease related to leased land, which was not a material component of the transaction. The gains on the sales of the properties were required to be deferred and recognized over the life of the leases as the property sold is being leased back. The deferred gain is classified under Other Long-Term Obligations on the consolidated balance sheet. The gains realized were \$78,000 for the three months ended March 31, 2021 compared to \$75,000 for the three months ended March 31, 2020.

In December 2018, the company entered into a 20-year lease agreement in Germany. The lease commenced in July 2020. The lease increased the company's finance lease obligation by \$36,916,000 and increased the finance lease expense compared to previous periods.

In December of 2020, the company entered into a 12.6-year lease agreement in Germany. The lease increased the company's finance lease obligation by \$5,561,000 and increased the finance lease expense compared to previous periods.

Lease expenses for the three months ended March 31, 2021 and March 31, 2020, respectively, were as follows (in thousands):

	For the Three Months Ended March 31,	
	2021	2020
Operating leases	\$ 1,962	\$ 2,243
Variable and short-term leases	1,051	921
Total operating leases	<u>\$ 3,013</u>	<u>\$ 3,164</u>
Finance lease interest cost	\$ 1,178	\$ 328
Finance lease depreciation	1,276	703
Total finance leases	<u>\$ 2,454</u>	<u>\$ 1,031</u>

Future minimum operating and finance lease commitments, as of March 31, 2021, are as follows (in thousands):

	<b>Finance Leases</b>	<b>Operating Leases</b>
2021	\$ 6,714	\$ 5,433
2022	7,051	4,225
2023	6,947	1,967
2024	6,878	1,360
2025	6,821	1,083
Thereafter	81,091	2,319
Total future minimum lease payments	115,502	16,387
Amounts representing interest	(43,572)	(2,421)
Present value of minimum lease payments	71,930	13,966
Less: current maturities of lease obligations	(3,584)	(5,610)
Long-term lease obligations	<u>\$ 68,346</u>	<u>\$ 8,356</u>

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

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

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

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

	<b>March 31, 2021</b>
Weighted-average remaining lease term - finance leases	16.5 years
Weighted-average remaining lease term - operating leases	4.7 years
Weighted-average discount rate - finance leases	6.50%
Weighted-average discount rate - operating leases	7.74%

## Revenue

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

The following tables disaggregate the company's revenues by major source and by reportable segment for the three months ended March 31, 2021 and March 31, 2020 (in thousands):

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

<b>Three Months Ended March 31, 2020</b>			
	Product	Service	Total
Europe	\$ 117,685	\$ 3,283	\$ 120,968
North America	86,764	207	86,971
All Other	9,322	1,179	10,501
Total	<u>\$ 213,771</u>	<u>\$ 4,669</u>	<u>\$ 218,440</u>
% Split	98%	2%	100%

The company's revenues are principally related to the sale of products, approximately 98%, with the remaining 2% related to services including repair, refurbishment, preventive maintenance and rental of products. While the company has a significant amount of contract types, the sales split by contract type is as follows: general terms and conditions (30%), large national customers (30%), governments, principally pursuant to tender contracts (21%) and other customers including buying groups and independent customers (19%).

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

generally determines the standalone selling price based on the expected cost-plus margin methodology.

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

Depending on the terms of the contract, the company may defer the recognition of a portion of the revenue at the end of a reporting period to align with transfer of control of the company's products to the customer. In addition, to the extent performance obligations are satisfied over time, the company defers revenue recognition until the performance obligations are satisfied. As of March 31, 2021 and December 31, 2020, the company had deferred revenue of \$3,112,000 and \$3,516,000, respectively, related to outstanding performance obligations.

## Equity Compensation

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

As of March 31, 2021, 3,667 Class B Common Shares remained outstanding. Prior conversions of Class B Common Shares have virtually eliminated the company's dual class voting structure. As of March 31, 2021, the holders of the Common Shares represented approximately 99.9% of the company's total outstanding voting power.

### Equity Compensation Plan

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

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

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

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

The Compensation and Management Development Committee of the Board (the "Compensation Committee"), in its discretion, may grant an award under the 2018 Plan to any director or employee of the company or an affiliate. As of March 31, 2021, 905,188 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.

At March 31, 2021, an aggregate of 376,516 Common Shares underlie awards which were forfeited or expired unexercised under the 2003 and 2013 Plans and thus are available to be transferred under the 2018 Plan.

The company has submitted an amendment to the 2018 Plan to shareholders for approval at the company's 2021 annual meeting that, if approved by shareholders, will increase the number of Common Shares authorized for issuance under the 2018 Plan by 2,500,000 additional Common Shares.

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

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

	For the Three Months Ended March 31,	
	2021	2020
Restricted stock / units	\$ 912	\$ 775
Performance shares / units	668	425
Total stock-based compensation expense	<u>\$ 1,580</u>	<u>\$ 1,200</u>

As of March 31, 2021, 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):

	March 31, 2021
Restricted stock and restricted stock units	\$ 11,733
Performance shares and performance share units	9,537
Total unrecognized stock-based compensation expense	<u>\$ 21,270</u>

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 (refer to "Stock Options" and "Performance Shares and Performance Share Units" below). No tax benefits for stock compensation were realized during the three months ended March 31, 2021 and 2020, 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 the company's Common Shares on the date of grant. Stock option awards granted in 2017 were performance-based awards which became exercisable based upon achievement of the performance goals established by the Compensation Committee as achieved over a 3-year period end in 2019 which were subject to the Compensation Committee's exercise of negative discretion to reduce the number of options vested based on the progress towards other initiatives.

The following table summarizes information about stock option activity for the three months ended March 31, 2021:

		Weighted Average Exercise Price
Options outstanding at January 1, 2021	1,081,804	\$ 16.07
Forfeited	(38,200)	17.01
Options outstanding at March 31, 2021	<u>1,043,604</u>	\$ 16.03
Options exercise price range at March 31, 2021	\$ 12.15 to \$	33.36
Options exercisable at March 31, 2021	1,043,604	
Shares available for grant at March 31, 2021*	905,188	

\* Shares available for grant under the 2018 Plan as of March 31, 2021 reduced by net restricted stock and restricted stock unit and performance share and performance share unit award activity of 2,671,108 shares.

The following table summarizes information about stock options outstanding at March 31, 2021:

Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at March 31, 2021	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at March 31, 2021	Weighted Average Exercise Price
\$12.15 – \$20.00	750,159	4.7	\$ 12.69	750,159	\$ 12.69
\$20.01 – \$30.00	288,949	0.4	24.45	288,949	24.45
\$30.01 – \$33.36	4,496	0.1	33.36	4,496	33.36
Total	<u>1,043,604</u>	3.5	\$ 16.03	<u>1,043,604</u>	\$ 16.03

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 2021 or 2020.

#### *Restricted Stock and Restricted Stock Units*

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

		<b>Weighted Average Fair Value</b>
Stock / Units unvested at January 1, 2021	1,145,058	\$ 8.62
Granted	617,707	8.48
Forfeited	(8,190)	9.38
Stock / Units unvested at March 31, 2021	<u>1,754,575</u>	\$ 8.57

The restricted 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 (primarily for non-U.S. recipients):

		<b>Weighted Average Fair Value</b>
Shares / Units unvested at January 1, 2021	1,026,785	\$ 8.55
Granted	471,819	8.49
Shares / Units unvested at March 31, 2021	<u>1,498,604</u>	\$ 8.53

During the three months ended March 31, 2021, 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, 2018 through December 31, 2020, January 1, 2019 through December 31, 2021, January 1, 2020 through December 31, 2022 and January 1, 2021 through December 31, 2023, respectively established by the Compensation Committee at the time of grant. Recipients will be entitled to receive a number of Common Shares equal to the number of

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

The fair value of the performance awards is based on the stock price on the date of grant discounted for the estimated value of dividends foregone as the awards are not eligible for dividends except to the extent vested. The grant fair value is further updated each reporting period while variable accounting applies. The company assesses the probability that the performance targets will be met with expense recognized whenever it is probable that at least the minimum performance criteria will be achieved. Depending upon the company's assessment of the probability of achievement of the goals, the company may not recognize any expense associated with performance awards in a given period, may reverse prior expense recorded or record additional expense to recognize the cumulative estimated achievement level of proportionate term of the award. Performance award compensation expense is generally expected to be recognized over three years. The company continues to recognize expense related to the awards granted in 2019, 2020 and 2021 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
December 31, 2020	\$ 50,329	\$ (517)	\$ (3,674)	\$ (702)	\$ 45,436
OCI before reclassifications	2,802	2,875	470	(1,218)	4,929
Amount reclassified from accumulated OCI	—	—	(121)	426	305
Net current-period OCI	2,802	2,875	349	(792)	5,234
March 31, 2021	\$ 53,131	\$ 2,358	\$ (3,325)	\$ (1,494)	\$ 50,670

	Foreign Currency	Long-Term Notes	Defined Benefit Plans	Derivatives	Total
December 31, 2019	\$ 8,898	\$ (2,491)	\$ (3,299)	\$ 20	\$ 3,128
OCI before reclassifications	1,664	(5,858)	(598)	(261)	(5,053)
Amount reclassified from accumulated OCI	—	—	429	119	548
Net current-period OCI	1,664	(5,858)	(169)	(142)	(4,505)
March 31, 2020	\$ 10,562	\$ (8,349)	\$ (3,468)	\$ (122)	\$ (1,377)

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,		
	2021	2020	
<b>Defined Benefit Plans</b>			
Service and interest costs	\$ (121)	\$ 429	Selling, general and administrative expenses
Tax	—	—	Income tax provision
Total after tax	\$ (121)	\$ 429	
<b>Derivatives</b>			
Foreign currency forward contracts hedging sales	\$ 22	\$ 115	Net sales
Foreign currency forward contracts hedging purchases	452	35	Cost of products sold
Total loss before tax	474	150	
Tax	(48)	(31)	Income tax benefit
Total after tax	\$ 426	\$ 119	



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## Charges Related to Restructuring Activities

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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 each of the segments. Restructuring actions have continued into 2021.

For the three months ended March 31, 2021, charges totaled \$1,552,000 which were related to North America of \$822,000 and Europe of \$730,000. In North America costs were incurred related to severance. The European charges were for severance costs of \$454,000 and contract terminations of \$276,000, primarily related to the closure of a German manufacturing facility. Payments for the three months ended March 31, 2021 were \$6,283,000 and the cash payments were funded with the company's cash on hand. The 2021 charges are expected to be paid out within 24 months.

For the three months ended March 31, 2020, charges totaled \$1,392,000 which were related to North America of \$691,000, Europe of \$665,000 and All Other of \$36,000. In North America and All Other, costs were incurred related to severance. The European charges were for severance costs \$592,000 and contract terminations \$73,000. Payments for the three months ended March 31, 2020 were \$1,870,000 and the cash payments were funded with company's cash on hand. Most of the 2020 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 been sufficient to absorb these charges and payments.

A progression by reporting segment of the accruals recorded as a result of the restructuring for the three months ended March 31, 2021 is as follows (in thousands):

	Severance	Contract Terminations	Total
<b>December 31, 2020 Balances</b>			
North America	\$ 179	\$ —	\$ 179
Europe	5,904	4	5,908
All Other	166	—	166
Total	<u>6,249</u>	<u>4</u>	<u>6,253</u>
<b>Charges</b>			
North America	822	—	822
Europe	454	276	730
All Other	—	—	—
Total	<u>1,276</u>	<u>276</u>	<u>1,552</u>
<b>Payments</b>			
North America	(236)	—	(236)
Europe	(6,047)	—	(6,047)
All Other	—	—	—
Total	<u>(6,283)</u>	<u>—</u>	<u>(6,283)</u>
<b>March 31, 2021 Balances</b>			
North America	765	—	765
Europe	311	280	591
All Other	166	—	166
Total	<u>\$ 1,242</u>	<u>\$ 280</u>	<u>\$ 1,522</u>

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## Income Taxes

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The company had an effective tax rate of 15.4% on losses and 74.2% on earnings before tax for the three months ended March 31, 2021 and March 31, 2020, respectively, compared to an expected benefit for the three months ended March 31, 2021 and an expected expense for the three months ended March 31, 2020 of 21.0% on the pre-tax loss and earnings for each period. The company's effective tax rate for the three months ended March 31, 2021 and March 31, 2020 were unfavorable as compared to the U.S. federal statutory rate, principally due to the negative impact of the company not being able to record tax benefits related to the significant losses in countries which had tax valuation allowances. The effective tax rate was increased for the three months ended March 31, 2021 and March 31, 2020 by certain taxes outside the United States, excluding countries with tax valuation allowances, that were at an effective rate higher than the U.S. statutory rate, except for the gain on the disposition of Dynamic Controls which was not taxable locally for the three months ended March 31, 2020. In addition, the company had accrued withholding taxes on earnings of its Chinese subsidiary based on the expectation of not permanently reinvesting those earnings. The sale of this entity, without such distribution resulted in the reversal of this accrual in the amount of \$988,000 for the three months ended March 31, 2020.

## Net Income (Loss) Per Common Share

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

(In thousands except per share data)	For the Three Months Ended March 31,	
	2021	2020
<b>Basic</b>		
Weighted average common shares outstanding	34,495	33,784
Net income (loss)	\$ (14,044)	\$ 732
Net income (loss) per common share	\$ (0.41)	\$ 0.02
<b>Diluted</b>		
Weighted average common shares outstanding	34,495	33,784
Share options and awards	715	69
Weighted average common shares assuming dilution	35,210	33,853
Net income (loss)	\$ (14,044)	\$ 732
Net income (loss) per common share *	\$ (0.41)	\$ 0.02

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

At March 31, 2021 and March 31, 2020, shares associated with equity compensation awards of 1,100,648 and 2,366,261, respectively, were excluded from the average common shares assuming dilution as incremental shares were anti-dilutive.

At March 31, 2021, the majority of the anti-dilutive incremental shares were awards granted at an exercise price of \$24.45, which was higher than the average fair market value price of \$9.32. At March 31, 2020, the majority of the anti-dilutive incremental shares were awards granted at an exercise price of \$24.45 or above, which was higher than the average fair market value price of \$7.75.

For the three months ended March 31, 2021 and March 31, 2020, respectively, no shares were included in the common shares assuming dilution related to the company's issued warrants as the average market price of the company shares for these periods did not exceed the strike price of the warrants.

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

average stock price for the period and other requirements for the notes to be convertible to shares were not met.

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## Concentration of Credit Risk

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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 \$1,128,000 at March 31, 2021 to DLL for events of default under the contracts, which total \$8,951,000 at March 31, 2021. Guarantees, ASC 460, requires the company to record a guarantee liability as it relates to the limited recourse obligation. As such, the company has recorded a liability for this guarantee obligation within accrued expenses. The company's recourse is reevaluated by DLL biannually, considers activity between the biannual dates and excludes any receivables purchased by the company from DLL. The company monitors the collections status of these contracts and has provided amounts for estimated losses in its allowances for doubtful accounts in accordance with *Receivables*, ASC 310-10-05-4. Credit losses are provided for in the financial statements.

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

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## Derivatives

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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 \$26,667,000 and \$42,894,000 matured for the three months ended March 31, 2021 and March 31, 2020, respectively.

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

	March 31, 2021		December 31, 2020	
	Notional Amount	Unrealized Net Gain (Loss)	Notional Amount	Unrealized Net Gain (Loss)
USD / CHF	1,240	(1)	1,675	(11)
USD / EUR	44,156	(902)	56,187	(636)
USD / GBP	1,892	(97)	2,467	(19)
USD / SEK	2,009	(60)	2,658	(41)
USD / MXN	2,492	258	2,230	334
EUR / CHF	3,847	56	5,037	10
EUR / GBP	14,796	(488)	19,060	44
EUR / SEK	7,586	(96)	10,162	(73)
EUR / NOK	3,532	(116)	4,167	(64)
AUD / NZD	614	(18)	781	(13)
DKK / SEK	2,273	17	3,329	9
NOK / SEK	2,461	(66)	3,431	(50)
AUD / THB	3,888	(260)	4,963	(221)
NZD / THB	1,381	(55)	1,755	(55)
USD / THB	3,114	89	4,152	(56)
EUR / THB	1,034	12	1,332	18
GBP / THB	652	38	842	10
	<u>\$ 96,967</u>	<u>\$ (1,689)</u>	<u>\$ 124,228</u>	<u>\$ (814)</u>

#### Derivatives Not Qualifying or Designated for Hedge Accounting Treatment

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

receivables or payables are created so that upon settlement, the gain/loss on the settlement is offset by the gain/loss on the foreign currency forward contract. No material net gain or loss was realized by the company in 2021 or 2020 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 2021 and 2020, respectively, and outstanding were as follows (in thousands USD):

	March 31, 2021		December 31, 2020	
	Notional Amount	Gain (Loss)	Notional Amount	Gain (Loss)
AUD / USD	\$ 5,776	\$ 111	\$ 6,046	\$ (159)
CAD / USD	13,086	(139)	8,320	88
DKK / USD	8,859	(320)	8,690	207
GBP / USD	16,947	(418)	16,062	338
NOK / USD	9,522	(175)	9,053	264
AUD / NZD	6,497	(46)	6,579	(35)
	<u>\$ 60,687</u>	<u>\$ (987)</u>	<u>\$ 54,750</u>	<u>\$ 703</u>

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

	March 31, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
<u>Derivatives designated as hedging instruments under ASC 815</u>				
Foreign currency forward exchange contracts	\$ 470	\$ 2,159	\$ 424	\$ 1,238
<u>Derivatives not designated as hedging instruments under ASC 815</u>				
Foreign currency forward exchange contracts	253	1,240	897	194
Total derivatives	<u>\$ 723</u>	<u>\$ 3,399</u>	<u>\$ 1,321</u>	<u>\$ 1,432</u>

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

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

	Amount of Gain (Loss) Recognized in Accumulated OCI on Derivatives (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
<u>Derivatives (foreign currency forward exchange contracts) in ASC 815 cash flow hedge relationships</u>			
<u>Three months ended March 31, 2021</u>			
Foreign currency forward exchange contracts	\$ (1,218)	\$ (426)	\$ —
<u>Three months ended March 31, 2020</u>			
Foreign currency forward exchange contracts	\$ (261)	\$ (119)	\$ 64
<u>Derivatives (foreign currency forward exchange contracts) not designated as hedging instruments under ASC 815</u>			
<u>Three months ended March 31, 2021</u>			
Foreign currency forward exchange contracts			\$ (987)
<u>Three months ended March 31, 2020</u>			
Foreign currency forward exchange contracts			\$ (724)

The gains or losses recognized as the result of the settlement of cash flow hedge foreign currency forward contracts are recognized in net sales for hedges of inventory sales and in cost of products sold for hedges of inventory purchases. For the three months ended March 31, 2021, net sales were increased by \$22,000 while cost of products sold was increased by \$452,000 for net pre-tax realized loss of \$474,000. For the three months ended March 31, 2020, net sales were decreased by \$115,000 while cost of products sold was increased by \$35,000 for net realized pre-tax loss of \$150,000.

A loss of \$987,000 was recognized in selling, general and administrative (SG&A) expenses for the three months ended March 31, 2021 compared to a loss of \$724,000 for the three months ended March 31, 2020 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 presents derivatives on a net basis in its financial statements for those subject to provisions that are similar to master netting agreements.

## Fair Values

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

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

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

	Basis for Fair Value Measurements at Reporting Date		
	Quoted Prices in Active Markets for Identical Assets / (Liabilities)	Significant Other Observable Inputs	Significant Other Unobservable Inputs
	Level I	Level II	Level III
<u>March 31, 2021</u>			
Forward exchange contracts—net	—	\$ (2,676)	—
<u>December 31, 2020</u>			
Forward exchange contracts—net	—	\$ (111)	—

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

	March 31, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	\$ 86,052	\$ 86,052	\$ 105,298	\$ 105,298
Other investments	84	84	85	85
Installment receivables, net of reserves	1,145	1,145	1,322	1,322
Forward contracts in Other Current Assets	723	723	1,321	1,321
Forward contracts in Accrued Expenses	(3,399)	(3,399)	(1,432)	(1,432)
Total debt (including current maturities of long-term debt) *	(288,590)	(287,592)	(245,053)	(237,948)
2021 Notes	—	—	(1,242)	(1,264)
2022 Notes	(2,627)	(2,480)	(73,869)	(70,633)
Series I 2024 Notes	(71,939)	(70,377)	(62,984)	(60,035)
Series II 2024 Notes	(75,334)	(75,510)	(64,919)	(64,090)
2026 Notes	(117,786)	(118,874)	—	—
Other	(20,904)	(20,351)	(42,039)	(41,926)

\* The company's total debt is shown net of applicable discounts and fees associated with the convertible senior notes due in 2021, 2022, 2024 and 2026 on the company's condensed consolidated balance sheet. Accordingly, the fair values of the convertible senior notes due in 2021, 2022, 2024 and 2026 included in the long-term debt presented in this table are also shown net of the discounts and fees. Discount balances applicable to the company's convertible senior notes were eliminated upon adoption of ASU 2020-06 on January 1, 2021, but are included in the balances above for the period prior to adoption. Refer to Long-Term Debt footnote for discount balances by convertible senior notes series. Total debt excludes operating and finance leases obligations.

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

*Cash, cash equivalents:* The carrying value reported in the balance sheet for cash, cash equivalents equals its fair value.

*Other investments:* The company has 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 of each year.

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

*Total debt:* Fair value for the company's convertible debt is based on quoted market-based estimates as of the end of the period, while the revolving credit facility fair value is based upon an estimate of the market for similar borrowing arrangements. The fair values are deemed to be categorized as Level 2 in the fair value hierarchy. Other total debt is primarily attributable to credit facilities borrowings where the carrying value reported in the balance approximates its fair value and the CARES Act Loan which utilizes the fair value factor of the 2022 Notes to approximate fair value.

*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, DKK, EUR, GBP, MXN, NOK, NZD, SEK, THB, and USD. The company does not use derivative financial instruments for speculative purposes. Fair values for the company's foreign exchange forward contracts are based on quoted market prices for contracts with similar maturities. The company's forward contracts are included in Other Current Assets or Accrued Expenses in the condensed consolidated balance sheets.

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## Business Segments

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

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

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

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

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

	For the Three Months Ended March 31,	
	2021	2020
Revenues from external customers		
Europe	\$ 112,775	\$ 120,968
North America	75,974	86,971
All Other (Asia Pacific)	7,453	10,501
Consolidated	<u>\$ 196,202</u>	<u>\$ 218,440</u>
Intersegment revenues		
Europe	\$ 5,308	\$ 4,226
North America	14,195	20,482
All Other (Asia Pacific)	—	2,529
Consolidated	<u>\$ 19,503</u>	<u>\$ 27,237</u>
Restructuring charges before income taxes		
Europe	\$ 730	\$ 665
North America	822	691
All Other	—	36
Consolidated	<u>\$ 1,552</u>	<u>\$ 1,392</u>
Operating income (loss)		
Europe	\$ 3,832	\$ 6,850
North America	(2,375)	(2,045)
All Other	(5,640)	(3,555)
Charge expense related to restructuring activities	(1,552)	(1,392)
Gain on sale of business	—	9,590
Consolidated operating income (loss)	<u>(5,735)</u>	<u>9,448</u>
Loss on debt extinguishment including debt finance charges and associated fees	(709)	—
Net interest expense	<u>(5,730)</u>	<u>(6,616)</u>
Earnings (Loss) before income taxes	<u>\$ (12,174)</u>	<u>\$ 2,832</u>

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

	For the Three Months Ended March 31,	
	2021	2020
Europe		
Lifestyle	\$ 58,298	\$ 58,303
Mobility and Seating	44,222	52,778
Respiratory Therapy	6,038	4,931
Other(1)	4,217	4,956
	<u>\$ 112,775</u>	<u>\$ 120,968</u>
North America		
Lifestyle	\$ 36,185	\$ 42,541
Mobility and Seating	22,733	29,574
Respiratory Therapy	16,784	14,649
Other(1)	272	207
	<u>\$ 75,974</u>	<u>\$ 86,971</u>
All Other (Asia Pacific)		
Mobility and Seating	\$ 3,218	\$ 5,435
Lifestyle	2,524	3,132
Respiratory Therapy	282	533
Other(1)	1,429	1,401
	<u>\$ 7,453</u>	<u>\$ 10,501</u>
Total Consolidated	<u>\$ 196,202</u>	<u>\$ 218,440</u>

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



## Contingencies

### General

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

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

### Medical Device Regulatory Matters

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

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

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

On July 24, 2017, following its June 2017 reinspection of the Corporate and Taylor Street facilities, the FDA notified the company that it 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 24, 2017, during which time the company's Corporate and Taylor Street facilities must complete two semi-annual audits in the first year and then four annual audits in the next four years performed by 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.

#### Warranty Matters

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

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

For additional information regarding the consent decree, other regulatory matters, and risks and trends that may impact the company's financial condition or results of operations, please see the following sections of the company's Annual Report on Form 10-K for the year ended December 31, 2020: Item 1. Business - Government Regulation and Item 1A. Risk Factors; Item 3. Legal Proceedings; and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

The company is at times exposed to market risk through various financial instruments, including fixed rate and floating rate debt instruments. Additionally, the company operates internationally and, as a result, is exposed to foreign currency fluctuations. Specifically, the exposure results from intercompany loans, intercompany sales or payments and third-party sales or payments. While the company is exposed to increases in interest rates, including on borrowings under its Credit Agreement, its exposure to the volatility of the current market environment is currently limited until the Credit Agreement expires in 2024. Should the company be required to seek and obtain additional or alternative financing, such financing, if available, may require the company to pay substantially higher interest rates. As discussed elsewhere in this report, the COVID-19 pandemic has negatively impacted, and will continue to negatively impact the company's business and results of operations. As we cannot predict the duration or scope of the COVID-19 pandemic, the negative financial impact to the company's results cannot be reasonably estimated, but could be material.

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

As of March 31, 2021, an evaluation was performed, under the supervision and with the participation of the company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on that evaluation, the company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the company's disclosure controls and procedures were effective as of March 31, 2021, in ensuring that information required to be disclosed by the company in the reports it files and submits under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and (2) accumulated and communicated to the company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

*(b) Changes in Internal Control Over Financial Reporting*

There have been no changes in the company's internal control over financial reporting that occurred during the company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

**Part II. OTHER INFORMATION****Item 1. Legal Proceedings.**

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

In December 2012, the company became subject to a consent decree of injunction filed by FDA in the U.S. District Court for the Northern District of Ohio with respect to the company's Corporate facility and its Taylor Street manufacturing facility in Elyria, Ohio. On July 24, 2017, following its reinspection of the Corporate and Taylor Street facilities, FDA notified the company that it was in substantial compliance with the FDA Act, FDA regulations and the terms of the consent decree and that the company was permitted to resume full operations at those facilities, including the resumption of unrestricted sales of products made in those facilities. The consent decree will continue in effect for at least five years from July 24, 2017, during which time the company's Corporate and Taylor Street facilities must complete to two semi-annual audits in the first year and then four annual audits in the next four years performed by a company-retained expert firm. The expert audit firm will determine whether the facilities remain in continuous compliance with the FDA Act, regulations and the terms of the consent decree.

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

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

For additional information regarding the consent decree, please see the "Contingencies" note to the financial statements contained in Part I of this Quarterly Report on Form 10-Q, the risk factors referred to in Part I, Item 1A of this Quarterly Report on Form 10-Q, and the following sections of the company's Annual Report on Form 10-K for the period ending December 31, 2020: Item 1. Business - Government Regulation; Item 1A. Risk Factors; and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Outlook and - Liquidity and Capital Resources.

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

The following table presents information with respect to repurchases of common shares made by the company during the three months ended March 31, 2021.

<b>Period</b>	<b>Total Number of Shares Purchased (1)</b>	<b>Avg. Price Paid Per Share \$</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (2)</b>
1/1/2021 - 1/31/2021	—	\$ —	—	2,453,978
2/1/2021 - 2/28/2021	—	—	—	2,453,978
3/1/2021 - 3/31/2021	—	—	—	2,453,978
<b>Total</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>2,453,978</b>

- (1) No shares were repurchased between January 1, 2021 and March 31, 2021 or were surrendered to the company by employees for minimum tax withholding purposes in conjunction with the vesting of restricted shares awarded to the employees or the exercise of non-qualified options by employees under the company's equity compensation plans.
- (2) In 2001, the Board of Directors authorized the company to purchase up to 2,000,000 Common Shares, excluding any shares acquired from employees or directors as a result of the exercise of options or vesting of restricted shares pursuant to the company's performance plans. The Board of Directors reaffirmed its authorization of this repurchase program on November 5, 2010, and on August 17, 2011 authorized an additional 2,046,500 shares for repurchase under the plan. To date, the company has purchased 1,592,522 shares under this program, with authorization remaining to purchase 2,453,978 shares. The company purchased no shares pursuant to this Board authorized program during the quarter ended March 31, 2021.

Under the terms of the company's Credit Agreement, repurchases of shares by the company generally are not permitted except in certain limited circumstances in connection with the vesting or exercise of employee equity compensation awards. See Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources, regarding covenants of the company's senior credit facilities with respect to share purchases.

**Item 6. Exhibits**

Exhibit No.	
<a href="#">10.1</a>	Indemnity Agreement
<a href="#">31.1</a>	Chief Executive Officer Rule 13a-14(a)/15d-14(a) Certification (filed herewith).
<a href="#">31.2</a>	Chief Financial Officer Rule 13a-14(a)/15d-14(a) Certification (filed herewith).
<a href="#">32.1</a>	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).
<a href="#">32.2</a>	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS*	XBRL instance document
101.SCH*	XBRL taxonomy extension schema
101.CAL*	XBRL taxonomy extension calculation linkbase
101.DEF*	XBRL taxonomy extension definition linkbase
101.LAB*	XBRL taxonomy extension label linkbase
101.PRE*	XBRL taxonomy extension presentation linkbase
104	Cover page of the Quarterly Report on Form 10-Q formatted in Inline XBRL.

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

**SIGNATURES**

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

**INVACARE CORPORATION**

Date: May 5, 2021

By: /s/ Kathleen P. Leneghan

Name: Kathleen P. Leneghan

Title: Senior Vice President and Chief Financial Officer

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



INVACARE CORPORATION

INDEMNITY AGREEMENT

THIS AGREEMENT is made as of the \_\_\_\_ day of \_\_\_\_\_, by and between INVACARE CORPORATION, an Ohio corporation (the "Corporation"), and \_\_\_\_\_ ("Indemnitee"), an Officer and/or Director of the Corporation.

WHEREAS, it is essential to the Corporation to retain and attract as Directors and/or Officers the most capable persons available, such as Indemnitee; and

WHEREAS, the prevalence of corporate litigation subjects directors and officers to expensive litigation risks, and it is the policy of the Corporation to indemnify its Directors and/or Officers so as to provide them with the maximum possible protection permitted by law; and

WHEREAS, in addition, because the statutory indemnification provisions of the Ohio Revised Code expressly provide that they are non-exclusive, it is the policy of the Corporation to indemnify Directors and Officers who, on behalf of the Corporation, have entered into settlements of derivative suits or have paid judgments, fines or penalties therefor, provided they have not breached the applicable statutory standard of conduct; and

WHEREAS, Indemnitee does not regard the protection available under the Corporation's Code of Regulations and insurance, if any, as adequate in the present circumstances, and considers it necessary and desirable to his or her service as a Director and/or Officer to have maximum protection, and the Corporation desires to provide such protection to induce Indemnitee to serve in such capacity; and

WHEREAS, the Ohio Revised Code Section 1701.13(E) and the Corporation's Code of Regulations Article V(a) provide that indemnification of Directors and Officers of the Corporation may be authorized by agreement, and thereby contemplates that contracts of this nature may be entered into between the Corporation and Indemnitee with respect to indemnification of Indemnitee as a Director or an Officer of the Corporation.

NOW, THEREFORE, for good and valuable consideration, the sufficiency and adequacy of which is hereby acknowledged, the Corporation and Indemnitee do hereby agree as follows:

1. Agreement to Serve. Indemnitee agrees to serve or continue to serve as a Director and/or Officer of the Corporation for so long as he or she is duly elected or appointed or until such time as he or she tenders his or her resignation in writing or is otherwise terminated or removed from office.

The Corporation expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on the Corporation hereby in order to induce Indemnitee to continue to serve as a Director and/or Officer of the Corporation, and acknowledges that Indemnitee is relying upon this Agreement in continuing in such capacity.

2. Definitions. As used in this Agreement:

The term "Proceeding" shall include any threatened, pending, or completed action, suit or proceeding, whether brought by or in the right of the Corporation or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee may be or may have been involved as a party or otherwise, by reason of the fact that Indemnitee is or was a Director and/or Officer of the Corporation or any subsidiary of the Corporation, by reason of any action taken by Indemnitee or of any inaction on his or her part while acting as such a Director and/or Officer, or by reason of the fact that he or she is or was serving at the request of the Corporation as a director, officer, member or manager, partner, trustee, employee or agent of another corporation, domestic or foreign, non-profit or for-profit, a limited liability company or a partnership, joint venture, trust or other enterprise; in each case

whether or not he or she is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification or reimbursement can be provided under this Agreement.

The term “Expenses” shall include, without limitation, expenses of investigations, judicial or administrative proceedings or appeals, attorneys' fees and disbursements and any expenses of establishing a right to indemnification under Paragraph 9 of this Agreement, but shall not include the amount of judgments, fines or penalties against or settlements paid by Indemnitee.

References to “other enterprise” shall include, without limitation, employee benefit plans; references to “fines” shall include, without limitation, any excise tax assessed with respect to any employee benefit plan; references to “serving at the request of the Corporation” shall include, without limitation, any service as a Director or Officer of the Corporation which imposes duties on, or involves services by, such Director or Officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” as referred to in this Agreement.

3. Indemnity in Third-Party Proceedings. The Corporation shall indemnify Indemnitee in accordance with the provisions of this Paragraph 3 if Indemnitee is a party to or threatened to be made a party to or otherwise involved in any Proceeding (other than a Proceeding by or in the right of the Corporation to procure a judgment in its favor) by reason of the fact that Indemnitee is or was a Director and/or Officer of the Corporation or a subsidiary of the Corporation, or is or was serving at the request of the Corporation as a director, officer, member or manager, partner, trustee, employee or agent of another corporation, domestic or foreign, non- profit or for-profit, a limited liability company or a partnership, joint venture, trust or other enterprise, against all Expenses, judgments, settlements, fines and penalties, actually and reasonably incurred by Indemnitee in connection with the defense or settlement of such Proceeding, but only if Indemnitee acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation and, in the case of a criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful. The termination of any such Proceeding by judgment, order of court, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and with respect to any criminal proceeding, that such person had reasonable cause to believe that his or her conduct was unlawful.

4. Indemnity for Expenses in Proceedings by or in the Right of the Corporation. The Corporation shall indemnify Indemnitee in accordance with the provisions of this Paragraph 4 if Indemnitee is a party to or threatened to be made a party to any Proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that Indemnitee is or was a Director and/or Officer of the Corporation or a subsidiary of the Corporation, or is or was serving at the request of the Corporation as a director, officer, member or manager, partner, trustee, employee or agent of another corporation, domestic or foreign, non- profit or for-profit, a limited liability company or a partnership, joint venture, trust or other enterprise, against all Expenses actually and reasonably incurred by Indemnitee in connection with the defense of such Proceeding, but only if he or she acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, except that no indemnification for Expenses shall be made under this Paragraph 4 in respect of any claim, issue or matter as to which Indemnitee shall have been adjudged by a court order or judgment, by a court of competent jurisdiction, to be liable to the Corporation, unless and only to the extent that any court in which such Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such expenses as such court shall deem proper.

5. Indemnity for Amounts Paid in Settlement in Proceedings by or in the Right of the Corporation. The Corporation shall indemnify Indemnitee in accordance with the provisions of this Paragraph 5 if Indemnitee is a party to or threatened to be made a party to any Proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that Indemnitee is or was a Director and/or Officer of the Corporation or a subsidiary of the Corporation, or is or was serving at the request of the Corporation as a director, officer, member or

manager, partner, trustee, officer, employee, or agent of another corporation, domestic or foreign, non-profit or for-profit, a limited liability company or a partnership, joint venture, trust or other enterprise, against all amounts actually and reasonably paid in settlement by Indemnatee in connection with any such Proceeding, but only if he or she acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation.

6. Indemnity for Amounts Paid for in Judgments in Proceedings by or in the Right of the Corporation. The Corporation shall indemnify Indemnatee in accordance with the provisions of this Paragraph 6 if Indemnatee is a party to or threatened to be made a party to any Proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that Indemnatee is or was a Director and/or Officer of the Corporation or a subsidiary of the Corporation, or is or was serving at the request of the Corporation as a director, officer, member or manager, partner, trustee, officer, employee, or agent of another corporation, domestic or foreign, non-profit or for-profit, a limited liability company or a partnership, joint venture, trust or other enterprise, against all judgments, fines and penalties actually and reasonably incurred by Indemnatee in connection with any such Proceeding, but only if he or she acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation.

7. Indemnification of Expenses of Successful Party. Notwithstanding any other provision of this Agreement, to the extent that Indemnatee has been successful on the merits or otherwise in defense of any Proceeding or in defense of any claim, issue or matter therein, including dismissal without prejudice, Indemnatee shall be indemnified against all Expenses incurred in connection therewith.

8. Advances of Expenses. Any Expenses incurred by or on behalf of Indemnatee pursuant to Paragraphs 3 or 4 in any Proceeding shall be paid by the Corporation in advance upon the written request of Indemnatee if Indemnatee shall undertake to (a) repay such amount to the extent that it is ultimately determined by clear and convincing evidence in a court that Indemnatee is not entitled to indemnification hereunder, and (b) reasonably cooperate with the Corporation concerning the action, suit or proceeding giving rise to the Expenses. Any advances to be made under this Paragraph 8 shall be paid by the Corporation to Indemnatee within twenty (20) days following delivery of a written request therefor by Indemnatee to the Corporation.

9. Procedure. Any indemnification and advances provided for in Paragraph 3, 4, 5, 6, 7 and 8 shall be made no later than twenty (20) days after receipt of the written request of Indemnatee. If a claim under this Agreement, under any statute, or under any provision of the Corporation's Code of Regulations or Articles of Incorporation providing for indemnification, is not paid in full by the Corporation within twenty (20) days after a written request for payment thereof has been first received by the Corporation, Indemnatee may, but need not, at any time thereafter bring an action against the Corporation to recover the unpaid amount of the claim and, subject to the other provisions of this Agreement, Indemnatee also shall be entitled to be paid for the Expenses of bringing such action. It shall be a defense to any such action (other than an action brought to enforce a claim for Expenses incurred in connection with any action, suit or proceeding in advance of its final disposition) that Indemnatee has not met the standards of conduct which make it permissible under applicable law for the Corporation to indemnify Indemnatee for the amount claimed, but the burden of proving such defense shall be on the Corporation and Indemnatee shall be entitled to receive advance payments of expenses pursuant to Paragraph 8 hereof unless and until such defense may be finally adjudicated by court order or judgment from which no further right of appeal exists. It is the parties' intention that if the Corporation contests Indemnatee's right to indemnification, the question of Indemnatee's right to indemnification shall be for the court to decide. There shall exist in such action a rebuttable presumption that Indemnatee has met the applicable standard(s) of conduct and is therefore entitled to indemnification pursuant to this Agreement. Neither the failure of the Corporation (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel or its shareholders) to have made a determination that indemnification of Indemnatee is proper in the circumstances because Indemnatee has met the applicable standard of conduct as may be required by applicable law, nor any actual determination by the Corporation (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its shareholders) that Indemnatee has not met such applicable standard of conduct, shall (a) constitute a defense to such action, (b) create a presumption that Indemnatee has or has not met the applicable standard of conduct, or (c) otherwise alter the presumption in favor of Indemnatee referred to in the preceding sentence.

10. Allowance for Compliance with SEC Requirements. Indemnatee acknowledges that the Securities and Exchange Commission ("SEC") has expressed the opinion that indemnification of directors and officers from liabilities under the Securities Act of 1933, as amended (the "Act"), is against public policy as expressed in the Act and is, therefore, unenforceable. Indemnatee hereby acknowledges and agrees that it will not be a breach of this Agreement for the Corporation to undertake with the SEC in connection with the registration for sale of any capital stock or other securities of the Corporation from time to time that, in the event a claim for indemnification against such liabilities (other than the payment by the Corporation of expenses incurred or paid by a director or officer of the Corporation in the successful defense of any action, suit or proceeding) is asserted in connection with such capital stock or other securities being registered, the Corporation will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of competent jurisdiction on the question of whether or not such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue. Indemnatee further agrees that such submission to a court of competent jurisdiction shall not be a breach of this Agreement.

11. Indemnification Hereunder Not Exclusive. The indemnification provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnatee may be entitled under the Articles of Incorporation or the Code of Regulations of the Corporation, any agreement, any vote of shareholders or disinterested directors, the Ohio General Corporation Laws, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

The indemnification under this Agreement for any action taken or not taken while serving in an indemnified capacity shall continue as to Indemnatee even though he or she may have ceased to be a Director and/or Officer and shall inure to the benefit of the heirs, executors and personal representatives of Indemnatee.

12. Partial Indemnification. If Indemnatee is entitled under any provision of this Agreement to indemnification by the Corporation for some claims, issues or matters, but not as to other claims, issues or matters, or for some or a portion of the Expenses, judgments, fines or penalties actually and reasonably incurred by Indemnatee or amounts actually and reasonably paid in settlement by Indemnatee in the investigation, defense, appeal or settlement of any Proceeding, but not for the total amount thereof, the Corporation shall nevertheless indemnify Indemnatee for the portion of such claims, issues or matters or Expenses, judgments, fines, penalties or amounts paid in settlement to which Indemnatee is entitled.

13. No Rights of Continued Employment. Nothing contained in this Agreement is intended to create in Indemnatee any right to continued employment with the Corporation.

14. Reimbursement to Corporation by Indemnatee; Limitation on Amounts Paid by Corporation. To the extent Indemnatee has been indemnified by the Corporation hereunder and later receives payments from any insurance carrier covering the same Expenses, judgments, fines, penalties or amounts paid in settlement so indemnified by the Corporation hereunder, Indemnatee shall immediately reimburse the Corporation hereunder for all such amounts received from the insurer.

Notwithstanding anything contained herein to the contrary, Indemnatee shall not be entitled to recover amounts under this Agreement which, when added to the amount of indemnification payments made to, or on behalf of, Indemnatee, under the Articles of Incorporation or Code of Regulations of the Corporation, in the aggregate exceed the Expenses, judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by Indemnatee ("Excess Amounts"). To the extent the Corporation has paid Excess Amounts to Indemnatee, Indemnatee shall be obligated to immediately reimburse the Corporation for such Excess Amounts.

Notwithstanding anything contained herein to the contrary, the Corporation shall not be obligated under the terms of this Agreement to indemnify Indemnatee:

(a) or advance expenses to Indemnatee with respect to proceedings or claims initiated or brought voluntarily by Indemnatee and not by way of defense, except with respect to Proceedings brought to establish or

enforce a right to indemnification under this Agreement or any other statute or law or otherwise, but such indemnification or advancement of expenses may be provided by the Corporation in specific cases if the Board of Directors finds it appropriate;

(b) if it is proved by final judgment in a court of law or other final adjudication to have been based upon or attributable to the Indemnitee's in fact having gained any personal profit or advantage to which he or she was not legally entitled;

(c) for any expenses incurred by Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous;

(d) for a disgorgement of profits made from the purchase and sale by Indemnitee of securities pursuant to Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of any state statutory law or common law; or

(e) for any Expenses, judgment, fine or penalty which the Corporation is prohibited by applicable law from paying as indemnity or for any other reason.

15. Scope. Notwithstanding any other provision of this Agreement, except Paragraph 14 hereof, the Corporation hereby agrees to indemnify the Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Corporation's Code of Regulations or Articles of Incorporation, or by statute. In the event of any change, after the date of this Agreement, in any applicable law, statute or rule which expands the right of an Ohio corporation to indemnify a member of its board of directors or an officer, such change shall be deemed to be within the purview of the Indemnitee's rights and the Corporation's obligations under this Agreement. In the event of any change in any applicable law, statute or rule which narrows the right of an Ohio corporation to indemnify a member of its board of directors or an officer, such change, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder.

16. Notice to Insurers. If, at the time of the receipt of a written request of Indemnitee pursuant to Paragraph 9 hereof, the Corporation has director and officer liability insurance in effect, the Corporation shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Corporation shall thereafter take all necessary or desirable action, using commercially reasonable efforts, to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

17. Continuation of Rights and Obligations. All rights and obligations of the Corporation and Indemnitee hereunder shall continue in full force and effect despite the subsequent amendment or modification of the Corporation's Articles of Incorporation or Code of Regulations, as such are in effect on the date hereof, and such rights and obligations shall not be affected by any such amendment or modification, any resolution of directors or shareholders of the Corporation, or by any other corporate action which conflicts with or purports to amend, modify, limit or eliminate any of the rights or obligations of the Corporation and/or Indemnitee hereunder.

18. Amendment and Modification. This Agreement may only be amended, modified or supplemented by the written agreement of the Corporation and Indemnitee.

19. Assignment. This Agreement shall not be assigned by the Corporation or Indemnitee without the prior written consent of the other party thereto, except that the Corporation may freely assign its rights and obligations under this Agreement to any subsidiary for whom Indemnitee is serving as a director and/or officer thereof; provided, however, that no permitted assignment shall release the assignor from its obligations hereunder. Subject to the foregoing, this Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, including, without limitation, any successor

to the Corporation by way of merger, consolidation and/or sale or disposition of all or substantially all of the capital stock of the Corporation.

20. Saving Clause. If this Agreement or any portion thereof shall be invalidated on any ground by any court of competent jurisdiction, the Corporation shall nevertheless indemnify Indemnatee as to Expenses, judgments, fines, penalties and amounts paid in settlement with respect to any Proceeding to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated or by any other applicable law.

21. Counterparts. This Agreement may be executed in two or more fully or partially executed counterparts each of which shall be deemed an original binding the signer thereof against the other signing parties, but all counterparts together shall constitute one and the same instrument. Executed signature pages may be removed from counterpart agreements and attached to one or more fully executed copies of this Agreement. The parties may execute and deliver this Agreement by facsimile signature, which shall have the same binding effect as an original ink signature.

22. Notice. Indemnatee shall, as a condition precedent to his or her right to be indemnified under this Agreement, give to the Corporation notice in writing as soon as practicable of any claim made against him or her for which indemnity will or could be sought under this Agreement. Notice to the Corporation shall be directed to the Corporation at its headquarters located at One Invacare Way, Elyria, Ohio 44035, Attention: Chairman (or such other address as the Corporation shall designate in writing to Indemnatee). Notice shall be deemed received three days after the date postmarked if sent by prepaid mail, properly addressed. In addition, Indemnatee shall give the Corporation such information and cooperation as it may reasonably require within Indemnatee's power.

23. Applicable Law. All matters with respect to this Agreement, including, without limitation, matters of validity, construction, effect and performance, shall be governed by and construed in accordance with the laws of the State of Ohio applicable to contracts made and to be performed therein between the residents thereof (regardless of the laws that might otherwise be applicable under principles of conflict of law).

IN WITNESS WHEREOF, the parties hereby have caused this Agreement to be duly executed and signed as of the day and year first above written.

INVACARE CORPORATION  
THE "CORPORATION"

"INDEMNITEE"

By: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Type Name

## Schedule of Indemnity Agreements

<u>Name</u>	<u>Position</u>	<u>Date of Agreement</u>
A. Malachi Mixon, III	Former Chairman of the Board and Director	May 24, 2001
Gerald B. Blouch	Former President & Chief Executive Officer and Director	May 24, 2001
Louis F J. Slangen	Former Senior Vice President - Corporate Marketing and Chief Product Officer	May 24, 2001
James C. Boland	Former Director	May 24, 2001
Michael F. Delaney	Former Director	May 24, 2001
Dan T. Moore, III	Former Director	May 24, 2001
William M. Weber	Former Director	May 24, 2001
C. Martin Harris, M.D.	Director	January 24, 2003
Robert K. Gudbranson	Former Senior Vice President, Chief Financial Officer and Treasurer	April 1, 2008
Anthony C. LaPlaca	Senior Vice President, General Counsel, Chief Administrative Officer and Secretary	December 29, 2008
Dale C. LaPorte	Former Director	February 12, 2009
Patricia A. Stumpp	Former Senior Vice President - Human Resources	September 1, 2009
Carl E. Will	Former Senior Vice President - Global Commercial Operations	November 19, 2010
Charles S. Robb	Former Director	March 1, 2010
James L. Jones	Former Director	December 1, 2010
Baiju R. Shah	Director	May 19, 2011
Ellen O. Tauscher	Former Director	February 9, 2012
Michael J. Merriman	Former Director	May 14, 2014
Matthew E. Monaghan	President and Chief Executive Officer	April 1, 2015
Clifford D. Nastas	Director	May 14, 2015
Marc M. Gibeley	Director	November 20, 2015
Dean J. Childers	Former Senior Vice President and General Manager, North America	September 1, 2015
Gordon Sutherland	Former Senior Vice President and General Manager, Europe, Middle East & Africa	September 1, 2015
Susan H. Alexander	Director	December 1, 2016
Ralf A. Ledda	Senior Vice President and General Manager, Europe, Middle East & Africa	November 1, 2016
Barbara W. Bodem	Former Director	August 18, 2017
Kathleen P. Leneghan	Senior Vice President and Chief Financial Officer	November 1, 2017
Petra Danielsohn-Weil, PhD	Director	May 17, 2018
Darcie Karol	Former Senior Vice President, Human Resources	June 4, 2018
Diana S. Ferguson	Director	July 19, 2018
Julie A. Beck	Director	September 18, 2019
Joost Beltman	Senior Vice President & General Manager, NA	August 26, 2020
Angela Goodwin	Chief Information Technology Officer	May 21, 2020
Stephanie L. Fehr	Director	March 25, 2021



## 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: May 5, 2021

## 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**

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

Date: May 5, 2021

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

In connection with the Quarterly Report of Invacare Corporation (the “company”) on Form 10-Q for the period ending March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew E. Monaghan, President and Chief Executive Officer of the company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ MATTHEW E. MONAGHAN

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

Date: May 5, 2021

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

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

In connection with the Quarterly Report of Invacare Corporation (the “company”) on Form 10-Q for the period ending March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kathleen P. Leneghan, Senior Vice President and Chief Financial Officer of the company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ KATHLEEN P. LENECHAN

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

Date: May 5, 2021

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.