SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2005

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 0-12938

Invacare Corporation
(Exact name of registrant as specified in its charter)

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

One Invacare Way, P.O. Box 4028, Elyria, Ohio 44036
(Address of principal executive offices)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 12 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 X No____

Indicate by check mark if the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes X No___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of May 4, 2005, the Company had 30,493,890 Common Shares and 1,111,965 Class B Common Shares outstanding.

INVACARE CORPORATION

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements

INVACARE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheet

	March 31, 2005 (unaudited)	December 31, 2004
	(In thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$16,760	$32,567
Marketable securities	277	199
Trade receivables, net	282,801	287,950
Inventories, net	183,585	175,883
Deferred income taxes	21,090	21,730
Other current assets	47,382	46,822
TOTAL CURRENT ASSETS	551,895	565,151
OTHER ASSETS	46,455	55,634
OTHER INTANGIBLES	103,307	98,212
PROPERTY AND EQUIPMENT, NET	191,972	191,163
GOODWILL	723,571	717,964
TOTAL ASSETS	$1,617,200	$1,628,124
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$130,928	$149,413
Accrued expenses	85,332	98,850
Accrued income taxes	6,999	7,816
Current maturities of long-term obligations	1,746	2,062
TOTAL CURRENT LIABILITIES	225,005	258,141
LONG-TERM DEBT	552,990	547,974
OTHER LONG-TERM OBLIGATIONS	74,285	68,571
SHAREHOLDERS' EQUITY		
Preferred shares	-	-
Common shares – par $0.25	7,857	7,803
Class B common shares – par $0.25	278	278
Additional paid-in-capital	129,644	123,793
Retained earnings	563,905	550,753
Accumulated other comprehensive earnings	101,929	104,629
Unearned compensation on stock awards	(2,361)	(1,557)
Treasury shares	(36,332)	(32,261)
TOTAL SHAREHOLDERS' EQUITY	764,920	753,438
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,617,200	$1,628,124

See notes to condensed consolidated financial statements.

INVACARE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statement of Earnings - (unaudited)

(In thousands except per share data)	Three Months Ended March 31, 2005	2004
Net sales	$370,944	$321,343
Cost of products sold	261,100	227,964
Gross profit	109,844	93,379
Selling, general and administrative expense	83,962	71,238
Interest expense	6,986	2,759
Interest income	(994)	(1,659)
Earnings before income taxes	19,890	21,041
Income taxes	6,345	6,840
NET EARNINGS	$ 13,545	$ 14,201
DIVIDENDS DECLARED PER COMMON SHARE	0.0125	0.0125
Net Earnings per Share – Basic	$ 0.43	$ 0.46
Weighted Average Shares Outstanding - Basic	31,359	31,094
Net Earnings per Share – Assuming Dilution	$ 0.42	$ 0.44
Weighted Average Shares Outstanding - Assuming Dilution	32,534	32,272

See notes to condensed consolidated financial statements.

INVACARE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statement of Cash Flows - (unaudited)

	Three Months Ended March 31,	
	2005	2004
	(In thousands)	
OPERATING ACTIVITIES		
Net earnings	$ 13,545	$ 14,201
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	10,132	6,997
Provision for losses on trade and installment receivables	1,696	1,518
Provision for deferred income taxes	3,183	536
Provision for other deferred liabilities	569	717
Changes in operating assets and liabilities:		
Trade receivables	5,398	184
Installment sales contracts, net	(1,785)	(41)
Inventories	(14,988)	5,980
Other current assets	1,911	2,368
Accounts payable	(11,322)	7,872
Accrued expenses	(11,945)	(13,716)
Other deferred liabilities	111	3,668
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(3,495)	30,284
INVESTING ACTIVITIES		
Purchases of property and equipment - net	(8,907)	(8,355)
Other long term assets	289	(2,395)
Business acquisitions, net of cash acquired	(9,252)	(31,078)
Other	(1,620)	843
NET CASH USED FOR INVESTING ACTIVITIES	(19,490)	(40,985)
FINANCING ACTIVITIES		
Proceeds from revolving lines of credit and long-term borrowings	138,634	107,236
Payments on revolving lines of credit, long-term debt and capital lease obligations	(130,490)	(111,119)
Net proceeds from exercise of stock options	(243)	3,664
Payment of dividends	(387)	(389)
NET CASH PROVIDED (USED) FOR FINANCING ACTIVITIES	7,514	(608)
Effect of exchange rate changes on cash	(336)	(306)
Decrease in cash and cash equivalents	(15,807)	(11,615)
Cash and cash equivalents at beginning of period	32,567	16,074
Cash and cash equivalents at end of period	$ 16,760	$ 4,459

See notes to condensed consolidated financial statements.

INVACARE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated
Financial Statements
(Unaudited)
March 31, 2005

Nature of Operations - Invacare Corporation and its subsidiaries ("Invacare" or the "Company") is the leading home medical equipment manufacturer in the world based on its distribution channels, the breadth of its product line and net sales. The Company designs, manufactures and distributes an extensive line of medical equipment for the home health care, retail and extended care markets. The Company's products include standard manual wheelchairs, motorized and lightweight prescription wheelchairs, seating and positioning systems, motorized scooters, patient aids, home care beds, low air loss therapy products, respiratory products and distributed products. The Company is directly affected by government regulation and reimbursement policies in virtually every country in which it operates. Changes in regulations and heath care policy take place frequently and can impact the size, growth potential and profitability of products sold in each market.

Principles of Consolidation - The consolidated financial statements include the accounts of the Company, its majority owned subsidiaries and a variable interest entity for which the Company is the primary beneficiary 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, 2005, the results of its operations for the three months ended March 31, 2005 and 2004, respectively, and changes in its cash flows for the three months ended March 31, 2005 and 2004, respectively. Certain foreign subsidiaries, represented by the European segment, are consolidated using a February 28 quarter end. The results of operations for the three months ended March 31, 2005, are not necessarily indicative of the results to be expected for the full year. All significant intercompany transactions are eliminated.

Reclassifications - Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the period ended March 31, 2005.

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

Business Segments - The Company reports its results of operations through three primary business segments based on geographical area: North America, Europe and Asia/Pacific. The three reportable segments represent operating groups that sell products in different geographic regions.

The North America segment sells each of five primary product lines, which includes: standard, rehab, distributed, respiratory, and continuing care products. Europe and Asia/Pacific sell the same product lines with the exception of distributed products. Each business segment sells to the home health care, retail and extended care markets.

The Company evaluates performance and allocates resources based on profit or loss from operations before income taxes for each reportable segment. The accounting policies of each segment are the same as those for the Company's consolidated financial statements. Intersegment net sales and transfers are based on the costs to manufacture plus a reasonable profit element. Therefore, intercompany profit or

loss on intersegment net sales and transfers are not considered in evaluating segment performance. Intersegment net sales for reportable segments was $22,758,000 for the three months ended March 31, 2005 and $19,343,000 for the same period in the preceding year.

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

	Three Months Ended March 31,	
	2005	2004
Revenues from external customers		
North America	$250,940	$237,283
Europe	102,091	69,338
Asia/Pacific	17,913	14,722
Consolidated	$370,944	$321,343
Earnings (loss) before income taxes		
North America	$19,405	$21,871
Europe	3,882	1,140
Asia/Pacific	(1,704)	437
All Other *	(1,693)	(2,407)
Consolidated	$19,890	$21,041

* Consists of the domestic export unit, unallocated corporate selling, general and administrative costs, the Invacare captive insurance unit, and intercompany profits which do not meet the quantitative criteria for determining reportable segments.

Net Earnings Per Common Share - The following table sets forth the computation of basic and diluted net earnings per common share for the periods indicated.

	Three Months Ended March 31,	
	2005	2004
	(In thousands, except per share data)	
Basic		
Average common shares outstanding	31,359	31,094
Net earnings	$ 13,545	$ 14,201
Net earnings per common share	$ 0.43	$ 0.46
Diluted		
Average common shares outstanding	31,359	31,094
Stock options and awards	1,175	1,178
Average common shares assuming dilution	32,534	32,272
Net earnings	$ 13,545	$ 14,201
Net earnings per common share	$ 0.42	$ 0.44

At March 31, 2005 and 2004, 37,645 and 4,747 shares, respectively were excluded from the average common shares assuming dilution, as they were anti-dilutive. In 2005, the majority of the anti-dilutive shares were granted at an exercise price of $47.01, which was higher than the average fair market value price of $46.11 for 2005. In 2004, the majority of the anti-dilutive shares were granted at an exercise price of $44.42, which was higher than the average fair market value price of $43.49 for 2004.

Concentration of Credit Risk – The Company manufactures and distributes durable medical equipment and supplies to the home health care, retail and extended care markets. The Company performs credit evaluations of its customers' financial condition. Prior to December 2000, the Company financed equipment to certain customers for periods ranging from 6 to 39 months. In December 2000, Invacare entered into an agreement with De Lage Landen Inc (DLL), a third party financing company, to provide the majority of future lease financing to Invacare's customers. The DLL agreement provides for direct leasing between DLL and the Invacare customer. The Company retains a limited recourse obligation ($54,079,000 at March 31, 2005) to DLL for events of default under the contracts (total balance outstanding of $110,740,000 at March 31, 2005). Financial Accounting Standards Board (FASB) Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others,* 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. 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 FASB Statement No. 5, *Accounting for Contingencies*. Credit losses are provided for in the financial statements.

Substantially all of the Company's receivables are due from health care, medical equipment dealers and long term care facilities located throughout the United States, Australia, Canada, New Zealand, Asia and Europe. A significant portion of products sold to dealers, both foreign and domestic, is ultimately funded through government reimbursement programs such as Medicare and Medicaid. In addition, 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.

Goodwill and Other Intangibles - The change in goodwill reflected on the balance sheet from December 31, 2004 to March 31, 2005 was the result of an acquisition representing an increase in goodwill of $7,265,000 in Asia/Pacific with the balance attributable to currency translation.

Motion Concepts, Inc. ("Motion") was acquired in 2003. Pursuant to the Motion purchase agreement, the Company agreed to pay contingent consideration based upon earnings before interest and taxes over the three years subsequent to the acquisition up to a maximum of approximately $16,000,000. Based upon 2004 results, no such consideration was paid. When the contingency related to the acquisition is settled, any such consideration paid will increase the purchase price and reported goodwill.

All of the Company's other intangible assets have definite lives and are amortized over their useful lives, except for $27,621,000 related to trademarks, which have indefinite lives. An increase in patents of $6,664,000 was recorded in the first quarter of 2005 as part of the North American segment, which was a result of the consolidation of the Company's variable interest in NeuroControl.

As of March 31, 2005 and December 31, 2004, other intangibles consisted of the following (in thousands):

	March 31, 2005		December 31, 2004	
	Historical Cost	Accumulated Amortization	Historical Cost	Accumulated Amortization
Customer lists	$57,607	$3,995	$ 57,788	$2,737
Trademarks	27,621	-	27,732	-
License agreements	7,399	5,397	6,518	5,051
Developed technology	5,825	173	5,842	80
Patents	10,790	1,560	4,137	1,443
Other	7,389	2,199	7,348	1,842
	$116,631	$13,324	$109,365	$11,153

Amortization expense related to other intangibles was $2,171,000 in the first quarter of 2005 and is estimated to be $6,945,000 in 2006, $6,699,000 in 2007, $6,092,000 in 2008, $5,911,000 in 2009 and $5,760,000 in 2010.

Investment in Affiliated Company - In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN 46"), which was revised in December 2003 and, which among other things, deferred the implementation date of FIN 46 until periods after March 15, 2004. This interpretation requires consolidation of an entity if the company is subject to a majority of the risk of loss from the variable interest entity's ("VIE") activities or entitled to receive a majority of the entity's residual returns, or both. A company that consolidates a VIE is known as the primary beneficiary of that entity.

The Company has an investment in NeuroControl, a development stage company, which is currently pursuing FDA approval to market a product focused on the treatment of post-stroke shoulder pain in the United States. The amount of net advances and investment recorded on the Company's books was approximately $3,000,000 at December 31, 2004. Certain of the Company's officers and directors have minority equity ownership positions in NeuroControl. Subsequent to December 31, 2004, the Company's board of directors approved an additional investment by the Company in NeuroControl. Accordingly, the Company has consolidated this investment prospectively beginning with the quarter ended March 31, 2005, as the Company is now deemed the primary beneficiary of this VIE based on the provisions of FIN 46. The other beneficial interest holders have no recourse against the Company.

Accounting for Stock-Based Compensation – The Company utilizes the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*. Accordingly, the Company has not recognized compensation cost for non-qualified stock options. The Company does record, however, compensation cost on restricted common shares based on the vesting periods. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date for awards in 2005 and 2004 consistent with the provisions of SFAS No. 123, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share data):

	Three Months Ended March 31,	
	2005	2004
Net earnings – as reported *	$13,545	$14,201
Less: compensation expense determined based on the fair-value method for all awards granted at market value, net of related tax effects	1,076	953
Net earnings – pro forma	$12,469	$13,248
Earnings per share as reported – basic	$0.43	$0.46
Earnings per share as reported – assuming dilution	$0.42	$0.44
Pro forma earnings per share – basic	$0.40	$0.43
Pro forma earnings per share – assuming dilution	$0.38	$0.41
* Includes stock compensation expense, net of tax, on restricted awards granted without cost to recipients of:	$138	$114

Warranty Costs - Generally, the Company's products are covered by warranties against defects in material and workmanship for periods up to six years from the date of sale to the customer. Certain components carry a lifetime warranty. A provision for estimated warranty cost is recorded at the time of sale based upon actual experience. 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 recall, which could warrant additional warranty reserve provision. No material adjustments to warranty reserves were necessary in the first quarter of 2005.

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

Balance as of January 1, 2005	$ 13,998
Warranties provided during the period	2,985
Settlements made during the period	(2,672)
Changes in liability for pre-existing warranties during the period, including expirations	214
Balance as of March 31, 2005	$ 14,525

Comprehensive Earnings - Total comprehensive earnings were as follows (in thousands):

	Three Months Ended March 31,	
	2005	2004
Net earnings	$13,545	$14,201
Foreign currency translation gain (loss)	(3,325)	10,324
Unrealized gain on available for sale securities	52	10
Current period unrealized gain (loss) on cash flow hedges	573	(1,055)
Total comprehensive earnings	$10,845	$23,480

Inventories - Inventories consist of the following components (in thousands):

	March 31, 2005	December 31, 2004
Raw materials	$ 62,069	$ 60,548
Work in process	16,003	16,156
Finished goods	105,513	99,179
	$183,585	$175,883

The final inventory determination under the LIFO method is made at the end of each fiscal year based on the inventory levels and cost at that point; therefore, interim LIFO determinations are based on management's estimates of expected year-end inventory levels and costs.

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

	March 31, 2005	December 31, 2004
Machinery and equipment	$249,212	$ 243,335
Land, buildings and improvements	94,659	95,041
Furniture and fixtures	28,297	27,494
Leasehold improvements	15,359	14,275
	387,527	380,145
Less allowance for depreciation	(195,555)	(188,982)
	$191,972	$191,163

Acquisitions – On September 9, 2004 the Company acquired 100% of the shares of WP Domus GmbH (Domus), a European-based holding company that manufactures several complementary product lines to Invacare's product lines, including power add-on products, bath lifts and walking aids, from WP Domus LLC. Domus has three divisions: Alber, Aquatec and Dolomite. The acquisition allows the Company to expand its product line and reach new markets. The preliminary purchase price was $227,382,000 including acquisition costs of $3,670,000, which was paid in cash, and is subject to final determination of the estimated costs of possible office closures, sales agency transfers and other consolidation efforts expected to be finalized by the end of the third quarter of 2005. Invacare's reported results reflect the operating results of Domus since the date of the acquisition.

Supplemental pro forma information is presented below as though the business combination had been completed as of the beginning of the period ended March 31, 2004. The pro forma information does not necessarily reflect the results of operations that would have occurred if Domus had been a wholly owned entity of Invacare as of the beginning of the three months ended March 31, 2004 (in thousands).

	Three Months Ended March 31, 2004
Net sales	$348,891
Net earnings	17,281
Earnings per share – assuming dilution	$.54

Income Taxes – The Company had an effective tax rate of 31.9% for the three-month period ended March 31, 2005 compared with 32.5% for the same period a year ago. The effective tax rate declined due to a change in estimate in the mix of earnings and permanent deductions. The Company's effective tax rate is lower than the federal statutory rate primarily due to tax credits and earnings abroad being taxed at rates lower than the federal statutory rate.

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

The following discussion and analysis should be read in conjunction with our Condensed Consolidated Financial Statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and in our Current Report on Form 8-K as furnished to the Securities and Exchange Commission on April 28, 2005.

OUTLOOK

Reimbursement uncertainties continue to affect the core North American rehab and standard businesses. Although the Centers for Medicare and Medicaid Services (CMS) has released new draft guidelines on power wheelchair eligibility, the guidelines have not been finalized or implemented yet. Even once the guidelines are finalized, there may be up to six months for implementation, and there will still be uncertainty regarding CMS' plan to have 49 new codes and related fees on power wheelchairs for 2006. The uncertainty negatively affected the Company's first quarter results for consumer power wheelchair sales, and will likely impact results all year. In terms of Medicaid, numerous states, including California, Ohio and New York, are challenging reimbursement on durable medical equipment submissions, leading to slower payments and approvals for lower-priced product, in addition to no reimbursement at all in some cases.

For the full year, the Company believes that it will have a net sales increase of between 17% and 19% and earnings per share of between $2.60 and $2.80. This is consistent with current analysts' estimates but is at the lower end of Invacare's previous guidance. This guidance anticipates foreign currency and acquisitions to account for 11% of the net sales increase. Excluding the impact of foreign currency and acquisitions, the net sales increase is expected to be between 6% and 8%. The Company anticipates operating cash flows of between $107 million and $117 million and net purchases of property and equipment of approximately $37 million.

For the second quarter, the Company expects a net sales increase of between 18% and 20% and earnings per share of between $0.53 and $0.58. This guidance anticipates foreign currency and acquisitions to account for 13% of the net sales increase. Excluding the impact of foreign currency and acquisitions, the net sales increase would be between 5% and 7%.

RESULTS OF OPERATIONS

NET SALES

Net sales for the three months ended March 31, 2005 were $370,944,000, compared to $321,343,000 for the same period a year ago, representing a 15% increase. Foreign currency translation and acquisitions accounted for 2% and 10% of the net sales increase for the quarter, respectively. Excluding the impact of currency and acquisitions, net sales growth was driven primarily by volume increases in each of the Company's geographic business segments.

North American Operations

North American net sales increased 6% for the quarter to $250,940,000 as compared $237,283,000 for the same period a year ago. These sales consist of Rehab (power wheelchairs, custom manual wheelchairs, personal mobility and seating and positioning), Standard (manual wheelchairs, personal care, home care beds, low air loss therapy and patient transport), Continuing Care (beds and furniture), Respiratory (oxygen concentrators, aerosol therapy, sleep, homefill and associated respiratory) and Distributed (ostomy, incontinence, diabetic, wound care and other medical supplies) products. For the quarter, acquisitions accounted for 2% of the net sales increase, while foreign currency translation contributed to a 1% increase in net sales.

The increase for the quarter was principally due to net sales increases in Respiratory products (16%), Distributed products (7%) and Continuing Care products (22%), which were partially offset by declines in Standard products (1%) and Rehab products (4%). Acquisitions accounted for 15% of the Continuing Care product net sales increase and positively impacted Rehab product net sales by 3%.

Respiratory growth in the quarter was largely due to continued strong performance in the HomeFill™ oxygen system product line and strong sales of oxygen concentrators. Distributed products continued to grow, consistent with recent performance, while Continuing Care products growth was lead by the increased sales of Carroll Healthcare products. The net sales decline experienced in Rehab products for the quarter is attributable to continued Medicare eligibility pressures and Medicaid related reimbursement pressures. Also as a result of these pressures, consumer power wheelchairs net sales were down 16% for the quarter versus last year's first quarter. Standard products sales benefited from increasing unit volumes, which were more than offset by lower pricing. With market-driven pricing, the Company is making progress from 2004 when the sales decline in the fourth quarter in standard products was 8%.

European Operations

European net sales increased 47% for the quarter to $102,091,000 as compared to $69,338,000 for the same period a year ago. Acquisitions and foreign currency translation accounted for 40% and 6% of the net sales increase, respectively. The 1% sales increase for the quarter, excluding foreign currency and acquisitions, was due to solid performance in most regions excluding Germany. The decline in Germany was due to significant reimbursement challenges for the Invacare wheelchair product lines.

Asia/Pacific Operations

The Company's Asia/Pacific operations consist of Invacare Australia, which imports and distributes the entire range of Invacare products and manufactures and distributes Rollerchair custom power wheelchairs and Pro Med lifts; Dynamic Controls, a New Zealand manufacturer of electronic operating components used in power wheelchairs and scooters; Invacare New Zealand, a manufacturer of wheelchairs and beds and a distributor of a wide range of home medical equipment; and Invacare Asia Sales, which imports and distributes home medical equipment to the Asia markets.

Asia/Pacific net sales increased 22% to $17,913,000 for the quarter compared to $14,722,000 in the same period a year ago. For the quarter, acquisitions accounted for 13% of the net sales increase, while foreign currency translation contributed to a 6% increase in net sales. The 3% sales increase for the quarter, excluding foreign currency and acquisitions, was limited by lower sales of microprocessor controllers related to weakness in the power wheelchair market.

GROSS PROFIT

Consolidated gross profit as a percentage of net sales for the three-month period ended March 31, 2005 was 29.6% compared to 29.1% in the same period last year. The improvement was due to in part the fact that cost reduction projects were ahead of schedule in most manufacturing and sourcing locations and also was the result of the positive impact of Domus, which has a higher gross margin than that achieved historically by the Company. North American gross profit improved by 0.4% for the first three months of the year to 29.9% compared with 29.5% in the same period last year, principally as a result of continued cost reductions and acquisitions which were offset by reduced pricing in standard products. Gross profit in Europe increased year to date by 1.2% compared to the same period last year primarily due to the higher gross margins achieved by Domus. Gross profit in Asia/Pacific declined year to date by 0.7% largely due to unfavorable sales mix towards lower margin products in the Company's Dynamic Controls subsidiary and reduced volumes.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative ("S,G&A") expense as a percentage of net sales for the three months ended March 31, 2005 was 22.6% compared to 22.2% in the same period last year. The dollar increase was $12,724,000 or 17.9% for the quarter, with acquisitions and foreign currency translation increasing S,G&A expenses in the quarter by $10,837,000 or 15.2% and $1,722,000 or 2.4%, respectively. Excluding foreign currency translation and acquisitions, S,G&A spending increased by .2% for the quarter as declines in administrative costs were mostly offset by increases in legal and selling costs.

North American S,G&A expenses increased $1,072,000 or 2.1% for the quarter compared to the same period last year. Acquisitions contributed to a 2.6% increase in expenses, which was offset by lower administrative costs.

European S,G&A expenses increased $9,233,000 or 47.2% for the quarter compared to the same period last year. Acquisitions and foreign currency translation increased S,G&A expenses in the quarter by $9,090,000 or 46.5% and $1,242,000 or 6.3%, respectively, compared to the same period last year. Accordingly, European S,G&A, excluding foreign currency translation and acquisitions, decreased by 5.6% compared to the first three months of 2004.

Asia/Pacific S,G&A expenses increased $2,419,000 or 137.6% for the quarter compared to the same period last year, with foreign currency translation accounting for $462,000 or 26.3% and acquisitions accounting for $204,000 or 11.6% of the increase. The increase was principally due to additional systems costs related to an Enterprise Resource Planning (ERP) implementation and higher sales and marketing costs associated with the development of a sales and support infrastructure for the Asia market.

INTEREST

Interest expense increased $4,227,000 for the first three months of the year, compared to the same period last year, primarily due to increased borrowings for acquisitions. Interest income was lower by $665,000 compared to the same period last year due to lower loan origination fees received from DLL.

INCOME TAXES

The Company had an effective tax rate of 31.9% for the three-month period ended March 31, 2005 compared with 32.5% for the same period a year ago. The effective tax rate declined due to a change in estimate in the mix of earnings and permanent deductions. The Company's effective tax rate is lower than the federal statutory rate primarily due to tax credits and earnings abroad being taxed at rates lower than the federal statutory rate.

LIQUIDITY AND CAPITAL RESOURCES

The Company's reported level of debt increased $4,700,000 to $554,736,000 for the three months ended March 31, 2005 as a result of an acquisition and cash flow used by operating activities. The Company continues to maintain an adequate liquidity position to fund its working capital and capital requirements through its bank lines of credit and working capital management. As of March 31, 2005, the Company had approximately $94,919,000 available under its lines of credit, excluding debt covenant restrictions.

Effective April 4, 2005, Invacare requested, and the other parties to its revolving credit agreement consented to, an increase in the amount of the multi-currency, long-term revolving credit facility available to Invacare by $50,000,000 to an aggregate amount of $500,000,000. In March 2005, the Company entered into three treasury lock agreements with notional amounts of $50,000,000 each locking in rates of 4.60%, 4.62% and 4.68% to effectively hedge the forecasted receipt of proceeds resulting from the anticipated issuance of ten year, fixed rate debt by January 2006.

The Company's borrowing arrangements contain covenants, which were unchanged by the $50,000,000 increase in the revolver, with respect to interest coverage, net worth, dividend payments, working capital, and funded debt to capitalization, as defined in the Company's bank agreements and agreement with its note holders. As of March 31, 2005, the Company was in compliance with all covenant requirements. Under the most restrictive covenant of the Company's borrowing arrangements, the Company has the capacity to borrow up to an additional $87,285,000 as of March 31, 2005.

CAPITAL EXPENDITURES

The Company had no individually material capital expenditure commitments outstanding as of March 31, 2005. The Company estimates that capital investments for 2005 could approximate up to $37,000,000 as compared to $41,400,000 in 2004. The Company believes that its balances of cash and

cash equivalents, together with funds generated from operations and existing borrowing facilities will be sufficient to meet its operating cash requirements and to fund required capital expenditures for the foreseeable future.

CASH FLOWS

Cash flows used by operating activities were $3,495,000 for the first three months of 2005 compared to cash provided by operating activities of $30,284,000 in the first quarter of 2004. The decrease in operating cash flows for the first three months of the year was largely due to higher inventory levels and reduced payables, which were partially offset by a decrease in receivables in the first quarter of 2005 compared to the same period a year ago. Inventory levels were temporarily inflated as the Company consolidated previous Domus sales agencies, ramped up production in its factories in China and worked through a major information systems implementation in the Asia/Pacific region. In addition, with increased shipments from the Far East, the Company had more product in transit than in previous years. Production in the quarter was more evenly distributed during the quarter than during previous periods, leading to a lower payables level at quarter end.

Cash used for investing activities was $19,490,000 for the first three months of 2005 compared to $40,985,000 in the first quarter of 2004. The decrease in cash used for investing is attributable to the lower level of acquisitions incurred in the first quarter of 2005 compared to the first quarter of 2004.

Cash provided by financing activities was $7,514,000 for the first three months of 2005 compared to cash used of $608,000 in the first three months of 2004. Financing activities for the first three months of 2005 were impacted by an increase in the Company's net long-term borrowings of $8,144,000 as a result of an acquisition and decrease in operating cash flows compared to the same period a year ago.

The effect of foreign currency translation and acquisitions may result in amounts being shown for cash flows in the Condensed Consolidated Statement of Cash Flows that are different from the changes reflected in the respective balance sheet captions.

During the first quarter of 2005, the Company generated negative free cash flow of $12,402,000 compared to positive free cash flow of $21,929,000 in the first quarter of 2004. The decrease was primarily attributable to changes in inventory and accounts payable as explained above. Free cash flow is a non-GAAP financial measure that is comprised of net cash provided by operating activities less net purchases 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.). The non-GAAP financial measure is reconciled to the GAAP measure as follows (in thousands):

	Three Months Ended March 31,	
	2005	2004
Net cash provided (used) by operating activities	$(3,495)	$30,284
Less: Purchases of property and equipment - net	(8,907)	(8,355)
Free Cash Flow	$ (12,402)	$ 21,929

DIVIDEND POLICY

On February 4, 2005, the Company's Board of Directors declared a quarterly cash dividend of $0.0125 per Common Share to shareholders of record as of April 1, 2005, which was paid on April 15, 2005. At the current rate, the cash dividend will amount to $0.05 per Common Share on an annual basis.

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements include accounts of the Company and all majority-owned subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements and related footnotes. In preparing these 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, as a result, actual results could differ from these estimates.

Revenue Recognition

Invacare's revenues are recognized when products are shipped to unaffiliated customers. The Securities and Exchange Commission's Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition," as updated by SAB No. 104, provides guidance on the application of generally accepted accounting principles to selected revenue recognition issues. The Company has concluded that its revenue recognition policy is appropriate and in accordance with generally accepted accounting principles and SAB No. 101.

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

The Company offers discounts and rebates, which are accounted for as reductions to revenue in the period in which the sale is recognized. Discounts offered include: cash discounts for prompt payment, base and trade discounts based on contract level for specific classes of customers. Volume discounts and rebates are given based on large purchases and the achievement of certain sales volumes. Product returns are accounted for as a reduction to reported sales with estimates recorded for anticipated returns at the time of sale. The Company does not sell any goods on consignment.

Distributed products sold by the Company are accounted for in accordance with EITF 99-19 *Reporting Revenue Gross as a Principal versus Net as an Agent*. The Company records distributed product sales gross as a principal since the Company takes title to the products and has the risks of loss for collections, delivery and returns.

Product sales that give rise to installment receivables are recorded at the time of sale when the risks and rewards of ownership are transferred. In December 2000, the Company entered into an agreement with DLL, a third party financing company, to provide the majority of future lease financing to Invacare customers. As such, interest income is recognized based on the terms of the installment agreements.

Installment accounts are monitored and if a customer defaults on payments, interest income is no longer recognized. All installment accounts are accounted for using the same methodology, regardless of duration of the installment agreements.

Allowance for Uncollectible Accounts Receivable

Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. Substantially all of the Company's receivables are due from health care, medical equipment dealers and long term care facilities located throughout the United States, Australia, Canada, New Zealand, Asia and Europe. A significant portion of products sold to dealers, both foreign and domestic, is ultimately funded through government reimbursement programs such as Medicare and Medicaid. In addition, the Company has 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. The estimated allowance for uncollectible amounts is based primarily on management's evaluation of the financial condition of the customer. In addition, as a result of the third party financing arrangement with DLL, 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.

Inventories and Related Allowance for Obsolete and Excess Inventory

Inventories are stated at the lower of cost or market with cost principally determined for domestic manufacturing inventories by the last-in, first-out (LIFO) method and for non-domestic inventories and domestic finished products purchased for resale by the first-in, first-out (FIFO) method.

Inventories have been reduced by an allowance for excess and obsolete inventories. The estimated allowance is based on management's review of inventories on hand compared to estimated future usage and sales. A provision for excess and obsolete inventory is recorded as needed based upon the discontinuation of products, redesigning of existing products, new product introductions, market changes and safety issues. Both raw materials and finished goods are reserved for on the balance sheet.

In general, we review inventory turns as an indicator of obsolescence or slow moving product as well as the impact of new product introductions. Depending on the situation, the individual item may be partially or fully reserved for. No inventory that was reserved for has been sold at prices above their new cost basis. The Company continued to increase its overseas sourcing efforts, increase its emphasis on the development and introduction of new products, and decrease the cycle time to bring new product offerings to market. These initiatives are sources of inventory obsolescence for both raw material and finished goods.

Goodwill, Intangible and Other Long-Lived Assets

Property, equipment, intangibles and certain other long-lived assets are amortized over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue. As a result of the adoption of Statement of Financial Accounting Standard (SFAS) No. 142, *Goodwill and Other Intangible Assets* in 2002, goodwill and intangible assets deemed to have indefinite lives are subject to annual impairment tests in accordance with the Statement. Furthermore, goodwill and other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company completes its annual impairment tests in the fourth quarter of each year and the results of these analyses have indicated no impairment of goodwill.

Product Liability
The Company's captive insurance company, Invatection Insurance Co., currently has a policy year that runs from September 1 to August 31 and insures annual policy losses of $10,000,000 per occurrence and $11,000,000 in the aggregate of the Company's North American product liability exposure. The Company also has additional layers of external insurance coverage insuring $100,000,000 in annual aggregate losses arising from individual claims anywhere in the world that exceed the captive insurance company policy limits. There can be no assurance that Invacare's current insurance levels will continue to be adequate or available at affordable rates.

Product liability reserves are recorded for individual claims based upon historical experience, industry expertise and indications from the third-party actuary. Additional reserves, in excess of the specific individual case reserves, are provided for incurred but not reported claims based upon third-party actuarial valuations at the time such valuations are conducted. Historical claims experience and other assumptions are taken into consideration by the third-party actuary to estimate the ultimate reserves. For example, the actuarial analysis assumes that historical loss experience is an indicator of future experience, the distribution of exposures by geographic area and nature of operations for ongoing operations is expected to be very similar to historical operations with no dramatic changes and that the government indices used to trend losses and exposures are appropriate. Estimates made are adjusted on a regular basis and can be impacted by actual loss award settlements on claims. While actuarial analysis is used to help determine adequate reserves, the Company accepts responsibility for the determination and recording of adequate reserves in accordance with accepted loss reserving standards and practices.

Warranty
Generally, the Company's products are covered by warranties against defects in material and workmanship for periods up to six years from the date of sale to the customer. Certain components carry a lifetime warranty. A provision for estimated warranty cost is recorded at the time of sale based upon actual experience. 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 recall, which could warrant additional warranty reserve provision. No material adjustments to warranty reserves were necessary in the current year. See Warranty Costs in the Notes to the Consolidated Financial Statements for a reconciliation of the changes in the warranty accrual.

Accounting for Stock-Based Compensation
The Company accounts for options under its stock-based compensation plans using the intrinsic value method proscribed in Accounting Principles Board Opinion (APBO) No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. The majority of the options awarded have been granted at exercise prices equal to the market value of the underlying stock on the date of grant; thus, no compensation cost has been reflected in the Consolidated Statement of Earnings for these options. In addition, restricted stock awards have been granted without cost to the recipients and are being expensed on a straight-line basis over the vesting periods.

In December 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure*. This statement provides guidance for those companies wishing to voluntarily change to the fair value based method of accounting for stock-based compensation. The statement also amends the disclosure requirements of SFAS No. 123. While Invacare continues to utilize the disclosure-only provisions of SFAS No. 123, the Company

has modified its disclosures to comply with the new statement. See Accounting for Stock-Based Compensation in the Notes to the Consolidated Financial Statements.

Income Taxes
As part of the process of preparing its financial statements, the Company is required to estimate income taxes in various jurisdictions. The process requires estimating the Company's current tax exposure, including assessing the risks associated with tax audits, as well as estimating temporary differences due to the different treatment of items for tax and accounting policies. The temporary differences are reported as deferred tax assets and or liabilities. The Company also must estimate the likelihood that its deferred tax assets will be recovered from future taxable income and whether or not valuation allowances should be established. In the event that actual results differ from its estimates, the Company's provision for income taxes could be materially impacted.

The Company does not believe that there is a substantial likelihood that materially different amounts would be reported related to its critical accounting policies.

RECENTLY ADOPTED ACCOUNTING POLICIES

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN 46"), which was revised in December 2003 and, which among other things, deferred the implementation date of FIN 46 until periods after March 15, 2004. This interpretation requires consolidation of an entity if the company is subject to a majority of the risk of loss from the variable interest entity's ("VIE") activities or entitled to receive a majority of the entity's residual returns, or both. A company that consolidates a VIE is known as the primary beneficiary of that entity.

The Company has an investment in NeuroControl, a development stage company, which is currently pursuing FDA approval to market a product focused on the treatment of post-stroke shoulder pain in the United States. The amount of net advances and investment recorded on the Company's books was approximately $3,000,000 at December 31, 2004. Certain of the Company's officers and directors have minority equity ownership positions in NeuroControl. Subsequent to December 31, 2004, the Company's board of directors approved an additional investment by the Company in NeuroControl. Accordingly, the Company has consolidated this investment prospectively beginning with the quarter ended March 31, 2005, as the Company is now deemed the primary beneficiary of this VIE based on the provisions of FIN 46. The other beneficial interest holders have no recourse against the Company.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2004, FASB issued Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), *Share-Based Payment* ("SFAS 123R"), which requires companies to expense stock options and other share-based payments. SFAS 123R supersedes SFAS No. 123, which permitted either expensing stock options or providing pro forma disclosure. In April 2005, the SEC announced that the adoption of SFAS 123R would be delayed. The provisions of SFAS 123R, which will become effective with respect to the Company on January 1, 2006, apply to all awards granted, modified, cancelled or repurchased after January 1, 2006 as well as the unvested portion of prior awards. The Company will adopt the standard as of the effective date and estimates that the impact to the Company's reported results will be similar to the pro forma results shown in the Company's note regarding Accounting for Stock-Based Compensation in the Notes to its Consolidated Financial Statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is exposed to market risk through various financial instruments, including fixed rate and floating rate debt instruments. The Company uses interest rate swap agreements and treasury locks to mitigate its current and future exposure to interest rate fluctuations. Based on the Company's March 31, 2005 debt levels, a 1.0% change in interest rates would impact interest expense by approximately $5,338,000 over the next twelve months. Additionally, the Company operates internationally and as a result is exposed to foreign currency fluctuations. Specifically, the exposure includes inter Company loans and third party sales or payments. In an attempt to reduce this exposure, the Company utilizes foreign currency forward contracts. The Company does not believe that any potential loss related to these financial instruments would have a material adverse effect on the Company's financial condition or results of operations.

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 as "will," "should," "plan," "intend," "expect," "continue," "forecast", "believe," "anticipate" and "seek," as well as similar comments, are forward-looking in nature. 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: pricing pressures, the success of the Company's ongoing efforts to reduce costs, increasing raw material costs, the consolidations of health care customers and competitors, government reimbursement issues (including those that affect the sales of and margins on products, along with the viability of customers) both at the federal and state level, the ability to design, manufacture, distribute and achieve market acceptance of new products with higher functionality and lower costs, the effect of offering customers competitive financing terms, Invacare's ability to successfully identify, acquire and integrate strategic acquisition candidates, the difficulties in managing and operating businesses in many different foreign jurisdictions (including the recent Domus acquisition), the timely completion of facility consolidations, the vagaries of any litigation or regulatory investigations that the Company may be or become involved in at any time (including the previously-disclosed litigation with Respironics), the difficulties in acquiring and maintaining a proprietary intellectual property ownership position, the overall economic, market and industry growth conditions (including the impact that acts of terrorism may have on such growth conditions), foreign currency and interest rate risks, Invacare's ability to improve financing terms and reduce working capital, as well as the risks described from time to time in Invacare's reports as filed with the Securities and Exchange Commission. We undertake no obligation to review or update these forward-looking statements or other information contained herein.

Item 3. Quantitative and Qualitative Disclosure of Market Risk.

The information called for by this item is provided under the same caption under Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. Controls and Procedures.

As of March 31, 2005, an evaluation was performed, under the supervision and with the participation of the Company's management, including the CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the

Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of March 31, 2005 in ensuring that information required to be disclosed by the Company in the reports it files and submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent 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 6. Exhibits.

Exhibits:
Official Exhibit No.

- 31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
- 32.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

SIGNATURES

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

INVACARE CORPORATION

By:______________________
Gregory C. Thompson
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: May 9, 2005