

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2007

OR

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

Commission File Number 001-15103

INVACARE CORPORATION

(Exact name of registrant as specified in its charter)

Ohio

(State or other jurisdiction of
incorporation or organization)

95-2680965

(IRS Employer Identification No)

One Invacare Way, P.O. Box 4028, Elyria, Ohio

(Address of principal executive offices)

44036

(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)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check One). Large accelerated filer Accelerated filer Non-accelerated filer

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

As of August 6, 2007, the company had 30,857,451 Common Shares and 1,110,565 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 Sheets

	June 30, 2007	December 31, 2006
	(unaudited)	
	(In thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 35,546	\$ 82,203
Marketable securities	274	190
Trade receivables, net	264,322	261,606
Installment receivables, net	9,973	7,097
Inventories, net	197,144	201,756
Deferred income taxes	13,365	13,512
Other current assets	70,478	89,394
TOTAL CURRENT ASSETS	591,102	655,758
OTHER ASSETS	84,888	67,443
OTHER INTANGIBLES	100,739	102,876
PROPERTY AND EQUIPMENT, NET	167,491	173,945
GOODWILL	506,640	490,429
TOTAL ASSETS	\$ 1,450,860	\$ 1,490,451
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 139,229	\$ 163,041
Accrued expenses	133,354	147,776
Accrued income taxes	1,861	12,916
Short-term debt and current maturities of long-term obligations	5,161	124,243
TOTAL CURRENT LIABILITIES	279,605	447,976
LONG-TERM DEBT	565,721	448,883
OTHER LONG-TERM OBLIGATIONS	116,528	108,228
SHAREHOLDERS' EQUITY		
Preferred shares	-	-
Common shares	8,013	8,013
Class B common shares	278	278
Additional paid-in-capital	144,945	143,714
Retained earnings	258,502	276,750
Accumulated other comprehensive earnings	119,987	99,188
Treasury shares	(42,719)	(42,579)
TOTAL SHAREHOLDERS' EQUITY	489,006	485,364
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,450,860	\$ 1,490,451

See notes to condensed consolidated financial statements.

INVACARE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statement of Operations - (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
(In thousands except per share data)				
Net sales	\$ 393,267	\$ 371,764	\$ 768,172	\$ 733,468
Cost of products sold	283,321	266,199	559,170	526,607
Gross profit	109,946	105,565	209,002	206,861
Selling, general and administrative expense	93,851	88,369	181,617	171,976
Charge related to restructuring activities	1,661	2,840	4,813	5,997
Charges, interest and fees associated with debt refinancing	8	-	13,381	-
Interest expense	11,770	8,224	22,113	15,919
Interest income	(523)	(716)	(997)	(1,316)
Earnings (loss) before income taxes	3,179	6,848	(11,925)	14,285
Income taxes	3,125	1,895	5,525	4,125
NET EARNINGS (LOSS)	\$ 54	\$ 4,953	\$ (17,450)	\$ 10,160
DIVIDENDS DECLARED PER COMMON SHARE	.0125	.0125	.0250	.0250
Net earnings (loss) per share – basic	\$ 0.00	\$ 0.16	\$ (0.55)	\$ 0.32
Weighted average shares outstanding - basic	31,838	31,789	31,832	31,760
Net earnings (loss) per share – assuming dilution	\$ 0.00	\$ 0.15	\$ (0.55)	\$ 0.32
Weighted average shares outstanding - assuming dilution	31,844	32,113	31,832	32,155

See notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2007	2006
(In thousands)		
OPERATING ACTIVITIES		
Net earnings (loss)	\$ (17,450)	\$ 10,160
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Debt finance charges, interest and fees associated with debt refinancing	13,381	-
Depreciation and amortization	21,880	19,096
Provision for losses on trade and installment receivables	4,100	4,224
Provision for other deferred liabilities	1,371	1,919
Provision for deferred income taxes	1,583	1,790
Gain on disposals of property and equipment	281	558
Changes in operating assets and liabilities:		
Trade receivables	(2,299)	3,591
Installment sales contracts, net	(4,192)	(2,569)
Inventories	7,874	(9,632)
Other current assets	21,126	(992)
Accounts payable	(25,061)	6,239
Accrued expenses	(25,188)	(10,909)
Other deferred liabilities	336	1,338
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(2,258)	24,813
INVESTING ACTIVITIES		
Purchases of property and equipment	(7,770)	(9,789)
Proceeds from sale of property and equipment	462	63
Other long term assets	(187)	62
Other	(1,590)	(912)
NET CASH USED FOR INVESTING ACTIVITIES	(9,085)	(10,576)
FINANCING ACTIVITIES		
Proceeds from revolving lines of credit, securitization facility and long-term borrowings	550,940	430,840
Payments on revolving lines of credit, securitization facility and long-term debt and capital lease obligations	(566,215)	(468,507)
Proceeds from exercise of stock options	-	1,835
Payment of financing costs	(20,384)	-
Payment of dividends	(798)	(795)
NET CASH USED BY FINANCING ACTIVITIES	(36,457)	(36,627)
Effect of exchange rate changes on cash	1,143	(2,500)
Decrease in cash and cash equivalents	(46,657)	(24,890)
Cash and cash equivalents at beginning of period	82,203	25,624
Cash and cash equivalents at end of period	<u>\$ 35,546</u>	<u>\$ 734</u>

See notes to condensed consolidated financial statements.

INVACARE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated

Financial Statements

(Unaudited)

June 30, 2007

Nature of Operations - Invacare Corporation is the world's leading manufacturer and distributor in the \$8.0 billion worldwide market for medical equipment used in the home based upon its distribution channels, breadth of product line and net sales. The company designs, manufactures and distributes an extensive line of health care products for the non-acute care environment, including the home health care, retail and extended care markets.

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. Certain foreign subsidiaries, represented by the European segment, are consolidated using a May 31 quarter end in order 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.

Reclassifications - Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the period ended June 30, 2007.

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 operates in five primary business segments: North America / Home Medical Equipment ("NA/HME"), Invacare Supply Group, Institutional Products Group, Europe and Asia/Pacific. The five reportable segments represent operating groups, which offer products to different geographic regions.

The NA/HME segment sells each of three primary product lines, which includes: standard, rehab and respiratory products. Invacare Supply Group sells branded medical supplies including ostomy, incontinence, diabetic, wound care, urology and miscellaneous home medical products as well as home medical equipment aids for daily living. The Institutional Products Group sells health care furnishings including beds, case goods and patient handling equipment for the long-term care market as well as accessory products. Europe and Asia/Pacific sell the same product lines with the exception of distributed products. Each business segment may sell 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 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. Therefore, intercompany profit or loss on intersegment sales and transfers is not considered in evaluating segment performance.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenues from external customers				
North America / HME	\$ 166,351	\$ 171,198	\$ 327,883	\$ 342,892
Invacare Supply Group	62,696	56,165	124,372	111,250
Institutional Products Group	21,746	22,743	45,470	45,939
Europe	119,213	104,687	226,243	200,233
Asia/Pacific	23,261	16,971	44,204	33,154
Consolidated	<u>\$ 393,267</u>	<u>\$ 371,764</u>	<u>\$ 768,172</u>	<u>\$ 733,468</u>
Intersegment Revenues				
North America / HME	\$ 11,098	\$ 11,736	\$ 22,389	\$ 25,808
Invacare Supply Group	35	68	121	81
Europe	2,496	2,906	4,904	5,675
Asia/Pacific	7,409	9,256	13,498	17,282
Consolidated	<u>\$ 21,038</u>	<u>\$ 23,966</u>	<u>\$ 40,912</u>	<u>\$ 48,846</u>
Charge related to restructuring before income taxes				
North America / HME	\$ 381	\$ 2,034	\$ 2,811	\$ 4,840
Invacare Supply Group	(29)	-	14	-
Institutional Products Group	5	-	9	25
Europe	1,155	1,100	1,941	1,438
Asia/Pacific	277	482	283	766
Consolidated	<u>\$ 1,789</u>	<u>\$ 3,616</u>	<u>\$ 5,058</u>	<u>\$ 7,069</u>
Earnings (loss) before income taxes				
North America / HME	\$ 2,341	\$ 6,190	\$ (567)	\$ 12,468
Invacare Supply Group	556	1,447	1,611	2,786
Institutional Products Group	538	952	1,133	2,505
Europe	6,596	5,941	10,520	9,633
Asia/Pacific	(909)	(1,967)	(2,019)	(3,365)
All Other *	(5,943)	(5,715)	(22,603)	(9,742)
Consolidated	<u>\$ 3,179</u>	<u>\$ 6,848</u>	<u>\$ (11,925)</u>	<u>\$ 14,285</u>

“All Other” consists of unallocated corporate selling, general and administrative costs and intercompany profits, which do not meet the quantitative criteria for determining reportable segments. In addition, the “All Other” earnings (loss) before income taxes for the first half of 2007 includes debt finance charges, interest and fees associated with debt refinancing.

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 June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(In thousands, except per share data)			
Basic				
Average common shares outstanding	31,838	31,789	31,832	31,760
Net earnings (loss)	\$ 54	\$ 4,953	\$ (17,450)	\$ 10,160
Net earnings (loss) per common share	\$.00	\$.16	\$ (.55)	\$.32
Diluted				
Average common shares outstanding	31,838	31,789	31,832	31,760
Stock options and awards	6	324	-	395
Average common shares assuming dilution	31,844	32,113	31,832	32,155
Net earnings (loss)	\$ 54	\$ 4,953	\$ (17,450)	\$ 10,160
Net earnings (loss) per common share	\$.00	\$.15	\$ (.55)	\$.32

At June 30, 2007, 3,933,034 shares were excluded from the average common shares assuming dilution for the three months ended June 30, 2007 as they were anti-dilutive while all of the company's shares associated with stock options were anti-dilutive for the six months ended June 30, 2007 because of the company's net loss in the first half of the year. At June 30, 2006, 2,452,771 and 2,467,175 shares were excluded from the average common shares assuming dilution for the three and six months ended June 30, 2006, respectively, as they were anti-dilutive. For the three months ended June 30, 2007, the majority of the anti-dilutive shares were granted at exercise prices of \$41.87 which was higher than the average fair market value prices of \$18.25. For the three and six months ended June 30, 2006, the majority of the anti-dilutive shares were granted at an exercise price of \$41.87 which was higher than the average fair market value prices of \$28.80 and \$30.46, respectively.

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 (\$38,343,000 at June 30, 2007) to DLL for events of default under the contracts (total balance outstanding of \$100,612,000 at June 30, 2007). 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 within accrued expenses. 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 SFAS 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 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, 2006 to June 30, 2007 was entirely the result of foreign currency translation.

All of the company's other intangible assets have definite lives and are amortized over their useful lives, except for \$33,835,000 related to trademarks, which have indefinite lives.

As of June 30, 2007 and December 31, 2006, other intangibles consisted of the following (in thousands):

	June 30, 2007		December 31, 2006	
	Historical Cost	Accumulated Amortization	Historical Cost	Accumulated Amortization
Customer lists	\$ 72,123	\$ 17,736	\$ 71,106	\$ 14,373
Trademarks	33,835	-	33,034	-
License agreements	4,560	4,247	4,489	3,821
Developed technology	6,897	1,178	6,819	940
Patents	6,771	4,080	6,631	3,869
Other	8,490	4,696	8,005	4,205
	<u>\$ 132,676</u>	<u>\$ 31,937</u>	<u>\$ 130,084</u>	<u>\$ 27,208</u>

Amortization expense related to other intangibles was \$4,391,000 in the first half of 2007 and is estimated to be \$8,453,000 in 2008, \$8,132,000 in 2009, \$7,967,000 in 2010, \$7,529,000 in 2011 and \$7,128,000 in 2012.

Investment in Affiliated Company - FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46), which was revised in December 2003, 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 consolidates NeuroControl, a company whose product is focused on the treatment of post-stroke shoulder pain in the United States. Certain of the company's officers and directors (or their affiliates) have small minority equity ownership positions in NeuroControl. Based on the provisions of FIN 46 and the company's analysis, the company determined that it was the primary beneficiary of this VIE as of January 1, 2005 due to the company's board of directors' approval of additional funding for the VIE in 2005. Accordingly, the company has consolidated this investment on a prospective basis since January 1, 2005 and recorded an intangible asset for patented technology of \$7,003,000. The other beneficial interest holders have no recourse against the company.

In the fourth quarter of 2006, the company's board of directors made a decision to no longer fund the cash needs of NeuroControl. Based upon that decision, NeuroControl's directors decided to commence a liquidation process and cease operations. Therefore, funding of this investment ceased on December 31, 2006. As a result of this decision, the company established a valuation reserve related to the NeuroControl intangible asset of \$5,601,000 to fully reserve against the patented technology intangible as it was deemed to be impaired.

Accounting for Stock-Based Compensation - Effective January 1, 2006, the company adopted SFAS No. 123R using the modified prospective application method. Under the modified prospective method, compensation cost was recognized for the twelve months ended December 31, 2006 for: 1) all stock-based payments granted subsequent to January 1, 2006 based upon the grant-date fair value calculated in accordance with SFAS No. 123R, and 2) all stock-based payments granted prior to, but not vested as of, January 1, 2006 based upon grant-date fair value as calculated for previously presented pro forma footnote disclosures in accordance with the original provisions of SFAS No. 123, *Accounting for Stock Based Compensation*. The amounts of stock-based compensation expense recognized were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Stock-based compensation expense recognized as part of selling, general and administrative expense	\$ 467	\$ 307	\$ 1,077	\$ 575

The 2007 and 2006 amounts above reflect compensation expense related to restricted stock awards and nonqualified stock options awarded under the 2003 Performance Plan. Stock-based compensation is not allocated to the business segments, but is reported as part of All Other as shown in the company's Business Segment Note to the Consolidated Financial Statements.

Stock Incentive Plans - The 2003 Performance Plan (the "2003 Plan") allows the Compensation, Management Development and Corporate Governance Committee of the Board of Directors (the "Committee") to grant up to 3,800,000 Common Shares in connection with incentive stock options, non-qualified stock options, stock appreciation rights and stock awards (including the use of restricted stock). The Committee has the authority to determine which employees and directors will receive awards, the amount of the awards and the other terms and conditions of the awards. During the first half of 2007, the Committee granted 13,500 non-qualified stock options for a term of ten years at the fair market value of the company's Common Shares on the date of grant under the 2003 Plan.

Under the terms of the company's outstanding restricted stock awards, all of the shares granted vest ratably over the four years after the grant date. Compensation expense of \$650,000 was recognized in the first half of 2007 and as of June 30, 2007, outstanding restricted stock awards totaling 124,377 were not yet vested. There were no restricted stock awards granted in the first half of 2007.

Stock option activity during the six months ended June 30, 2007 was as follows:

	2007	Weighted Average Exercise Price
Options outstanding at January 1	4,724,651	\$ 30.68
Granted	13,500	19.82
Exercised	-	-
Canceled	(425,185)	28.81
Options outstanding at June 30	<u>4,312,966</u>	<u>\$ 30.83</u>
Options price range at June 30	\$ 16.03 to	
	\$ 47.80	
Options exercisable at June 30	3,841,189	
Options available for grant at June 30*	1,875,638	

* Options available for grant as of June 30, 2007 reduced by net restricted stock award activity of 241,649.

The following table summarizes information about stock options outstanding at June 30, 2007:

Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding At 6/30/07	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable At 6/30/07	Weighted Average Exercise Price
\$ 16.03 - \$23.69	1,749,928	3.7 years	\$ 22.18	1,337,851	\$ 22.10
\$ 24.43 - \$36.40	1,186,308	4.7	\$ 31.12	1,126,608	\$ 31.12
\$ 37.70 - \$47.80	1,376,730	7.2	\$ 41.59	1,376,730	\$ 41.59
Total	<u>4,312,966</u>	5.1	\$ 30.83	<u>3,841,189</u>	\$ 31.73

The stock options awarded become exercisable over a four-year vesting period whereby options vest in equal installments each year. Options granted with graded vesting are accounted for as single options. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	<u>2007</u>
Expected dividend yield	2.47%
Expected stock price volatility	28.7%
Risk-free interest rate	4.82%
Expected life (years)	3.7

The assumed expected life is based on the company's historical analysis of option history. The expected stock price volatility is also based on actual historical volatility, and expected dividend yield is based on historical dividends as the company has no current intention of changing its dividend policy.

The weighted-average fair value of options granted during the first half of 2007 was \$5.59. The 2003 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 participants to exchange shares for withholding taxes, which results in the company acquiring treasury shares.

As of June 30, 2007, there was \$5,999,000 of total unrecognized compensation cost from stock-based compensation arrangements granted under the company's plans, which is related to non-vested shares, and includes \$2,861,000 related to restricted stock awards. The company expects the compensation expense to be recognized over approximately 4 years.

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 half of 2007.

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

Balance as of January 1, 2007	\$	15,165
Warranties provided during the period		5,797
Settlements made during the period		(4,873)
Changes in liability for pre-existing warranties during the period, including expirations		416
Balance as of June 30, 2007	\$	<u>16,505</u>

Charge Related to Restructuring Activities - Previously, the company announced multi-year cost reductions and profit improvement actions, which included: reducing global headcount, outsourcing improvements utilizing the company's China manufacturing capability and third parties, shifting substantial resources from product development to manufacturing cost reduction activities and product rationalization, reducing freight exposure through freight auctions and changing the freight policy, general expense reductions and exiting manufacturing and distribution facilities. The restructuring was necessitated by the continued decline in reimbursement by the U.S. government as well as similar reimbursement pressures abroad and continued pricing pressures faced by the company as a result of outsourcing by competitors to lower cost locations.

To date, the company has made substantial progress on its restructuring activities, including exiting manufacturing and distribution facilities and eliminating approximately 770 positions through June 30, 2007, including 180 positions in the first half of 2007. Restructuring charges of \$5,058,000 and \$7,069,000 were incurred in the first six months of 2007 and 2006, respectively, of which \$245,000 and \$1,072,000, respectively, were recorded in cost of products sold as it relates to inventory markdowns and the remaining charge amount is included on the Charge Related to Restructuring Activities in the Condensed Consolidated Statement of Operations as part of operations. There have been no material changes in accrued balances related to the charge, either as a result of revisions in the plan or changes in estimates, and the company expects to utilize the accruals recorded through June 30, 2007 during 2007.

A progression of the accruals by segment recorded as a result of the restructuring is as follows (in thousands):

	Balance at 12/31/06	Accruals (Reversals)	Payments	Balance at 6/30/07
North America/HME				
Severance	\$ 1,359	\$ 2,794	\$ (3,205)	\$ 948
Contract terminations	557	(111)	(52)	394
Product line discontinuance	2,037	128	(2,165)	-
Total	<u>\$ 3,953</u>	<u>\$ 2,811</u>	<u>\$ (5,422)</u>	<u>\$ 1,342</u>
Invacare Supply Group				
Severance	\$ 166	\$ 14	\$ (176)	\$ 4
Institutional Products Group				
Severance	\$ -	\$ 9	\$ (9)	\$ -
Europe				
Severance	\$ 3,734	\$ 251	\$ (3,287)	\$ 698
Product line discontinuance	-	117	(117)	-
Other	-	1,573	(1,471)	102
Total	<u>\$ 3,734</u>	<u>\$ 1,941</u>	<u>\$ (4,875)</u>	<u>\$ 800</u>
Asia/Pacific				
Severance	\$ -	\$ 146	\$ (146)	\$ -
Contract terminations	122	6	(5)	123
Other	-	131	(123)	8
Total	<u>\$ 122</u>	<u>\$ 283</u>	<u>\$ (274)</u>	<u>\$ 131</u>
Consolidated				
Severance	\$ 5,259	\$ 3,214	\$ (6,823)	\$ 1,650
Contract terminations	679	(105)	(57)	517
Product line discontinuance	2,037	245	(2,282)	-
Other	-	1,704	(1,594)	110
Total	<u>\$ 7,975</u>	<u>\$ 5,058</u>	<u>\$ (10,756)</u>	<u>\$ 2,277</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net earnings (loss)	\$ 54	\$ 4,953	\$ (17,450)	\$ 10,160
Foreign currency translation gain	21,892	40,558	25,750	39,770
Unrealized gain (loss) on available for sale securities	3	(60)	54	(38)
SERP/DBO amortization of prior service costs and unrecognized losses	461	-	1,404	-
Current period unrealized gain (loss) on cash flow hedges	(5,188)	11	(6,409)	1,094
Total comprehensive earnings	<u>\$ 17,222</u>	<u>\$ 45,462</u>	<u>\$ 3,349</u>	<u>\$ 50,986</u>

Inventories - Inventories determined under the first in, first out method consist of the following components (in thousands):

	June 30, 2007	December 31, 2006
Raw materials	\$ 62,351	\$ 66,718
Work in process	17,688	16,715
Finished goods	117,105	118,323
	<u>\$ 197,144</u>	<u>\$ 201,756</u>

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

	June 30, 2007	December 31, 2006
Machinery and equipment	\$ 282,839	\$ 276,062
Land, buildings and improvements	88,349	86,544
Furniture and fixtures	28,408	29,609
Leasehold improvements	16,077	15,943
	<u>415,673</u>	<u>408,158</u>
Less allowance for depreciation	(248,182)	(234,213)
	<u>\$ 167,491</u>	<u>\$ 173,945</u>

Acquisitions— In the first six months of 2007, the company made no 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. In accordance with EITF Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*, the company previously recorded accruals for severance and exit costs for facility closures and contract terminations.

A progression of the accruals recorded in the purchase price allocation is as follows (in thousands):

	Severance	Exit of Product Lines	Sales Agency Terminations
Balance at 1/1/05	\$ 561	\$ -	\$ -
Additional accruals	4,445	897	612
Payments	(1,957)	-	(612)
Balance at 12/31/05	<u>3,049</u>	<u>897</u>	<u>-</u>
Adjustments	(1,285)	(897)	-
Payments	(566)	-	-
Balance at 12/31/06	<u>1,198</u>	<u>-</u>	<u>-</u>
Adjustments	20	-	-
Payments	-	-	-
Balance at 6/30/07	<u>\$ 1,218</u>	<u>\$ -</u>	<u>\$ -</u>

The adjustments for the first half of 2007 represent the impact of currency translation. The company anticipates the majority of the remaining reserves to be utilized in 2007.

Income Taxes - The company had an effective tax rate of 98.3% and (46.3%) for the three and six month periods ended June 30, 2007 compared with 27.7% and 28.9% for the same periods a year ago. The company's effective tax rate differs from the U.S. federal statutory rate primarily due to losses with no corresponding tax benefits as a result of a valuation reserve recorded against domestic deferred tax assets reduced by tax credits and earnings abroad being taxed at rates lower than the U.S. federal statutory rate. The change in the effective rate for the three and six-month periods ended June 30, 2007 compared to the three and six-month periods ended June 30, 2006 is primarily due to domestic losses without benefit as a result of valuation reserves.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 prescribes recognition and measurement of a tax position taken or expected to be taken in a tax return as well as guidance regarding derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation the company did not recognize an adjustment in the liability for unrecognized income tax benefits. As of the adoption date, the company had \$8.8 million of unrecognized tax benefits, all of which would affect the effective tax rate if recognized. The company continues to recognize interest and penalties related to uncertain tax positions in income tax expense. As of the adoption date the company had \$2 million of accrued interest related to uncertain tax positions.

The company files tax returns in numerous jurisdictions around the world. Most tax returns for years after 2002 are open for examination, including the domestic return, and in certain circumstances selective returns in earlier years are also open for examination.

Supplemental Guarantor Information - Effective February 12, 2007, substantially all of the domestic subsidiaries (the "Guarantor Subsidiaries") of the company became guarantors of the indebtedness of Invacare Corporation under its 9 ¾% Senior Notes due 2015 (the "Senior Notes") with an aggregate principal amount of \$175,000,000 and under its 4.125% Convertible Senior Subordinated Debentures due 2027 (the "Debentures") with an aggregate principal amount of \$135,000,000. The majority of the company's subsidiaries are not guaranteeing the indebtedness of the Senior Notes or Debentures (the "Non-Guarantor Subsidiaries"). Each of the Guarantor Subsidiaries has fully and unconditionally guaranteed, on a joint and several basis, to pay principal, premium, and interest related to the Senior Notes and to the Debentures and each of the Guarantor Subsidiaries are directly or indirectly wholly-owned subsidiaries of the company.

Presented below are the consolidating condensed financial statements of Invacare Corporation (Parent), its combined Guarantor Subsidiaries and combined Non-Guarantor Subsidiaries with their investments in subsidiaries accounted for using the equity method. The company does not believe that separate financial statements of the Guarantor Subsidiaries are material to investors and accordingly, separate financial statements and other disclosures related to the Guarantor Subsidiaries are not presented.

CONSOLIDATING CONDENSED STATEMENTS OF OPERATIONS

(in thousands)

Three month period ended June 30, 2007	The Company (Parent)	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Total
Net sales	\$ 81,158	\$ 156,578	\$ 169,949	\$ (14,418)	\$ 393,267
Cost of products sold	62,516	123,157	112,118	(14,470)	283,321
Gross Profit	18,642	33,421	57,831	52	109,946
Selling, general and administrative expenses	29,204	25,347	39,300	-	93,851
Charge related to restructuring activities	155	(29)	1,535	-	1,661
Debt finance charges, interest and fees associated with debt refinancing	(8)	-	16	-	8
Income (loss) from equity investee	18,341	7,377	(1,133)	(24,585)	-
Interest expense - net	7,252	320	3,675	-	11,247
Earnings (loss) before Income Taxes	380	15,160	12,172	(24,533)	3,179
Income taxes	326	315	2,484	-	3,125
Net Earnings (loss)	\$ 54	\$ 14,845	\$ 9,688	\$ (24,533)	\$ 54
Three month period ended June 30, 2006					
Net sales	\$ 85,046	\$ 153,749	\$ 149,696	\$ (16,727)	\$ 371,764
Cost of products sold	63,652	119,513	99,572	(16,538)	266,199
Gross Profit	21,394	34,236	50,124	(189)	105,565
Selling, general and administrative expenses	26,079	33,044	29,246	-	88,369
Charge related to restructuring activities	1,789	107	944	-	2,840
Income (loss) from equity investee	13,609	5,148	10,787	(29,544)	-
Interest expense - net	4,161	2,074	1,273	-	7,508
Earnings (loss) before Income Taxes	2,974	4,159	29,448	(29,733)	6,848
Income taxes (benefit)	(1,979)	862	3,012	-	1,895
Net Earnings (loss)	\$ 4,953	\$ 3,297	\$ 26,436	\$ (29,733)	\$ 4,953
Six month period ended June 30, 2007					
Net sales	\$ 156,610	\$ 315,532	\$ 324,329	\$ (28,299)	\$ 768,172
Cost of products sold	122,579	250,666	214,358	(28,433)	559,170
Gross Profit	34,031	64,866	109,971	134	209,002
Selling, general and administrative expenses	54,425	53,071	74,121	-	181,617
Charge related to restructuring activities	2,450	14	2,349	-	4,813
Debt finance charges, interest and fees associated with debt refinancing	13,334	-	47	-	13,381
Income (loss) from equity investee	33,075	11,000	(4,288)	(39,787)	-
Interest expense - net	13,891	744	6,481	-	21,116
Earnings (loss) before Income Taxes	(16,994)	22,037	22,685	(39,653)	(11,925)
Income taxes	456	540	4,529	-	5,525
Net Earnings (loss)	\$ (17,450)	\$ 21,497	\$ 18,156	\$ (39,653)	\$ (17,450)
Six month period ended June 30, 2006					
Net sales	\$ 170,567	\$ 309,639	\$ 288,606	\$ (35,344)	\$ 733,468
Cost of products sold	127,450	240,915	193,437	(35,195)	526,607
Gross Profit	43,117	68,724	95,169	(149)	206,861
Selling, general and administrative expenses	52,242	56,229	63,505	-	171,976
Charge related to restructuring activities	3,531	125	2,341	-	5,997
Income (loss) from equity investee	26,856	9,018	11,044	(46,918)	-
Interest expense - net	7,305	4,614	2,684	-	14,603
Earnings (loss) before Income Taxes	6,895	16,774	37,683	(47,067)	14,285
Income taxes (benefit)	(3,265)	862	6,528	-	4,125
Net Earnings (loss)	\$ 10,160	\$ 15,912	\$ 31,155	\$ (47,067)	\$ 10,160

CONSOLIDATING CONDENSED BALANCE SHEETS

(in thousands)

June 30, 2007	<u>The Company (Parent)</u>	<u>Combined Guarantor Subsidiaries</u>	<u>Combined Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
Assets					
Current Assets					
Cash and cash equivalents	\$ 14,408	\$ 2,416	\$ 18,722	\$ -	\$ 35,546
Marketable securities	274	-	-	-	274
Trade receivables, net	106,624	53,614	105,884	(1,800)	264,322
Installment receivables, net	-	7,713	2,260	-	9,973
Inventories, net	71,002	34,895	92,603	(1,356)	197,144
Deferred income taxes	4,373	394	8,598	-	13,365
Other current assets	24,526	8,967	36,985	-	70,478
Total Current Assets	<u>221,207</u>	<u>107,999</u>	<u>265,052</u>	<u>(3,156)</u>	<u>591,102</u>
Investment in subsidiaries	1,291,838	607,141	-	(1,898,979)	-
Intercompany advances, net	349,042	803,088	36,332	(1,188,462)	-
Other Assets	67,215	15,766	1,907	-	84,888
Other Intangibles	1,063	12,211	87,465	-	100,739
Property and Equipment, net	60,943	10,872	95,676	-	167,491
Goodwill	-	23,541	483,099	-	506,640
Total Assets	<u>\$ 1,991,308</u>	<u>\$ 1,580,618</u>	<u>\$ 969,531</u>	<u>\$ (3,090,597)</u>	<u>\$ 1,450,860</u>
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable	\$ 71,269	\$ 15,103	\$ 52,857	\$ -	\$ 139,229
Accrued expenses	39,094	17,861	78,199	(1,800)	133,354
Accrued income taxes	2,280	91	(510)	-	1,861
Short-term debt and current maturities of long-term obligations	4,273	-	888	-	5,161
Total Current Liabilities	<u>116,916</u>	<u>33,055</u>	<u>131,434</u>	<u>(1,800)</u>	<u>279,605</u>
Long-Term Debt	554,224	31	11,466	-	565,721
Other Long-Term Obligations	61,596	2,040	52,892	-	116,528
Intercompany advances, net	769,566	316,532	102,364	(1,188,462)	-
Total Shareholders' Equity	489,006	1,228,960	671,375	(1,900,335)	489,006
Total Liabilities and Shareholders' Equity	<u>\$ 1,991,308</u>	<u>\$ 1,580,618</u>	<u>\$ 969,531</u>	<u>\$ (3,090,597)</u>	<u>\$ 1,450,860</u>

(in thousands)	<u>The Company (Parent)</u>	<u>Combined Guarantor Subsidiaries</u>	<u>Combined Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
December 31, 2006					
Assets					
Current Assets					
Cash and cash equivalents	\$ 35,918	\$ 2,202	\$ 44,083	\$ -	\$ 82,203
Marketable securities	190	-	-	-	190
Trade receivables, net	651	15,888	248,667	(3,600)	261,606
Installment receivables, net	-	5,513	1,584	-	7,097
Inventories, net	77,201	37,511	88,585	(1,541)	201,756
Deferred income taxes	4,223	393	8,896	-	13,512
Other current assets	26,353	8,764	55,477	(1,200)	89,394
Total Current Assets	144,536	70,271	447,292	(6,341)	655,758
Investment in subsidiaries	1,293,046	607,559	-	(1,900,605)	-
Intercompany advances, net	354,660	850,121	110,935	(1,315,716)	-
Other Assets	50,443	15,566	1,434	-	67,443
Other Intangibles	1,016	13,150	88,710	-	102,876
Property and Equipment, net	65,016	11,550	97,379	-	173,945
Goodwill	-	23,541	466,888	-	490,429
Total Assets	1,908,717	\$ 1,591,758	\$ 1,212,638	\$ (3,222,662)	\$ 1,490,451
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable	\$ 89,818	\$ 12,095	\$ 61,128	\$ -	\$ 163,041
Accrued expenses	34,611	17,405	100,560	(4,800)	147,776
Accrued income taxes	10,021	26	2,869	-	12,916
Short-term debt and current maturities of long-term obligations	51,773	-	72,470	-	124,243
Total Current Liabilities	186,223	29,526	237,027	(4,800)	447,976
Long-Term Debt	321,263	70	127,550	-	448,883
Other Long-Term Obligations	53,044	2,040	53,144	-	108,228
Intercompany advances, net	862,823	370,452	82,441	(1,315,716)	-
Total Shareholders' Equity	485,364	1,189,670	712,476	(1,902,146)	485,364
Total Liabilities and Shareholders' Equity	\$ 1,908,717	\$ 1,591,758	\$ 1,212,638	\$ (3,222,662)	\$ 1,490,451

CONSOLIDATING CONDENSED STATEMENTS OF CASH FLOWS

(in thousands)

	The Company (Parent)	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Total
Six month period ended June 30, 2007					
Net Cash Provided (Used) by Operating Activities	\$ (95,244)	\$ 912	\$ 92,074	\$ -	\$ (2,258)
Investing Activities					
Purchases of property and equipment	(1,763)	(698)	(5,309)	-	(7,770)
Proceeds from sale of property and equipment	-	-	462	-	462
Increase in other long-term assets	(187)	-	-	-	(187)
Other	(1,629)	-	39	-	(1,590)
Net Cash Used for Investing Activities	(3,579)	(698)	(4,808)	-	(9,085)
Financing Activities					
Proceeds from revolving lines of credit, securitization facility and long-term borrowings	548,373	-	2,567	-	550,940
Payments on revolving lines of credit, securitization facility and long-term borrowings	(449,878)	-	(116,337)	-	(566,215)
Payment of dividends	(798)	-	-	-	(798)
Payment of financing costs	(20,384)	-	-	-	(20,384)
Net Cash Provided (Used) by Financing Activities	77,313	-	(113,770)	-	(36,457)
Effect of exchange rate changes on cash	-	-	1,143	-	1,143
Increase (decrease) in cash and cash equivalents	(21,510)	214	(25,361)	-	(46,657)
Cash and cash equivalents at beginning of period	35,918	2,202	44,083	-	82,203
Cash and cash equivalents at end of period	<u>\$ 14,408</u>	<u>\$ 2,416</u>	<u>\$ 18,722</u>	<u>\$ -</u>	<u>\$ 35,546</u>
Six month period ended June 30, 2006					
Net Cash Provided (Used) by Operating Activities	\$ (11,262)	\$ 1,094	\$ 34,996	\$ (15)	\$ 24,813
Investing Activities					
Purchases of property and equipment	(3,877)	(754)	(5,158)	-	(9,789)
Proceeds from sale of property and equipment	-	-	63	-	63
Increase (decrease) in other investments	(7,871)	(3,000)	-	10,871	-
Increase in other long-term assets	62	-	-	-	62
Other	(735)	-	(177)	-	(912)
Net Cash Used for Investing Activities	(12,421)	(3,754)	(5,272)	10,871	(10,576)
Financing Activities					
Proceeds from revolving lines of credit, securitization facility and long-term borrowings	352,953	-	77,887	-	430,840
Payments on revolving lines of credit, securitization facility and long-term borrowings	(337,277)	(1,070)	(130,160)	-	(468,507)
Proceeds from exercise of stock options	1,835	-	-	-	1,835
Payment of dividends	(795)	-	-	-	(795)
Capital contributions	-	3,020	7,836	(10,856)	-
Net Cash Provided (Used) by Financing Activities	16,716	1,950	(44,437)	(10,856)	(36,627)
Effect of exchange rate changes on cash	-	-	(2,500)	-	(2,500)
Increase (decrease) in cash and cash equivalents	(6,967)	(710)	(17,213)	-	(24,890)
Cash and cash equivalents at beginning of period	7,270	1,046	17,308	-	25,624
Cash and cash equivalents at end of period	<u>\$ 303</u>	<u>\$ 336</u>	<u>\$ 95</u>	<u>\$ -</u>	<u>\$ 734</u>

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 July 31, 2007.

OUTLOOK

The company continues to execute the numerous cost reduction initiatives previously communicated and as described further below. The company believes that the implementation of these initiatives will improve the company's operating margin and result in approximately \$38 million of realized savings in 2007, including the \$16 million already realized in the first half of the year. The company anticipates restructuring charges of approximately \$15 million in 2007 relating to these actions. Annualized savings from these initiatives implemented by the end of 2007 should approximate \$56 million thereafter. The core initiatives are as follows:

- Product line simplification.
- Reduction of fixed costs through further product and sub-assembly outsourcing.
- Rationalization of facilities.
- Standardization of product platforms globally.

Cost reduction remains the company's top priority. The competitive pricing conditions driven by reimbursement changes in the U.S. remain, and Invacare expects approximately \$30 million in net sales reductions in 2007 from the lower pricing. The company expects that the approximately \$38 million of cost reductions that the company believes it will realize in 2007, which are weighted to the second half of the year, should offset these impacts and result in improved profitability in the second half of the year. The company expects adjusted third quarter earnings to be sequentially improved from adjusted second quarter earnings but still lower than adjusted third quarter earnings last year. For fiscal year 2007, the company continues to expect organic growth in net sales of 0% to 2%, excluding the impact from acquisitions and foreign currency translation adjustments, and operating cash flows of \$65 million to \$75 million and net purchases of property, plant and equipment of approximately \$25 million. The full year earnings are expected to be consistent with the previously announced guidance issued in the company's press release on July 31, 2007.

RESULTS OF OPERATIONS

NET SALES

Net sales for the three months ended June 30, 2007 were \$393,267,000, compared to \$371,764,000 for the same period a year ago, representing a 6% increase. Foreign currency translation increased net sales by three percentage points while acquisitions increased net sales by one percentage point. For the six months ended June 30, 2007, net sales increased 5% to \$768,172,000, compared to \$733,468,000 for the same period a year ago. Acquisitions increased net sales by one percentage point and foreign currency translation increased net sales by three percentage points.

The company continued to be impacted during the quarter by the previously disclosed Medicare reimbursement changes in the U.S., particularly those changes related to power mobility devices implemented in 2006. These changes significantly impacted the net sales of North America/HME and Asia/Pacific as further described below.

North American/HME

North American/HME (NA/HME) net sales decreased 3% for the quarter to \$166,351,000 as compared to \$171,198,000 for the same period a year ago. For the first half of 2007, net sales decreased 4% to \$327,883,000 as compared to \$342,892,000 for the same period a year ago. Foreign currency did not impact net sales in either the second quarter or first half of 2007. 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) and Respiratory (oxygen concentrators, HomeFill[®] transfilling systems, sleep apnea products, aerosol therapy and associated respiratory products). The decrease for the quarter was principally due to net sales decreases in Rehab and Respiratory products.

Rehab product line net sales declined by 6% primarily due to Medicare reimbursement changes which drove competitive price reductions and a continued shift away from higher performance products within the custom power product line that normally drive higher average selling prices and margins. Respiratory product line net sales declined 5% due to reduced unit volumes of oxygen concentrators resulting from the loss of one large national provider and continued inventory utilization programs by providers along with pricing declines in concentrators. However, HomeFill[®] II oxygen system net sales increased for the quarter by 57% due to increased purchases by a large national respiratory provider which launched a large-scale HomeFill implementation in the first quarter of this year, and continued increases in sales to smaller and regional providers. Standard product line net sales for the second quarter increased .7% compared to the second quarter of last year driven by increased volumes, particularly in manual wheelchairs and beds, partially offset by pricing reductions.

Invacare Supply Group (ISG)

ISG net sales for the quarter increased 12% to \$62,696,000 compared to \$56,165,000 last year driven by an increase in home delivery program sales and volume increases in incontinence, diabetic and enterals product lines. For the first half of 2007, net sales increased 12% to \$124,372,000 as compared to \$111,250,000 for the same period a year ago.

Institutional Products Group (IPG)

IPG net sales for the quarter decreased by 4% to \$21,746,000 as compared to \$22,743,000 last year due to reduced purchasing by a large national account. For the first half of 2007, net sales decreased 1% to \$45,470,000 as compared to \$45,939,000 for the same period a year ago.

Europe

European net sales increased 14% for the quarter to \$119,213,000 as compared to \$104,687,000 for the same period a year ago. European net sales for the first six months of 2007 increased 13% to \$226,243,000 as compared to \$200,233,000 for the same period a year ago. Foreign currency translation increased net sales by seven percentage points for both the quarter and first half of 2007. There was strong sales performance in most of the regions.

Asia/Pacific

The company's Asia/Pacific operations consist of Invacare Australia, which imports and distributes the Invacare range of products and manufactures and distributes the Rollerchair range of custom power wheelchairs and Pro Med lifts, DecPac ramps and Australian Healthcare Equipment beds, furniture and pressure care products; Dynamic Controls, a New Zealand manufacturer of electronic operating components used in power wheelchairs and scooters; Invacare New Zealand, 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 37% for the quarter to \$23,261,000 as compared to \$16,971,000 for the same period a year ago. Acquisitions increased net sales by twenty-eight percentage points and foreign currency increased net sales by fifteen percentage points. For the first half of the year, net sales increased 33% to \$44,204,000 as compared to \$33,154,000 for the same period a year ago. Acquisitions increased net sales by twenty-seven percentage points and foreign currency translation increased net sales by ten percentage points. Performance in this region continues to be negatively impacted by U.S. reimbursement uncertainty in the consumer power wheelchair market, resulting in decreased sales of microprocessor controllers by Invacare's New Zealand subsidiary.

GROSS PROFIT

Gross profit as a percentage of net sales for the three and six-month periods ended June 30, 2007 were 28.0% and 27.2%, respectively, compared to 28.4% and 28.2%, respectively, in the same periods last year. Gross margin as a percentage of net sales for the second quarter was lower by .4 of a percentage point compared to last year's second quarter primarily due to competitive pricing pressures in the U.S., an unfavorable change in product mix away from high-end products in the U.S. and increased freight costs. Excluding restructuring charges, the margin percentage declined by .6 percentage points in the second quarter of 2007 versus the second quarter of 2006. As compared to the first quarter of 2007, gross margins as a percentage of sales improved by 1.6 percentage points driven by the cost reduction initiatives and increased volumes.

For the first half of the year, NA/HME margins as a percentage of net sales declined to 29.3% compared with 31.1% in the same period last year principally due to reduced volumes of higher margin product, largely as a result of government reimbursement changes primarily in Rehab and Respiratory products, continued pricing reductions in Standard products and higher freight costs. ISG gross margins decreased by .8 of a percentage point due to a shift in sales toward lower margin products (incontinence, diabetic and enterals). IPG gross margins declined by .3 of a percentage point primarily due to higher freight and warehousing costs and investment in new product development. In Europe, gross margin as a percentage of net sales declined by .9 of a percentage point primarily due to a shift away from higher margin product (power wheelchairs), higher freight and warehousing costs and investment in new product development. Gross margin, as a percentage of net sales in Asia/Pacific, increased year to date by 8.1 percentage points, largely due to cost reduction activities.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative (“SG&A”) expense as a percentage of net sales for the three and six months ended June 30, 2007 was 23.9% and 23.6%, respectively, compared to 23.8% and 23.4%, respectively, for the same periods a year ago. The dollar increases were \$5,482,000 and \$9,641,000, or 6.2% and 5.6%, respectively, for the quarter and first half of the year. Acquisitions increased these expenses by \$1,604,000 in the quarter and \$3,006,000 in the first half, while foreign currency translation increased these expenses by \$2,277,000 in the quarter and \$4,199,000 in the first half compared to the same periods a year ago. Excluding the impact of foreign currency translation and acquisitions, selling, general and administrative expense increased 1.8% for the quarter and 1.4% for the first half of 2007 compared to the same periods a year ago.

North American/HME SG&A cost decreased \$29,000, or .1%, for the quarter and \$555,000, or .6%, in the first half of 2007 compared to the same periods a year ago. Foreign currency translation did not impact either period. The decline in spending was primarily attributable to cost reduction activities which were offset by accrual of bonus expense, amortization of bank fees related to the company’s debt refinancing and higher stock option expense in the first half of 2007 compared to the first half of 2006, which had lower expense due to the acceleration of vesting for most stock options at the end of 2005.

Invacare Supply Group SG&A expense increased \$1,025,000, or 18.7% for the quarter and \$1,536,000, or 13.9%, in the first half of 2007 compared to the same periods a year ago due to higher distribution costs associated with increased sales volumes.

Institutional Products Group SG&A expense increased \$474,000, or 13.4%, for the quarter and \$970,000, or 13.7%, in the first half of 2007 compared to the same periods a year ago due to investments in sales and marketing programs to drive growth and unfavorable currency translation due to the strengthening of the Canadian dollar.

European SG&A cost increased \$2,735,000, or 10.2%, for the quarter and \$4,395,000 or 8.3% for the first half of 2007 compared to the same periods a year ago. For the quarter, foreign currency translation increased SG&A by \$1,612,000 or 6.0%. For the first half of 2007, foreign currency translation increased SG&A by \$3,381,000 or 6.4%, respectively. Excluding the impact of acquisitions and foreign currency translation, the increases in spending were due to higher distribution costs and investment in marketing programs and new products to drive growth.

Asia/Pacific SG&A cost increased \$1,277,000, or 28.8%, for the quarter and \$3,295,000, or 40.8%, in the first half of the year compared to the same periods a year ago. For the quarter, foreign currency translation increased SG&A expense by \$556,000, or 12.5%, while acquisitions increased SG&A expense by \$1,604,000, or 36.2%. For the first half of 2007, foreign currency translation increased SG&A by \$774,000, or 9.6%, and acquisitions increased SG&A expense by \$3,007,000, or 37.2%. Excluding the impact of acquisitions and foreign currency translation, SG&A expense declined 19.9% and 6.0% for the quarter and first half of 2007, respectively as compared to last year.

CHARGE RELATED TO RESTRUCTURING ACTIVITIES

Previously, the company announced multi-year cost reductions and profit improvement actions, which included: reducing global headcount, outsourcing improvements utilizing the company’s China manufacturing capability and third parties, shifting substantial resources from product development to manufacturing cost reduction activities and product rationalization, reducing freight exposure through freight auctions and changing the freight policy, general expense reductions and exiting manufacturing and distribution facilities.

The restructuring was necessitated by the continued decline in reimbursement by the U.S. government and continued pricing pressures faced by the company as a result of outsourcing by competitors to lower cost locations.

To date, the company has made substantial progress on its restructuring activities, including exiting manufacturing and distribution facilities and eliminating approximately 770 positions through June 30, 2007, including 180 positions in the first half of 2007. Restructuring charges of \$5,058,000 were incurred in the first half of 2007, of which \$245,000 are recorded in cost of products sold as it relates to inventory markdowns and the remaining charge amount is included on the Charge Related to Restructuring Activities in the Condensed Consolidated Statement of Operations as part of operations.

The restructuring charges included charges of \$2,811,000 in North America/HME, \$14,000 in the Invacare Supply Group, \$9,000 in the Institutional Products Group, \$1,941,000 in Europe and \$283,000 in Asia/Pacific. Of the total charges incurred to date, \$2,277,000 remained unpaid as of June 30, 2007 with \$1,342,000 unpaid related to NA/HME; \$4,000 unpaid related to ISG; \$800,000 unpaid related to Europe; and \$131,000 unpaid related to Asia/Pacific. There have been no material changes in accrued balances related to the charge, either as a result of revisions in the plan or changes in estimates, and the company expects to utilize the accruals recorded through June 30, 2007 during 2007. With additional actions to be undertaken during the remainder of 2007, the company anticipates recognizing pre-tax restructuring charges of approximately \$15,000,000 for the year pre-tax.

CHARGES, INTEREST AND FEES ASSOCIATED WITH DEBT REFINANCING

As a result of the company's refinancing completed in the first quarter, the company incurred one-time make whole payments to the holders of previously outstanding senior notes and incremental interest totaling \$10,900,000 and wrote-off previously capitalized costs of \$2,500,000 related to the old debt structure.

INTEREST

Interest expense increased \$3,546,000 and \$6,194,000 for the second quarter and first half of 2007, respectively, compared to the same periods last year, primarily due to increases in interest rates and higher debt levels. Interest income for the second quarter and first half of 2007 decreased \$193,000 and \$319,000, compared to the same period last year, primarily due to extended financing terms provided to our customers.

INCOME TAXES

The Company had an effective tax rate of 98.3% and (46.3%) for the three and six-month periods ended June 30, 2007, compared with 27.7% and 28.9% for the same periods a year ago. The company's effective tax rate differs from the U.S. federal statutory rate primarily due to losses with no corresponding tax benefits as a result of a valuation reserve recorded against domestic deferred tax assets reduced by tax credits and earnings abroad being taxed at rates lower than the U.S. federal statutory rate. The change in the effective rate for the three and six-month periods ended June 30, 2007 compared to the three and six-month periods ended June 30, 2006 is primarily due to domestic losses without benefit as a result of valuation reserves.

LIQUIDITY AND CAPITAL RESOURCES

The company's reported level of debt decreased by \$2,244,000 from December 31, 2006 to \$570,882,000 at June 30, 2007, as the company completed its debt refinancing transactions in February 2007. As compared to March 31, 2007, reported debt decreased by \$31,017,000. The debt-to-total-capitalization ratio was 53.9% at June 30, 2007 as compared to 54.1% at the end of last year.

The Company's cash and cash equivalents were \$35,546,000 at June 30, 2007, down from \$82,203,000 at the end of the year. The cash was utilized to pay costs associated with the company's debt refinancing and to reduce debt.

The company's borrowing arrangements contain covenants with respect to maximum amount of debt, minimum loan commitments, interest coverage, net worth, dividend payments, working capital, and funded debt to capitalization, as defined in the company's bank agreements and agreements with its note holders. As of June 30, 2007, the company was in compliance with all covenant requirements. Under the most restrictive covenant of the company's borrowing arrangements as of June 30, 2007, the company had the capacity to borrow up to an additional \$120,000,000.

CAPITAL EXPENDITURES

The company had no individually material capital expenditure commitments outstanding as of June 30, 2007. The company estimates that capital investments for 2007 will approximate \$25,000,000 as compared to \$21,789,000 in 2006. 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 \$2,258,000 for the first half of 2007 compared to cash provided of \$24,813,000 in the first half of 2006. The decrease in operating cash flows for the first half of 2007 compared to the same period a year ago was primarily the result of lower earnings along with declines in payables and accrued expenses as the balances at the end of 2006 were higher than normal due to the company's refinancing efforts which were then in process. This was offset by a reduction in inventory for the first half of the year.

Cash used for investing activities was \$9,085,000 for the first half of 2007 compared to \$10,576,000 in the first half of 2006. The decrease in cash used for investing activities is primarily the result of a decrease in the purchases of property, plant and equipment in the first six months of 2007 compared to the first six months of 2006.

Cash required by financing activities was \$36,457,000 for the first half of 2007 compared to \$36,627,000 in the first half of 2006. Financing activities for the first half of 2007 were impacted by the new debt recapitalization, which increased debt levels, but also resulted in the payment of associated financing costs.

During the first half of 2007, the company used free cash flow of \$865,000 compared to generating free cash flow of \$20,334,000 in the first half of 2006. The decrease was primarily attributable to the same items as noted above which impacted operating cash flows. Free cash flow is a non-GAAP financial measure that is comprised of net cash provided by operating activities, excluding net cash impact related to restructuring activities, less net purchases of property and equipment, net of 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, for example, acquisitions). However, it should be noted that the company's definition of free cash flow may not be comparable to similar measures disclosed by other companies because not all companies calculate free cash flow in the same manner.

The non-GAAP financial measure is reconciled to the GAAP measure as follows (in thousands):

	Six Months Ended June 30,	
	2007	2006
Net cash (used) provided by operating activities	\$ (2,258)	\$ 24,813
Net cash impact related to restructuring activities	8,701	5,247
Less: Purchases of property and equipment - net	(7,308)	(9,726)
Free Cash Flow	<u>\$ (865)</u>	<u>\$ 20,334</u>

DIVIDEND POLICY

On May 24, 2007, the company's Board of Directors declared a quarterly cash dividend of \$0.0125 per Common Share to shareholders of record as of July 3, 2007, which was paid on July 13, 2007. 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 included in this Quarterly Report on Form 10-Q include accounts of the company, all majority-owned subsidiaries and a variable interest entity for which the company is the primary beneficiary. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying Consolidated Financial Statements and related footnotes. In preparing the financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

The following critical accounting policies, among others, affect the more significant judgments and estimates used in preparation of the company's consolidated financial statements.

Revenue Recognition

Invacare's revenues are recognized when products are shipped to unaffiliated customers. The SEC'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 (GAAP) to selected revenue recognition issues. The company has concluded that its revenue recognition policy is appropriate and in accordance with GAAP and SAB No. 101.

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

The company 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 Emerging Issues Task Force, or "EITF" No. 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 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. 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 determined by the first-in, first-out 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 continues 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. Under SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill and intangible assets deemed to have indefinite lives are subject to annual impairment tests. 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. Interest rates have a significant impact upon the discounted cash flow methodology utilized in its annual impairment testing. Increasing interest rates decrease the fair value estimates used in our testing.

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 \$13,000,000 in the aggregate of the company's North American product liability exposure. The company also has additional layers of external insurance coverage insuring up to \$75,000,000 in annual aggregate losses arising from individual claims anywhere in the world that exceed the captive insurance company policy limits or the limits of the company's per country foreign liability limits, as applicable. 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, that 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 from the date of sale to the customer by warranties against defects in material and workmanship for various periods depending on the product. 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 included in this report for a reconciliation of the changes in the warranty accrual.

Accounting for Stock-Based Compensation

Effective January 1, 2006, the company adopted Statement of Financial Accounting Standard No. 123 (Revised 2004), *Share Based Payment* ("SFAS 123R") using the modified prospective application method. Under the modified prospective method, compensation cost was recognized for: (1) all stock-based payments granted subsequent to January 1, 2006 based upon the grant-date fair value calculated in accordance with SFAS 123R, and (2) all stock-based payments granted prior to, but not vested as of, January 1, 2006 based upon grant-date fair value previously calculated for previously presented pro forma footnote disclosures in accordance with the original provisions of SFAS No. 123, *Accounting for Stock Based Compensation*.

Upon adoption of SFAS 123R, the company did not make any other modifications to the terms of any previously granted options. However, the terms of new awards granted have been modified so that the vesting periods are deemed to be substantive for those who may be retiree eligible. No changes were made regarding the valuation methodologies or assumptions used to determine the fair value of options granted and the company continues to use a Black-Scholes valuation model. As of June 30, 2007, there was \$5,999,000 of total unrecognized compensation cost from stock-based compensation arrangements granted under the plans, which is related to non-vested shares and includes \$2,861,000 related to restricted stock awards. The company expects the compensation expense to be recognized over approximately four years.

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. Restricted stock awards granted without cost to the recipients are expensed on a straight-line basis over the vesting periods.

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.

QUANTITATIVE AND QUALITATIVE DISCLOSURES 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 swap agreements to mitigate its exposure to interest rate fluctuations. Based on June 30, 2007 debt levels, a 1% change in interest rates would impact interest expense by approximately \$2,488,000. Additionally, the company operates internationally and, as a result, is exposed to foreign currency fluctuations. Specifically, the exposure results from intercompany loans and third party sales or payments. In an attempt to reduce this exposure, foreign currency forward contracts are utilized. 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 "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: possible adverse effects of being substantially leveraged, which could impact our ability to raise capital, limit our ability to react to changes in the economy or our industry or expose us to interest rate risks; changes in government and other third-party payor reimbursement levels and practices; consolidation of health care customers and our competitors; ineffective cost reduction and restructuring efforts; inability to design, manufacture, distribute and achieve market acceptance of new products with higher functionality and lower costs; extensive government regulation of our products; lower cost imports; increased freight costs; failure to comply with regulatory requirements or receive regulatory clearance or approval for our products or operations in the United States or abroad; potential product recalls; uncollectible accounts receivable; difficulties in implementing a new Enterprise Resource Planning system; legal actions or regulatory proceedings and governmental investigations; product liability claims; inadequate patents or other intellectual property protection; incorrect assumptions concerning demographic trends that impact the market for our products; provisions in our bank credit agreements or other debt instruments that may prevent or delay a change in control; the loss of the services of our key management and personnel; decreased availability or increased costs of raw materials could increase our costs of producing our products; inability to acquire strategic acquisition candidates because of limited financing alternatives; risks inherent in managing and operating businesses in many different foreign jurisdictions; exchange rate fluctuations, as well as the risks described from time to time in Invacare's reports as filed with the Securities and Exchange Commission. Except to the extent required by law, we do not undertake and specifically decline 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.

Item 3. Quantitative and Qualitative Disclosures About 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 June 30, 2007, an evaluation was performed, under the supervision and with the participation of the company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on that evaluation, the company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the company's disclosure controls and procedures were effective as of June 30, 2007, 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. 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 1A. Risk Factors.**

In addition to the other information set forth in this report, you should carefully consider the risk factors disclosed in Item 1A of the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

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

(c) The following table presents information with respect to repurchases of common shares made by the company during the three months ended June 30, 2007. All of the repurchased shares were surrendered to the company by employees for tax withholding purposes in conjunction with the vesting of restricted shares held by the employees under the company's 2003 Performance Plan.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
4/1/2007-4/30/07	7,920	\$ 17.64	-	-
5/1/2007-5/31/07	-	-	-	-
6/1/2007-6/30/07	-	-	-	-
Total	7,920	\$ 17.64	-	-

On August 17, 2001, the Board of Directors authorized the company to purchase up to 2,000,000 Common Shares. To date, the company has purchased 637,100 shares with authorization remaining to purchase 1,362,900 more shares. The company purchased no shares pursuant to this Board authorized program during the first half of 2007.

Item 4. Submission of Matters to a Vote of Security Holders.

On May 24, 2007, the Company held its 2007 Annual Meeting of Shareholders to act on proposals to: 1) elect four directors to the class whose three-year term will expire in 2010, 2) approve and adopt amendments to the Company's Amended and Restated Articles of Incorporation to permit the Company to issue non-certificated shares, 3) ratify the appointment of Ernst & Young LLP as its independent auditors for its 2007 fiscal year, and 4) consider and vote upon a shareholder proposal requesting that the Board of Directors take the necessary steps to declassify the Board of Directors and establish annual elections of directors, whereby directors would be elected annually and not by classes.

John R. Kasich, Dan T. Moore, III, Joseph B. Richey, II and General James L. Jones were each elected for a three-year term of office expiring in 2010 with 37,016,951; 37,254,951; 36,943,144; and 37,337,354 affirmative votes and 744,387; 506,387; 818,194; and 423,984 votes withheld, respectively.

James C. Boland, Gerald B. Blouch, William M. Weber, Michael F. Delaney, C. Martin Harris, M.D., Bernadine P. Healy, M.D., and A. Malachi Mixon, III are directors with continuing terms.

The proposal to approve and adopt amendments to the Company's Amended and Restated Articles of Incorporation to permit the Company to issue non-certificated shares received 37,465,586 affirmative votes, 197,605 negative votes and 98,146 abstained votes.

The proposal to ratify the appointment of Ernst & Young LLP as the Company's independent auditors for its 2007 fiscal year received 37,527,267 affirmative votes, 194,745 negative votes and 39,326 abstained votes.

The shareholder proposal requesting that the Board of Directors take the necessary steps to declassify the Board of Directors and establish annual elections of directors, whereby directors would be elected annually and not by classes received 17,014,117 affirmative votes, 17,717,691 negative votes and 183,663 abstained votes.

Item 6. Exhibits.

Exhibit No.

10.1 Amended and Restated 2003 Performance Plan.

10.2 Form of 10b5-1 Sales Plan and Representation Letter.

31.1 Chief Executive Officer Rule 13a-14(a)/15d-14(a) Certification (filed herewith).

31.2 Chief Financial Officer Rule 13a-14(a)/15d-14(a) Certification (filed herewith).

Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the

32.1 Sarbanes-Oxley Act of 2002 (furnished herewith).

Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the

32.1 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

Date: August 8, 2007

By: /s/ Gregory C. Thompson

Name: Gregory C. Thompson

Title: Chief Financial Officer

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

INVACARE CORPORATION
AMENDED AND RESTATED 2003 PERFORMANCE PLAN

1. Purpose

The Invacare Corporation 2003 Performance Plan (the “Plan”), is designed to foster the long-term growth and performance of the Company by: (a) enhancing the Company’s ability to attract and retain highly qualified employees, (b) motivating employees to serve and promote the long-term interests of the Company and its shareholders through stock ownership and performance-based incentives, and (c) strengthening the Company’s ability to attract, retain and incentivize highly qualified non-employee Directors and aligning the interests of such Directors with the interests of shareholders through stock ownership. To achieve this purpose, the Plan provides authority for the grant of Stock Options, Restricted Stock, Stock Equivalent Units, Stock Appreciation Rights, and other stock and performance-based incentives.

2. Definitions

- (a) “*Affiliate*” -- means “Affiliate” within the meaning given such term in Rule 12b-2 under the Exchange Act.
 - (b) “*Award*” -- means the grant of Stock Options, Restricted Stock, Stock Equivalent Units, Stock Appreciation Rights, and other stock and performance-based incentives under this Plan, or any combination thereof.
 - (c) “*Award Agreement*” -- means any agreement between the Company and a Participant that sets forth terms, conditions, and restrictions applicable to an Award.
 - (d) “*Board of Directors*” -- means the Board of Directors of the Company.
 - (e) “*Change in Control*” -- means, at any time after the date of the adoption of this Plan, the occurrence of any one or more of the following:
 - (i) Any Person (other than any employee benefit plan or employee stock ownership plan of the Company, or any Person organized, appointed, or established by the Company, for or pursuant to the terms of any such plan), alone or together with any of its Affiliates or Associates, becomes the Beneficial Owner of 30% or more of the total outstanding voting power of the Company, as reflected by the power to vote in connection with the election of Directors, or commences a tender offer or exchange offer, the consummation of which would result in the Person becoming the Beneficial Owner of 30% or more of the total outstanding voting power of the Company as reflected by the power to vote in connection with the election of Directors. For purposes of this Section 2(e)(i), the terms “Affiliates,” “Associates,” and “Beneficial Owner,” will have the meanings given to them in the Rights Agreement, dated as of
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April 2, 1991, between Invacare Corporation and National City Bank, as Rights Agent, as amended from time to time, or in any restatement thereof, or in any replacement Rights Agreement.

(ii) At any time during a period of 24 consecutive months, individuals who were Directors at the beginning of the period no longer constitute a majority of the members of the Board of Directors, unless the election, or the nomination for election by the Company's shareholders, of each Director who was not a Director at the beginning of the period is approved by at least a majority of the Directors who are in office at the time of the election or nomination and who either were Directors at the beginning of the period or are Continuing Directors (or such nomination is approved by a committee comprised solely of such Directors).

(iii) A record date is established for determining shareholders entitled to vote upon (A) a merger or consolidation of Invacare Corporation with another corporation (which is not an affiliate of Invacare Corporation in which Invacare Corporation is not the surviving or continuing corporation or in which all or part of the outstanding Common Shares are to be converted into or exchanged for cash, securities, or other property, (B) a sale or other disposition of all or substantially all of the assets of Invacare Corporation, or (C) the reorganization, dissolution or liquidation (but not partial liquidation) of Invacare Corporation.

(iv) The occurrence of any other event or series of events, which, in the opinion of the Board of Directors, will, or is likely to, if carried out, result in a change of control of Invacare Corporation.

(f) "**Code**" -- means the Internal Revenue Code of 1986, or any law that supersedes or replaces it, as amended from time to time. A reference to any provision of the Code includes a reference to any lawful regulation or pronouncement promulgated thereunder and to any successor provision.

(g) "**Committee**" -- means the Compensation, Management Development and Corporate Governance Committee of the Board of Directors, or any other committee of the Board of Directors that the Board of Directors or the Compensation Committee authorizes to administer all or any aspect of this Plan.

(h) "**Common Shares**" -- means Common Shares, without par value, of Invacare Corporation, including authorized and unissued Common Shares and treasury Common Shares.

(i) "**Company**" -- means Invacare Corporation, an Ohio corporation, and its direct and indirect subsidiaries, or any successor entity.

(j) "**Continuing Director**" -- means a Director who was a Director prior to a Change in Control or was recommended or elected to succeed a Continuing Director by a majority of the Continuing Directors then in office (or by a committee comprised solely of Continuing Directors).

(k) "**Director**" -- means any individual who is a member of the Board of Directors of the Company.

(l) **“Exchange Act”** -- means the Securities Exchange Act of 1934, and any law that supersedes or replaces it, as amended from time to time.

(m) **“Fair Market Value”** of Common Shares -- means the value of the Common Shares determined by the Committee, or pursuant to rules established by the Committee.

(n) **“Incentive Stock Option”** -- means a Stock Option that meets the requirements of Section 422 of the Code, or any successor or replacement provision.

(o) **“Notice of Award”** -- means any notice by the Committee to a Participant that advises the Participant of the grant of an Award or sets forth terms, conditions, and restrictions applicable to an Award.

(p) **“Participant”** -- means any person to whom an Award has been granted under this Plan.

(q) **“Performance Objectives”** -- means the achievement of performance objectives established pursuant to this Plan. Performance Objectives may be described in terms of Company-wide objectives or objectives that are related to the performance of the individual Participant or the subsidiary, division, department or function within the Company in respect of which the Participant performs services during a specified time period. Any Performance Objectives applicable to Awards intended to qualify as “performance-based compensation” under Section 162(m) of the Code (the “Performance-Based Exception”) shall be limited to specified levels of or increases in the Company’s, or subsidiary’s, or division’s, or department’s, or function’s return on equity, earnings per Common Share, total earnings, earnings growth, return on capital, operating measures (including, but not limited to, operating margin and/or operating costs), return on assets, or increase in the Fair Market Value of the Common Shares. Except in the case of such an Award intended to qualify under Section 162(m) of the Code, if the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the Performance Objectives unsuitable, the Committee may modify such Performance Objectives or the related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable.

The Committee shall have the discretion to adjust the determinations of the degree of attainment of the pre-established Performance Objectives; provided, however, that Awards which are designed to qualify for the Performance-Based Exception, may not be adjusted upward (the Committee shall retain the discretion to adjust such Awards downward).

In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing performance measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval. In addition, in the event that the Committee determines that it is advisable to grant Awards which shall not qualify for the Performance-Based Exception, the Committee may make such grants without satisfying the requirements of Code Section 162(m).

(r) **“Person”** -- means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a governmental authority.

(s) **“Plan”** -- means this Invacare Corporation 2003 Performance Plan, as set forth herein and as hereafter may be amended from time to time in accordance with the terms hereof.

(t) **“Restricted Stock”** -- means an Award of Common Shares that are subject to restrictions or risk of forfeiture based on time and/or performance.

(u) **“Rule 16b-3”** -- means Rule 16b-3 under the Exchange Act, or any rule that supersedes or replaces it, as amended from time to time.

(v) **“Stock Appreciation Right”** -- means any rights granted pursuant to an Award described in Section 6(b)(i).

(w) **“Stock Award”** -- means Awards granted in Section 6(b)(ii).

(x) **“Stock Equivalent Unit”** -- means an Award that is valued by reference to the value of Common Shares.

(y) **“Stock Option”** -- means an option to purchase Common Shares as described in Section 6(b)(iii).

3. Eligibility

All Directors and employees of the Company and its Affiliates are eligible for the grant of Awards. The selection of any such persons to receive Awards will be within the discretion of the Committee. More than one Award may be granted to the same person.

Notwithstanding the foregoing, any individual who renounces in writing any right that he or she may have to receive Awards under the Plan shall not be eligible to receive any Awards hereunder.

4. Common Shares Available for Awards; Adjustment

(a) *Number of Common Shares.* The aggregate number of Common Shares that may be subject to Awards, including specifically Incentive Stock Options, granted under this Plan during the term of this Plan will be equal to Three Million Eight Hundred Thousand (3,800,000) Common Shares, subject to any adjustments made in accordance with the terms of this Section 4.

The assumption of obligations in respect of awards granted by an organization acquired by the Company, or the grant of Awards under this Plan in substitution for any such awards, will not reduce the number of Common Shares available in any fiscal year for the grant of Awards under this Plan.

Common Shares subject to an Award that is forfeited, terminated, or canceled without having been exercised (other than Common Shares subject to a Stock Option that is canceled upon the exercise of a related Stock Appreciation Right) will again be available for grant under this Plan, without reducing the number of Common Shares available in any fiscal year for grant of Awards under this Plan, except to the extent that the availability of those Common Shares would cause this Plan or any Awards granted under this Plan to fail to qualify for the exemption provided by Rule 16b-3.

(b) *No Fractional Common Shares.* No fractional Common Shares will be issued, and the Committee will determine the manner in which the value of fractional Common Shares will be treated.

(c) *Adjustment.* In the event of any change in the Common Shares by reason of a merger, consolidation, reorganization, recapitalization, or similar transaction, including any transaction described under Section 424(a) of the Code, or in the event of a stock dividend, stock split, reverse stock split, or distribution to shareholders (other than normal cash dividends), the Committee will have authority to adjust, in any manner that it deems equitable, the number and class of Common Shares that may be issued under this Plan, the number and class of Common Shares subject to outstanding Awards, the per share exercise price applicable to outstanding Awards, and the Fair Market Value of the Common Shares and other value determinations applicable to outstanding Awards (i.e., Stock Equivalent Units, for example), including as may be allowed or required under Section 424(a) of the Code.

5. Administration

(a) *Committee.* This Plan will be administered by the Committee; provided, however, that the Board of Directors may, in its discretion, at any time and from time to time, administer the Plan in which case the term "Committee" shall be deemed to be the Board of Directors. The Committee will, subject to the terms of this Plan, have the authority to: (i) select the eligible employees who will receive Awards, (ii) grant Awards, (iii) determine the number and types of Awards to be granted to eligible employees, (iv) determine the terms, conditions, vesting periods, and restrictions applicable to Awards, including timing, price, and, if applicable, Performance Objectives, subject to, and consistent with, the provisions of the Plan, (v) adopt, alter, and repeal administrative rules and practices governing this Plan, (vi) interpret the terms and provisions of this Plan and any Awards granted under this Plan, including, where applicable, determining the method of valuing any Award and certifying as to the satisfaction of such Awards, (vii) prescribe the forms of any Notices of Award, Award Agreements, or other instruments relating to Awards, (viii) supervise the administration of this Plan, and (ix) make all other determinations and take all other actions as the Committee deems necessary for the administration and operation of the Plan. The Committee may employ attorneys, consultants, accountants, or other professional advisors to assist it in the administration of the Plan.

(b) *Delegation.* The Committee may delegate any of its authority to any other person or persons that it deems appropriate.

(c) *Decisions Final.* All decisions by the Committee, and by any other Person or Persons to whom the Committee has delegated authority, to the extent permitted by law, will be final and binding on all Persons.

(d) *No Liability.* Neither the Committee nor any of its members shall be liable for any act taken by the Committee pursuant to the Plan. No member of the Committee shall be liable for the act of any other member.

6. Awards

(a) *Grant of Awards.* The Committee will determine the type or types of Awards to be granted to each Participant and will set forth in the related Notice of Award or Award Agreement the terms, conditions, vesting periods, and restrictions applicable to each Award. Awards may be granted singly or in combination or tandem with other Awards. Awards may also be granted in replacement of, or in substitution for, other awards granted by the Company, whether or not granted under this Plan; without limiting the foregoing, if a Participant pays all or part of the exercise price or taxes associated with an Award by the transfer of Common Shares or the surrender of all or part of an Award (including the Award being exercised), the Committee may, in its discretion, grant a new Award to replace the Common Shares that were transferred or the Award that was surrendered. The Company may assume obligations in respect of awards granted by any Person acquired by the Company or may grant Awards in replacement of, or in substitution for, any such awards. In no event shall any Stock Option or Stock Appreciation Right be granted to a Participant in exchange for the Participant's agreement to permit the cancellation of one or more Stock Options or Stock Appreciation Rights previously granted to such Participant if the exercise price of the new grant is lower than the exercise price of the cancelled grant. Moreover, in no event shall a previously granted Stock Option or Stock Appreciation Right be amended to reduce the exercise price, except in accordance with an adjustment pursuant to Section 4(c).

(b) *Types of Awards.* Awards may include, but are not limited to, the following:

(i) *Stock Appreciation Right* -- means a right to receive a payment, in cash or Common Shares, equal to the excess of (A) the Fair Market Value, or other specified valuation, of a specified number of Common Shares on the date the right is exercised over (B) the Fair Market Value, or other specified valuation, of such Common Shares on the date the right is granted, all as determined by the Committee. The right may be conditioned upon the occurrence of certain events, such as a Change in Control of the Company, or may be unconditional, as determined by the Committee.

(ii) *Stock Award* -- means an Award that is made in Common Shares, Restricted Stock, or Stock Equivalent Units or that is otherwise based on, or valued in whole or in part by reference to, the Common Shares, but does not include Stock Options. All or part of any Stock Award may be subject to conditions (including, but not limited to, the passage of time or the achievement of Performance Objectives), restrictions, and risks of forfeiture, as and to the extent established by the Committee. Stock Awards may be based on the Fair Market Value of the Common Shares, or on other specified values or methods of valuation, as determined by the Committee.

(iii) *Stock Option* -- means a right to purchase a specified number of Common Shares, during a specified period, and at a specified exercise price, all as determined by the Committee. A Stock Option may be an Incentive Stock Option or a Stock Option that does not qualify as an Incentive Stock Option. The term of each Stock Option shall be fixed by the Committee, but in no event shall the term exceed ten years after the date such Stock Option is granted. In addition to the terms, conditions, vesting periods, and restrictions established by the Committee, Incentive Stock Options must comply with the requirements of Section 422 of the Code and regulations promulgated thereunder, including, but not limited to, the requirements that Incentive Stock Options (A) may not be granted to non-employee Directors, and (B) the aggregate Fair Market Value of the Common Shares that first becomes exercisable in any calendar year shall not exceed \$100,000 (measured as of the effective grant date of the Award). The exercise price of a Stock Option may not be less than 100% of the Fair Market Value on the date the Stock Option is granted; provided, however, up to 200,000 Common Shares for which Stock Options that do not qualify as Incentive Stock Options may be granted may have an exercise price of not less than 75% of the Fair Market Value on the date such Stock Option is granted, subject to adjustment in accordance with Section 4(c) hereof.

(c) *Limits on Awards under the Plan.* The maximum aggregate number of Common Shares that may be granted during the term of this Plan pursuant to all Awards, other than Stock Options, is 300,000 Common Shares, subject to adjustment in accordance with Section 4(c) hereof.

(d) *Limits on Individual Awards.* The maximum aggregate number of Common Shares for which Stock Options may be granted to any particular employee during any calendar year during the term of this Plan is 400,000 Common Shares, subject to adjustment in accordance with Section 4(c) hereof. The maximum aggregate number of Common Shares for each of (i) Stock Appreciation Rights and (ii) other Stock Awards which may be granted to any particular employee during any calendar year during the term of this Plan is 50,000 Common Shares (or 100,000 Common Shares in the aggregate), subject to adjustment in accordance with Section 4(c) hereof.

7. Deferral of Payment

With the approval of the Committee, the delivery of the Common Shares, cash, or any combination thereof subject to an Award, or the Award itself, may be deferred, either in the form of installments or a single future delivery. The Committee also may permit selected Participants to defer the receipt of some or all of their Awards, as well as other compensation, in accordance with procedures established by the Committee, including to assure that the recognition of taxable income is deferred under the Code. Deferred amounts may, to the extent permitted by the Committee, be credited as cash or Stock Equivalent Units. The Committee also may establish rules and procedures for the crediting of interest on deferred cash payments and dividend equivalents on Stock Equivalent Units.

8. Payment of Exercise Price

The exercise price of a Stock Option (other than an Incentive Stock Option) and any Stock Award for which the Committee has established an exercise price may be paid in cash, by the transfer of Common Shares, by the surrender of all or part of an Award (including the Award being exercised), or by a combination of these methods, as and to the extent permitted by the Committee. The exercise price of an Incentive Stock Option may be paid in cash, by the transfer of Common Shares, or by a combination of these methods, as and to the extent permitted by the Committee but may not be paid by the surrender of all or part of an Award. The Committee may prescribe any other method of paying the exercise price that it determines to be consistent with applicable law and the purpose of this Plan.

In the event Common Shares that are Restricted Stock are used to pay the exercise price of a Stock Award to the extent provided by the Committee, then that number of the Common Shares issued upon the exercise of the Award equal to the number of Common Shares that are Restricted Stock that have been used to pay the exercise price will be subject to the same restrictions as the Restricted Stock.

9. Taxes Associated with Award

Prior to the payment of an Award or upon the exercise or release thereof, the Company may withhold, or require a Participant to remit to the Company, an amount sufficient to pay any Federal, state, and local taxes associated with the Award. The Committee may, in its discretion and subject to such rules as the Committee may adopt, permit a Participant to pay any or all taxes associated with the Award (other than an Incentive Stock Option) in cash, by the transfer of Common Shares, by the surrender of all or part of an Award (including the Award being exercised), or by a combination of these methods. The Committee may permit a Participant to pay any or all taxes associated with an Incentive Stock Option in cash, by the transfer of Common Shares, or by a combination of these methods or by any other method which does not disqualify the option as an Incentive Stock Option under applicable provisions of the Code. If Common Shares are used to satisfy withholding tax obligations, such Common Shares shall be valued based on the Fair Market Value thereof as of the date when the withholding for taxes is required to be made. Notwithstanding the foregoing, except as otherwise provided by the Committee or in the terms of the Award, the Company shall have the right to require a Participant to pay cash to satisfy withholding taxes as a condition to the payment of any Award (whether in cash or Common Shares) under the Plan.

10. Termination of Employment

If the employment of a Participant terminates for any reason, all unexercised, deferred, and unpaid Awards may be exercisable or paid only in accordance with rules established by the Committee or as specified in the particular Award Agreement or Notice of Award. Such rules may provide, as the Committee deems appropriate, for the expiration, continuation, or acceleration of the vesting of all or part of the Awards, provided that any such rules shall comply with Section 422 of the Code to the extent such Award is intended to qualify as an Incentive Stock Option.

11. Termination of Awards Under Certain Conditions

The Committee may cancel any unexpired, unpaid, or deferred Awards at any time if the Participant is not in compliance with all applicable provisions of this Plan or with any Notice of Award or Award Agreement. Further, if the Participant, without the prior written consent of the Company, engages in any of the following activities:

(i) Within eighteen (18) months after the date a Participant terminates his or her employment with the Company or its Affiliates for any reason, the Participant then accepts employment with any competitor of the Company, or otherwise renders services for an organization, or engages in a business, that is, in the judgment of the Committee, in competition with the Company, or

(ii) Discloses to anyone outside of the Company, or uses for any purpose other than the Company's business any confidential information or material relating to the Company, whether acquired by the Participant during or after employment with the Company, in a fashion or with a result that the Committee, in its judgment, deems is or may be injurious to the best interests of the Company;

then the Committee may, in its discretion, at any time thereafter, cancel any unexpired, unpaid or deferred Awards or may require the Participant to return the economic value of any Award that the Participant realized or obtained (as of the date of exercise, vesting or payment) during the time period commencing six months prior to such Participant's termination date and ending after the date when all of the Committee members discover that the Participant engaged in any activities referred to in clauses (i) and (ii) above.

The Committee may, in its discretion and as a condition to the exercise of an Award, require a Participant to acknowledge in writing that he or she is in compliance with all applicable provisions of this Plan and of any Notice of Award or Award Agreement and has not engaged in any activities referred to in clauses (i) and (ii) above.

12. Change in Control

In the event of a Change in Control of the Company, unless and only then to the extent otherwise determined by the Board of Directors or as otherwise prescribed in an Award Agreement, (i) all Stock Appreciation Rights and Stock Options then outstanding will become fully exercisable as of the date of the Change in Control, and (ii) all restrictions and conditions applicable to Restricted Stock and other Stock Awards will be deemed to have been satisfied as of the date of the Change in Control. Any such determination by the Board of Directors that is made after the occurrence of a Change in Control will not be effective unless a majority of the Directors then in office are Continuing Directors and the determination is approved by a majority of the Continuing Directors.

13. Amendment, Suspension, or Termination of this Plan; Amendment of Outstanding Awards

(a) *Amendment, Suspension, or Termination of this Plan.* The Board of Directors may amend, suspend, or terminate this Plan at any time and from time to time in such respects as the Board of Directors may deem necessary or appropriate; provided, however, that in no event, without the approval of the Company's shareholders, shall any action of the Committee or the Board of Directors result in increasing, except as provided in Section 4(c) hereof, the maximum number of Common Shares that may be subject to Awards granted under the Plan.

(b) *Amendment of Outstanding Awards.* The Committee may, in its discretion, amend the terms of any Award, prospectively or retroactively, but no such amendment may impair the rights of any Participant without his or her consent, or reduce the exercise price of any Stock Option or Stock Appreciation Right, except in accordance with an adjustment pursuant to Section 4(c). The Committee may, in whole or in part, waive any restrictions or conditions applicable to, or accelerate the vesting of, any Award.

14. Awards to Foreign Nationals and Employees Outside the United States

To the extent that the Committee deems appropriate to comply with foreign law or practice and to further the purpose of this Plan, the Committee may, without amending this Plan, (i) establish special rules applicable to Awards granted to Participants who are foreign nationals, are employed outside the United States, or both, including rules that differ from those established under this Plan, and (ii) grant Awards to such Participants in accordance with those rules.

15. Miscellaneous Terms

(a) *Nonassignability.* Unless and except to the extent otherwise determined by the Committee (which may be contained in the applicable Award Agreement or Notice of Award), (i) no Award granted under the Plan may be transferred or assigned by the Participant to whom it is granted other than by will or pursuant to the laws of descent and distribution, and (ii) an Award granted under this Plan may be exercised, during the Participant's lifetime, only by the Participant or guardian or other legal representative.

(b) *No Rights as Employees/Shareholders.* Nothing in the Plan or in any Award Agreement or Notice of Award shall confer upon any Participant any right to continue in the employ of the Company or an Affiliate, or to serve as a member of the Board of Directors or to be entitled to receive any remuneration or benefits not set forth in the Plan or such Award Agreement or Notice of Award, or to interfere with or limit either the right of the Company or an Affiliate to terminate the employment of such Participant at any time or the right of the shareholders of the Company to remove him or her as a member of the Board of Directors with or without cause. Nothing contained in the Plan or in any Award Agreement or Notice of Award shall be construed as entitling any Participant to any rights of a shareholder as a result of the grant of an Award until such time as Common Shares are actually issued to such Participant pursuant to the exercise of a Stock Option, Stock Appreciation Right or other Stock Award.

(c) *Unfunded Plan.* The Plan shall be unfunded and the Company shall not be required to segregate any assets that may at any time be represented by Awards under the Plan. Any liability of the Company to any person with respect to any Award under the Plan shall be based solely upon any contractual obligations that may be effected pursuant to the Plan. No such obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

(d) *Other Company Benefit and Compensation Programs.* Payments and other benefits received by a Participant under an Award made pursuant to the Plan shall not be deemed a part of a Participant's regular, recurring compensation for purposes of any termination indemnity or severance pay law of any country and shall not be included in, nor have any effect on, the determination of benefits under any pension or other employee benefit plan or similar arrangement provided by the Company or any Affiliate, unless (i) expressly so provided by such other plan or arrangement or (ii) the Committee expressly determines that an Award or a portion thereof should be included as recurring compensation. Nothing contained in the Plan shall prohibit the Company or any Affiliate from establishing other special awards, incentive compensation plans, compensation programs and other similar arrangements providing for the payment of performance, incentive or other compensation to employees. Payments and benefits provided to any employee under any other plan shall be governed solely by the terms of such other plan.

(e) *Securities Law Restrictions.* In no event shall the Company be obligated to issue or deliver any Common Shares or other Awards if such issuance or delivery shall constitute a violation of any provisions of any law or regulation of any governmental authority or securities exchange. No Common Shares or other Awards shall be issued under the Plan unless counsel for the Company shall be satisfied that such issuance will be in compliance with all applicable Federal and state securities laws and regulations and all requirements of any securities exchange on which the Common Shares are listed.

(f) *Invalidity.* In the event any provision of the Plan shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the remaining provisions of the Plan.

(g) *Successors.* All obligations of the Company with respect to Awards granted under the Plan are binding on any successor to the Company, whether as a result of a direct or indirect purchase, merger, consolidation or otherwise of all or substantially all of the business and/or assets of the Company.

(h) *Governing Law.* The interpretation, validity, and enforcement of this Plan will, to the extent not otherwise governed by the Code or the securities laws of the United States, be governed by the laws of the State of Ohio.

16. Effective and Termination Dates

(a) *Effective Date.* This Plan will be effective on May 21, 2003, upon approval by the shareholders of the Company at the 2003 annual meeting of shareholders.

(b) *Termination Date.* This Plan will continue in effect until midnight on May 20, 2013; provided, however, that Awards granted on or before that date may extend beyond that date and restrictions and other terms and conditions imposed on Restricted Stock or any other Award granted on or before that date may extend beyond such date.

IN WITNESS WHEREOF, the undersigned by its duly authorized officer, has hereunto set forth its signatures as of the 23rd day of August, 2006.

INVACARE CORPORATION

By: /s/ A. Malachi Mixon, III
A. Malachi Mixon, III,
Chairman of the Board and
Chief Executive Officer

By: /s/ Gregory C. Thompson
Gregory C. Thompson,
Senior Vice President and
Chief Financial Officer

Rule 10b5-1 Sales Plan

I, _____, have, as of the date set forth below, established this Sales Plan (the "Plan") in order to sell to Invacare Corporation (the "Issuer") common shares, no par value per share, of the Issuer (the "Stock"), pursuant to the requirements of Rule 10b5-1(c)(1) under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

1. I elect to surrender shares of Stock to the Issuer in order to satisfy the minimum tax withholding obligation required by federal, state and local governmental authorities (including such amount, if any, as may be required under the American Jobs Creation Act of 2004) with respect to the shares of Stock I will receive on the respective maturity dates of the restricted stock grants currently outstanding and issued to me, and any restricted stock grants that are issued to me in the future by the Issuer, as indicated on Attachment A to the Plan.
 2. On each respective maturity date set forth or described on Attachment A hereto, the Issuer agrees to withhold such portion of the restricted stock maturing on such date as is necessary to satisfy such minimum tax withholding obligation required by federal, state and local governmental authorities based on the rates in effect on the applicable maturity date at a price per share equal to the closing price of the Stock on the New York Stock Exchange on the applicable maturity date.
 3. The Plan will terminate on the earliest of:
 - a. the completion of the maturity or the termination of the restricted stock grants currently outstanding and issued to me and any restricted stock grants that are issued to me in the future by the Issuer, as referenced in Section 1 of the Plan;
 - b. the Issuer's receipt of notice of my death or mental incapacity;
 - c. the Issuer's reasonable determination that: (i) the Plan does not comply with Rule 10b5-1 or other applicable securities laws; or (ii) I have not complied with the Plan, Rule 10b5-1 or other applicable securities laws;
 - d. the Issuer's receipt of written notice of termination from me by overnight service and facsimile certifying that I desire to terminate the Plan and have consulted with my legal advisors about the termination of the Plan;
 - e. the Issuer's receipt of notice from me by telephone or facsimile specifying that a legal, contractual or regulatory restriction applicable to me or my affiliates would prohibit any sale pursuant to the Plan or result in material adverse consequences to me as a result of any such sale, or
 - f. the public announcement of a public offering or other distribution of securities by the Issuer or of a merger, acquisition, tender or exchange offer, or other business combination resulting in the exchange or conversion of the Stock of the Issuer into shares of a company other than the Issuer.
 4. In the event of a stock split, reverse stock split or stock dividend relating to the Stock, the dollar amount at which shares of Stock are to be surrendered to the Issuer and the number of shares to be surrendered will be automatically adjusted proportionately.
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5. In the event of a reincorporation or other corporate reorganization resulting in an automatic share-for-share exchange of new shares for the type of shares of Stock subject to the Plan, then the new shares will automatically replace the type of shares of Stock originally specified in the Plan.

6. The Plan may be modified or amended only upon the written agreement of myself and the Issuer.

7. The Plan may be signed in counterparts, each of which will be an original. I will not assign my rights or obligations under the Plan without the Issuer's consent.

8. The Plan, and the attached Representation Letter, dated the date hereof, constitutes the entire agreement and Plan between me and the Issuer and supersedes any prior agreements or understandings regarding the Plan. The invalidity or unenforceability of any provision of the Plan will not affect the validity or enforceability of any other provision.

9. All notices given by the parties under this Plan will be made in the manner specified in this Plan by telephone, facsimile or recognized overnight service as follows:

a. If to the Issuer:

Invacare Corporation
Attn: Gregory C. Thompson
One Invacare Way
Elyria, OH 44036
Tel: 440-329-6111
Fax: 440-366-9008

b. If to me:

Tel: _____
Fax: _____

10. This Plan will be governed by and construed in accordance with the laws of the State of Ohio, without giving effect to the conflict of law principles of that State.

The undersigned have signed this Sales Plan as of _____ 200__.

Name:

Invacare Corporation (the Issuer)

By: _____

Name:

Title:



Rule 10b5-1 Representation Letter

Invacare Corporation
Attn: Gregory C. Thompson
One Invacare Way
Elyria, OH 44036

Ladies and Gentlemen:

In consideration of Invacare Corporation (“Invacare”) agreeing to accept the surrender of Invacare common shares from the restricted stock maturing in order to satisfy my minimum tax withholding obligation for federal, state and local taxes under a written plan (the “Plan”) that I, _____, have established to meet the requirements of Rule 10b5-1(c)(1) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and other good and valuable consideration I make the following representations, warranties and covenants:

1. A true and accurate copy of the Plan is attached.
 2. I am entering into the Plan in good faith, in compliance with the requirements of Rule 10b5-1, and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 or other federal securities laws. As of the date hereof, I am not aware of any material nonpublic information about Invacare or its securities.
 3. I have consulted with my own advisors as to the legal, tax, business, and financial aspects of, and have not relied on Invacare in connection with, my adoption and implementation of the Plan and I have confirmed that the Plan meets the criteria set forth in Rule 10b5-1. I acknowledge that Invacare is not acting as a fiduciary or an advisor for me.
 4. I have been or will be granted all restricted shares that are subject to the Plan free and clear of liens, encumbrances, options or other limitations on disposition of any kind.
 5. While the Plan is in effect, I agree that:
 - a. I will not enter into or alter any corresponding or hedging transaction or position with respect to the securities covered by the Plan (including, without limitation, with respect to any securities convertible or exchangeable into those securities) and I will not alter or deviate from the terms of the Plan; and
 - b. I will notify Invacare in advance of any sales or purchases of, or derivative transactions on, any of the Invacare securities that I propose to make.
 6. Except as provided under the terms of the Plan, I further agree that I will not exercise any subsequent influence over how, when or whether transactions are effected under the plan.
 7. I agree to make or cause to be made in a timely manner all necessary filings applicable to me, including Rule 144 filings, filings pursuant to Sections 13 and 16 of the Exchange Act, and any other filings necessary pursuant to the Securities Act of 1933, as amended (the “Securities Act”) and the Exchange Act.
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8. The execution and delivery of the Plan by me and the transactions contemplated by the Plan will not contravene any provision of applicable law or any agreement or other instrument binding on me or any of my affiliates or any judgment, order or decree of any governmental body having jurisdiction over me or my affiliates.

9. I agree to give Invacare notice as soon as possible of (a) any subsequent legal, contractual or regulatory restrictions imposed on me due to changes in the securities (or other) laws, contractual restrictions, or anticipated or changed events, that would prevent Invacare or me from complying with the Plan and (b) the occurrence of any event that could cause the Plan to terminate or be suspended under Section 2 or Section 3 of the Plan.

Very truly yours,

Name:

Date:

Schedule of Agreements with Current Officers

<u>Name</u>	<u>Position</u>	<u>Date of Agreement</u>
Gerald B. Blouch	President and Chief Operating Officer	August 6, 2007
Brian Ellacott	Group Vice President	August 7, 2007
Dale C. LaPorte	Senior Vice President - Business Development, General Counsel and Secretary	August 3, 2007
Gregory C. Thompson	Senior Vice President and Chief Financial Officer	August 6, 2007
Joseph S. Usaj	Senior Vice President - Human Resources	August 6, 2007
Carl Will	Group Vice President	August 7, 2007

CERTIFICATIONS

I, A. Malachi Mixon, III, 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. The registrant's other certifying officer and I are 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 our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us 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 our 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 our 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. The registrant's other certifying officer and I have disclosed, based on our 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.
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Invacare Corporation

Date: August 8, 2007

By: /s/ A. Malachi Mixon, III

Name: A. Malachi Mixon, III

Title: Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Gregory C. Thompson, 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. The registrant's other certifying officer and I are 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 our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us 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 our 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 our 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. The registrant's other certifying officer and I have disclosed, based on our 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.
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Invacare Corporation

Date: August 8, 2007

By: /s/ Gregory C. Thompson

Name: Gregory C. Thompson

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report of Invacare Corporation (the "company") on Form 10-Q for the period ending June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, A. Malachi Mixon, III, 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.

Invacare Corporation

Date: August 8, 2007

By: /s/ A. Malachi Mixon, III

Name: A. Malachi Mixon, III

Title: Chief Executive Officer

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 June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory C. Thompson, 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.

Invacare Corporation

Date: August 8, 2007

By: /s/ Gregory C. Thompson

Name: Gregory C. Thompson

Title: Chief Financial Officer

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.