

Edgar Filing: INVACARE CORP - Form 8-K/A

INVACARE CORP
Form 8-K/A
November 24, 2004

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

FORM 8-K/A

Amendment No. 1 to
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OR The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) September 9, 2004

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

Ohio 0-12938 95-2680965

(State or other jurisdiction of (Commission (IRS Employer Identification)
incorporation or organization) File Number No)

One Invacare Way, P.O. Box 4028, Elyria, Ohio 44036

(Address of principal executive offices) (Zip Code)

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Invacare Corporation (the "Company") hereby amends Item 9.01 of its Current Report on Form 8-K filed with the Securities and Exchange Commission on September 9, 2004 (the "Current Report") to include required financial statements and pro forma financial information. In the Current Report disclosing

Edgar Filing: INVACARE CORP - Form 8-K/A

the acquisition of WP Domus GmbH ("Domus") by the Company, the Company indicated that it would amend the Current Report to include such financial statements and pro forma financial information no later than 71 days after the date on which the Current Report was required to be filed. Item 9.01 of the Current Report is hereby amended and restated as follows:

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired

- (i) Report of Independent Auditors
- (ii) Audited Consolidated Balance Sheet as of December 31, 2003;
- (iii) Audited Consolidated Income Statement for the Year ended December 31, 2003;
- (iv) Audited Consolidated Statement of Shareholder's Equity for the Year ended December 31, 2003;
- (v) Audited Consolidated Statement of Cash Flow for the Year ended December 31, 2003;
- (vi) Notes to Audited Consolidated Financial Statements;
- (vii) Consolidated Balance Sheets as of June 30, 2004 and 2003 - Unaudited;
- (viii) Consolidated Income Statements for the Six-Months ended June 30, 2004 and 2003 - Unaudited;
- (ix) Consolidated Statements of Shareholder's Equity for the Six-Months ended June 30, 2004 and 2003 - Unaudited;
- (x) Consolidated Statements of Cash Flow for the Six-Months ended June 30, 2004 and 2003 - Unaudited; and
- (ix) Notes to the Consolidated Financial Statements - Unaudited

(b) Pro Forma Condensed Combined Financial Information - Unaudited

- (i) Pro Forma Condensed Combined Financial Information;
- (ii) Pro Forma Condensed Combined Balance Sheet as of June 30, 2004;
- (iii) Pro Forma Condensed Combined Statement of Earnings for the Six Months Ended June 30, 2004;

Item 9.01 Financial Statements and Exhibits (continued)

(b) Pro Forma Condensed Combined Financial Information - Unaudited (continued)

- (iv) Pro Forma Condensed Combined Statement of Earnings for the Year Ended December 31, 2003; and
- (v) Notes to Pro Forma Condensed Combined Financial Statements - Unaudited

Edgar Filing: INVACARE CORP - Form 8-K/A

(c) Exhibits

- Exhibit 2.1 Sale and Purchase Agreement Regarding the Sale and Purchase of All Shares in WP Domus GmbH by and among WP Domus LLC, Mr. Peter Schultz and Mr. Wilhelm Kaiser, Invacare GmbH & Co. KG and Invacare Corporation dated as of July 31, 2004.*
- Exhibit 2.2 Guarantee Letter Agreement of Warburg, Pincus Ventures, L.P. and Warburg, Pincus International, L.P. dated as of September 9, 2004.*
- Exhibit 10.1 Bridge Credit Agreement dated as of September 1, 2004 among the Banks named therein, Bank One NA, as Agent and Invacare Corporation.*
- Exhibit 23.1 Consent of Independent Auditors.
- Exhibit 99.1 Press release dated September 9, 2004.*

* Previously filed as an exhibit to the Current Report on Form 8-K of Invacare Corporation filed on September 9, 2004.

SIGNATURES

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

INVACARE CORPORATION

By: /s/ Gregory C. Thompson

Gregory C. Thompson
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: November 24, 2004

Shareholder and Board of Directors
WP Domus GmbH, Munich

We have audited the accompanying consolidated balance sheet of WP Domus GmbH and subsidiaries as of December 31, 2003, and the related consolidated statement of income, shareholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan

Edgar Filing: INVACARE CORP - Form 8-K/A

and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of WP Domus GmbH and subsidiaries as of December 31, 2003, and the consolidated result of their operations and their cash flow for the year then ended in conformity with accounting principles generally accepted in Germany.

Accounting principles generally accepted in Germany vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature of such differences is presented in Note 10.

Ernst & Young AG Wirtschaftsprüfungsgesellschaft
Munich, Germany
November 22, 2004

F-1

WP Domus GmbH, Munich
Consolidated Balance Sheet as of December 31, 2003

ASSETS

- A. FIXED ASSETS
 - I. Intangible assets
 - 1. Franchises, industrial rights and similar rights and assets and licenses in such rights and assets
 - 2. Goodwill
 - II. Property, plant and equipment

Edgar Filing: INVACARE CORP - Form 8-K/A

1. Land, land rights and buildings
including buildings on third-party land
2. Technical equipment and machines
3. Other equipment, furniture and fixtures
4. Payments on account and assets under construction

- III. Financial assets
 1. Investments
 2. Long-term investments

B. CURRENT ASSETS

- I. Inventories
 1. Raw materials, consumables and supplies
 2. Unfinished goods, work in process
 3. Finished goods and merchandise

II. Receivables and other assets

1. Trade receivables
2. Other assets

III. Cash on hand, bank balances and checks

C. PREPAID EXPENSES

F-2

WP Domus GmbH, Munich
Consolidated Balance Sheet as of December 31, 2003 (continued)

EQUITY AND LIABILITIES

- A. EQUITY
 - I. Subscribed capital

Edgar Filing: INVACARE CORP - Form 8-K/A

- II. Capital reserve
- III. Currency translation adjustment
- IV. Accumulated deficit
- V. Minority interest

B. ACCRUALS

- 1. Tax accruals
- 2. Other accruals

C. LIABILITIES

- 1. Liabilities to banks
- 2. Trade payables
- 3. Liabilities to shareholders
- 4. Other liabilities:
 - thereof for taxes: EUR 718,538
 - thereof for social security: EUR 516,496

F-3

WP Domus GmbH, Munich
Consolidated Income Statement for the Year ended December 31, 2003

- 1. Sales
- 2. Increase in finished goods and work in process
- 3. Other operating income

- 4. Cost of materials
 - a) Cost of raw materials, consumables and supplies and of purchased merchandise
 - b) Cost of purchased services
- 5. Personnel expenses
 - a) Wages and salaries
 - b) Social security and other pension costs
- 6. Amortization and depreciation
 - on intangible assets and property, plant and equipment
- 7. Other operating expenses

Edgar Filing: INVACARE CORP - Form 8-K/A

- 8. Other interest and similar income
- 9. Interest and similar expenses
thereof to affiliated companies: EUR 7,523,726

- 10. Result from ordinary activities

- 11. Extraordinary income
- 12. Extraordinary expenses

- 13. Extraordinary result

- 14. Income taxes
- 15. Other taxes

- 16. Consolidated net profit for the year

- 17. Accumulated losses brought forward
- 18. Minority interest share on net profit

- 19. Consolidated accumulated loss

F-4

WP Domus GmbH, Munich
Consolidated Statement of Shareholder's Equity for the Year ended December 31, 2003

	Subscribed Capital	Capital Reserve	Currency Translation Adjustment	Accu- Defi
	EUR	EUR	EUR	EUR
December 31, 2002	100,000	231,481,000	-252,350	-185,
Net income				2,
Currency translation adjustment			-82,106	
Exercise of a call option by minority shareholder				
December 31, 2003	100,000	231,481,000	-334,456	-183,

F-5

WP Domus GmbH, Munich
Consolidated Statement of Cash Flow for the Year ended December 31, 2003

Cash flow from operating activities
 Net income for the year including minorities
 Amortization and depreciation of fixed assets
 Change in provisions
 Accrued interest expenses
 Loss from the disposal of fixed assets
 Changes in inventories, trade receivables
 and other assets that cannot be allocated to
 investing or financing activities
 Changes in trade payables and
 other liabilities that cannot be allocated to
 investing or financing activities

 Cash provided by operating activities

Cash flow from investing activities
 Cash received from disposals of property, plant
 and equipment/intangible assets
 Cash paid for investments in property, plant and
 equipment/intangible assets
 Cash paid for investments in financial assets

 Cash used in investing activities

Cash flow from financing activities
 Cash paid for the redemption of loans

 Cash used in financing activities

 Changes in cash and cash equivalents
 Foreign currency exchange effect on cash
 and cash equivalents

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

The cash provided by operating activities includes interest paid amounting to

Edgar Filing: INVACARE CORP - Form 8-K/A

EUR 4,204,004.

F-6

WP Domus GmbH, Munich
Notes to the Consolidated Financial Statements
Prepared in Accordance with German GAAP
Year ended December 31, 2003

(in thousands of EUR)

1. Description of Business

WP Domus GmbH, Munich (along with its subsidiaries, referred to herein as the "Company") is one of the leading European manufacturers of innovative, high-quality mobility aids and bathroom safety products for elderly and handicapped people. The Company consists primarily of three principal operating subsidiaries (Alber and Aquatec, both based in Germany - and Dolomite, based in Sweden). The Company operates a worldwide network of proprietary sales organizations (Canada, France, Austria and Switzerland) and has dedicated representatives in most other industrialized European countries as well as the United States of America ("USA"). The names of Domus' principal subsidiaries also serve as its key brands.

2. Significant Accounting Policies

A summary of significant accounting policies utilized during the preparation of the accompanying German GAAP consolidated financial statements are as follows:

Accounting Principles

The Company maintains its accounting books and records in domestic currency based on domestic accounting regulations in the countries in which it operates. The consolidated financial statements have been prepared in order to present the Company's consolidated financial position, result of operations, and cash flow in accordance with accounting principles generally accepted in Germany ("German GAAP").

Presented in Note 10 is a reconciliation of the Company's net income and shareholder's equity from that reported under German GAAP to that which would be reported under accounting principles generally accepted in the United States of America ("U.S. GAAP").

Edgar Filing: INVACARE CORP - Form 8-K/A

F-7

Consolidation

The consolidated financial statements include the following entities:

	Percentage
Direct ownership:	
Domus Homecare AG, Munich, Germany	98.2
Shares and Partnership interests held by Domus Homecare AG:	
Alber AG, Spreitenbach, Switzerland	100
Aquatec GmbH & Co. KG, Isny, Germany	100(1)
Dolomite Holding AB, Anderstorp, Sweden	100
Dolomite Home Care Products Inc., Markham, Canada	100
Mobitec Mobilitatshilfen Ges.m.b.H., Mondsee, Austria	100
Mobitec S.a.r.l, Venissieux, France	100
Ulrich Alber GmbH & Co. KG, Albstadt, Germany	100(1)
WP Gesundheits Verwaltungs GmbH, Munich, Germany	100
Dolomite AB, Anderstorp, Sweden	100(2)

(1) Shares held by WP Gesundheits Verwaltungs GmbH and Domus Homecare AG

(2) Shares held by Dolomite Holding AB

The German GAAP consolidation was performed in accordance with Section 301 (1) of HGB whereby the capital consolidation took place for the first time at the time of the initial inclusion in the consolidated financial statements. The differences from capital consolidation are shown under the caption "Goodwill" in the accompanying consolidated balance sheet.

All significant intercompany balances and transactions have been eliminated during consolidation.

Revenue Recognition

The Company recognizes revenue when the product is shipped and provides an appropriate allowance for estimated returns and adjustments.

F-8

Estimates

The preparation of consolidated financial statements in conformity with German GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for uncollectible accounts receivable, the allowance for excess and obsolete inventory, warranty accruals, other provisions, valuation allowances related to deferred tax assets and the recoverability of long-lived assets. Actual results could differ from those estimates.

Edgar Filing: INVACARE CORP - Form 8-K/A

Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and in the Company's bank accounts.

Accounts Receivable

Accounts receivable are valued at the lower of their nominal value or market value at balance sheet date. A specific allowance is established for receivables with recognizable collection risks. Uncollectible receivables are written off as identified. A lump-sum allowance was established as of December 31, 2003 to take into account general default risks and discounts.

The due date for receivables and other assets is less than one year.

Financial assets are recorded at acquisition costs or at lower value as of balance sheet date.

Prepaid Expenses

Prepaid expenses include deferred taxes of EUR 146.

Inventories

Inventories are capitalized based on acquisition cost or manufacturing cost in accordance with the rules of commercial law and tax law, considering the lower of cost or market principle. Costs included in inventories represent material unit costs, material overheads, manufacturing unit cost and manufacturing overhead expenses. For slow moving inventories, appropriate valuation adjustments are recorded. Obsolescence was taken into account on an individual basis by write-downs.

Borrowing Costs

Borrowing costs are expensed as incurred.

F-9

Tangible Assets

Tangible assets are capitalized at the acquisition cost or at manufacturing cost less regular depreciation. Depreciation is carried out using a linear method according to the expected useful life of the assets. Low value items as defined by German law are written off completely in the year of acquisition.

Intangible Assets

Intangible assets with determinable useful lives are amortized using the straight-line method over their estimated period of benefit.

Goodwill arising from the first time consolidation is amortized over a period of fifteen years or valued at a lower value as appropriate at the balance sheet date.

Accruals

Other reserves and accrued liabilities are recorded in an amount which covers

Edgar Filing: INVACARE CORP - Form 8-K/A

all potential losses and uncertain liabilities based upon customary business judgment.

Liabilities

Liabilities are recorded at their respective repayment amount.

Lease Agreements

All lease agreements are accounted for as operating in nature.

Foreign Currencies

Assets and liabilities of foreign operations are translated at the exchange rates prevailing on the balance sheet date.

Realized gains and losses on transactions in foreign currencies are credited or charged to operations as realized. Unrealized losses on transactions in foreign currencies are also charged to operations, although unrealized gains are deferred until realized.

F-10

3. Fixed Assets

The development of fixed assets is shown as follows:

At Cost							
	January 1, 2003 EUR	Difference currency translation EUR	Additions EUR	Disposals EUR	Transfers EUR	December 31, 2003 EUR	D E
I. Intangible assets							
1. Franchises, industrial and similar rights and assets and licenses in such rights and assets	2,644	0	165	65	0	2,744	
2. Goodwill	382,019	0	0	3,420	0	378,599	
	384,663	0	165	3,485	0	381,343	
II. Property, plant & equipment							
1. Land, land rights and buildings including buildings on third-party land	7,028	22	83	10	0	7,123	
2. Technical equipment and machines	3,761	27	582	49	0	4,321	

Edgar Filing: INVACARE CORP - Form 8-K/A

3. Other equipment, furniture and fixtures	12,779	3	1,919	2,366	751	13,086
4. Payments on account and assets under construction	479	0	466	14	-751	180
	24,047	52	3,050	2,439	0	24,710
III. Financial Assets						
1. Investments	1	0	0	0	0	1
2. Long-term investments	5	0	1	0	0	6
	6	0	1	0	0	7
	408,716	52	3,216	5,924	0	406,060

F-11

4. Goodwill

In 2002, Goodwill was written down to EUR 190,000 from EUR 382,019 in order to state it at a lower value as was considered appropriate at the balance sheet date.

5. Subscribed Capital

The Company's subscribed capital has been fully paid in or has been contributed in kind. The shareholder as of December 31, 2003 was:

	EUR	%
WP Domus LLC, U.S.	100,000	100

Subsequent to December 31, 2003, the shareholder entered into an agreement to sell its interest in the Company to Invacare Corporation, USA. This sale was finalized on September 9, 2004.

6. Other Provisions and Accrued Liabilities

Other accruals comprise mainly accruals for management bonus as well as stock options programs (EUR 3,830), warranties (EUR 1,949), for customer bonuses (EUR 1,309) and for vacation not yet taken (EUR 628).

7. Liabilities

The residual terms of the liabilities appear as follows:

total	residual term less than one year	residual term from one to five years

Edgar Filing: INVACARE CORP - Form 8-K/A

	EUR	EUR	EUR
Liabilities to banks	64,741	4,678	60,063
Trade payables	2,831	2,831	0
Liabilities to shareholders	77,302	0	0
Other liabilities	3,454	3,454	0
	-----	-----	-----
	148,328	10,963	60,063
	=====	=====	=====

F-12

Bank loans in the amount of EUR 64,741 are secured. Bank liabilities are guaranteed by the pledge of all fixed assets and part of the current assets. Moreover, the shares or investment in the following fully consolidated companies are pledged: Domus Homecare AG, Munich, WP Gesundheits Verwaltungs GmbH, Munich, Aquatec GmbH & Co. KG, Isny, Ulrich Alber GmbH & Co. KG, Albstadt, Dolomite Holding AB, Anderstorp/Sweden and Dolomite AB, Anderstorp/Sweden.

8. Consolidated Income Statement Data

External Sales - Geographical Markets	EUR

Germany	57,321
Asia	9,344
Sweden	6,676
Canada	5,382
USA	4,902
France	3,848
United Kingdom	3,406
Other	12,066

	102,945
	=====

External Sales - Product Lines	EUR

Bath-lifts	30,679
Power kits for wheelchair drivers	18,500
Auxiliary power kits for care giver	16,822
Walkers	12,882
Shower and toilet aids	6,804
Other	17,258

	102,945
	=====

Personnel Expenses

Personnel expenses included costs resulting from the stock option plans established by Domus Homecare AG, Munich (EUR 3,104).

F-13

Income Taxes

Income taxes include income tax refunds of the German subgroup related to the years 1999 through 2002 amounting to EUR 5,577.

Due to the trustee structure which exists between general partner and limited partner of Aquatec GmbH & Co. KG as well as Ulrich Alber GmbH & Co. KG, the partnerships were not subject to trade tax on income. A similar structure has been reinforced with the legal restructuring of the German subgroup beginning in 2003.

9. Other Disclosures

Litigation

The Company is a defendant in some legal matters arising in the normal course of business. In the opinion of management, after consultation with legal counsel, the ultimate resolution of these matters is not expected to have a material effect on the accompanying consolidated financial statements.

Other Financial Commitments

Other financial commitments amount to EUR 10,844. They include rental expenses of EUR 9,600 and leasing liabilities of EUR 1,244.

Employees

The average number of employees was: production (206), distribution (113), administration (63) and technical (36). The total average number of employees was 418.

Management

The Company's management at December 31, 2003 was Timothy Curt. On September 9, 2004, James Lawson and Franz Krammer replaced Timothy Curt and were granted sole power of attorney.

Munich, November 22, 2004

General Manager

F-14

10. Reconciliation to U.S. GAAP

The consolidated financial statements of the Company have been prepared in accordance with German GAAP, which differ in certain aspects from U.S. GAAP. The application of U.S. GAAP would have affected the consolidated result of operations for the year ended December 31, 2003 and the consolidated balance sheet as of December 31, 2003 to the extent described below.

Edgar Filing: INVACARE CORP - Form 8-K/A

A reconciliation of net income from German GAAP to U.S. GAAP is as follows (in thousands of EUR):

Net income as reported in the consolidated financial statements under German GAAP

U.S. GAAP reconciling adjustments:

Goodwill	(a)
Intangible assets	(a)
Deferred financing costs	(b)
Employee stock compensation	(c)
Inventoried costs	(d)
Allowance for doubtful accounts receivable	(e)
Reserve for excess and obsolete inventories	(f)
Call option - financing arrangement / minority interest	(g)
Accrued expenses	(h)
Warranty expense	(h)
Building lease	(i)
Property and equipment (fixed assets)	(j)
Derivative instruments	(k)
Deferred income taxes	(l)

Subtotal of reconciling adjustments

Net income in accordance with U.S. GAAP

F-15

A reconciliation of shareholder's equity from German GAAP to U.S. GAAP is as follows (in thousands of EUR):

Shareholder's equity as reported in the consolidated financial statements under German GAAP

U.S. GAAP reconciling adjustments

Goodwill	(a)
Intangible assets	(a)
Deferred financing costs	(b)
Employee stock compensation	(c)
Inventoried costs	(d)
Allowance for doubtful accounts receivable	(e)
Reserve for excess and obsolete inventories	(f)
Call option - financing arrangement / minority interest	(g)
Accrued expenses	(h)
Warranty expense	(h)
Building lease	(i)
Property and equipment (fixed assets)	(j)
Derivative instruments	(k)
Deferred income taxes	(l)

Edgar Filing: INVACARE CORP - Form 8-K/A

Subtotal of reconciling adjustments

Shareholder's equity in accordance with U.S. GAAP

Changes in shareholder's equity in accordance with U.S. GAAP (in thousands of EUR):

	2003
Shareholder's equity in accordance with U.S. GAAP, on January 1	(47,092)
Net income in accordance with U.S. GAAP	8,726
Other comprehensive income:	
Foreign currency translation adjustment	(82)
Shareholder's equity in accordance with U.S. GAAP, on December 31	(38,448)

F-16

A description of the reconciling adjustments is as follows:

(a) Goodwill and Intangible Assets

In December 1997, 100% of the Company was acquired by certain Warburg, Pincus Ventures entities. The acquisition was financed through a combination of debt and equity. Under German GAAP, no amounts were allocated to intangible assets and the resulting goodwill was amortized over a fifteen year period. The reconciling adjustment in net income under goodwill of EUR 13,445 represents the amortization expense and was reversed for U.S. GAAP purposes.

Under U.S. GAAP, the business combination would have been accounted for under the purchase method of accounting as defined in Accounting Principles Board Opinion ("APB") No. 16, Accounting for Business Combinations, the then authoritative literature for business combinations. The cost of acquired entities at the date of acquisition would have been allocated to identifiable tangible and intangible net assets and the excess of the total purchase price over the amounts assigned to identifiable net assets was recorded as goodwill. In 2001, the Company would have changed its accounting with respect to the resulting goodwill and intangible assets pursuant to the guidance of Statement of Financial Accounting Standards ("SFAS") No. 142, Accounting for Goodwill and Other Intangible Assets.

Intangible assets for U.S. GAAP purposes consist primarily of business and product trademarks, trade names, developed technology and customer relationships. Intangible assets are amortized on a straight-line basis over their estimated useful lives which are summarized as follows (in thousands of EUR and years):

	Estimated Useful Life	December 31, 2003
Business trademark and trade names	Indefinite	7,429
Product trademark and trade names	Indefinite	1,857

Edgar Filing: INVACARE CORP - Form 8-K/A

Developed technology	10 - 20	2,026
Customer relationships	10 - 15	13,259
Goodwill	Indefinite	65,532

Goodwill represents the excess of consideration paid over the fair value of net assets acquired in purchase business combinations and, subsequent to the adoption of SFAS No. 142 in 2001, would not be amortized under U.S. GAAP. The reconciling adjustment of EUR (2,394) in net income represents the amortization of the intangibles with finite lives under U.S. GAAP.

In accordance with SFAS No. 142, the Company evaluates the amortization period for intangible assets with finite lives to determine whether events or circumstances warranted revised amortization periods. Additionally, goodwill and indefinite-lived intangible assets are tested for impairment. Management has concluded that there is no need for changes in the finite lives assigned to the intangibles nor impairment in goodwill or the intangibles assets.

F-17

(b) Deferred Financing Costs

According to APB No. 21, Interest on Receivables and Payables, the direct costs incurred to secure a credit facility should be reported as deferred financing costs. Under U.S. GAAP, the Company capitalized the direct costs relating to the issuance of their senior credit facility and began amortizing these costs at the end of 2002 over the life of the debt instrument which is six years. Under German GAAP, the costs were expensed as incurred in 2002.

(c) Employee Stock Compensation

Under U.S. GAAP, the Company accounts for options under its stock-based compensation plans using the intrinsic value method provided by APB No. 25, Accounting for Stock Issued to Employees, and related interpretations. The Company has two stock based compensation plans. For one of those plans, the grants made in 2003 were less than the estimated fair value at the date of the grant and accordingly compensation cost was recognized for the differences between the fair market value less the exercise price of the underlying shares that vested in 2003. The other stock based compensation plan is a variable plan and during 2003 the performance criterion under this plan was met for the first time. Compensation expense was recognized accordingly.

Under German GAAP, the compensation expense recorded was based on a conservative calculation. The excess expense is reversed for U.S. GAAP purposes to reflect the appropriate compensation expense under APB No. 25.

In connection with the purchase of the Company by the Invacare Corporation in September of 2004, the stock based compensation plans were terminated and vested options were repurchased from the respective employees.

(d) Inventoried Costs

Accounting Research Bulletin ("ARB") No. 43, Restatement and Revision of Accounting Research Bulletins provides that general and administrative costs should be included in inventories if they are clearly related to production. Under German GAAP, such expenses were not fully capitalized.

F-18

(e) Allowance for Doubtful Accounts Receivable

Under German GAAP, general reserves for accounts receivable are calculated as a percent of accounts receivable and specific reserves for known collection issues related to specific transactions or customer balances are also recorded. While the specific reserves recorded in the German GAAP financial statements do not reflect a difference in accounting between German GAAP and U.S. GAAP, the general reserves recorded by the Company were not supportable by historical bad debt write-offs, and thus do not meet the criteria for measurement and recording under U.S. GAAP.

(f) Reserve for Excess and Obsolete Inventories

Under German GAAP, obsolete and excess inventory reserves are recorded on a conservative basis. The reserves have been adjusted for U.S. GAAP reporting based on historical experience which resulted in a reduction of the reserve amounts recorded.

(g) Call Option - Financing Arrangement / Minority Interest

During 1999, the Company entered into a financing arrangement with Deutsche Bank Luxembourg S.A., Luxembourg ("Deutsche Bank"). In connection with that financing arrangement, a call option was provided to Deutsche Bank. The option provided Deutsche Bank the right to purchase 1.8% of the stated share capital of Domus Homecare (a Company subsidiary), upon certain events, one of which being the repayment of financing obligations. This option was exercised in 2003 and the Company thus sold 140,400 shares of Domus Homecare to Deutsche Bank at EUR 1 per share.

Under U.S. GAAP, this derivative instrument would be considered an extension of the initial financing arrangement and the difference between the exercise price of the option and the estimated fair market value of the Domus Homecare per share value was recorded as a liability over the vesting period (the term of the borrowing). Because this cost was expensed entirely in the 2003 German GAAP financial statements, costs related primarily to years prior to 2003 have been reflected as a U.S. GAAP reconciling adjustment. When legal share transfer occurred in 2003, the aggregate amount paid by Deutsche Bank of EUR 140 plus the previously accrued amount of EUR 421 were reclassified to minority interest reflecting the amount paid for the minority ownership interest.

The primary component of the reconciliation adjustment related to minority interest as of December 31, 2003 is due to the fact that German GAAP recognizes minority interest as a proportion of the net fair value of

Edgar Filing: INVACARE CORP - Form 8-K/A

acquired assets and liabilities, while U.S. GAAP values minority interest at its historical book value (cost plus historical proportions of earnings).

F-19

(h) Accrued Expenses (including Warranty Expense)

Under German GAAP, accruals are normally recorded at the high-end of the possible loss range when no estimate within the range is more identifiable than any other amount. Under U.S. GAAP, the minimum amount within a range should be accrued when the liability is probable in nature, can be reasonably estimated and no specific amount within the range is more accurate than another.

(i) Building Lease

The Company entered into a lease agreement for building and land in February 2003, which was accounted for as an operating lease under German GAAP. This lease met the criteria of a capital lease in accordance with SFAS No. 13, Accounting for Leases, and therefore, the building and land were recorded as assets under U.S. GAAP. Since the land component at the inception date represented less than 25% of the total fair value of the real property subject to the lease, the lease was treated as a single unit with the estimated economic life being the life of the building (lease term 15 years). Interest expense has been calculated using an effective annual interest rate of 6% per annum.

(j) Property and Equipment (Fixed Assets)

Differences between German GAAP and U.S. GAAP relate to both the method of depreciating assets and also the related useful lives. Under German GAAP, the Company depreciated certain buildings under an accelerated method (in prior periods) over a useful life of 25 years. Under U.S. GAAP, the straight line method of depreciation would have been used and a useful life of 40 years applied. Other than buildings, the straight line method of depreciation was applied to all of the remaining property and equipment under German GAAP and U.S. GAAP. German GAAP useful lives approximate U.S. GAAP useful lives, except for buildings as mentioned above and also land improvements (German GAAP 20 years vs. U.S. GAAP 10 years).

F-20

(k) Derivative Instruments

Derivative financial instruments are utilized by the Company to manage its exposure to fluctuations in interest rates. Derivative instruments used by the Company are straightforward, non leveraged instruments. Such financial instruments are not bought and sold for trading purposes. The risk of credit loss is deemed to be remote, because the counterparties to these instruments are major international financial institutions with strong credit ratings and because of the limited positions entered into by the Company with any one institution. All derivatives, whether designated as qualifying for hedge accounting treatment or not, are recorded on the balance sheet at fair value.

The Company entered into various interest rate derivatives with Deutsche Bank on September 2001 which expired on December 31, 2003 and an interest rate cap agreement with the Bank of Nova Scotia on June 27, 2003 which expires on December 31, 2005. The Deutsche Bank derivatives related to the previous borrowing that was replaced with a senior credit facility entered into in December 2002. The interest rate cap with the Bank of Nova Scotia covers a portion of the interest paid on the new credit facility.

The primary reason for the reconciling adjustment for derivative instruments is because German GAAP does not require balance sheet fair value presentation for gain positions.

(l) Deferred Income Taxes

Under U.S. GAAP, the Company computes and records income tax in accordance with SFAS No. 109, Accounting for Income Taxes. Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

The reconciling adjustments related to deferred taxes are primarily due to the fact that deferred tax assets on loss carryforwards and deferred tax liabilities on goodwill and intangibles were not recorded or necessary according to German GAAP.

Edgar Filing: INVACARE CORP - Form 8-K/A

F-21

WP Domus GmbH, Munich
 Consolidated Balance Sheets as of June 30, 2004 and 2003
 Unaudited

A S S E T S	2004 EUR
<hr/>	
A. FIXED ASSETS	
I. Intangible assets	
1. Franchises, industrial rights and similar rights and assets and licenses in such rights and assets	397,754
2. Goodwill	166,476,190
	<hr/>
	166,873,944
II. Property, plant and equipment	
1. Land, land rights and buildings including buildings on third-party land	3,725,261
2. Technical equipment and machines	319,976
3. Other equipment, furniture and fixtures	3,450,381
4. Payments on account and assets under construction	150,131
	<hr/>
	7,645,749
III. Financial assets	
1. Investments	1,859
2. Long-term investments	4,975
	<hr/>
	6,834
	<hr/>
	174,526,527
B. CURRENT ASSETS	
I. Inventories	
1. Raw materials, consumables and supplies	2,482,341
2. Unfinished goods, work in process	401,076
3. Finished goods and merchandise	2,613,548
	<hr/>
	5,496,965
	<hr/>
II. Receivables and other assets	
1. Trade receivables	9,526,784
2. Other assets	872,107
	<hr/>
	10,398,891
III. Cash on hand, bank balances and checks	2,150,195
	<hr/>
	18,046,051
C. PREPAID EXPENSES	393,972
	<hr/>
	192,966,550
	<hr/> <hr/>

F-22

WP Domus GmbH, Munich
 Consolidated Balance Sheets as of June 30, 2004 and 2003
 Unaudited

	2004 EUR

E Q U I T Y A N D L I A B I L I T I E S	
A. EQUITY	
I. Subscribed capital	100,000
II. Capital reserve	231,481,000
III. Currency translation adjustment	-292,990
IV. Retained earnings	-183,486,359
V. Minority interest	-2,409,658

	45,391,993
B. ACCRUALS	
1. Tax accruals	821,366
2. Other accruals	10,112,739

	10,934,105
C. LIABILITIES	
1. Liabilities to banks	52,175,119
2. Trade payables	4,147,509
3. Liabilities to shareholders	77,301,772
4. Other liabilities	3,016,052
thereof for taxes: EUR 869,095	
(prior year: EUR 1,003,893)	
thereof for social security: EUR 670,656	
(prior year: EUR 671,789)	

	136,640,452

	192,966,550
	=====

F-23

WP Domus GmbH, Munich
Consolidated Income Statements for Six-Months ended June 30, 2004 and 2003
Unaudited

	2004 EUR

1. Sales	45,828,049
2. Increase in finished goods and work in process	750,139
3. Other operating income	385,672

	46,963,860
4. Cost of materials	
a) Cost of raw materials, consumables and supplies and of purchased merchandise	-18,669,295
b) Cost of purchased services	-241,049

Edgar Filing: INVACARE CORP - Form 8-K/A

5.	Personnel expenses	
	a) Wages and salaries	-9,391,229
	b) Social security and other pension costs	-1,822,239
6.	Amortization and depreciation on intangible assets and property, plant and equipment	-8,075,706
7.	Other operating expenses	-6,557,623

		-44,757,141
8.	Other interest and similar income	19,431
9.	Interest and similar expenses thereof to affiliated companies: EUR 0 (prior year: EUR -4,175,265)	-1,355,456

		-1,336,025

10.	Result from ordinary activities	870,694

11.	Income taxes	-711,981
12.	Other taxes	-26,057

		-738,038
13.	Consolidated net profit/loss for the period	132,656

14.	Accumulated losses brought forward	-183,560,009
15.	Minority interest share on net profit	-59,006

16.	Consolidated accumulated losses	-183,486,359
		=====

F-24

WP Domus GmbH, Munich
Consolidated Statements of Shareholder's Equity for Six-Months ended June 30, 2004 and 2003
Unaudited

	Subscribed Capital	Capital Reserve	Currency Translation Adjustment	Accumulated Deficit
	EUR	EUR	EUR	EUR
December 31, 2003	100,000	231,481,000	-334,456	-183,560,009
Net income				73,650
Currency translation adjustments			41,466	
June 30, 2004	100,000	231,481,000	-292,990	-183,486,359
	=====	=====	=====	=====

Edgar Filing: INVACARE CORP - Form 8-K/A

	Subscribed Capital	Capital Reserve	Currency Translation Adjustment	Accumul Deficit
	EUR	EUR	EUR	EUR
December 31, 2002	100,000	231,481,000	-252,350	-185,594,106
Net income				-1,948,714
Currency translation adjustments			25,106	
June 30, 2003	100,000	231,481,000	-227,244	-187,542,820

F-25

WP Domus GmbH, Munich
Consolidated Cash Flow Statements for Six-Months ended June 30, 2004 and 2003
Unaudited

	2004 EUR	2003 EUR
Cash flow from operating activities		
Net income for the year including minorities	132,656	-1,948,714
Amortization and depreciation of fixed assets	8,075,706	8,451,000
Change in provisions	1,858,354	-7,079,000
Accrued interest expenses	0	4,175,000
Gain / loss from the disposal of fixed assets	-4,712	51,000
Changes in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	-3,369,192	-2,836,000
Changes in trade payables and other liabilities that cannot be allocated to investing or financing activities	886,091	-93,000
Cash provided by operating activities	7,578,903	720,000
Cash flow from investing activities		
Cash received from disposals of property, plant and equipment/intangible assets	58,086	84,000
Cash paid for investments in property, plant and equipment/intangible assets	-640,684	-1,885,000
Cash paid for investments in financial assets	-1,308	
Cash received from the sale of shares in subsidiaries	40,000	
Cash used in investing activities	-543,906	-1,801,000
Cash flow from financing activities		
Cash paid for the redemption of loans	-12,500,430	-4,016,000
Cash used in financing activities	-12,500,430	-4,016,000

Edgar Filing: INVACARE CORP - Form 8-K/A

Changes in cash and cash equivalents	-5,465,433	-5,097
Foreign currency exchange effect on cash and cash equivalents	-2,224	
Cash and cash equivalents at the beginning of the period	7,617,852	7,536
	-----	-----
Cash and cash equivalents at the end of the period	2,150,195	2,439
	=====	=====

F-26

WP Domus GmbH, Munich
 Note to the Consolidated Financial Statements
 Unaudited

1. Reconciliation to U.S. GAAP

The consolidated financial statements of WP Domus GmbH ("Domus" or the "Company") have been prepared in accordance with accounting principles generally accepted in Germany ("German GAAP"), which differ in certain aspects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). The application of U.S. GAAP would have affected the consolidated results of operations for the six months ended June 30, 2004 and 2003 and the consolidated balance sheet as of June 30, 2004 and 2003 to the extent described below.

A reconciliation of net income from German GAAP to U.S. GAAP is as follows (in thousands of EUR):

	June 30 2004

Net income / (net loss) as reported in the consolidated financial statements under German GAAP	1
U.S. GAAP reconciling adjustments:	
Goodwill	(a) 6,6
Intangible assets	(a) (1,1
Deferred financing costs	(b) (3
Employee stock compensation	(c) (1,1
Inventoried costs	(d)
Allowance for doubtful accounts receivable	(e)
Reserve for excess and obsolete inventories	(f) 3
Call option - financing arrangement / minority interest	(g)
Accrued expenses	(h) (1
Warranty expense	(h)
Building lease	(i)
Property and equipment (fixed assets)	(j)
Derivative instruments	(k)
Deferred income taxes	(l) (1,6

Subtotal of reconciling adjustments	2,5

Net income in accordance with U.S. GAAP	2,6
	=====

F-27

A reconciliation of shareholder's equity from German GAAP to U.S. GAAP is as follows (in thousands of EUR):

	June 30, 2004

Shareholder's equity as reported in the consolidated financial statements under German GAAP	45
U.S. GAAP reconciling adjustments	
Goodwill	(a) (104)
Intangible assets	(a) 23
Deferred financing costs	(b) 2
Employee stock compensation	(c)
Inventoried costs	(d)
Allowance for doubtful accounts receivable	(e)
Reserve for excess and obsolete inventories	(f)
Call option - financing arrangement / minority interest	(g)
Accrued expenses	(h)
Warranty expense	(h)
Building lease	(i)
Property and equipment (fixed assets)	(j) 1
Derivative instruments	(k)
Deferred income taxes	(l) (5)

	(81)

Shareholder's equity in accordance with U.S. GAAP	(35)
	=====

F-28

A description of the reconciling adjustments is as follows:

(a) Goodwill and Intangible Assets

In December 1997, 100% of the Company was acquired by certain Warburg, Pincus Ventures entities. The acquisition was financed through a combination of debt and equity. Under German GAAP, no amounts were allocated to intangible assets

Edgar Filing: INVACARE CORP - Form 8-K/A

and the resulting goodwill was amortized over a fifteen year period. The reconciling adjustments in net income under goodwill of EUR 6,659 for the six-month period ended June 30, 2004 and EUR 6,786 for the six-month period ended June 30, 2003 represent the amortization expense and were reversed for U.S. GAAP purposes.

Under U.S. GAAP, the business combination would have been accounted for under the purchase method of accounting as defined in Accounting Principles Board Opinion ("APB") No. 16, Accounting for Business Combinations, the then authoritative literature for business combinations. The cost of acquired entities at the date of acquisition would have been allocated to identifiable tangible and intangible net assets and the excess of the total purchase price over the amounts assigned to identifiable net assets would have been recorded as goodwill. In 2001, the Company would have changed its accounting with respect to the resulting goodwill and intangible assets pursuant to the guidance of Statement of Financial Accounting Standards ("SFAS") No. 142, Accounting for Goodwill and Other Intangible Assets.

Intangible assets for U.S. GAAP purposes consist primarily of business and product trademarks, trade names, developed technology and customer relationships.

Goodwill represents the excess of consideration paid over the fair value of net assets acquired in purchase business combinations and, subsequent to the adoption of SFAS No. 142 in 2001, would not be amortized under U.S. GAAP. The reconciling adjustments in net income of EUR (1,197) for the six-month period ended June 30, 2004 and EUR (1,197) for the six-month period ended June 30, 2003 represent the amortization of the intangibles with finite lives under U.S. GAAP.

(b) Deferred Financing Costs

According to APB No. 21, Interest on Receivables and Payables, the direct costs incurred to secure a credit facility should be reported as deferred financing costs. Under U.S. GAAP, the Company capitalized the direct costs relating to the issuance of its senior credit facility and began amortizing these costs at the end of 2002 over the life of the debt instrument, which is six years. Under German GAAP, the costs were expensed as incurred in 2002.

F-29

(c) Employee Stock Compensation

Under German GAAP, stock-based compensation costs are recorded on a conservative basis once the plans are in-the-money.

Under U.S. GAAP, the Company accounts for options under its stock-based compensation plans using the intrinsic value method provided by APB No. 25, Accounting for Stock Issued to Employees, and related interpretations.

In connection with the purchase of the Company by the Invacare Corporation in September of 2004, the stock based compensation plans were terminated and vested options were repurchased from the respective employees.

Edgar Filing: INVACARE CORP - Form 8-K/A

(d) Inventoried Costs

Accounting Research Bulletin ("ARB") No. 43, Restatement and Revision of Accounting Research Bulletins provides that, under U.S. GAAP, general and administrative costs should be included in inventories if they are clearly related to production. Under German GAAP, such expenses were not fully capitalized.

(e) Allowance for Doubtful Accounts Receivable

Under German GAAP, general reserves for accounts receivable are calculated as a percent of accounts receivable and specific reserves for known collection issues related to specific transactions or customer balances are also recorded. While the specific reserves recorded in the German GAAP financial statements do not reflect a difference in accounting between German GAAP and U.S. GAAP, the general reserves recorded by the Company were not supportable by historical bad debt write-offs, and thus do not meet the criteria for measurement and recording under U.S. GAAP.

(f) Reserve for Excess and Obsolete Inventories

Under German GAAP, obsolete and excess inventory reserves are recorded on a conservative basis. The reserves have been adjusted for U.S. GAAP reporting based on historical experience which resulted in a reduction of the reserve amounts recorded.

F-30

(g) Call Option - Financing Arrangement / Minority Interest

During 1999, the Company entered into a financing arrangement with Deutsche Bank Luxembourg S.A., Luxembourg ("Deutsche Bank"). In connection with that financing arrangement, a call option was provided to Deutsche Bank. The option provided Deutsche Bank the right to purchase 1.8% of the stated share capital of Domus Homecare (a Company subsidiary), upon certain events, one of which being the repayment of financing obligations. This option was exercised in 2003 and the Company thus sold 140,400 shares of Domus Homecare to Deutsche Bank at EUR 1 per share.

Under U.S. GAAP, this derivative instrument would be considered an extension of the initial financing arrangement and the difference between the exercise price of the option and the estimated fair market value of the Domus Homecare per share value would have been recorded as a liability over the vesting period (the term of the borrowing). Because this cost was expensed entirely in the 2003 German GAAP financial statements, costs related primarily to years prior to 2003 have been reflected as a U.S. GAAP reconciling adjustment. When legal share transfer occurred in 2003, the aggregate amount paid by Deutsche Bank of EUR 140 plus the previously accrued amount of EUR 421 were reclassified to minority

Edgar Filing: INVACARE CORP - Form 8-K/A

interest reflecting the amount paid for the minority ownership interest.

The reconciliation adjustments related to minority interest as of June 30, 2004 and 2003 are primarily due to the fact that German GAAP recognizes minority interest as a proportion of the net fair value of acquired assets and liabilities, while U.S. GAAP values minority interest at its historical book value (cost plus historical proportions of earnings).

(h) Accrued Expenses (including Warranty Expense)

Under German GAAP, accruals are normally recorded at the high-end of the possible loss range when no estimate within the range is more reasonably identifiable than any other estimate. Under U.S. GAAP, the minimum amount within a range should be accrued when the liability is probable in nature, can be reasonably estimated and no specific amount within the range is more accurate than another.

(i) Building Lease

The Company entered into a lease agreement for a building and land in February 2003, which was accounted for as an operating lease under German GAAP. This lease met the criteria of a capital lease in accordance with SFAS No. 13, Accounting for Leases, and therefore the building and land were recorded as assets under U.S. GAAP. Since the land component, at the inception date, represented less than 25% of the total fair value of the real property subject to the lease, the lease was treated as a single unit with the estimated economic life being the life of the building (lease term 15 years). Interest expense has been calculated using an effective annual interest rate of 6% per annum.

F-31

(j) Property and Equipment (Fixed Assets)

German GAAP and U.S. GAAP differ in both the method of depreciating assets and the related useful lives applied to such assets. Under German GAAP, the Company depreciated certain buildings under an accelerated method in prior periods over a useful life of 25 years. Under U.S. GAAP, the straight line method of depreciation would have been used and a useful life of 40 years applied. The straight line method of depreciation was applied to all of the remaining property and equipment under German GAAP and U.S. GAAP. German GAAP useful lives approximate U.S. GAAP useful lives, except as applied to buildings, as mentioned above, and also land improvements (German GAAP 20 years vs. U.S. GAAP 10 years).

(k) Derivative Instruments

Derivative financial instruments are utilized by the Company to manage its exposure to fluctuations in interest rates. Derivative instruments used by the Company are straightforward, non leveraged instruments. Such financial instruments are not bought and sold for trading purposes. The risk of credit loss is deemed to be remote, because the counterparties to these instruments are major international financial institutions with strong credit ratings and because of the limited positions entered into by the Company with any one institution. All derivatives, whether designated as qualifying for hedge accounting treatment or not, are recorded on the balance sheet at fair value.

Edgar Filing: INVACARE CORP - Form 8-K/A

The Company entered into various interest rate derivatives with Deutsche Bank on September 2001 which expired on December 31, 2003 and an interest rate cap agreement with the Bank of Nova Scotia on June 27, 2003 which expires on December 31, 2005. The Deutsche Bank derivatives related to the previous borrowing that was replaced with a senior credit facility entered into in December 2002. The interest rate cap with the Bank of Nova Scotia covers a portion of the interest paid on the new credit facility.

The primary reason for the reconciling adjustment for derivative instruments is because German GAAP does not require balance sheet fair value presentation for gain positions.

(1) Deferred Income Taxes

Under U.S. GAAP, the Company computes and records income tax in accordance with SFAS No. 109, Accounting for Income Taxes. Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

The reconciling adjustments related to deferred taxes are primarily due to the fact that deferred tax assets on loss carryforwards and deferred tax liabilities on goodwill and intangibles were not recorded or necessary under German GAAP.

F-32

INVACARE CORPORATION AND SUBSIDIARIES Pro Forma Financial Information - (unaudited)

The unaudited pro forma financial information of Invacare Corporation (the "Company") gives effect to the acquisition of WP Domus GmbH ("Domus"). The unaudited pro forma condensed combined balance sheet at June 30, 2004 presents adjustments for the Domus acquisition as if the transaction was completed on June 30, 2004. The unaudited pro forma condensed combined statements of earnings for the six-month period ended June 30, 2004 and the year ended December 31, 2003 present adjustments for the Domus acquisition as if the transaction had been completed on January 1, 2004 and January 1, 2003, respectively. The Domus historical amounts are presented according to accounting principles generally accepted in Germany (German GAAP). Euro balances in the related statements of earnings were translated to U.S. dollars at the average exchange rate for the six-month period ended June 30, 2004 and the year ended December 31, 2003. Balance sheet amounts were translated from Euros to U.S. dollars at the exchange rate at June 30, 2004. Separate pro forma adjustments are reflected for converting the Domus amounts from German GAAP to accounting principles generally accepted in the United States (U.S. GAAP) and for recording certain pro forma and purchase accounting adjustments.

The purchase method of accounting has been used in the preparation of the unaudited pro forma financial information. Therefore, the estimated aggregate purchase price is allocated to assets acquired and liabilities assumed based on fair values. As the purchase price allocation is preliminary, the information presented herein will differ based upon the final purchase price allocation. Upon final determination of possible office closures, sales agency transfers and

Edgar Filing: INVACARE CORP - Form 8-K/A

other consolidation efforts, the purchase price will be allocated to the assets and liabilities acquired based on fair values as of the date of the purchase. The pro forma statements are based on available information and certain assumptions that management believes are reasonable, but are subject to change.

We have made, in our opinion, all adjustments that are necessary to present fairly the pro forma information. The unaudited pro forma financial statements do not purport to represent what the actual results of operations or financial position would have been if the acquisition of Domus as described above had occurred on the dates indicated or to project our results of operations or financial position for any future period.

The following unaudited pro forma financial information should be read in conjunction with:

- (a) Invacare Corporation's consolidated financial statements and notes thereto and management's discussion and analysis for the year ended December 31, 2003 included in Invacare Corporation's Form 10-K for the fiscal year ended December 31, 2003;
- (b) Invacare Corporation's consolidated financial statements and notes thereto and management's discussion and analysis for the six and nine months ended June 30, 2004 and September 30, 2004 included in Invacare Corporation's Form 10-Q for the fiscal quarters ended June 30, 2004 and September 30, 2004;
- (c) WP Domus GmbH audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2003 and the unaudited consolidated financial statements as of and for the six months ended June 30, 2004 and 2003 included under Item 9.01 of this Form 8-K/A.

F-33

INVACARE CORPORATION AND SUBSIDIARIES
Pro Forma Condensed Combined Balance Sheet
at June 30, 2004
Unaudited (U.S. dollars in thousands)

	(1)	(2)	(3)	
	Invacare Historical	Domus Historical	German to U.S. GAAP Adjustments	
	-----	-----	-----	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$6,078	\$2,623	\$ -	
Marketable securities	1,155	-		
Trade receivables, net	262,559	11,617	115	A
Installment receivables, net	6,703	-		
Inventories, net	143,644	6,702	1,294	B
Deferred income taxes	25,499	-	500	C
Other current assets	27,743	1,544	3,486	D
	-----	-----	-----	
TOTAL CURRENT ASSETS	473,381	22,486	5,395	
OTHER ASSETS	56,634	-	12,035	C
OTHER INTANGIBLES	19,988	494	28,502	E

Edgar Filing: INVACARE CORP - Form 8-K/A

PROPERTY AND EQUIPMENT, NET	156,863	9,324	9,054	F G
GOODWILL	436,924	203,001	(123,091)	H
	-----	-----	-----	
TOTAL ASSETS	\$1,143,790	\$235,305	\$(68,105)	
	=====	=====	=====	
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$123,171	\$5,058	\$ -	
Accrued expenses	85,890	16,010	(617)	I
Accrued income taxes	19,284	1,001	1,280	C
Current maturities of long-term obligations	1,863	-	-	
	-----	-----	-----	
TOTAL CURRENT LIABILITIES	230,208	22,069	663	
LONG-TERM DEBT	230,388	157,884	7,575	F
OTHER LONG-TERM OBLIGATIONS	39,113	-	18,008	C
SHAREHOLDERS' EQUITY				
Preferred shares	-	-	-	
Common shares	7,742	122	-	
Class B common shares	278	-	-	
Additional paid-in-capital	116,407	282,268	-	
Retained earnings	508,559	(226,682)	(94,351)	J
Accumulated other comprehensive earnings	44,214	(356)	-	
Unearned compensation on stock awards	(1,982)	-	-	
Treasury shares	(31,137)	-	-	
	-----	-----	-----	
TOTAL SHAREHOLDERS' EQUITY	644,081	55,352	(94,351)	
	-----	-----	-----	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,143,790	\$235,305	\$(68,105)	
	=====	=====	=====	

F-34

INVACARE CORPORATION AND SUBSIDIARIES
Pro Forma Condensed Combined Statement of Earnings
Six Months Ended June 30, 2004
Unaudited
(U.S. dollars in thousands, except per share data)

	(1)	(2)	(3)	
	Invacare Historical	Domus Historical	German to U.S. GAAP Adjustments	
	-----	-----	-----	
Net sales	\$660,631	\$ 56,277	\$ -	
Cost of products sold	465,128	30,682	(655)	T
	-----	-----	-----	
Gross profit	195,503	25,595	655	
Selling, general and administrative expense	144,984	22,989	(4,747)	U
Interest expense	5,054	1,664	289	F
Interest income	(2,274)	(23)	-	
	-----	-----	-----	

Edgar Filing: INVACARE CORP - Form 8-K/A

Earnings before Income Taxes	47,739	965	5,113	
Income taxes	15,515	874	2,040	C
	-----	-----	-----	
NET EARNINGS	\$ 32,224	\$ 91	\$ 3,073	
	=====	=====	=====	
Net Earnings per Share - Basic	\$ 1.04			
	=====			
Weighted Average Shares Outstanding - Basic	31,119			
	=====			
Net Earnings per Share - Assuming Dilution	\$ 1.00			
	=====			
Weighted Average Shares Outstanding - Assuming Dilution	32,259			
	=====			

F-35

INVACARE CORPORATION AND SUBSIDIARIES
Pro Forma Condensed Combined Statement of Earnings
Year Ended December 31, 2003
Unaudited
(U.S. dollars in thousands, except per share data)

	(1)	(2)	(3)	
	Invacare Historical	Domus Historical	German to U.S. GAAP Adjustments	
	-----	-----	-----	
Net sales	\$1,247,176	\$ 116,587	\$ -	
Cost of products sold	872,515	64,885	(243)	T
		-----	-----	
Gross profit	374,661	51,702	243	
Selling, general and administrative expense	262,015	41,470	(12,938)	U
Interest expense	11,710	13,281	367	F
Interest income	(5,473)	(412)	(74)	
	-----	-----	-----	
Earnings before Income Taxes	106,409	(2,637)	12,888	
Income taxes	35,000	(4,940)	5,453	C
	-----	-----	-----	
NET EARNINGS	\$ 71,409	\$ 2,303	\$ 7,435	
	=====	=====	=====	
Net Earnings per Share - Basic	\$ 2.31			
	=====			
Weighted Average Shares Outstanding - Basic	30,862			
	=====			
Net Earnings per Share - Assuming Dilution	\$ 2.25			

Edgar Filing: INVACARE CORP - Form 8-K/A

Weighted Average Shares Outstanding -
Assuming Dilution

=====
31,729
=====

F-36

INVACARE CORPORATION AND SUBSIDIARIES
Notes to Pro Forma
Condensed Combined Financial Statements
Unaudited
(U.S. dollars in thousands, except per share data)

Note 1. Estimated Purchase Price

The estimated purchase price is summarized below:

Cash purchase price	\$230,000
Estimated transaction costs	3,780

Aggregate purchase price	\$233,780
	=====

Note 2. Preliminary Allocation of Purchase Price

Cash	\$ 2,623
Trade receivables	11,732
Inventories	8,896
Deferred income taxes	500
Other current assets	1,543
Other assets	12,035
Other intangibles	69,253
Property and equipment	18,378
Accounts payable	(5,058)
Accrued expenses	(19,256)
Accrued income taxes	(885)
Other long-term obligations	(25,808)

	73,953
Goodwill	159,827

Aggregate purchase price	\$ 233,780
	=====

F-37

Note 3. Pro Forma Statements

The following are descriptions of the various columns of data, labeled, (1) through (4), which have been reflected in the accompanying Unaudited Pro Forma Condensed Combined Balance Sheet and Statements of Earnings:

- (1) Represents Invacare historical financial statements as reported.
- (2) Represents Domus' historical financial statements, reported in Euros as included in pages F-2 to F-32 of this Form 8-K/A for the year ended December 31, 2003 and the six months ended June 30, 2004 and converted to U.S. dollars and Invacare format for purposes of the pro forma financial statements.
- (3) Represents adjustments from German GAAP to U.S. GAAP.
- (4) Represents pro forma adjustments determined in accordance with Regulation S-X and preliminary estimated purchase price allocations.

Note 4. Pro Forma Adjustments

The following are descriptions for the German to U.S. GAAP adjustments and the pro forma purchase accounting and other acquisition related adjustments, labeled (A) through (W), which have been reflected in the accompanying Unaudited Pro Forma Condensed Combined Balance Sheet and Statements of Earnings:

- (A) Adjustment to decrease bad debt reserve for general reserve amounts that are in accordance with German GAAP, but not in accordance with U.S. GAAP based upon historical bad debt write-offs.
- (B) Adjustments to include in inventory costs, which are expensed under German GAAP, but capitalized as part of inventory under U.S. GAAP (\$291) and to record excess and obsolete reserves to balances supportable in accordance with U.S. GAAP (\$1,003).
- (C) Adjustment to record tax effect of German to U.S. GAAP adjustments.
- (D) Adjustment to properly reflect the capitalization of financing costs under U.S. GAAP as costs were expensed under German GAAP.
- (E) Adjustment to record intangible assets associated with the formation of Domus in December 1997 in accordance with U.S. GAAP.
- (F) Adjustment to record building lease accounted for as an operating lease under German GAAP but as a capital lease in accordance with U.S. GAAP.
- (G) Adjustment to accumulated depreciation to reflect useful lives and depreciation methodology in accordance with company policies and U.S. GAAP (\$997).

F-38

Note 4. Pro Forma Adjustments (continued)

Edgar Filing: INVACARE CORP - Form 8-K/A

- (H) Adjustment to record Domus historical goodwill in accordance with U.S. GAAP.
- (I) Adjustment to record accruals, including warranty costs, in accordance with U.S. GAAP.
- (J) Adjustment to record retained earnings impact related to German to U.S. GAAP adjustments.
- (K) Adjustment to record inventories at fair value at date of acquisition.
- (L) Adjustment to write off capitalized financing costs associated with debt extinguished upon acquisition.
- (M) Adjustment to reflect the estimated fair value of other acquired intangibles as follows:

	Fair Value	Useful Life (Years)	Amortization for year ended December 31, 2003
Business			
Trademark / Trade Names	\$ 16,584	Indefinite	\$ -
Product			
Trademark / Trade Names	4,137	Indefinite	-
Developed Technology	3,902	20	181
	1,463	10	136
Customer Relationships	22,193	15	1,374
	20,974	10	1,948
	-----		-----
	\$ 69,253		\$3,639
	=====		=====

- (N) Adjustment to reflect purchase accounting allocations to specific assets and liabilities detailed in Note 2.
- (O) Adjustment to reflect estimated acquisition costs (\$3,780).

Note 4. Pro Forma Adjustments (continued)

- (P) Adjustment to reflect interest expense related to debt incurred to fund

Edgar Filing: INVACARE CORP - Form 8-K/A

acquisition as follows:

	Six Months Ended June 30, 2004	Year Dece 2
	-----	-----
Revolving credit agreement 87,000,000 euro borrowing interest based on borrowing rate on date of acquisition (2.95%) and average EUR to USD conversion rate for the first six months of 2004 and full year 2003	\$1,576	\$2
Bridge credit agreement 103,000,000 euro borrowing - interest based on borrowing rate on date of acquisition (2.81%) and average EUR to USD conversion rate for the first six months of 2004 and full year 2003	1,774	
	-----	-----
	\$3,350	\$
	=====	=====

- (Q) Adjustment to record tax effect of pro forma adjustments.
- (R) Adjustment to reflect debt incurred to fund acquisition.
- (S) Adjustment to eliminate equity at time of acquisition.
- (T) Adjustment to reflect cost of sales in accordance with U.S. GAAP.
- (U) Adjustment to reflect amortization on intangibles and non-recurring stock option plan expense of \$1,149 for the six months ended June 30, 2004 and income of \$1,149 for the year ended December 31, 2003 in accordance with U.S. GAAP.
- (V) Adjustment reflects incremental cost of goods sold associated with the increase in inventories for the fair value write-up in inventories required under purchase accounting.
- (W) Adjustment reflects incremental amortization expense associated with the increase in intangibles for the fair value write-up in intangibles required under purchase accounting.