

INVACARE CORP  
Form 10-Q  
May 07, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2009

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) 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

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One). Large accelerated filer  Accelerated filer  Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of May 4, 2009, the registrant had 31,025,638 Common Shares and 1,109,685 Class B Common Shares outstanding.

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INVACARE CORPORATION

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Part I. FINANCIAL INFORMATION  
 Item 1. Financial Statements.

INVACARE CORPORATION AND SUBSIDIARIES  
 Condensed Consolidated Balance Sheets (unaudited)

	March 31, 2009	December 31, 2008
(In thousands)		
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 28,627	\$ 47,516
Marketable securities	92	72
Trade receivables, net	263,412	266,483
Installment receivables, net	4,055	4,267
Inventories, net	181,498	178,737
Deferred income taxes	1,786	2,051
Other current assets	59,219	51,932
<b>TOTAL CURRENT ASSETS</b>	<b>538,689</b>	<b>551,058</b>
<b>OTHER ASSETS</b>	<b>58,929</b>	<b>60,451</b>
<b>OTHER INTANGIBLES</b>	<b>81,737</b>	<b>84,766</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>136,538</b>	<b>143,512</b>
<b>GOODWILL</b>	<b>471,983</b>	<b>474,686</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,287,876</b>	<b>\$ 1,314,473</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 123,002	\$ 119,633
Accrued expenses	130,998	143,612
Accrued income taxes	1,097	3,054
Short-term debt and current maturities of long-term obligations	34,500	18,699
<b>TOTAL CURRENT LIABILITIES</b>	<b>289,597</b>	<b>284,998</b>
<b>LONG-TERM DEBT</b>	<b>379,441</b>	<b>407,707</b>
<b>OTHER LONG-TERM OBLIGATIONS</b>	<b>89,450</b>	<b>88,826</b>
<b>SHAREHOLDERS' EQUITY</b>		
Preferred shares	-	-
Common shares	8,119	8,119
Class B common shares	278	278
Additional paid-in-capital	216,177	215,279
Retained earnings	308,695	306,698
Accumulated other comprehensive earnings	44,340	50,789
Treasury shares	(48,221)	(48,221)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>529,388</b>	<b>532,942</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,287,876</b>	<b>\$ 1,314,473</b>

See notes to condensed consolidated financial statements.

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

(In thousands except per share data)	Three Months Ended	
	March 31,	
	2009	2008
Net sales	\$ 397,995	\$ 416,278
Cost of products sold	289,527	303,070
Gross profit	108,468	113,208
Selling, general and administrative expense	94,133	97,695
Charge related to restructuring activities	776	511
Interest expense	9,553	10,901
Interest income	(441)	(698)
Earnings before income taxes	4,447	4,799
Income taxes	2,050	2,590
NET EARNINGS	\$ 2,397	\$ 2,209
DIVIDENDS DECLARED PER COMMON SHARE	.0125	.0125
Net earnings per share – basic	\$ 0.08	\$ 0.07
Weighted average shares outstanding - basic	31,931	31,875
Net earnings per share – assuming dilution	\$ 0.08	\$ 0.07
Weighted average shares outstanding - assuming dilution	31,933	31,995

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2009	2008
	(In thousands)	
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 2,397	\$ 2,209
Adjustments to reconcile net earnings to net cash used by operating activities:		
Amortization of convertible debt discount	992	884
Depreciation and amortization	9,728	11,008
Provision for losses on trade and installment receivables	3,804	2,358
Provision for other deferred liabilities	702	750
Benefit for deferred income taxes	(106)	(1,154)
Provision for stock-based compensation	897	665
Loss on disposals of property and equipment	203	111
Changes in operating assets and liabilities:		
Trade receivables	(1,564)	(11,797)
Installment sales contracts, net	(911)	(2,016)
Inventories	(4,612)	(10,030)
Other current assets	(6,349)	(1,251)
Accounts payable	3,952	9,962
Accrued expenses	(11,442)	(18,604)
Other deferred liabilities	(205)	(1,550)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(2,514)</b>	<b>(18,455)</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(3,171)	(6,539)
Proceeds from sale of property and equipment	15	26
Other long term assets	(162)	4,588
Other	(43)	(329)
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	<b>(3,361)</b>	<b>(2,254)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from revolving lines of credit and long-term borrowings	96,243	97,062
Payments on revolving lines of credit and long-term debt and capital lease obligations	(108,678)	(96,571)
Proceeds from exercise of stock options	-	821
Payment of dividends	(400)	(399)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(12,835)</b>	<b>913</b>
Effect of exchange rate changes on cash	(179)	621
Decrease in cash and cash equivalents	(18,889)	(19,175)
Cash and cash equivalents at beginning of period	47,516	62,200
Cash and cash equivalents at end of period	\$ 28,627	\$ 43,025

See notes to condensed consolidated financial statements.





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INVACARE CORPORATION AND SUBSIDIARIES  
Notes to Condensed Consolidated  
Financial Statements  
(Unaudited)  
March 31, 2009

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 our 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 and its wholly owned subsidiaries and includes all adjustments, which were of a normal recurring nature, necessary to present fairly the financial position of the company as March 31, 2009, the results of its operations for the three months ended March 31, 2009 and 2008, respectively, and changes in its cash flows for the three months ended March 31, 2009 and 2008, respectively. Certain foreign subsidiaries, represented by the European segment, are consolidated using a February 28 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. The results of operations for the three months ended March 31, 2009 are not necessarily indicative of the results to be expected for the full year. All significant intercompany transactions are eliminated.

Adoption of new Accounting Standard - On May 9, 2008, the FASB issued FASB Staff Position APB 14-1 (FSP APB 14-1) to provide clarification of the accounting for convertible debt that can be settled in cash upon conversion. FSP APB 14-1 requires separate accounting for the liability and equity components of the convertible debt in a manner that would reflect Invacare's nonconvertible debt borrowing rate. Accordingly, the company had to bifurcate a component of its convertible debt as a component of stockholders' equity (\$59,012,000 as of retrospective adoption date of February 12, 2007) and will accrete the resulting debt discount as interest expense. The company adopted FSP APB 14-1 effective January 1, 2009 and, as a result, reported interest expense increased and net earnings decreased by \$992,000 (\$0.03 per share) and \$884,000 (\$0.03 per share) for the quarters ended March 31, 2009 and 2008, respectively and by \$3,695,000 (\$0.12 per share) and \$2,904,000 (\$0.09 per share) for the years 2008 and 2007, respectively. The cumulative effect on retained earnings as of January 1, 2008, as a result of the adoption of FSP APB 14-1, was a reduction of \$2,904,000. FSP APB 14-1 required retrospective application upon adoption and accordingly, amounts for 2008 and 2007 will be restated in the 2009 financial statements. Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the period ended March 31, 2009 as the adoption of FSP APB 14-1 required the company to restate debt, equity and earnings as a result of the reclassification of convertible debt to equity and associated amortization of the convertible debt discount which is reflected in interest expense.

Reclassifications - Certain segment reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the period ended March 31, 2009 as management changed how it views segment earnings.

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 NA/HME segment sells each of three primary product lines, which includes: standard, rehab and respiratory products. Invacare Supply Group sells distributed product and the Institutional Products Group sells health care furnishings and accessory products. Europe and Asia/Pacific sell the same product lines with the exception of distributed products. Each business segment sells to the home health care, retail and extended care markets.

Invacare distributes numerous lines of branded medical supplies including ostomy, incontinence, diabetic, interals, wound care and urology products as wells as home medical equipment, including aids for daily living. Invacare Supply Group (ISG) also sells through the retail market.

Invacare, operating as Institutional Products Group (IPG), is a manufacturer and distributor of healthcare furnishings including beds, case goods and patient handling equipment for the long-term care markets, specialty clinical recliners for dialysis and oncology clinics and certain other home medical equipment and accessory products.

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The company's Asia/Pacific operations consist of Invacare Australia, which distributes the Invacare range of products which includes: manual and power wheelchairs, lifts, ramps, beds, furniture and pressure care products; Dynamic Controls, a manufacturer of electronic operating components used in power wheelchairs, scooters and other products; Invacare New Zealand, a distributor of a wide range of home medical equipment; and Invacare Asia, which imports and distributes home medical equipment to the Asian markets.

The company's European operations operate as a "common market" company with sales throughout Europe. The European operations currently sell a line of products providing room for growth as Invacare continues to broaden its product line offerings to more closely resemble those of its North American operations.

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.

Earnings (loss) before income tax amounts for 2008 have been restated to reflect the amortization of the convertible debt discount recorded as a result of the company's adoption of FSP APB 14-1. As a result of the restatement, earnings before income taxes decreased by \$884,000 for NA/HME and the consolidated company for the first quarter of 2008. In addition, effective January 1, 2009, segment earnings before income taxes have been changed to reflect how management currently views earnings before income taxes for the segments. Specifically, Asia/Pacific earnings before income taxes now includes profit on intercompany sales with an offsetting adjustment to All Other and NA/HME now includes a greater allocation of interest expense with an offsetting reduction for Europe. The prior year has been reclassified to conform to the current year presentation. The information by segment is as follows (in thousands):

	Three Months Ended March 31,	
	2009	2008
Revenues from external customers		
North America / HME	\$ 186,703	\$ 175,781
Invacare Supply Group	65,313	65,256
Institutional Products Group	22,774	25,297
Europe	108,387	126,003
Asia/Pacific	14,818	23,941
Consolidated	\$ 397,995	\$ 416,278
Intersegment Revenues		
North America / HME	\$ 14,230	\$ 13,077
Invacare Supply Group	91	76
Institutional Products Group	871	655
Europe	1,923	2,956
Asia/Pacific	8,335	8,191
Consolidated	\$ 25,450	\$ 24,955
Charge related to restructuring before income taxes		
North America / HME	\$ 218	\$ 226
Invacare Supply Group	-	-
Institutional Products Group	171	-

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Europe		286		226
Asia/Pacific		101		70
Consolidated	\$	776	\$	522
Earnings (loss) before income taxes				
North America / HME	\$	4,719	\$	2,207
Invacare Supply Group		864		589
Institutional Products Group		2,482		998
Europe		3,600		6,177
Asia/Pacific		275		1,598
All Other *		(7,493)		(6,770)
Consolidated	\$	4,447	\$	4,799

“All Other” consists of un-allocated corporate selling, general and administrative costs, which do not meet the quantitative criteria for determining reportable segments.

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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 (amounts in thousands, except per share amounts).

	Three Months Ended March 31,	
	2009	2008
<b>Basic</b>		
Average common shares outstanding	31,931	31,875
Net earnings	\$ 2,397	\$ 2,209
Net earnings per common share	\$ .08	\$ .07
<b>Diluted</b>		
Average common shares outstanding	31,931	31,875
Stock options and awards	2	120
Average common shares assuming dilution	31,933	31,995
Net earnings	\$ 2,397	\$ 2,209
Net earnings per common share	\$ .08	\$ .07

At March 31, 2009, 4,498,538 shares associated with stock options were excluded from the average common shares assuming dilution for the three months ended March 31, 2009 as they were anti-dilutive. For the three months ended March 31, 2009, the majority of the anti-dilutive shares were granted at exercise prices of \$25.79 which was higher than the average fair market value prices of \$16.56. At March 31, 2008, 2,948,133 shares associated with stock options were excluded from the average common shares assuming dilution for the three months ended March 31, 2008 as they were anti-dilutive. For the three months ended March 31, 2008, 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 \$23.75.

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. 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 North America customers. The DLL agreement provides for direct leasing between DLL and the Invacare customer. The company retains a recourse obligation of \$35,424,000 at March 31, 2009 to DLL for events of default under the contracts, which total \$99,819,000 at March 31, 2009. 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 a recorded a liability of \$831,000 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 providers and long term care facilities located throughout the United States, Australia, Canada, New Zealand and Europe. A significant portion of products sold to dealers, both foreign and domestic, is ultimately funded through government reimbursement

programs such as Medicare and Medicaid. 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.

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Goodwill and Other Intangibles - The change in goodwill reflected on the balance sheet from December 31, 2008 to March 31, 2009 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 \$30,476,000 related to trademarks, which have indefinite lives.

As of March 31, 2009 and December 31, 2008, other intangibles consisted of the following (in thousands):

	March 31, 2009		December 31, 2008	
	Historical Cost	Accumulated Amortization	Historical Cost	Accumulated Amortization
Customer lists	\$ 71,768	\$ 30,171	\$ 72,155	\$ 28,526
Trademarks	30,476	—	30,934	—
License agreements	5,488	4,770	5,494	4,688
Developed technology	6,692	2,061	6,698	1,942
Patents	6,670	4,899	6,761	4,790
Other	8,857	6,313	8,890	6,220
	\$ 129,951	\$ 48,214	\$ 130,932	\$ 46,166

Amortization expense related to other intangibles was \$2,048,000 in the first three months of 2009 and is estimated to be \$8,459,000 in 2010, \$8,080,000 in 2011, \$7,324,000 in 2012, \$6,601,000 in 2013 and \$6,000,000 in 2014.

Accounting for Stock-Based Compensation - The company accounts for share based compensation under the provisions of Statement of Financial Accounting Standard No. 123 (Revised 2004), Share Based Payment ("SFAS 123R"). The company has not made any modifications to the terms of any previously granted options and no changes have been made regarding the valuation methodologies or assumptions used to determine the fair value of options granted since 2005 and the company continues to use a Black-Scholes valuation model. The amounts of stock-based compensation expense recognized were as follows (in thousands):

	Three Months Ended	
	March 31, 2009	2008
Stock-based compensation expense recognized as part of selling, general and administrative expense	\$ 897	\$ 665

The 2009 and 2008 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 and Management Development 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 three months of 2009, the Committee granted 8,858 non-qualified stock options with 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 \$464,000 was recognized related to restricted stock awards in the first three months of 2009 and as of March 31, 2009, outstanding restricted stock awards totaling 200,067 were not yet vested.



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Stock option activity during the three months ended March 31, 2009 was as follows:

	2009	Weighted Average Exercise Price
Options outstanding at January 1	4,910,547	\$ 29.38
Granted	8,858	18.62
Exercised	-	-
Canceled	(350,131)	24.31
Options outstanding at March 31	4,569,274	\$ 29.71
Options price range at March 31	\$ 10.70 to	
	\$ 47.80	
Options exercisable at March 31	3,371,390	
Options available for grant at March 31*	822,380	

\* Options available for grant as of March 31, 2009 are reduced by net restricted stock award activity of 287,263 shares.

The following table summarizes information about stock options outstanding at March 31, 2009:

Exercise Prices	Number Outstanding At 3/31/09	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable At 3/31/09	Weighted Average Exercise Price
10.70 - \$ 16.03	32,822	2.6 years	\$ 12.23	8,680	\$ 16.03
16.31 - \$ 24.43	1,657,280	4.5	\$ 21.93	1,108,860	\$ 21.51
25.13 - \$ 36.40	1,653,884	5.2	\$ 29.03	1,028,562	\$ 30.95
37.70 - \$ 47.80	1,225,288	5.5	\$ 41.61	1,225,288	\$ 41.61
Total	4,569,274	5.0	\$ 29.71	3,371,390	\$ 31.68

When stock options are awarded, they generally 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 assumptions for expected dividend yield, expected stock price volatility, risk-free interest rate and expected life. 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 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 March 31, 2009, there was \$11,357,000 of total unrecognized compensation cost from stock-based compensation arrangements granted under the company's plans, which is related to non-vested options and shares, and includes \$3,936,000 related to restricted stock awards. The company expects the compensation expense to be recognized over approximately four years.

Warranty Costs - Generally, the company's products are covered by warranties against defects in material and workmanship for various periods depending on the product from the date of sale to the customer. Certain components carry a lifetime warranty. A provision for estimated warranty cost is recorded at the time of sale based upon actual experience. 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 based on other events were necessary in the first three months of 2009.

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

Balance as of January 1, 2009	\$ 16,798
Warranties provided during the period	3,306
Settlements made during the period	(2,719)
Changes in liability for pre-existing warranties during the period, including expirations	881
Balance as of March 31, 2009	\$ 18,266

Charges 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 four 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 positions, which resulted in restructuring charges of \$776,000 and \$522,000 incurred in the first three months of 2009 and 2008, respectively, of which \$0 and \$11,000, 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 March 31, 2009 during 2009.

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

	Severance	Product Line Discontinuance	Contract Terminations	Other	Total
January 1, 2006 Balance					
NA/HME	\$ 2,130	\$ —	\$ —	\$ —	2,130
ISG	112	—	165	—	277
Europe	799	—	—	—	799
Asia/Pacific	63	—	—	—	63
Total	\$ 3,104	\$ —	165	\$ —	3,269
Accruals					
NA/HME	5,549	2,719	1,346	—	9,614
ISG	457	552	—	—	1,009
IPG	38	—	—	—	38
Europe	5,208	455	—	2,995	8,658
Asia/Pacific	621	557	745	8	1,931
Total	\$ 11,873	\$ 4,283	\$ 2,091	\$ 3,003	\$ 21,250

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Payments					
NA/HME	(6,320)	(682)	(789)	—	(7,791)
ISG	(403)	(552)	(165)	—	(1,120)
IPG	(38)	—	—	—	(38)
Europe	(2,273)	(455)	—	(2,995)	(5,723)
Asia/Pacific	(684)	(557)	(623)	(8)	(1,872)
Total	\$ (9,718)	\$ (2,246)	\$ (1,577)	\$ (3,003)	\$ (16,544)

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	Severance	Product Line Discontinuance	Contract Terminations	Other	Total
December 31, 2006 Balance					
NA/HME	1,359	2,037	557	—	3,953
ISG	166	—	—	—	166
Europe	3,734	—	—	—	3,734
Asia/Pacific	—	—	122	—	122
Total	\$ 5,259	\$ 2,037	\$ 679	\$ —	\$ 7,975
Accruals					
NA/HME	3,705	178	(19)	—	3,864
ISG	67	—	—	—	67
IPG	19	—	98	55	172
Europe	862	386	—	3,247	4,495
Asia/Pacific	1,258	1,253	299	—	2,810
Total	\$ 5,911	\$ 1,817	\$ 378	\$ 3,302	\$ 11,408
Payments					
NA/HME	(4,362)	(2,183)	(172)	—	(6,717)
ISG	(228)	—	—	—	(228)
IPG	(19)	—	(98)	(55)	(172)
Europe	(4,591)	(386)	—	(3,202)	