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# Growth

INVACARE CORPORATION 2002 SUMMARY REPORT

ready, set  
**grow!**

Invacare is in position  
to accelerate growth

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**what's inside:**

The Storm TDX:  
Tomorrow's  
power chair today

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Financial strength  
fuels potential

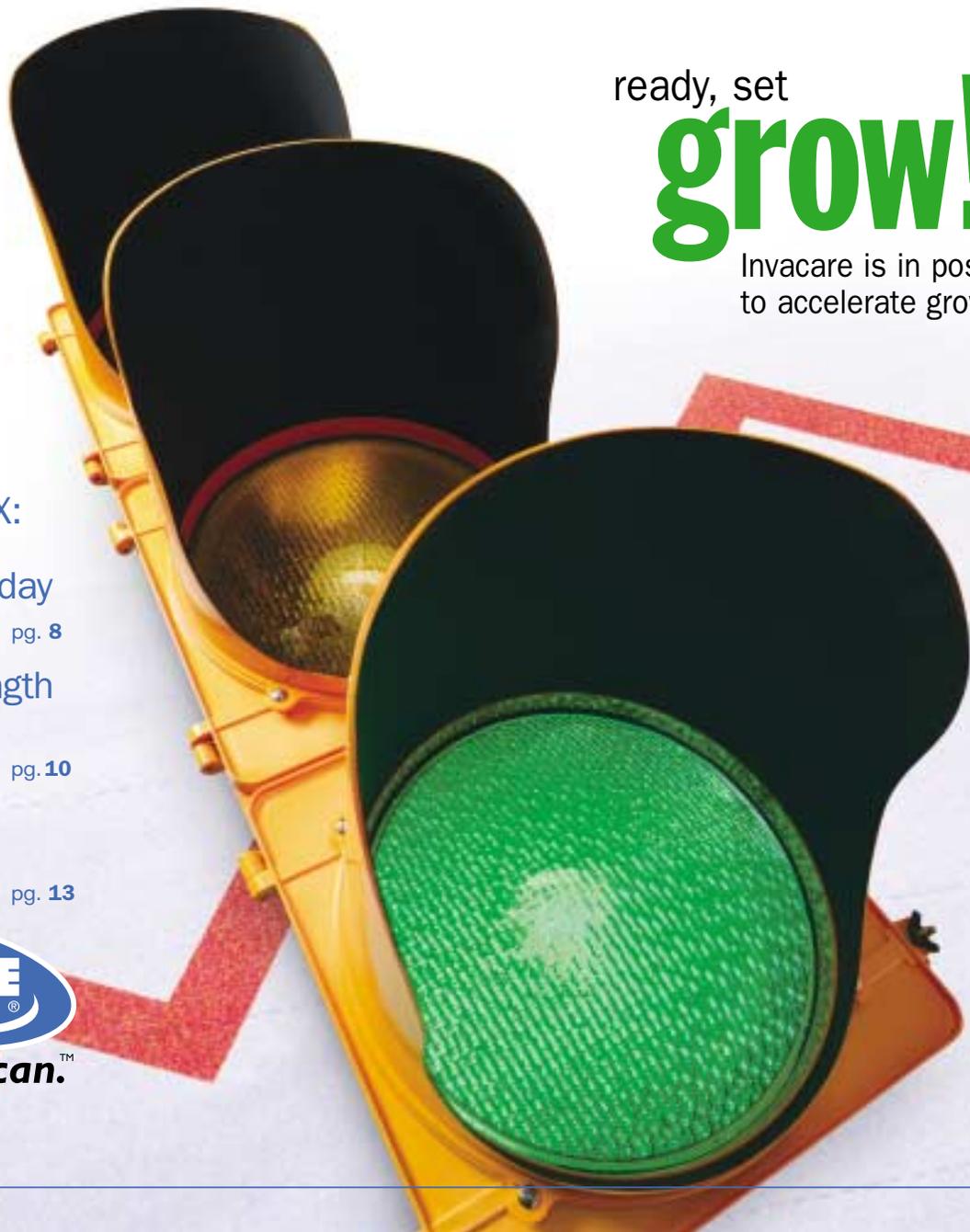
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Building the  
Invacare brand

pg. 13



**Yes, you can.™**



Invacare is the global leader in the design, manufacture and distribution of high-quality, innovative home healthcare products that promote recovery and active lifestyles. The statement "Yes, you can" conveys the Invacare brand promise and expresses our commitment to partner with our customers in achieving challenging goals.

# Growth

INVACARE CORPORATION 2002 SUMMARY REPORT

## financial highlights

	Twelve Months Ended December 31,		
(Dollars in thousands, except per share data)	2002	2001	% Change
Net Sales	\$ 1,089,161	\$ 1,053,639	3.4%
Net Earnings	64,770	35,190*	84.1
Net Earnings per Share – Assuming Dilution	2.05	1.11*	84.7
Dividends per Common Share	0.05	0.05	–
Total Assets	906,703	914,537	-0.9
Working Capital	231,359	260,948	-11.3
Total Debt	238,518	350,417	-31.9
Shareholders' Equity	480,312	381,550	25.9
Free Cash Flow**	107,691	77,868	38.3
Total Debt to Capitalization	33.2%	47.9%	-30.7

\* Including the non-recurring and unusual charge of \$31,950 (\$25,250 or \$0.80 diluted per share after tax) recorded in 2001.

\*\* Free cash flow is defined as the sum of net earnings, depreciation and increases in payables less capital expenditures, dividend payments and increases in receivables and inventories.

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## letter to shareholders

Gerald B. Blouch, President and Chief Operating Officer  
A. Malachi Mixon, III, Chairman and Chief Executive Officer



### Dear Fellow Shareholders:

Despite a challenging business environment, Invacare achieved a 3% increase in net sales and a 7% increase in earnings per share for 2002, excluding the impact of the non-recurring and unusual charge recorded in the fourth quarter of 2001. More importantly, Invacare continued to make progress on its strategic plan for accelerated sales and earnings growth by –

- Bringing innovative new products to market
- Creating premium value through branding
- Strengthening our low-cost producer position, and
- Leveraging our broad product line and Total One Stop Shopping<sup>SM</sup> proposition.

Invacare's net sales reached a record \$1.09 billion for 2002. Adjusting for foreign currency and the exit from two product lines, net sales for 2002 increased 4%. Contributing to the overall increase was a 15% improvement in sales of medical supplies and 9% growth in rehab products in North America.

Net earnings for the year increased to \$64.8 million, or \$2.05 per share, compared with \$60.4 million, or \$1.91 per share, in 2001 (before a non-cash, non-recurring charge). Earnings benefited from higher sales, the change in accounting for goodwill and lower interest expense, partially offset by a slightly reduced gross margin and higher selling, general and administrative (SG&A)

expenses. The 13% increase in SG&A expenses was expected, due in part to continuing investments in sales, marketing and branding programs to drive future growth.

The business continues to generate strong free cash flow. At \$108 million, free cash flow for 2002 was up 38% over 2001. The cash was used primarily to pay down debt during the year, reducing debt outstanding by \$123 million to \$239 million at year-end and lowering the debt-to-total-capitalization ratio to 33.2%, versus 47.9% at the end of 2001. With this strong financial position, we expect to renew an aggressive acquisition program in 2003 and have named an executive to lead this effort.

### Performance by Region

For the year, North American net sales increased 3% to \$793.5 million. Adjusting for the exit of the liquid oxygen and lift chair product lines, net sales increased 4% for the year. Growth was constrained in part by pricing and margin pressure from copycat imports, uncertainty over reimbursement and the tight credit environment, which caused home medical products (HME) providers to stretch out rental equipment life cycles.

We were especially pleased with the performance of consumer power products, which grew more than 20% in the fourth quarter. Newly introduced products accounted for 44% of fourth quarter North American equipment sales in the home care channel, up from 33%

# Our Vision for the Next Four Years



Achieve  
**6-8%**  
annual sales  
growth in 2003

Achieve  
**8-10%**  
annual sales  
growth thereafter

Deliver  
**7-12%**  
annual earnings  
growth in 2003

Deliver  
**12-15%**  
annual earnings  
growth thereafter

Generate  
**\$75-100**  
million dollars of  
free cash flow per year

Drive  
**HME**  
industry  
consolidation

Become the brand  
**leader**  
in home  
medical products

in the third quarter. At this pace, we believe the company can reach its fourth quarter 2003 target of replacing 90% of North American equipment sales in the home care channel from new products introduced since October 2001.

All of the company's new products for 2002 were introduced as planned, and launches for 2003 are on schedule. Major introductions ahead include an all-new line of home care beds and a new custom rehab power wheelchair that sets a new standard in powered mobility.

Invacare's European operations continued their outstanding turnaround. Earnings before taxes increased 137% compared with 2001 on a 7% increase in net sales (2% after adjusting for currency translation). In addition to the favorable currency translation, the improvements were due to a new regional management structure, product rationalization, increased sales of higher-margin products and outsourcing projects that reduced costs. As in North America, we introduced a number of exciting new products to the European markets on schedule in 2002.

Australasia, the company's smallest geographic market, saw a 1% increase in net sales to \$44.3 million. Adjusting for foreign currency, Australasian sales were down 8% for the year. Earnings before income taxes increased 21% compared to last year due in part to improved manufacturing performance and a favorable currency effect.

#### Industry Issues

The home healthcare products industry is largely recession resistant, but threats to reduce government healthcare reimbursement are always a concern. There have been no major reimbursement developments in Canada or Australasia, but Germany and France are both running deficits in excess of EC rules, and U.S. budget deficits are now projected to rise sharply in the years ahead. In light of these trends, reimbursement pressures may increase in the next few years.

However, at this point, most of the reform proposal activity is in the United States. A new regulation took effect in February 2003 that allows Medicare to reduce reimbursement for a range of products and services by up to 15% if it determines the rates are "inherently unreasonable." Application of the rule is complicated, and it is not expected to affect Invacare's products in the near term.

Last year the U.S. House of Representatives passed a controversial measure to require nationwide competitive bidding for home medical equipment. The measure died in the Senate but remains on the legislative agenda. Invacare has led the opposition to this proposal, which has not been shown to reduce costs. The concept also completely discounts the service component of home healthcare providers and would almost certainly reduce consumer access to quality care in a home setting. The measure, if passed, would have no impact on long-term demand, and it would not affect Invacare's ability to sell. But it would hurt smaller home care providers, and home care patients would have fewer choices.

We sense that the new Republican-controlled Congress may not look favorably on a program that could add 1,200 new positions to the federal bureaucracy just to administer competitive bidding (according to a July 2002 PricewaterhouseCoopers report). Over time, we expect new Senate Majority Leader Bill Frist will attempt to push more Medicare beneficiaries towards managed care through private payers (similar to how federal employees are currently covered) rather than increasing the government's role.

Reimbursement concerns are also growing on the state level. Many states are reducing Medicaid funding as they attempt to balance their budgets.

#### Outlook for 2003

Invacare management expects improved results in 2003, especially as we gain the full impact from the new products rollout. Our goal is to restore double-digit sales growth in the second half and continue this growth rate in the future. Results will further benefit from reduced debt, lower interest rates and a strengthening Euro versus the U.S. dollar. Strong cash flow will allow Invacare to return to an aggressive acquisition program in 2003.

#### Management and Board Changes

Following a national search, the company was pleased to announce the addition of Gregory C. Thompson to the executive team as senior vice president and chief financial officer. His extensive background in global financial management and public accounting will be instrumental in helping guide Invacare toward its goals.

We welcome new board member C. Martin Harris, M.D. Dr. Harris, a practicing physician, is the chief information officer and chairman of the Information Technology Division of the world-renowned Cleveland Clinic Foundation and executive director of e-Cleveland Clinic, a series of clinical programs offered over the Internet.

We are proud of Invacare's outstanding board of directors. Nine of the 12 are non-employees, and the audit and compensation committees have no management representatives. The company has significant insider ownership and management's values and compensation are aligned with shareholder interests. Invacare's business and accounting models are straightforward. To a large extent, we believe Invacare's corporate governance already reflected best practices before the changes

recently enacted by the Sarbanes-Oxley Act, the SEC and the New York Stock Exchange.

#### Ready, Set, Grow

Invacare is a company with innovative, high-quality products, solid profitability, strong cash flow and an outstanding record as a public company. We have an experienced management team, an industry leadership position and a strategy to accelerate long-term growth and profitability. We are committed to the theme "Ready, Set, Grow" for 2003. On the following pages, we tell the story in more detail in a magazine-style format. We hope you find it informative.

Once again, we thank Invacare's shareholders, associates and customers for their continued support. As always, we welcome your questions and feedback and look forward to communicating with you throughout the year.

Sincerely,

A. Malachi Mixon, III  
Chairman and Chief Executive Officer

Gerald B. Blouch  
President and Chief Operating Officer

March 20, 2003



ready, set  
**grow!**

**Innovative new products** that will **capture market share** and **increase profits** are the basis for **Invacare's ambitious growth plans.**

**Popular myths to the contrary,** innovation depends more on systematic analysis than on flashes of inspiration. Invacare has a long record of innovation, but over the last several years the company has made a number of improvements to its product development process. The changes have further systematized the process and linked it more closely with the wants and needs of consumers, home medical equipment providers, clinicians and payers. The goal is to produce a stream of high performing, lower cost, aesthetically compelling products with innovative new functionality that will drive sales and profits and reinforce brand recognition.



**Freedom.** The HomeFill II™ patient convenience pack provides freedom for oxygen patients to travel about without worry. It holds more than 4.5 hours of oxygen in a cylinder that weighs less than 4.5 pounds.



**Revolutionary.** The HomeFill II™ oxygen system is transforming the home oxygen market. Patients who formerly had to depend on delivery of oxygen cylinders can now make their own portable oxygen at home when they need it.

“Aggressive product development and stronger marketing are going to refuel our growth,” says Chairman and CEO Mal Mixon. “We held back a bit on development in the late 1990s because of the reimbursement and competitive environment, and we may have delayed some innovation in the process. Now we’re back aiming to expand the market and make Invacare the consumer brand of choice.”

The plan is ambitious. Invacare intends to replace 90% of its North American equipment sales volume in the home care channel by the end of 2003 with new products designed and developed over the prior three years – and to continue to renew the equipment lineup going forward. In Europe the target is similarly ambitious: Refresh 50% of equipment sales volume by the end of 2004.

“Invacare has developed and introduced more new products than ever over the past two years,” says Neal J. Curran, vice president, engineering and product development. “In North America, we unveiled 45 new products at the Medtrade show in 2001 and 38 in 2002. We expect to introduce 35 in 2003.”

Meanwhile, across the Atlantic, Invacare made waves in Düsseldorf when it introduced 10 innovative new products and a stunning new trade show exhibit at the big REHACare show in October. The number of new products was a big increase over the last few years and followed the formation of a new cross-functional product innovation team in Europe.

And all this activity isn’t a one-time burst. The company has a rolling three-year product development schedule – and plans for more robust new product launches beginning in 2004. In response to the copycat imports, Invacare has reduced the product development cycle and is becoming more aggressive in applying for patents on its proprietary products and technologies and defending its intellectual property rights.

“Our strategy is to counter the onslaught of copycat products from overseas with compelling and differentiated products,” explains Mixon. “We see very few companies in the HME industry pursuing a strategy of innovation.”

Ideally, some of Invacare’s new products will represent more than incremental change. “What we are really shooting for is breakthrough technology and radical innovation,” says Louis F. J. Slangen, senior vice president, sales and marketing. “We think our Venture® HomeFill II™ home oxygen system is that kind of product.”

People who need supplemental oxygen have always been dependent on the delivery of oxygen cylinders or liquid oxygen containers if they wanted to leave their homes. Then they have to haul around a 12-lb. cylinder on a cart and worry that they might use up their supply before the next scheduled delivery. Even at home, they do not have full freedom of movement. Vacations or long trips are usually out of the question.

Invacare’s HomeFill II oxygen system is changing all that by enabling people to safely and easily compress oxygen into small, portable cylinders in their homes. The patient simply snaps the customized cylinder into the oxygen compressor. In just 90 minutes, they have 4.5 hours worth of portable oxygen that they can carry in a convenience pack that weighs less than 4.5 lbs.

“The HomeFill II helps patients stay mobile, which physicians believe is beneficial,” says Invacare Product Manager Scott Wilkinson. “And freedom to go out and travel is so important. One oxygen patient was able to attend the Indianapolis 500 for the first time in six years because of the HomeFill II. A couple in Wisconsin was afraid they would have to sell their summer home because of the wife’s respiratory condition. The property is located in a remote area where oxygen delivery is not available. When our provider showed them the HomeFill II, he said the woman was so happy she cried.”

An equally important aspect of the HomeFill II is that it takes substantial cost out of the system by dramatically reducing the HME provider’s delivery cost. With providers making the transition to this new proprietary technology, Invacare is reinforcing its No. 1 position in the oxygen market.

As the HomeFill II system illustrates, the focus of innovation at Invacare is often on reducing costs across the home healthcare delivery system. That is the idea behind the new IVC™ Series manual wheelchair and the soon-to-be unveiled IVC Series Home-



**Testing.** Invacare associates test the electronics on a new power wheelchair. The anechoic testing chamber is lined with radio-frequency absorbing material to reduce reflections from internal surfaces.

care bed. Both product lines represent a conscious effort to reduce product complexity, increase component interchangeability and create value for the equipment provider and the consumer.

The IVC Series of manual wheelchairs consolidates 18 different frames into 10, while offering more features, options and functionality. Providers will be able to carry fewer items in stock and still provide a perfect chair for each individual. Similarly, the new IVC Series Homecare bed is designed to be more durable and easier for providers to set up, store, maintain and clean – major factors for our customers with this type of product.

## Industry Growth Drivers

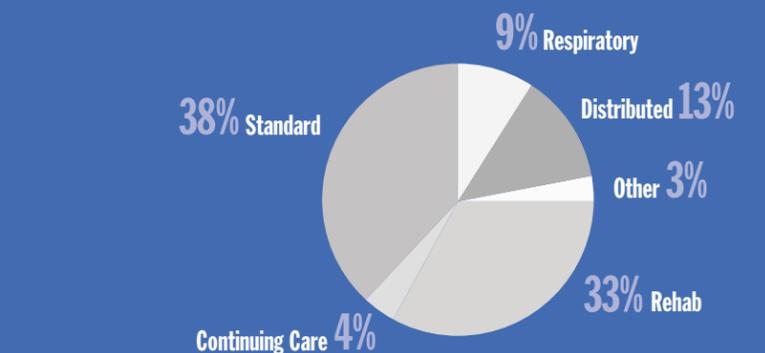


Long-term growth in the home healthcare products business is estimated at 5-7%.

This rising demand is driven by six key factors:

- Demographic trends
- The economic benefits of home care
- Treatment trends favoring home care
- Increased spending on health care
- Changing social trends and quality of life issues
- Technological advances in medicine and equipment

## 2002 Sales by Product Category



In the U.S., Australia and most of Europe and Canada, Invacare goes to market primarily through home medical equipment (HME) providers who rent or sell the products to consumers. In New Zealand and the Nordic countries, equipment sales are directly to the government as provider. Invacare has built the industry’s largest HME provider network, with more than 25,000 locations worldwide. The company also sells to nursing homes, to distributors for hospitals and pharmacies, directly to the government, and at consumer retail.

ready, set  
**grow!**

# TDX



MK5™ Electronics

TrueTrack

Stability Lock

SureStep™ Technology

Center Wheel Drive

## >> tomorrow's technology today

When it starts shipping in spring 2003, Invacare's Storm Series® TDX™ will be the most advanced custom power wheelchair commercially available in the world. The product combines five technologies to give the consumer full control over the chair and a smooth ride, even on uneven terrain. The TDX Series, which received clearance from the Food and Drug Administration in November 2002, is expected to become the new industry standard.

**MK5™ Electronics** The TDX features Invacare's advanced MK5 electronics and driver controls reconfigured into a more intuitive, easy to use format. If a provider or consumer doesn't need some of the advanced capabilities of the electronics, they can quickly set the controls without scrolling through menus and options. **Center Wheel Drive** Our center wheel drive offers the tightest turning radius possible for superior maneuverability. The design also provides improved tracking and ease of driving. **SureStep™ Technology** This patent-pending automatic system enables the wheelchair to clear everyday obstacles and thresholds, giving their drivers a truly smooth ride. **Stability Lock** The most pervasive issue with more maneuverable chairs is stability. This patent-pending technology ensures that the chair always remains stable, with the driver in full control. **TrueTrack** Invacare's TrueTrack system helps consumers with marginal control become more successful drivers, regardless of the surface they find themselves on.



**Raising Expectations.** Invacare's European custom power rehab chair, the Storm 3, offers a range of impressive features. The low driving base and unique adjustable seat lifter make it possible to reach a ticket counter, sit at a high table or converse with other people face to face.

Sometimes it's about simplifying the product and reducing costs, and sometimes it's about pushing the performance envelope. The new Storm Series® TDX™ power wheelchair line clearly showcases industry-leading technology. Invacare's top-of-the-line custom rehab power wheelchair for the North American market, the Storm TDX incorporates five technologies not available in any other power wheelchair on the market, including Invacare's patent-pending SureStep™ technology. The TDX combines the benefits of rear wheel drive, mid-wheel drive and front wheel drive, with none of the drawbacks associated with each.

The TDX is the result of the most intensive market research ever done by Invacare. "We literally spent thousands of hours talking with consumers until we were confident that we understood their real world needs," says Hymie Pogir, vice president of marketing for custom power wheelchairs. "We then closed the loop with rehab professionals. As a result, we believe the TDX will exceed expectations. And it's a beautiful looking product, too. I believe it is going to revolutionize the lifestyle expectations of power wheelchair consumers."

Invacare's European managers have similar high expectations for their new premier custom power chair, the Storm 3. The name signifies that the product is improved in three dimensions. It has 20% more power than its predecessor, seating and positioning systems that are more easily adjustable, and a new seat lifter that is turning heads.

"There have been seat lifters around before, but they've been rare because they were so costly," says Jon Bown, European corporate marketing director. "Our new design is half the cost of any other system. Our vision has always been that a wheelchair driver should be able to put his elbows on the bar in a pub, just like a person who can stand. The Storm 3 is the closest anyone has got to that with a reasonably priced product."

One of Invacare's critical strengths is the breadth of its product line, which lets providers rely on the company as their Total One Stop Shopping source. Several new products slated for delivery in 2003 target categories where Invacare is not No. 1 or No. 2. New sleep therapy products will give Invacare the full line that many of the company's providers have been asking for, and the company has high hopes for a new motorized scooter scheduled for introduction later in 2003.

"We have to keep innovating everywhere, including products like walkers and beds," says Mixon. "Invacare is the market leader in six of the nine product categories where we compete and a solid second-tier player in another. But we can't play defense. We have to keep improving our products and driving down costs. The objective is to strategically obsolete our own products so that the importers of copycat products have to chase a moving target." •



**Well-designed.** Stylish and versatile power wheelchairs like the new Pronto® M91™ join Invacare's expanding line of popular consumer power products. The M91 features the innovative SureStep™ technology.

# pulling away

ready, set  
**grow!**



## A strong balance sheet and a soft market add up to opportunity for Invacare.

The extended economic downturn has widened the gap between the well capitalized and the under capitalized in every industry, and the home medical equipment industry is no exception.

With strong free cash flow, declining debt and solid credit, Invacare is in its strongest market position ever relative to its competition.

“While we have made a conscious effort to increase spending on research and development over the past several years, our attention also has remained focused on the cost side of the equation,” says Gerald B. Blouch, president and chief operating officer. “We’ve rationalized the product line and reduced product line complexity, improved our sourcing capability, reconfigured and consolidated operations to improve our cost position and improve cash flow.”

Days sales outstanding improved seven days to 69 days at year-end 2002, compared with 76 days at the end of 2001, while inventory turns were 6.2 in 2002, improving from 5.7 in 2001. Free cash flow in 2002 rose to \$108 million from \$78 million in 2001.

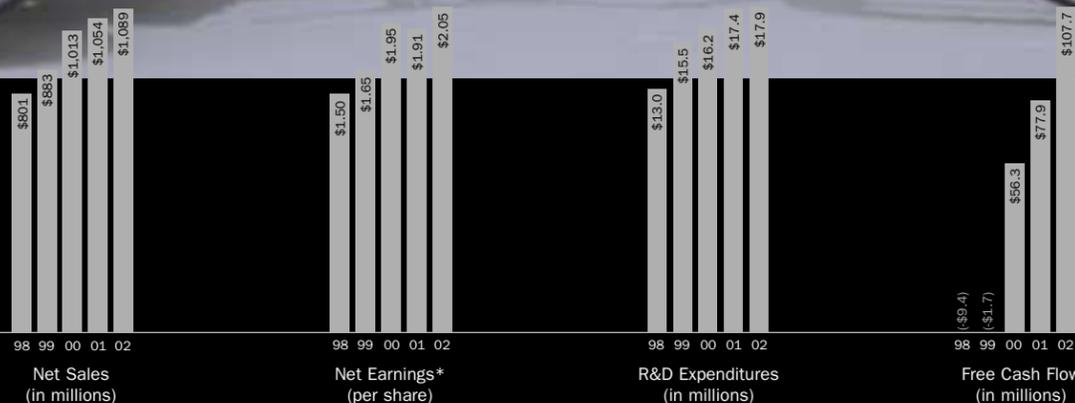
Free cash flow was used primarily to pay down debt. Invacare reduced its long-term debt by \$123 million during the year, lowering the debt-to-total-capitalization ratio to 33.2%. At year-end, Invacare could borrow approximately \$209 million under its lines of credit without violating any debt covenants.

Backed by its strong financial position, Invacare looks to revive its acquisition program in 2003 with a target of \$75-\$100 million in annualized sales.

“The company is actively looking for acquisitions on a global basis,” says Chief Financial Officer Greg Thompson. “In Europe, we are particularly interested in businesses that would expand the company’s geographic footprint, where we don’t have a major presence yet. In both North America and Europe, we are looking for acquisitions that would supplement current product lines.”

For the first time, the company has a manager focused on acquisition opportunities. Although Invacare has not made any significant acquisitions in the last three years, it has successfully acquired 36 companies since 1980.

“Tough times like these are pure opportunity for a strong company,” says Chairman and CEO Mal Mixon. “The easiest time to take market share is when the marketplace is soft. We are counting on accretive acquisitions through cash deals to help achieve our goal of doubling sales to \$2 billion over the next four years.”



**Team Invacare.** Invacare sponsors athletes in competitive wheelchair events around the world.

\* Excluding non-recurring charges.

# news briefs



## Invacare Television Ads Air Nationally on NBC

Invacare hit the national TV network airwaves for the first time ever in March 2003. Commercials featuring Arnold Palmer aired during NBC's coverage of the prestigious Bay Hill Invitational Golf Tournament on Saturday and Sunday, March 22 and 23. Invacare was a first time Associate Sponsor of the PGA Tour event.

## New Senior Executives Named

In November 2002, Gregory C. Thompson joined the company as senior vice president and chief financial officer. He previously served in the same position with Sensomatic Electronics, a \$1-billion global manufacturer of electronic security products. In February 2003, Diane J. Davie was named senior vice president of human resources, succeeding Thomas Kroeger, who retired. She joins Invacare from her most recent position as vice president and chief human resources officer for PolyOne, a \$2.5 billion polymer services company.



Greg Thompson



Diane Davie

## Invacare Named A Top Company For Individual Investors

Invacare was named to *Better Investing* magazine's 2003 list of Top 100 Companies. The list reflects the most widely held stocks among the investment club members of the National Association of Investors Corporation, publisher of the magazine. The list included such notable companies as GE, Intel, Microsoft and Merck. This was the seventh time Invacare has been named to the list.

## Mixon Honored by Harvard Business School Club of Northeastern Ohio

The Harvard Business School Club of Northeastern Ohio named Invacare Chairman and CEO A. Malachi Mixon, III, as the 2002 recipient of its 44th annual Business Statesman Award. According to the club, Mixon was chosen for the prestigious award because of his distinguished career as a businessman and civic leader in Cleveland.

## Board Changes Announced

The Invacare board of directors elected C. Martin Harris, M.D., as a director in January 2003. Dr. Harris is chief information officer and chairman of the Information Technology Division of The Cleveland Clinic Foundation and executive director of e-Cleveland Clinic, a series of clinical programs offered over the Internet. Long-time board members Frank B. (Buck) Carr and E. P. (Pat) Nalley reached Invacare's mandatory retirement age in 2002 and 2003, respectively. Invacare thanks them for their long and valued service.



C. Martin Harris, M.D.

## Company Named a Best Place to Work

Invacare was named one of the best places to work in Northeast Ohio in the 2002 NorthCoast 99 Awards. This was Invacare's fourth award since the program began in 1998. The company also received a Special NorthCoast 99 Award for Excellence in Health and Safety. NorthCoast 99 is a year-long effort to identify 99 of the best places to work in the region.

## Invacare U.K. Receives Service Award

Invacare received the 2002 Innovation in Customer Service Award from the British Healthcare Trades Association Dealers. Presented at the annual BHITA meeting in November, the award honors Invacare for its attention to customer service improvement.

## Team Invacare Athletes Mark Championship Season

World-class wheelchair athletes competing under the Team Invacare banner won events, set records and competed at the highest levels of their sports in the 2002 season. In the New York Marathon, Team Invacare swept three of the four divisions, with Franz Nietlispach recording a record-breaking time in winning the men's handcycling division. At the Commonwealth Games in Manchester, England, Team Invacare's Chantal Petitclerc became the first wheelchair athlete to win a fully recognized gold medal at a multi-sport games when she won the gold in the 800-meter wheelchair race. Team Invacare made a strong showing at the 2002 Invacare World Cup, the premier wheelchair tennis event in the world, held in Italy, in September. Invacare was also the host sponsor of the 2002 National Veterans Wheelchair Games, held in Cleveland in July.



Chantal Petitclerc



Golf legend Arnold Palmer can put a face on the industry and equate home healthcare with one brand – Invacare.



## Invacare Adds a Powerful Driver to the Brand

"The awareness level of our industry and its products among the general public is very low," says Lou Slangen, Invacare's senior vice president, sales and marketing. "Our products are viewed as things that are acquired when absolutely necessary. We have to move people from needing the product to wanting it – and seeing Invacare as the brand of choice."

One proven way to build a brand is to link it to a well-recognized spokesperson. Invacare considered many candidates, but found that golf legend Arnold Palmer scored well across the generations, which was an important factor.

"What we're doing with Arnold Palmer," Slangen explains, "is talking about continuing a person's lifestyle. He is saying that you can go on. You can still do things. And Invacare has quality products that can make it possible."

So far, Invacare focused Palmer's power on consumer power chairs and scooters – products that consumers can readily relate to and understand.

"Our new TV spots for consumer power products featuring Arnold Palmer have helped increase sales by 20%," says Slangen, "and we are really just beginning. Our print ads, product literature and showroom displays now feature Arnold Palmer, and we have new co-op advertising programs and incentive programs underway with our providers for 2003.

"Invacare's distribution network is the largest in the world and represents a key competitive advantage," says Slangen. "Our Total One Stop Shopping<sup>SM</sup> program already delivers the broadest product line and most extensive product support in the industry. Now our providers can take advantage of something that only Invacare can offer: Arnold Palmer." •

ready, set  
**grow!**

**North America is Invacare's largest market, but the company is pursuing sales, sourcing and acquisition opportunities around the world.**

# going global

Rolling in Europe. Invacare Europe launched 10 new products in late 2002, including the Storm 3 custom power wheelchair. With its powerful motors, excellent stability and innovative lifter, the Storm 3 opens up new dimensions for its riders.

With 27% of its sales and earnings before income taxes coming from outside the United States, Invacare is truly a global company.

Invacare's two largest opportunities outside the United States are Europe for sales and Asia as a source for reducing costs. The company's operations in Australia and New Zealand have the potential to grow rapidly, but from a small base. A procurement outpost established in Hong Kong in 2001 is helping strengthen Invacare's position as a low-cost provider.

In Europe, a new regional organizational structure put in place in late 2001 proved very successful. Earnings before taxes more than doubled in 2002 on a 7% net sales gain. As part of the reorganization, European headquarters was moved from Tours, France, to Gland, Switzerland, near Geneva, to clearly separate the corporate support functions from the six regional profit centers. The majority of the European IT and financial departments continue to operate from Tours.

"There have been three keys to European success for 2002," says Ken Sparrow, the new president of Invacare Europe and

architect of the restructuring. "First, by putting the profit accountability back to the six regional general managers we have been able to respond locally and still think globally. The change has significantly improved our customer focus.

"The second key," he continues, "is the new European Product Innovation Team. This cross-functional group is responsible for developing innovative new products that can be manufactured efficiently and easily adapted to local requirements – and they brought them to market fast! Finally, European purchasing, working closely with purchasing managers from the six profit centers, achieved significant synergies in supplier management."

In addition to the new Storm 3 custom power wheelchair, the 10 new European products introduced in 2002 included two new power scooters – the foldable Electra, designed for shopping trips, and the Meteor, for outdoor use. Also new: the Flamingo lifter, Action 3 standard wheelchair and Kuschall® Champion foldable active chair.

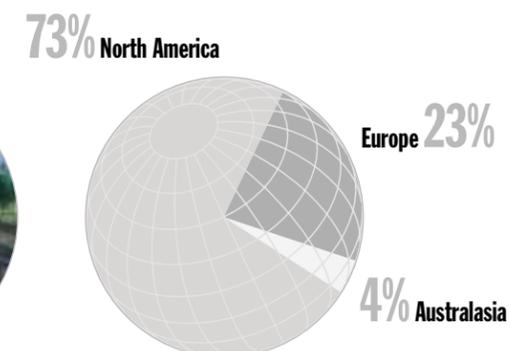
"The Champion is designed for active individuals who want to drive and travel on their own," says Jarl Severn, Kuschall

general manager. "It is beautiful to look at and built to perform, in the Kuschall tradition. The lightweight chair has an easy folding mechanism, and is rock solid and rigid once it clicks into place."

The Flamingo sets a new standard in mobile patient hoists. Lifters are used to move disabled patients without straining the nurse or therapist, explains Jon Bown, European corporate marketing director. But traditional models still require the patient to be shifted to the edge of the bed, for example. The Flamingo has a long reach and a wide leg span that enable it to get over the middle of the bed, go around an armchair, and reach low enough to comfortably lift a patient off the floor.

With the new regional structure, surge of innovative products, and strong market position, Invacare appears poised for continued sales growth and margin improvement in Europe.

"A couple of years ago," says CEO Mal Mixon, "Europe was a problem we needed to fix. Now we see Europe as a major profit generator." ♦



>> **New products coming to market.** Important new product introductions in Europe include the Meteor power scooter, designed for outdoor use; the versatile Flamingo patient lifter, and the new Action 3 manual wheelchair, which is especially easy for rehab professionals to adjust.

# corporate and shareholder information

## Common Share Data

Invacare's Common Shares, without par value, are traded on the New York Stock Exchange (NYSE) under the symbol IVC. There is no trading market for the company's Class B Common Shares. The range of high and low quarterly prices of the Common Shares in each of the most recent fiscal years is as follows:

Quarter Ended:	2002		2001	
	High	Low	High	Low
December 31	<b>\$34.85</b>	<b>\$30.59</b>	\$38.84	\$28.91
September 30	<b>36.40</b>	<b>29.28</b>	40.98	35.16
June 30	<b>39.80</b>	<b>33.86</b>	40.00	34.20
March 31	<b>37.59</b>	<b>31.98</b>	39.52	31.38

## Dividends

During 2002, the Board of Directors of Invacare Corporation declared dividends of \$.05 per Common Share and \$.045 per Class B Common Share. For information regarding limitations on the payment of dividends in the company's loan and note agreements, see Long Term Obligations in the Notes to the Consolidated Financial Statements. The Common Shares are entitled to receive cash dividends at a rate of at least 110% of cash dividends paid on the Class B Common Shares.

## Dividend Reinvestment and Stock Purchase Plan

The Invacare Dividend Reinvestment and Stock Purchase Plan provides shareholders of record with a simple and convenient method of reinvesting cash dividends and making optional cash investments in additional shares, without fee.

## Shareholder Communications

Communications regarding shareholder accounts, dividend checks, the Dividend Reinvestment and Stock Purchase Plan, changes of address, transfer of ownership or lost certificates should be directed to Invacare's transfer agent:  
National City Bank Corporate Trust Operations  
P.O. Box 92301  
Cleveland, Ohio 44193-0900  
Phone: 800-622-6757  
email: shareholder.inquiries@nationalcity.com

## Form 10-K

Additional copies of the annual report on Form 10-K are available without charge upon request to:  
Investor Relations Department  
Invacare Corporation  
P.O. Box 4028  
Elyria, OH 44036-2125

## Additional Information

Requests for any additional information should be directed to the Investor Relations Department. If you currently hold your stock in street name and would like to receive shareholder information directly and in a more timely fashion, please write to the Investor Relations Department.

## Annual Meeting of Shareholders

The Annual Meeting will be held at the Lorain County Community College, Spitzer Conference Center – Grand Room, 1005 North Abbe Road, Elyria, Ohio, on Wednesday, May 21, 2003, at 10:00 a.m.

## Number of Shareholders

The number of record holders of the company's Common Shares and Class B Common Shares as of February 27, 2003, was 5,450 and 29, respectively.

## Principal Brand Names

Invacare is a registered trademark and "Yes, you can." and the blue medallion logo are trademarks of Invacare Corporation. Throughout this report, you will find many of the trademarks owned by Invacare and/or its subsidiaries and used to designate our products around the world.

## Number of Associates

5,300

## World Headquarters

Invacare Corporation  
One Invacare Way  
Elyria, Ohio 44035 U.S.A.  
Phone: 800-333-6900

## Contact Information

Robert K. Gudbranson  
Director, Investor Relations  
Phone: 440-329-6001

# directors and officers

## Board of Directors

**A. Malachi Mixon, III**<sup>(3)(4)</sup>  
Chairman and Chief Executive Officer

**Gerald B. Blouch**  
President and Chief Operating Officer

**Joseph B. Richey II**  
President – Invacare Technologies,  
Senior Vice President – Electronics  
and Design Engineering

**James C. Boland**<sup>(1)(2)</sup>  
Vice Chairman  
CAVS/Gund Arena Co.

**Michael F. Delaney**<sup>(4)</sup>  
Associate Director of Development  
Paralyzed Veterans of America

**Whitney Evans**<sup>(2)(4)</sup>  
Former Chairman of the  
Board of Directors  
Victory Technology, Inc.

**Bernadine P. Healy, MD**<sup>(2)(3)</sup>  
Medical and Science Columnist  
*U.S. News and World Report*  
Former President and CEO  
American Red Cross

**John R. Kasich**<sup>(4)</sup>  
Managing Director  
Investment Banking Group  
Lehman Brothers

**Dan T. Moore III**<sup>(1)(3)</sup>  
Founder  
Dan T. Moore Co.

**E.P. Nalley**<sup>(4)</sup>  
Retired Senior Vice President  
Invacare Corporation

**William M. Weber**<sup>(1)(2)</sup>  
President  
Roundcap LLC

<sup>(1)</sup>Audit Committee

<sup>(2)</sup>Compensation Committee

<sup>(3)</sup>Nominating Committee

<sup>(4)</sup>Investment Committee

## Executive Officers

**A. Malachi Mixon, III**  
Chairman and Chief Executive Officer

**Gerald B. Blouch**  
President and Chief Operating Officer

**Joseph B. Richey II**  
President – Invacare Technologies,  
Senior Vice President –  
Electronics and Design Engineering

**Gregory C. Thompson**  
Senior Vice President and  
Chief Financial Officer

**Louis F. J. Slangen**  
Senior Vice President –  
Sales and Marketing

**Thomas Kroeger**  
Senior Vice President –  
Human Resources

**Bridget A. Miller**  
Vice President –  
General Counsel

## Operating Officers

**Kenneth A. Sparrow**  
President – Invacare Europe

**Neal J. Curran**  
Vice President – Engineering  
and Product Development

**Hugh L. Martyn**  
Managing Director – Australasia

**Michael A. Perry**  
Vice President – Distributed Products



[www.invacare.com](http://www.invacare.com)

This Summary Report contains forward-looking statements within the meaning of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995. Terms such as "will," "should," "plan," "intends," "expect," "continue," "believe," "anticipate" and "seek," as well as similar comments, are forward-looking in nature. Actual results and events may differ significantly from those expressed or anticipated as a result of risks and uncertainties which include, but are not limited to, the following: pricing pressures, increasing raw material costs, the consolidations of health care customers and competitors, government reimbursement issues including those that affect the viability of customers, the ability to design, manufacture and distribute new products with higher functionality and lower costs and the ability to accelerate market acceptance of and transition to new products, the effect of offering customers competitive financing terms, Invacare's ability to successfully identify, acquire and integrate strategic acquisition candidates, the difficulties in managing and operating businesses in many different foreign jurisdictions, the timely completion of facility consolidations, the vagaries of any litigation or regulatory investigations that the company may be or become involved in at any time, the difficulties in acquiring and maintaining a proprietary intellectual property ownership position, the overall economic, market and industry growth conditions, foreign currency and interest rate risk, Invacare's ability to improve financing terms and reduce working capital, as well as the risks described from time to time in Invacare's reports as filed with the Securities and Exchange Commission. We undertake no obligation to review or update these forward-looking statements or other information contained herein.



**Yes, you can.<sup>™</sup>**

“Invacare, says, ‘Yes, you can<sup>™</sup>,’  
and I couldn’t have said it better myself.”