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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

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: 001-37599

LivaNova PLC

(Exact name of registrant as specified in its charter)

England and Wales	**98-1268150**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
20 Eastbourne Terrace London, United Kingdom	**W2 6LG**
(Address of principal executive offices)	*(Zip Code)*

(44) (0) 20 3325 0660
Registrant's telephone number, including area code:

Securities registered pursuant to Section 12(b) of the Act:

Ordinary Shares — £1.00 par value per share	**The NASDAQ Stock Market LLC**
Title of Each Class of Stock	*Name of Each Exchange on Which Registered*

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 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

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

Class	*Outstanding at August 7, 2017*
Ordinary Shares - £1.00 par value per share	48,181,815

LIVANOVA PLC

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In this Quarterly Report on Form 10-Q, "LivaNova," "the Company," "we," "us" and "our" refer to LivaNova PLC and its consolidated subsidiaries.

This report may contain references to our proprietary intellectual property, including among others:

- Trademarks for our VNS therapy systems, the VNS Therapy® System, the VITARIA®™ System and our proprietary Pulse generators products: Model 102 (Pulse™), Model 102R (Pulse Duo™), Model 103 (Demipulse®), Model 104 (Demipulse Duo®), Model 105 (AspireHC®), Model 106 (AspireSR®) and our newest model in development, Sentiva™.
- Trademarks for our Oxygenators product systems: Inspire™, Heartlink™ and Connect™.
- Trademarks for our line of surgical tissue and mechanical valve replacements and repair products: Mitroflow™, Crown PRT™, Solo Smart™, Perceval™, Top Hat™, Reduced Series Aortic Valves™, Carbomedics Carbo-Seal™, Carbo-Seal Valsalva™, Carbomedics Standard™, Orbis™ and Optiform™, and Mitral valve repair products: Memo 3D™, Memo 3D ReChord™, AnnuloFlo™ and AnnuloFlex™.
- Trademarks for our implantable cardiac pacemakers and associated services: REPLY 200™, ESPRIT™, KORA 100™, KORA 250™, SafeR™, the REPLY CRT-P™, the remedé® System.
- Trademarks for our Implantable Cardioverter Defibrillators and associated technologies: the INTENSIA™, PLATINIUM™, and PARADYM® product families.
- Trademarks for our cardiac resynchronization therapy devices, technologies services: SonR®, SonRtip™, SonR CRT™, the INTENSIA™, PARADYM RF™, PARADYM 2™ and PLATINIUM™ product families and the Respond CRT™ clinical trial.
- Trademarks for heart failure treatment product: Equilia®™.
- Trademarks for our bradycardia leads: BEFLEX™ (active fixation) and XFINE™ (passive fixation).

These trademarks and tradenames are the property of LivaNova or the property of our consolidated subsidiaries and are protected under applicable intellectual property laws. Solely for convenience, our trademarks and tradenames referred to in this Report on Form 10-Q may appear without the ® or ™ symbols, but such references are not intended to indicate in any way that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and tradenames.

NOTE ABOUT FORWARD LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q, other than purely historical information, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements include, but are not limited to, LivaNova's plans, objectives, strategies, financial performance and outlook, trends, the amount and timing of future cash distributions, prospects or future events and involve known and unknown risks that are difficult to predict. As a result, our actual financial results, performance, achievements or prospects may differ materially from those expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "seek," "guidance," "predict," "potential," "likely," "believe," "will," "should," "expect," "anticipate," "estimate," "plan," "intend," "forecast," "foresee" or variations of these terms and similar expressions, or the negative of these terms or similar expressions. Such forward-looking statements are necessarily based on estimates and assumptions that, while considered reasonable by LivaNova and its management based on their knowledge and understanding of the business and industry, are inherently uncertain. These statements are not guarantees of future performance, and stockholders should not place undue reliance on forward-looking statements. There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q, and include but are not limited to the risks and uncertainties summarized below:

Risks related to our business:

- changes in our common stock price;
- changes in our profitability;
- regulatory activities and announcements, including the failure to obtain regulatory approvals for our new products;
- effectiveness of our internal controls over financial reporting;
- fluctuations in future quarterly operating results;
- failure to comply with, or changes in, laws, regulations or administrative practices affecting government regulation of our products, including, but not limited to, U.S. Food and Drug Administration ("FDA") laws and regulations;
- failure to establish, expand or maintain market acceptance of our products for the treatment of our approved indications;
- any legislative or administrative reform to the healthcare system, including the U.S. Medicare or Medicaid systems or international reimbursement systems, that significantly reduces reimbursement for our products or procedures or denies coverage for such products or procedures or enhances coverage for competitive products or procedures, as well as adverse decisions by administrators of such systems on coverage or reimbursement issues relating to our products;
- failure to maintain the current regulatory approvals for our products' approved indications;
- failure to obtain or maintain insurance coverage and reimbursement for our products' approved indications;
- unfavorable results from clinical studies;
- variations in sales and operating expenses relative to estimates;
- our dependence on certain suppliers and manufacturers to provide certain materials, components and contract services necessary for the production of our products;
- product liability, intellectual property disputes, shareholder-related matters, environmental proceedings, income tax disputes, and other related losses and costs;
- protection, expiration and validity of our intellectual property;
- changes in technology, including the development of superior or alternative technology or devices by competitors;
- failure to comply with applicable U.S. domestic laws and regulations, including federal and state privacy and security laws and regulations;
- failure to comply with non-U.S. law and regulations;
- non-U.S. operational and economic risks and concerns;
- failure to attract or retain key personnel;

- failure of new acquisitions to further our strategic objectives or strengthen our existing businesses;
- losses or costs from pending or future lawsuits and governmental investigations;
- changes in accounting rules that adversely affect the characterization of our consolidated financial position, results of operations or cash flows;
- changes in customer spending patterns;
- continued volatility in the global market and worldwide economic conditions; in particular, the implementation of Brexit will likely cause increased economic volatility;
- changes in tax laws, including changes due to Brexit, or exposure to additional income tax liabilities;
- harsh weather or natural disasters that interrupt our business operations or the business operations of our hospital-customers; and
- failure of the market to adopt new therapies or to adopt new therapies quickly.
- Other factors that could cause our actual results to differ from our projected results are described in (1) “Part II, Item 1A. Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q, (2) our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (“2016 Form 10-K”), (3) our reports and registration statements filed and furnished from time to time with the SEC and (4) other announcements we make from time to time.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise. You should read the following discussion and analysis in conjunction with our unaudited consolidated financial statements and related notes included elsewhere in this report. Operating results for the three and six months ended June 30, 2017 are not necessarily indicative of future results, including the full fiscal year. You should also refer to our “Annual Consolidated Financial Statements,” “Notes” thereto, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors” contained in our 2016 Form 10-K.

Financial Information and Currency of Financial Statements

All of the financial information included in this quarterly report has been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The reporting currency of our consolidated financial statements is U.S. dollars.

PART I. FINANCIAL INFORMATION

Item 1. *Condensed Consolidated Financial Statements*

LIVANOVA PLC AND SUBSIDIARIES'
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net sales	$ 321,387	$ 321,047	$ 606,492	$ 608,016
Cost of sales	108,888	130,654	210,351	254,221
Product remediation	1,723	848	931	1,554
Gross profit	210,776	189,545	395,210	352,241
Operating expenses:				
Selling, general and administrative	120,369	120,645	232,766	236,511
Research and development	43,007	30,211	72,658	61,901
Merger and integration expenses	3,522	6,200	5,730	12,961
Restructuring expenses	1,118	4,246	11,268	32,838
Amortization of intangibles	11,681	6,292	23,095	22,184
Total operating expenses	179,697	167,594	345,517	366,395
Income (loss) from operations	31,079	21,951	49,693	(14,154)
Interest income	252	321	525	534
Interest expense	(1,578)	(1,978)	(3,893)	(3,170)
Gain on acquisition of Caisson Interventional, LLC	39,428	—	39,428	—
Foreign exchange and other (losses) gains	(2,973)	617	466	(1,218)
Income (loss) before income taxes	66,208	20,911	86,219	(18,008)
Income tax expense	3,313	8,418	8,968	7,160
Losses from equity method investments	(15,397)	(3,536)	(18,482)	(6,253)
Net income (loss)	$ 47,498	$ 8,957	$ 58,769	$ (31,421)
Basic income (loss) per share	$ 0.99	$ 0.18	$ 1.22	$ (0.64)
Diluted income (loss) per share	$ 0.98	$ 0.18	$ 1.22	$ (0.64)
Shares used in computing basic income (loss) per share	48,140	49,056	48,104	48,987
Shares used in computing diluted income (loss) per share	48,303	49,162	48,241	48,987

See accompanying notes to the condensed consolidated financial statements

LIVANOVA PLC AND SUBSIDIARIES'
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	$ 47,498	$ 8,957	$ 58,769	$ (31,421)
Other comprehensive income (loss):				
Net change in unrealized loss on derivatives	(1,310)	(3,501)	(3,943)	(7,266)
Tax effect	559	1,800	1,283	2,186
Net of tax	(751)	(1,701)	(2,660)	(5,080)
Foreign currency translation adjustment, net of tax	56,587	(14,098)	72,017	34,403
Total other comprehensive income (loss)	55,836	(15,799)	69,357	29,323
Total comprehensive income (loss)	$ 103,334	$ (6,842)	$ 128,126	$ (2,098)

See accompanying notes to the condensed consolidated financial statements

LIVANOVA PLC AND SUBSIDIARIES'
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	June 30, 2017	December 31, 2016
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 42,690	$ 39,789
Accounts receivable, net	305,355	275,730
Inventories	204,680	183,489
Prepaid and refundable taxes	55,584	60,615
Assets held for sale	13,859	4,477
Prepaid expenses and other current assets	49,213	55,973
Total Current Assets	671,381	620,073
Property, plant and equipment, net	211,164	223,842
Goodwill	763,525	691,712
Intangible assets, net	713,176	609,197
Investments	41,013	61,092
Deferred tax assets, net	11,981	6,017
Other assets	121,445	130,698
Total Assets	$ 2,533,685	$ 2,342,631
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current debt obligations	$ 55,776	$ 47,650
Accounts payable	105,109	92,952
Accrued liabilities and other	90,046	75,567
Taxes payable	22,654	22,340
Accrued employee compensation and related benefits	68,863	78,302
Total Current Liabilities	342,448	316,811
Long-term debt obligations	69,741	75,215
Deferred income taxes liability	169,208	172,541
Long-term employee compensation and related benefits	33,102	31,668
Other long-term liabilities	75,666	39,487
Total Liabilities	690,165	635,722
Commitments and contingencies (Note 9)		
Stockholders' Equity:		
Ordinary Shares, £1.00 par value: unlimited shares authorized; 48,215,885 shares issued and 48,163,627 shares outstanding at June 30, 2017; 48,156,690 shares issued and 48,028,413 shares outstanding at December 31, 2016	74,652	74,578
Additional paid-in capital	1,726,235	1,719,893
Accumulated other comprehensive income (loss)	870	(68,487)
Retained earnings (deficit)	44,194	(14,575)
Treasury stock at cost, 52,258 shares at June 30, 2017 and 128,277 shares at December 31, 2016	(2,431)	(4,500)
Total Stockholders' Equity	1,843,520	1,706,909
Total Liabilities and Stockholders' Equity	$ 2,533,685	$ 2,342,631

See accompanying notes to the condensed consolidated financial statements

LIVANOVA PLC AND SUBSIDIARIES'
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands)

	Six Months Ended June 30,	
	2017	**2016**
Operating Activities:		
Net income (loss)	$ 58,769	$ (31,421)
Non-cash items included in net income (loss):		
Depreciation	17,998	19,483
Amortization	23,095	22,184
Stock-based compensation	8,564	10,807
Deferred income tax benefit	(19,791)	(12,845)
Losses from equity method investments	18,482	6,253
Gain on acquisition of Caisson Interventional, LLC	(39,428)	—
Impairment of property, plant and equipment	4,581	—
Amortization of income taxes payable on inter-company transfers of property	17,770	8,656
Other	1,830	4,723
Changes in operating assets and liabilities:		
Accounts receivable, net	(15,912)	(27,174)
Inventories	(6,927)	24,735
Other current and non-current assets	(13,904)	(14,998)
Restructuring reserve	(11,129)	16,803
Accounts payable and accrued current and non-current liabilities	(12,438)	(14,622)
Net cash provided by operating activities	**31,560**	**12,584**
Investing Activities:		
Purchases of property, plant and equipment and other	(14,923)	(16,656)
Acquisition of Caisson Interventional, LLC, net of cash acquired	(14,194)	—
Proceeds from sale of cost method investment	3,192	—
Proceeds from asset sales	5,170	—
Purchases of short-term investments	—	(7,028)
Maturities of short-term investments	—	7,026
Other	(145)	609
Net cash used in investing activities	**(20,900)**	**(16,049)**
Financing Activities:		
Change in short-term borrowing, net	(12,812)	(15,599)
Proceeds from short-term borrowing (maturities greater than 90 days)	20,000	—
Repayment of long-term debt obligations	(11,306)	(11,066)
Loans to cost and equity method investees	(6,834)	(3,775)
Repayment of trade receivable advances	—	(21,626)
Proceeds from exercise of stock options and SARs	2,442	4,722
Other	(1,691)	1,168
Net cash used in financing activities	**(10,201)**	**(46,176)**
Effect of exchange rate changes on cash and cash equivalents	2,442	914
Net increase (decrease) in cash and cash equivalents	**2,901**	**(48,727)**
Cash and cash equivalents at beginning of period	39,789	112,613
Cash and cash equivalents at end of period	**$ 42,690**	**$ 63,886**

See accompanying notes to the condensed consolidated financial statements

Note 1. Unaudited Condensed Consolidated Financial Statements

Basis of Presentation

The accompanying condensed consolidated financial statements of LivaNova as of, and for the three and six months ended, June 30, 2017 and June 30, 2016, have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S." and such principles, "U.S. GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of regulation S-X. The accompanying condensed consolidated balance sheet of LivaNova at December 31, 2016 has been derived from audited financial statements contained in our annual report on Form 10-K for the year ended December 31, 2016, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, the condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the operating results of LivaNova and its subsidiaries, for the three and six months ended June 30, 2017 and are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. The financial information presented herein should be read in conjunction with the audited consolidated financial statements and notes thereto accompanying our Annual Report on Form 10-K for the year ended December 31, 2016.

Description of the Mergers

On October 19, 2015 LivaNova became the holding company of the combined businesses of Cyberonics, Inc. ("Cyberonics") and Sorin S.p.A. ("Sorin") (the "Mergers"). Based on the structure of the Mergers, management determined that Cyberonics was considered to be the accounting acquirer and predecessor for accounting purposes.

Reclassification of Prior Year Comparative Period Presentation

To conform the condensed consolidated statement of income (loss) for the three and six months ended June 30, 2016, to the current period presentation, we reclassified $0.8 million and $1.6 million, respectively, of Litigation Related Expenses to the Product Remediation line, and $0.5 million and $0.8 million, respectively, of Litigation Related Expenses to Selling, General and Administrative Expenses.

To conform the condensed consolidated balance sheet as of December 31, 2016 to the current period presentation, we reclassified $4.5 million of Assets Held for Sale, relating to our plan to exit the Costa Rica manufacturing operation, to a separate line item in the condensed consolidated balance sheet from Prepaid Expenses and Other Current Assets. We received $4.9 million in proceeds from the sale of our Costa Rica manufacturing operation during the three months ended June 30, 2017.

To conform the condensed consolidated statement of cash flows for the six months ended June 30, 2016 to the current period presentation, certain amounts were reclassified within Operating Activities.

Significant Accounting Policies

Our significant accounting policies are detailed in "Note 2: Basis of Presentation, Use of Accounting Estimates and Significant Accounting Policies" of our Annual Report on Form 10-K for the year ended December 31, 2016. A further explanation of our Foreign Currency accounting policy is discussed below:

Foreign Currency

Our functional currency is the U.S. dollar, however, a portion of the revenues earned and expenses incurred by certain of our subsidiaries are denominated in currencies other than the U.S. dollar. We determine the functional currency of our subsidiaries that exist and operate in different economic and currency environments based on the primary economic environment in which the subsidiary operates, that is, the currency of the environment in which an entity primarily generates and expends cash. Our significant foreign subsidiaries are located in Europe and the U.S. The functional currency of our significant European subsidiaries is the euro and the functional currency of our significant U.S. subsidiaries is the U.S. dollar.

Assets and liabilities for subsidiaries whose functional currency is not the U.S. dollar are translated into U.S. dollars based on a combination of both current and historical exchange rates, while their revenues earned and expenses incurred are translated into U.S. dollars at average period exchange rates. Translation adjustments are included as in Accumulated Other Comprehensive Income (Loss) in the condensed consolidated balance sheets. Gains and losses arising from transactions

denominated in a currency different from an entity's functional currency are included in Foreign exchange and other gains (losses) in our condensed consolidated statements of income (loss).

Note 2. Acquisitions

In support of our strategic growth initiatives, on May 2, 2017, we acquired the remaining 51% equity interests in Caisson Interventional, LLC ("Caisson") for a purchase price of up to $72.0 million, net of $6.3 million of debt forgiveness, consisting of $18.0 million paid at closing, $14.4 million to be paid after 12 months, and contingent consideration of up to $39.6 million to be paid on a schedule driven primarily by regulatory approvals and sales earnouts.

Caisson, a clinical-stage medical device company based in Maple Grove, Minnesota, is focused on the design, development and clinical evaluation of a novel transcatheter mitral valve replacement ("TMVR") implant device with a fully transvenous delivery system.

The following table presents the acquisition date fair-value of the consideration transferred and the fair value of our interest in Caisson prior to the acquisition (in thousands):

Cash [(1)]	$	15,660
Debt forgiven [(2)]		6,309
Deferred consideration [(1)]		12,994
Contingent consideration [(1)]		29,303
Fair value of consideration transferred		64,266
Fair value of our interest prior to the acquisition [(2)]		52,505
Fair value of total consideration	$	116,771

(1) Concurrent with the acquisition, we recognized $5.8 million of post-combination compensation expense. Of this amount, $2.4 million is reflected as a reduction of $18.0 million in cash paid at closing of the acquisition, while $3.4 million increased the deferred consideration and contingent consideration liabilities recognized at the date of the acquisition to a total of $14.1 million and $31.7 million, respectively.

(2) On the acquisition date, we remeasured the notes receivable from Caisson and our existing investment in Caisson at fair value and recognized a pre-tax non-cash gain of $1.3 million and $38.1 million, respectively, which are included in Gain on acquisition of Caisson Interventional, LLC in the condensed consolidated statements of income (loss).

The following table presents the preliminary purchase price allocation at fair value for the Caisson acquisition (in thousands):

Cash and cash equivalents	$	1,468
In-process research and development		89,000
Goodwill		42,417
Other assets		918
Current liabilities		1,023
Deferred income tax liabilities, net		16,009
Net assets acquired	$	116,771

Acquired goodwill of $9.6 million is expected to be deductible for tax purposes. Additionally, $3.0 million of the initial cash payment has been deposited in escrow for future claims indemnification. Of this amount, $2.0 million is included in Prepaid expenses and other current assets and the remaining $1.0 million is included in Other long-term assets on the condensed consolidated balance sheet at June 30, 2017.

We recognized acquisition-related expense of approximately $1.0 million for legal and valuation expenses during the three months ended June 30, 2017. These expenses are included within selling, general and administrative expenses in the condensed consolidated statements of income (loss). Additionally, the results of Caisson for the period of May 2, 2017 through June 30, 2017 added no revenue and $2.0 million in expenses in our condensed consolidated statement of income (loss) for the three and six months ended June 30, 2017.

The contingent consideration arrangements are composed of potential cash payments upon the achievement of certain regulatory milestones and a sales-based earnout associated with sales of products covered by the purchase agreement. The sales-based earnout was valued using projected sales from our internal strategic plans. Both arrangements are Level 3 fair value measurements and include the following significant unobservable inputs (in thousands):

	Fair value at May 2, 2017	Valuation Technique	Unobservable Input	Ranges
Regulatory milestone-based payments	$ 14,883	Discounted cash flow	Discount rate	2.6% - 3.4%
			Probability of payment	90-95%
			Projected payment years	2018-2023
Sales-based earnout	16,805	Monte Carlo simulation	Discount rate	11.5-12.7%
			Sales volatility	36.9%
			Projected years of sales	2019-2033
	$ 31,688			

Note 3. Restructuring

Our 2015 and 2016 Reorganization Plans (the “Plans”) were initiated October 2015 and March 2016, respectively, in conjunction with the completion of the Mergers. We initiated these plans to leverage economies of scale, streamline distribution and logistics and strengthen operational and administrative effectiveness in order to reduce overall costs. Costs associated with these plans were reported as ‘Restructuring expenses’ in our operating results in the condensed consolidated statements of income (loss). We estimate that the Plans will result in a net reduction of approximately 323 personnel of which 270 have occurred as of June 30, 2017.

In March 2017, we committed to a plan to sell our Suzhou Industrial Park facility in Shanghai, China. As a result of this exit plan we recorded an impairment of the building and equipment of $4.6 million and accrued $0.5 million of additional costs, primarily related to employee severance, during the six months ended June 30, 2017. In addition, the remaining carrying value of the land, building and equipment was reclassified to Assets Held for Sale in March 2017, with a balance of $13.9 million as of June 30, 2017, on the condensed consolidated balance sheet.

The following table presents restructuring expense accrual detail (in thousands):

	Employee severance and other termination costs	Other	Total
Balance at December 31, 2016	$ 21,092	$ 3,056	$ 24,148
Charges	6,193	5,075	11,268
Cash payments and adjustments	(20,312)	(5,457)	(25,769)
Balance at June 30, 2017	$ 6,973	$ 2,674	$ 9,647

The following table presents restructuring expense by reportable segment (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Cardiac Surgery	$ 501	$ 751	$ 6,503	$ 4,962
Cardiac Rhythm Management	(1,479)	855	(1,359)	16,021
Neuromodulation	(185)	1,973	499	4,136
Other	2,281	667	5,625	7,719
Total	$ 1,118	$ 4,246	$ 11,268	$ 32,838

Note 4. Product Remediation Liability

At December 31, 2016, we recognized a liability for a product remediation plan related to our 3T Heater-Cooler device ("3T device"). The remediation plan we developed consists primarily of a modification of the 3T device design to include internal sealing and addition of a vacuum system to new and existing devices. These changes are intended to address regulatory actions and further reduce the risk of possible dispersion of aerosols from 3T devices in the operating room. The deployment of this solution for commercially distributed devices will occur upon final validation and verification of the design changes and approval or clearance by regulatory authorities worldwide, including FDA clearance in the United States ("U.S.") In April 2017, we obtained CE Mark in Europe for the design change of the 3T device. As part of this plan, we also intend to perform a no-charge deep disinfection service for 3T device users who have reported confirmed M. chimaera mycobacterium contamination. Although the deep disinfection service is not yet available in the U.S., it is currently offered in many countries around the world and will be expanded to additional geographies as regulatory approvals are received. We are continuing with the loaner program for 3T devices, initiated in the fourth quarter of 2016, to provide existing 3T device users with a new loaner 3T device at no charge pending regulatory approval and implementation of the vacuum system addition and deep disinfection service worldwide. This loaner program began in the U.S. and is being progressively made available on a global basis, prioritizing and allocating devices to 3T device users based on pre-established criteria. Finally, in May 2017 we completed our first vacuum and sealing upgrade on a customer-owned device. As capacity of upgrade components increases, we anticipate expanding the vacuum and sealing upgrade program to as many countries as possible throughout the remainder of 2017.

Changes in the carrying amount of the product remediation liability are as follows (in thousands):

Balance at December 31, 2016	$	33,487
Adjustments		(15)
Remediation activity		(3,076)
Effect of changes in foreign currency exchange rates		1,579
Balance at June 30, 2017	$	31,975

It is reasonably possible that our estimate of the remediation liability could materially change in future periods due to the various significant assumptions involved such as customer behavior, market reaction and the timing of approvals or clearance by regulatory authorities worldwide. We recognize changes in estimates on a prospective basis. For further information, please refer to "Note 9. Commitments and Contingencies - 3T Heater-Cooler Devices." At this stage, no liability has been recognized with respect to any lawsuits involving us related to the 3T device, while related legal costs are expensed as incurred.

Note 5. Investments

Cost-Method Investments

Our cost-method investments are included in Investments in the condensed consolidated balance sheets and consist of our equity positions in the following privately-held companies (in thousands):

	June 30, 2017	December 31, 2016
Respicardia Inc. [1]	$ 20,046	$ 17,518
ImThera Medical, Inc. [2]	12,000	12,000
Rainbow Medical Ltd. [3]	4,045	3,733
MD Start II	571	526
Other [4]	145	—
	$ 36,807	$ 33,777

(1) Respicardia Inc. (“Respicardia”) is a privately funded U.S. company developing an implantable device designed to restore a more natural breathing pattern during sleep in patients with central sleep apnea ("CSA") by transvenously stimulating the phrenic nerve. During the six months ended June 30, 2017, we loaned Respicardia $1.4 million, which is included in Prepaid expenses and other current assets on the condensed consolidated balance sheet.

(2) ImThera Medical Inc. (“ImThera”) is a privately funded U.S. company developing a neurostimulation device system for the treatment of obstructive sleep apnea. During the six months ended June 30, 2017, we loaned ImThera $1.0 million, which is included in Other assets on the condensed consolidated balance sheet.

(3) Rainbow Medical Ltd. is a private Israeli venture capital company that seeds and grows companies developing medical devices in a diverse range of medical fields.

(4) During the six months ended June 30, 2017, we sold our investment in Istituto Europeo di Oncologia S.R.L, for a gain of $3.2 million. This gain is included in Foreign exchange and other (losses) gains in the condensed consolidated statement of income (loss).

Equity Method Investments

Our equity-method investments consist of our equity position in the following entities (in thousands, except for percent ownership):

	% Ownership [1]	June 30, 2017	December 31, 2016
Caisson Interventional LLC [2]		$ —	$ 16,423
Highlife S.A.S. [3]	38.0%	883	6,009
MicroPort Sorin CRM (Shanghai) Co. Ltd.	49.0%	3,306	4,867
Other		17	16
Total		$ 4,206	$ 27,315

(1) Ownership percentages as of June 30, 2017.

(2) On May 2, 2017, we acquired the 51% remaining equity interests in Caisson Interventional LLC (“Caisson”), and we began consolidating the results of Caisson as of the acquisition date. Refer to “Note 2. Acquisitions” and to “Note 6. Fair Value Measurements” for further information.

(3) Highlife S.A.S is a privately held clinical-stage medical device company located in France and is focused on the development of a unique transcatheter mitral valve replacement system to treat patients with mitral regurgitation. During the three months ended June 30, 2017, we recognized an impairment of our investment in, and notes receivable from, Highlife, see the paragraph below for further details.

Highlife Impairment

We recognized an impairment of our equity-method investment in, and notes receivable from, Highlife S.A.S. (“Highlife”) during the three months ended June 30, 2017. Certain factors, including a revision in our investment strategy, indicated that the carrying value of our aggregate investment might not be recoverable and that the decrease in value of our aggregate investment was other than temporary. We, therefore, estimated the fair value of our investment and notes receivable using the market approach. The estimated fair value of our aggregate investment was below our carrying value by $13.0 million. This aggregate impairment was included in Losses from Equity Method Investments in the condensed consolidated statements of income (loss). The updated carrying value of our notes receivable from Highlife at June 30, 2017 was $0.8 million and is included in Other Assets on the condensed consolidated balance sheet.

Note 6. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table provides information by level for assets and liabilities that are measured at fair value on a recurring basis (in thousands):

	Fair Value as of June 30, 2017	Fair Value Measurements Using Inputs Considered as: Level 1	Level 2	Level 3
Assets:				
Derivative assets - designated as cash flow hedges (FX)	$ 1,813	$ —	$ 1,813	$ —
Liabilities:				
Derivative liabilities - designated as cash flow hedges (interest rate swaps)	$ 1,899	$ —	$ 1,899	$ —
Derivative liabilities - freestanding instruments (FX)	84	—	84	—
Contingent payments [1]	36,080	—	—	36,080
	$ 38,063	$ —	$ 1,983	$ 36,080

	Fair Value as of December 31, 2016	Fair Value Measurements Using Inputs Considered as: Level 1	Level 2	Level 3
Assets:				
Derivative assets - designated as cash flow hedges (FX)	$ 4,911	$ —	$ 4,911	$ —
Derivative assets - freestanding instruments (FX)	3,358	—	3,358	—
	$ 8,269	$ —	$ 8,269	$ —
Liabilities:				
Derivative liabilities - designated as cash flow hedges (FX)	$ 942	$ —	$ 942	$ —
Derivative Liabilities - designated as cash flow hedges (interest rate swaps)	1,392	—	1,392	—
Contingent payments [1]	3,890	—	—	3,890
	$ 6,224	$ —	$ 2,334	$ 3,890

(1) These contingent payments arose as a result of acquisitions, refer to “Note 15. Supplemental Financial Information - Other Long-Term Liabilities” for further information.

Note 7. Financing Arrangements

The outstanding principal amount of long-term debt (in thousands, except interest rates):

	June 30, 2017	December 31, 2016	Maturity	Interest Rate
European Investment Bank [1]	$ 76,072	$ 78,987	June 2021	0.95%
Banca del Mezzogiorno [2]	6,283	6,747	December 2019	0.50% - 3.15%
Mediocredito Italiano [3]	7,404	7,276	December 2023	0.50% - 3.07%
Bpifrance (ex-Oséo)	1,724	1,909	October 2019	2.58%
Region Wallonne	804	798	December 2023 and June 2033	0.00% - 2.42%
Mediocredito Italiano - mortgages and other	803	799	September 2021 and September 2026	0.40% - 0.65%
Total debt	93,090	96,516		
Less current portion of long-term debt	23,349	21,301		
Total long-term debt	$ 69,741	$ 75,215		

(1) The European Investment Bank ("EIB") loan was obtained in July 2014 to support product development projects. The interest rate for the EIB loan is reset by the lender each quarter based on the Euribor. Interest payments are paid quarterly and principal payments are paid semi-annually.

(2) The Banca del Mezzogiorno loan was obtained in January 2015 to support R&D projects as a part of the Large Strategic Project program of the Italian Ministry of Education.

(3) We obtained the Mediocredito Italiano Bank loan in July 2016 as part of the Fondo Innovazione Teconologica program implemented by the Italian Ministry of Education.

Revolving Credit

The outstanding principal amount of our short-term unsecured revolving credit agreements and other agreements with various banks was $32.4 million and $26.4 million, at June 30, 2017 and December 31, 2016, respectively, with interest rates ranging from 0.2% to 12.6% and loan terms ranging from one day to 365 days.

European Investment Bank Financing Agreement

On June 29, 2017, we entered into a new finance contract (the "Finance Contract") with the EIB to support financing of certain of our R&D projects. The Finance Contract has a borrowing base of €100 million (or approximately $114 million USD equivalent) and can be drawn in up to two tranches, each in a minimum amount of €50 million (or approximately $57 million USD equivalent). Drawdowns must occur by December 30, 2018, and the last repayment date of any tranche will be no earlier than four years and no later than eight years after the disbursement of the relevant tranche. Loans under the Finance Contract are subject to certain covenants and other terms and conditions. No loan drawdowns have occurred as of June 30, 2017.

Note 8. Derivatives and Risk Management

Due to the global nature of our operations, we are exposed to foreign currency exchange rate fluctuations. In addition, due to certain loans with floating interest rates, we are also subject to the impact of changes in interest rates on our interest payments. We enter into foreign currency exchange rate ("FX") derivative contracts and interest rate swap contracts to reduce the impact of foreign currency rate and interest rate fluctuations on earnings and cash flow. We measure all outstanding derivatives each period end at fair value and report the fair value as either financial assets or liabilities in the consolidated balance sheets. We do not enter into derivative contracts for speculative purposes. At inception of the contract, the derivative is designated as either a freestanding derivative or a hedge. Derivatives that are not designated as hedging instruments are referred to as freestanding derivatives with changes in fair value included in earnings.

If the derivative qualifies for hedge accounting, depending on the nature of the hedge and hedge effectiveness, changes in the fair value of the derivative will either be recognized immediately in earnings or recorded in other Accumulated Other Comprehensive Income (loss) ("AOCI") until the hedged item is recognized in earnings upon settlement/termination. FX derivative gains and losses in AOCI are reclassified to the consolidated statement of income (loss) as shown in the tables below and interest rate swaps gains and losses in AOCI are reclassified to interest expense in the consolidated statement of income (loss). We evaluate hedge effectiveness at inception and on an ongoing basis. If a derivative is no longer expected to be highly

effective, hedge accounting is discontinued. Hedge ineffectiveness, if any, is recorded in earnings. Cash flows from derivative contracts are reported as operating activities in the condensed consolidated statements of cash flows.

Freestanding Derivative FX Contracts

The gross notional amount of freestanding derivatives outstanding at June 30, 2017 and December 31, 2016 was $240.5 million and $489.1 million, respectively. These derivative contracts are designed to offset the FX effects in earnings of various intercompany loans, our European Investment Bank loan, and trade receivables. We recorded net losses for these freestanding derivatives of $5.4 million and $7.2 million for the three and six months ended June 30, 2017, respectively, and net gains of $6.1 million and $2.2 million for the three and six months ended June 30, 2016, respectively. These gains and losses are included in Foreign Exchange and Other (Losses) Gains in the condensed consolidated statements of income (loss).

Cash Flow Hedges

Notional amounts of open derivative contracts designated as cash flow hedges (in thousands):

Description of contract:	June 30, 2017	December 31, 2016
FX derivative contracts to be exchanged for British Pounds	$ 19,268	$ 6,663
FX derivative contracts to be exchanged for Japanese Yen	58,902	57,840
FX derivative contracts to be exchanged for Canadian Dollars	15,868	—
Interest rate swap contracts	60,907	63,246
	$ 154,945	$ 127,749

After-tax net gain associated with derivatives designated as cash flow hedges recorded in the ending balance of Accumulated Other Comprehensive Income and the amount expected to be reclassified to earnings in the next 12 months (in thousands):

Description of contract:	June 30, 2017	Net amount expected to be reclassified to earnings in the next 12 months
FX derivative contracts	$ 613	$ 613
Interest rate swap contracts	346	87
	$ 959	$ 700

Pre-tax gains (losses) for derivative contracts designated as cash flow hedges recognized in Other Comprehensive Income (Loss) (“OCI”) and the amount reclassified to earnings from Accumulated Other Comprehensive Income (Loss) (“AOCI”) (in thousands):

		Three Months Ended June 30,			
		2017		2016	
Description of derivative contract	Location in earnings of reclassified gain or loss	Losses Recognized in OCI	(Losses) Gains Reclassified from AOCI to Earnings:	(Losses) Gains Recognized in OCI	Losses Reclassified from AOCI to Earnings:
FX derivative contracts	Foreign Exchange and Other (Losses) Gains	$ (755)	$ (532)	$ (4,887)	$ (42)
FX derivative contracts	SG&A	—	544	—	(1,270)
Interest rate swap contracts	Interest expense	—	543	18	(56)
		$ (755)	$ 555	$ (4,869)	$ (1,368)

Description of derivative contract	Location in earnings of reclassified gain or loss	Six Months Ended June 30, 2017 Losses Recognized in OCI	2017 (Losses) Gains Reclassified from AOCI to Earnings:	2016 Losses Recognized in OCI	2016 Gains (Losses)Reclassified from AOCI to Earnings:
FX derivative contracts	Foreign Exchange and Other (Losses) Gains	$ (7,587)	$ (5,210)	$ (8,467)	$ 148
FX derivative contracts	SG&A	—	1,354	—	(1,561)
Interest rate swap contracts	Interest expense	—	212	(301)	(89)
		$ (7,587)	$ (3,644)	$ (8,768)	$ (1,502)

The following tables present the fair value on a gross basis, and the location of, derivative contracts reported in the condensed consolidated balance sheets (in thousands):

June 30, 2017	Asset Derivatives		Liability Derivatives	
Derivatives designated as hedging instruments	**Balance Sheet Location**	**Fair Value (1)**	**Balance Sheet Location**	**Fair Value (1)**
Interest rate swap contracts	Prepaid expenses and other current assets	$ —	Accrued liabilities	$ 897
Interest rate swap contracts	Other assets	—	Other long-term liabilities	1,002
FX derivative contracts	Prepaid expenses and other current assets	1,813	Accrued liabilities	—
Total derivatives designated as hedging instruments		1,813		1,899
Derivatives not designated as hedging instruments				
FX derivative contracts	Prepaid expenses and other current assets	—	Accrued liabilities	84
Total derivatives not designated as hedging instruments		—		84
		$ 1,813		$ 1,983

December 31, 2016	Asset Derivatives		Liability Derivatives	
Derivatives designated as hedging instruments	**Balance Sheet Location**	**Fair Value (1)**	**Balance Sheet Location**	**Fair Value (1)**
Interest rate swap contracts	Prepaid expenses and other current assets	$ —	Accrued liabilities	$ 942
Interest rate swap contracts	Other assets	—	Other long-term liabilities	1,392
FX derivative contracts	Prepaid expenses and other current assets	4,911	Accrued liabilities	—
Total derivatives designated as hedging instruments		4,911		2,334
Derivatives not designated as hedging instruments				
FX derivative contracts	Prepaid expenses and other current assets	3,358	Accrued liabilities	—
Total derivatives not designated as hedging instruments		3,358		—
		$ 8,269		$ 2,334

(1) For the classification of input used to evaluate the fair value of our derivatives, refer to “Note 6. Fair Value Measurements.”

Note 9. Commitments and Contingencies

3T Heater-Cooler Devices

FDA Warning Letter.

On December 29, 2015, the FDA issued LivaNova a Warning Letter (the “Warning Letter”) alleging certain violations of FDA regulations applicable to medical device manufacturers at our Munich, Germany and Arvada, Colorado facilities.

The FDA inspected the Munich facility from August 24, 2015 to August 27, 2015 and the Arvada facility from August 24, 2015 to September 1, 2015. On August 27, 2015, the FDA issued a Form 483 identifying two observed non-conformities with certain regulatory requirements at the Munich facility. We did not receive a Form 483 in connection with the FDA's inspection of the Arvada facility. Following the receipt of the Form 483, we provided written responses to the FDA describing corrective and preventive actions that were underway or to be taken to address the FDA's observations at the Munich facility. The Warning Letter responded in part to our responses and identified other alleged violations not previously included in the Form 483.

The Warning Letter further stated that our 3T devices and other devices we manufactured at our Munich facility are subject to refusal of admission into the U.S. until resolution of the issues set forth by the FDA in the Warning Letter. The FDA has informed us that the import alert is limited to the 3T devices, but that the agency reserves the right to expand the scope of the import alert if future circumstances warrant such action. The Warning Letter did not request that existing users cease using the 3T device, and manufacturing and shipment of all of our products other than the 3T device remain unaffected by the import limitation. To help clarify these issues for current customers, we issued an informational Customer Letter in January 2016, and that same month agreed with the FDA on a process for shipping 3T devices to existing U.S. users pursuant to a certificate of medical necessity program.

Lastly, the Warning Letter stated that premarket approval applications for Class III devices to which certain Quality System regulation deviations identified in the Warning Letter are reasonably related will not be approved until the violations have been corrected. However, this restriction applies only to the Munich and Arvada facilities, which do not manufacture or design devices subject to Class III premarket approval.

We continue to work diligently to remediate the FDA's inspectional observations for the Munich facility, as well as the additional issues identified in the Warning Letter. We take these matters seriously and intend to respond timely and fully to the FDA's requests.

CDC and FDA Safety Communications and Company Field Safety Notice Update

On October 13, 2016 the Centers for Disease Control and Prevention ("CDC") and FDA separately released safety notifications regarding the 3T devices. The CDC's Morbidity and Mortality Weekly Report ("MMWR") and Health Advisory Notice ("HAN") reported that tests conducted by CDC and its affiliates indicate that there appears to be genetic similarity between both patient and 3T device strains of the non-tuberculous mycobacterium ("NTM") bacteria M. chimaera isolated in hospitals in Iowa and Pennsylvania. Citing the geographic separation between the two hospitals referenced in the investigation, the report asserts that 3T devices manufactured prior to August 18, 2014 could have been contaminated during the manufacturing process. The CDC's HAN and FDA's Safety Communication, issued contemporaneously with the MMWR report, each assess certain risks associated with 3T devices and provide guidance for providers and patients. The CDC notification states that the decision to use the 3T device during a surgical operation is to be taken by the surgeon based on a risk approach and on patient need. Both the CDC's and FDA's communications confirm that 3T devices are critical medical devices and enable doctors to perform life-saving cardiac surgery procedures.

Also on October 13, 2016, we issued a Field Safety Notice Update for U.S. users of 3T devices to proactively and voluntarily contact facilities to aid in implementation of the CDC and FDA recommendations. In the fourth quarter of 2016, we initiated a program to provide existing 3T device users with a new loaner 3T device at no charge pending regulatory approval and implementation of additional risk mitigation strategies worldwide. This loaner program began in the U.S. and is being progressively made available on a global basis, prioritizing and allocating devices to 3T device users based on pre-established criteria. We anticipate that this program will continue until we are able to address customer needs through a broader solution that includes implementation of one or more of the risk mitigation strategies currently under review with regulatory agencies.

At December 31, 2016, we recognized a liability for our product remediation plan related to our 3T device. We concluded that it was probable that a liability had been incurred upon management's approval of the plan and the commitments made by management to various regulatory authorities globally in November and December 2016, and furthermore, the cost associated with the plan was reasonably estimable. At June 30, 2017, the product remediation liability was $32.0 million. Refer to "Note 4. Product Remediation Liability" for additional information.

Litigation

On February 12, 2016, LivaNova was alerted that a class action complaint had been filed in the U.S. District Court for the Middle District of Pennsylvania with respect to our 3T devices, naming as evidence, in part, the Warning Letter issued by the FDA in December 2015. The named plaintiffs to the complaint underwent open heart surgeries at WellSpan York Hospital and Penn State Milton S. Hershey Medical Center in 2015, and the complaint alleges that: (i) patients were exposed to a harmful form of bacteria, known as nontuberculous mycobacterium ("NTM"), from our 3T devices; and (ii) we knew or should have known that design or manufacturing defects in 3T devices can lead to NTM bacterial colonization, regardless of the cleaning and disinfection procedures used (and recommended by us). Named plaintiffs seek to certify a class of plaintiffs consisting of all Pennsylvania residents who underwent open heart surgery at WellSpan York Hospital and Penn State Milton S. Hershey Medical Center between 2011 and 2015 and who are currently asymptomatic for NTM infection (approximately 3,600 patients).

The putative class action, which has not been certified, seeks: (i) declaratory relief finding the 3T devices are defective and unsafe for intended uses; (ii) medical monitoring; (iii) general damages; and (iv) attorneys' fees. On March 21, 2016, the plaintiffs filed a First Amended Complaint adding Sorin Group Deutschland GmbH and Sorin Group USA, Inc., wholly-owned subsidiaries of LivaNova PLC, as defendants. On September 29, 2016 the Court dismissed LivaNova PLC from the case, and on October 11, 2016, the Court denied our motion to dismiss Sorin Group Deutschland GmbH and Sorin Group USA, Inc. from the lawsuit.

In addition to the case addressed in the preceding section, we have received additional lawsuits in the U.S. and Canada related to surgical cases in which a 3T device was allegedly used. Approximately 50 additional lawsuits have been filed against us in state and federal courts in the U.S. and three cases have been filed in Canada.

We intend to defend each of these claims vigorously. Given the relatively early stage of each of these matters, we cannot give any assurances that additional legal proceedings making the same or similar allegations will not be filed against us or one of our subsidiaries, nor that the resolution of these complaints or other related litigation in connection therewith will not have a material adverse effect on our business, results of operations, financial condition and/or liquidity. We have not recognized an expense related to damages in connection with this matter because any potential loss is not currently probable or reasonably estimable. In addition we cannot reasonably estimate a range of potential loss, if any, that may result from this matter.

Other Litigation

SNIA Litigation

Sorin was created as a result of a spin-off (the "Sorin spin-off") from SNIA S.p.A. ("SNIA"). The Sorin spin-off, which spun off SNIA's medical technology division, became effective on January 2, 2004. Pursuant to the Italian Civil Code, in a spin-off transaction, the parent and the spun-off company can be held jointly liable up to the actual value of the shareholders' equity conveyed or received (we estimate that the value of the shareholders' equity received was approximately €573 million (approximately $654 million USD equivalent) for certain indebtedness or liabilities of the pre-spin-off company.

We believe and have argued before the relevant fora that Sorin is not jointly liable with SNIA for its alleged SNIA debts and liabilities. Specifically, between 1906 and 2010, SNIA's subsidiaries Caffaro Chimica S.r.l. and Caffaro S.r.l. and their predecessors (the "SNIA Subsidiaries"), conducted certain chemical operations (the "Caffaro Chemical Operations"), at sites in Torviscosa, Brescia and Colleferro, Italy (the "Caffaro Chemical Sites"). These activities allegedly resulted in substantial and widely dispersed contamination of soil, water and ground water. In connection with SNIA's Italian insolvency proceedings, the Italian Ministry of the Environment and the Protection of Land and Sea (the "Italian Ministry of the Environment"), sought compensation from SNIA in an aggregate amount of €3.4 billion (approximately $3.9 billion USD equivalent) for remediation costs relating to the environmental damage at the Caffaro Chemical Sites.

In September 2011, the Bankruptcy Court of Udine, and in July 2014, the Bankruptcy Court of Milan each held (in proceedings to which we are not parties) that the Italian Ministry of the Environment and other Italian government agencies (the "Public Administrations") were not creditors of either SNIA Subsidiaries or SNIA in connection with their claims in the context of their Italian insolvency proceedings. In January 2016, the Court of Udine rejected the appeal brought by the Italian Public Administrations. The Public Administrations have appealed that second loss in pending proceedings before the Italian Supreme Court. The appeal by the Public Administrations before the Court of Milan remains pending.

In January 2012, SNIA filed a civil action against Sorin in the Civil Court of Milan asserting joint liability of a parent and a spun-off company. SNIA's civil action against Sorin also named the Public Administrations Italian Ministry of the Environment and other Italian government agencies, as defendants, in order to have them bound to the final ruling.

On April 1, 2016 (the “Decision”) the Court of Milan dismissed all legal actions of SNIA and of the Public Administration against Sorin, further requiring the Public Administrations to pay Sorin €300,000 (or approximately $342,600 USD equivalent), as legal fees (of which SNIA is jointly liable for €50,000).

On June 21, 2016, the Public Administrations filed an appeal against the Decision before the Court of Appeal of Milan. The first hearing of the appeal proceedings was held on December 20, 2016, and the final hearing is now scheduled for November 22, 2017. After such hearing, the parties will file their final briefs, and the Court is expected to render its decision in mid-2018. SNIA did not file an appeal.

We (as successor to Sorin in the litigation) continue to believe that the risk of material loss relating to the SNIA litigation is not probable as a result of the reasoning contained in, and legal conclusions reached in, the recent court decisions described above. We also believe that the amount of potential losses relating to the SNIA litigation is, in any event, not estimable given that the underlying alleged damages, related remediation costs, allocation and apportionment of any such responsibility, which party is responsible, and various time periods involving different parties, all remain issues in dispute and that no final decision on a remediation plan has been approved. As a result, we have not made any accrual in connection with the SNIA litigation.

Pursuant to European Union, United Kingdom and Italian cross-border merger regulations applicable to the Mergers, legacy Sorin liabilities, including any potential liabilities arising from the claims against Sorin relating to the SNIA litigation, are assumed by us as successor to Sorin. Although we believe the claims against Sorin in connection with the SNIA litigation are without merit and continue to contest them vigorously, there can be no assurance as to the outcome. A finding during any appeal or novel proceedings that we are liable for environmental damage at the Caffaro Chemical Sites or its alleged cause(s) could have a material adverse effect on our results of operations, financial condition and/or liquidity.

Environmental Remediation Order

On July 28, 2015, Sorin and other direct and indirect shareholders of SNIA received an administrative order from the Italian Ministry of the Environment (the “Remediation Order”), directing them to promptly commence environmental remediation efforts at the Caffaro Chemical Sites (as described above). We (as successor to Sorin) believe that we should not be liable for damages relating to the Caffaro Chemical Operations pursuant to the Italian statute on which the Remediation Order relies because, inter alia, the statute does not apply to activities occurring prior to 2006, the date on which the statute was enacted. (Sorin was spun off from SNIA in 2004). Additionally, we believe that Sorin should not be subject to the Remediation Order because Italian environmental regulations only permit such an order to be imposed on an “operator” of a remediation site, and Sorin never operated any activity of whatsoever nature at any of the industrial sites concerned and, further, was never identified in any legal proceeding as an operator at any of the Caffaro Chemical Sites and could not and in fact did not cause any environmental damage at any of the Caffaro Chemical Sites.

Accordingly, we (as successor to Sorin) alongside other parties, challenged the Remediation Order before the Administrative Court of Lazio in Rome (the “TAR”).

On March 21, 2016 the TAR annulled the Remediation Order based on the fact that (i) the Remediation Order lacks any detailed analysis of the causal link between the alleged damage and our activities, a pre-condition to imposition of the measures proposed in the Remediation Order, (ii) the situation of the Caffaro site does not require urgent safety measures, because no new pollution events have occurred and no additional information or evidence of a situation of contamination exists, and (iii) there was no proper legal basis for the Remediation Order, and in any event, the Ministry failed to verify the legal elements that could have led to a conclusion of legal responsibility of the recipients of the Remediation Order.

The TAR decisions described above have been appealed by the Ministry before the Council of State. No information on the timing of the first hearing of this appeal is presently available. We have not recognized an expense in connection with this matter because any potential loss is not currently probable or reasonably estimable. In addition, we cannot reasonably estimate a range of potential loss, if any, that may result from this matter.

Opposition to Merger Proceedings

On July 28, 2015, the Public Administrations filed an opposition proceeding to the proposed merger between Sorin and Cyberonics (the “Merger”), before the Commercial Courts of Milan, asking the Court to prohibit the execution of the Merger. In its initial decision on August 20, 2015, the Court authorized the Merger and the Public Administrations did not appeal this decision. The proceeding then continued as a civil case, with the Public Administration seeking damages against us. The Commercial Court of Milan delivered a first instance decision on October 6, 2016 fully rejecting the Public Administration’s request and awarding us €200,000 (approximately $228,000 USD equivalent) in damages for frivolous litigation, plus €200,000 (approximately $228,000 USD equivalent) in legal fees. The Public Administrations has appealed this decision to the Court of Appeal of Milan. The final hearing is scheduled on January 17, 2018. The Court of Appeal is likely to make a decision in mid-June 2018. We have not recognized an expense in connection with this matter because any potential loss is not currently

probable or reasonably estimable. In addition, we cannot reasonably estimate a range of potential loss, if any, that may result from this matter.

Tax Litigation

In a tax audit report received on October 30, 2009, the Regional Internal Revenue Office of Lombardy (the “Internal Revenue Office”) informed Sorin Group Italia S.r.l. that, among several issues, it was disallowing in part (for a total of €102.6 million (approximately $117.2 million USD equivalent), related to tax years 2002 through 2006) a tax-deductible write down of the investment in the U.S. company, Cobe Cardiovascular Inc., which Sorin Group Italia S.r.l. recognized in 2002 and deducted in five equal installments, beginning in 2002. In December 2009, the Internal Revenue Office issued notices of assessment for 2002, 2003 and 2004. The assessments for 2002 and 2003 were automatically voided for lack of merit. In December 2010 and October 2011, the Internal Revenue Office issued notices of assessment for 2005 and 2006, respectively. We challenged all three notices of assessment (for 2004, 2005 and 2006) before the relevant Provincial Tax Courts.

The preliminary challenges filed for 2004, 2005 and 2006 were denied at the first jurisdictional level. We appealed these decisions. The appeal submitted against the first-level decision for 2004 was successful. The Internal Revenue Office appealed this second-level decision to the Italian Supreme Court (Corte di Cassazione) on February 3, 2017. The Italian Supreme Court’s decision is pending.

The appeal submitted against the first-level decisions for 2005 and 2006 were rejected. We appealed these adverse decisions to the Italian Supreme Court, which is still pending.

In November 2012, the Internal Revenue Office served a notice of assessment for 2007, and in July 2013, served a notice of assessment for 2008. In these matters the Internal Revenue Office claims an increase in taxable income due to a reduction (similar to the previous notices of assessment for 2004, 2005 and 2006) of the losses reported by Sorin Group Italia S.r.l. for the 2002, 2003 and 2004 tax periods, and subsequently utilized in 2007 and 2008. We challenged both notices of assessment. The Provincial Tax Court of Milano has stayed its decision for years 2007 and 2008 pending resolution of the litigation regarding years 2004, 2005, and 2006. The total amount of losses in dispute is €62.6 million (approximately $71.5 million USD equivalent). We have continuously reassessed our potential exposure in these matters, taking into account the recent, and generally adverse, trend to Italian taxpayers in this type of litigation. Although we believe that our defensive arguments are strong, noting the adverse trend in some of the court decisions, we have recognized a risk provision of €17.0 million (approximately $19.4 million USD equivalent).

Other Matters

Additionally, we are the subject of various pending or threatened legal actions and proceedings that arise in the ordinary course of our business. These matters are subject to many uncertainties and outcomes that are not predictable and that may not be known for extended periods of time. Since the outcome of these matters cannot be predicted with certainty, the costs associated with them could have a material adverse effect on our consolidated net income, financial position or cash flows.

Note 10. Stockholders' Equity

Comprehensive income

The table below presents the change in each component of accumulated other comprehensive income (loss) ("AOCI"), net of tax, and the reclassifications out of AOCI into net earnings for the six months ended June 30, 2017 and June 30, 2016 (in thousands):

	Change in Unrealized Gain (Loss) on Derivatives	Foreign Currency Translation Adjustments Gain (Loss) [1]	Total
As of December 31, 2016	$ 3,619	$ (72,106)	$ (68,487)
Other comprehensive (loss) income before reclassifications, before tax	(7,587)	72,017	64,430
Tax benefit	1,821	—	1,821
Other comprehensive (loss) income before reclassifications, net of tax	(5,766)	72,017	66,251
Reclassification of loss from accumulated other comprehensive income, before tax	3,644	—	3,644
Tax benefit	(538)	—	(538)
Reclassification of loss from accumulated other comprehensive income, after tax	3,106	—	3,106
Net current-period other comprehensive (loss) income, net of tax	(2,660)	72,017	69,357
As of June 30, 2017	**$ 959**	**$ (89)**	**$ 870**
As of December 31, 2015	$ 888	$ (55,116)	$ (54,228)
Other comprehensive (loss) income before reclassifications, before tax	(8,768)	34,403	25,635
Tax benefit	2,639	—	2,639
Other comprehensive (loss) income before reclassifications, net of tax	(6,129)	34,403	28,274
Reclassification of loss from accumulated other comprehensive income, before tax	1,502	—	1,502
Tax benefit	(453)	—	(453)
Reclassification of loss from accumulated other comprehensive income, after tax	1,049	—	1,049
Net current-period other comprehensive (loss) income, net of tax	(5,080)	34,403	29,323
As of June 30, 2016	**$ (4,192)**	**$ (20,713)**	**$ (24,905)**

(1) Taxes are not provided for foreign currency translation adjustments as translation adjustments are related to earnings that are intended to be reinvested in the countries where earned.

Note 11. Stock-Based Incentive Plans

Stock-based incentive plans compensation expense (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Service-based stock appreciation rights ("SARs")	$ 1,866	$ 2,009	$ 3,466	$ 4,584
Service-based restricted stock units ("RSUs")	2,289	2,393	4,493	5,904
Market-based performance restricted stock units	177	—	181	3
Operating performance-based restricted stock units	388	289	424	316
Total stock-based compensation expense	$ 4,720	$ 4,691	$ 8,564	$ 10,807

During the three months ended June 30, 2017, we executed stock-based compensatory grant agreements with contract terms agreed upon by us and the respective individuals, as approved by the Compensation Committee of our Board of Directors. Grants with service conditions vest ratably over four years subject to forfeiture unless service conditions are met. Market-based grants vest ratably over four years subject to forfeiture unless certain future prices of our shares on the NASDAQ Stock Market exceed certain threshold prices in the first year following the grant date. And finally, operating performance-based grants vest ratably over four years subject to forfeiture unless certain thresholds of adjusted net sales and adjusted net income are met for fiscal year 2017. Compensation expense related to grant agreements executed during the three months ended June 30, 2017 was $1.2 million.

Stock-based compensation agreements executed during the three months ended June 30, 2017, representing potential shares and their weighted average grant date fair values by type follows (shares in thousands, fair value in dollars):

	Three Months Ended June 30, 2017	
	Shares	Weighted Average Grant Date Fair Value
Service-based SARs	639	$ 17.03
Service-based RSUs	108	57.37
Market-based performance RSUs	158	25.29
Operating performance-based RSUs	189	56.18

Note 12. Income Taxes

During the three and six months ended June 30, 2017, we recorded consolidated income tax expense of $3.3 million and $9.0 million, respectively, with consolidated effective income tax rates of 5.0% and 10.4%, respectively.

During the three and six months ended June 30, 2016, we recorded consolidated income tax expense of $8.4 million and $7.2 million, respectively, with consolidated effective income tax rates of 40.3% and (39.8)%, respectively.

Our consolidated effective income tax rates for the three and six months ended June 30, 2017 include the impact of various discrete tax items, including the acquisition of Caisson and the $38.1 million non-taxable gain recognized to re-measure our existing equity investment in Caisson at fair value on the acquisition date. Additionally, we recognized a $3.9 million deferred tax benefit associated with certain temporary differences arising from the Mergers. Discrete tax items for the six months ended June 30, 2017 also include the recognition of a $3.0 million deferred tax asset related to a reserve for an uncertain tax position recognized in a prior year, in addition to various other discrete items.

Our consolidated effective tax rate for the three and six months ended June 30, 2016 was impacted by $58.7 million of unbenefited net operating losses in certain tax jurisdictions, including France and the U.K.

Note 13. Net Income (Loss) Per Share

The following table sets forth the computation of basic and diluted net income (loss) per share, (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Numerator:				
Net income (loss)	$ 47,498	$ 8,957	$ 58,769	$ (31,421)
Denominator:				
Basic weighted average shares outstanding	48,140	49,056	48,104	48,987
Add effects of share-based compensation instruments [1]	163	106	137	—
Diluted weighted average shares outstanding	48,303	49,162	48,241	48,987
Basic income (loss) per share	$ 0.99	$ 0.18	$ 1.22	$ (0.64)
Diluted income (loss) per share	$ 0.98	$ 0.18	$ 1.22	$ (0.64)

(1) Excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2017 were approximately 1.8 million stock options, SARs and restricted share units outstanding as of June 30, 2017, because to include them would be anti-dilutive. Excluded from the computation of diluted earnings per share for the three months ended June 30, 2016 were approximately 1.5 million stock options, SARs and restricted share units outstanding as of June 30, 2016, because to include them would be anti-dilutive. Excluded from the computation of diluted earnings per share for the six months ended June 30, 2016, were approximately 131 thousand average outstanding stock options, SARs and restricted share units that would have been dilutive but were excluded due to the net loss.

Note 14. Geographic and Segment Information

Segment Information

We identify operating segments based on the way we manage, evaluate and internally report our business activities for purposes of allocating resources and assessing performance. We have three reportable segments: Cardiac Surgery, Neuromodulation, and Cardiac Rhythm Management.

The Cardiac Surgery segment generates its revenue from the development, production and sale of cardiovascular surgery products. Cardiac Surgery products include oxygenators, heart-lung machines, autotransfusion systems, mechanical heart valves and tissue heart valves.

The Neuromodulation segment generates its revenue from the design, development and marketing of neuromodulation therapy for the treatment of drug-resistant epilepsy and treatment resistant depression. Neuromodulation products include the VNS Therapy System, which consists of an implantable pulse generator, a lead that connects the generator to the vagus nerve, surgical equipment to assist with the implant procedure, equipment to enable the treating physician to set the pulse generator stimulation parameters for the patient, instruction manuals and magnets to suspend or induce stimulation manually.

The Cardiac Rhythm Management segment generates its revenue from the development, manufacturing and marketing of products for the diagnosis, treatment, and management of heart rhythm disorders and heart failure. Cardiac Rhythm Management products include high-voltage defibrillators, cardiac resynchronization therapy devices and low-voltage pacemakers.

“Other” includes Corporate shared services expenses for finance, legal, human resources and information technology and Corporate business development (“New Ventures”). New Ventures, which includes our recent Caisson acquisition, is focused on new growth platforms and identification of other opportunities for expansion.

Net sales of our reportable segments include end-customer revenues from the sale of products they each develop and manufacture or distribute. We define segment income as operating income before merger and integration, restructuring, and amortization of intangibles.

Net sales and income (loss) from operations by segment (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Net Sales:	**2017**	**2016**	**2017**	**2016**
Cardiac Surgery	$ 158,586	$ 161,051	$ 297,790	$ 304,494
Neuromodulation	97,015	90,039	184,174	171,397
Cardiac Rhythm Management	65,544	69,558	123,824	131,289
Other	242	399	704	836
	$ 321,387	$ 321,047	$ 606,492	$ 608,016

	Three Months Ended June 30,		Six Months Ended June 30,	
Income (Loss) from Operations:	**2017**	**2016**	**2017**	**2016**
Cardiac Surgery	$ 23,665	$ 9,020	$ 39,683	$ 11,406
Neuromodulation	51,747	47,240	93,425	87,822
Cardiac Rhythm Management	5,617	(335)	8,109	(9,834)
Other	(33,629)	(17,236)	(51,431)	(35,565)
Total Reportable Segments' Income from Operations	47,400	38,689	89,786	53,829
Merger and integration expenses	3,522	6,200	5,730	12,961
Restructuring expenses	1,118	4,246	11,268	32,838
Amortization of intangibles	11,681	6,292	23,095	22,184
Income (Loss) from operations	$ 31,079	$ 21,951	$ 49,693	$ (14,154)

The following tables present our assets and capital expenditures by segment (in thousands):

Assets:	**June 30, 2017**	**December 31, 2016**
Cardiac Surgery	$ 1,351,706	$ 1,277,799
Neuromodulation	600,074	611,085
Cardiac Rhythm Management	345,464	341,998
Other	236,441	111,749
	$ 2,533,685	$ 2,342,631

	Three Months Ended June 30,		Six Months Ended June 30,	
Capital expenditures:	**2017**	**2016**	**2017**	**2016**
Cardiac Surgery	$ 3,957	$ 4,820	$ 7,751	$ 10,309
Neuromodulation	517	1,906	1,978	3,821
Cardiac Rhythm Management	1,148	715	2,806	1,195
Other	1,185	258	2,388	1,331
	$ 6,807	$ 7,699	$ 14,923	$ 16,656

The changes in the carrying amount of goodwill by reportable segment for the six months ended June 30, 2017 were as follows (in thousands):

	Neuromodulation	Cardiac Surgery	Cardiac Rhythm Management	Other	Total
December 31, 2016	$ 315,943	$ 375,769	$ —	$ —	$ 691,712
Goodwill as a result of acquisitions [1]	—	—	—	42,418	42,418
Foreign currency adjustments	—	29,395	—	—	29,395
June 30, 2017	$ 315,943	$ 405,164	$ —	$ 42,418	$ 763,525

(1) Goodwill recognized as a result of the Caisson acquisition. Refer to “Note 2. Acquisitions”.

Geographic Information

We operate under three geographic regions: United States, Europe, and Rest of World. Net sales to external customers by geography are determined based on the country the products are shipped to and are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Net Sales	**2017**	**2016**	**2017**	**2016**
United States	$ 129,558	$ 124,411	$ 243,907	$ 238,553
Europe [1] [2]	105,039	111,130	201,385	210,385
Rest of World	86,790	85,506	161,200	159,078
Total [3]	$ 321,387	$ 321,047	$ 606,492	$ 608,016

(1) Net sales to external customers in the United Kingdom include $9.2 million and $17.3 million for the three and six months ended June 30, 2017, respectively and $10.5 million and $19.1 million for the three and six months ended June 30, 2016, respectively.

(2) Includes those countries in Europe where we have a direct sales presence. Countries where sales are made through distributors are included in Rest of World.

(3) No single customer represented over 10% of our consolidated net sales. Except for the U.S. and France, no country’s net sales exceeded 10% of our consolidated net sales. French sales were $34.1 million and $67.0 million for the three and six months ended June 30, 2017, respectively, and $34.4 million and $67.0 million for the three and six months ended June 30, 2016, respectively.

Property, plant and equipment, net by geography are as follows (in thousands):

PP&E	**June 30, 2017**	**December 31, 2016**
United States	$ 62,615	$ 61,279
Europe [1]	134,267	130,777
Rest of World	14,282	31,786
Total	$ 211,164	$ 223,842

(1) Property, plant and equipment, net included with Europe includes $2.9 million and $3.0 million in the United Kingdom at June 30, 2017 and December 31, 2016, respectively.

Note 15. Supplemental Financial Information

Accounts receivable, net, consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Trade receivables from third parties	$ 316,866	$ 285,336
Allowance for bad debt	(11,511)	(9,606)
	$ 305,355	$ 275,730

Inventories consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Raw materials	$ 52,220	$ 47,704
Work-in-process	37,482	32,316
Finished goods	114,978	103,469
	$ 204,680	$ 183,489

Inventories are reported net of the provision for obsolescence which totaled $12.3 million and $9.8 million at June 30, 2017 and December 31, 2016, respectively.

Prepaid expenses and other current assets consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Income taxes payable on inter-company transfers of property [1]	$ 19,445	$ 19,445
Deposits and advances to suppliers	6,212	5,417
Earthquake grant receivable	4,824	4,748
Current loans and notes receivable	2,294	7,093
Escrow deposit - Caisson	2,000	—
Derivative contract assets	1,813	8,269
Other prepaid expenses	12,625	11,001
	$ 49,213	$ 55,973

(1) The income taxes payable on intercompany transfers of property asset is the asset account created to defer the income tax effect of an intercompany intellectual property sale and intercompany inventory sales pursuant to ASC 810-10-45-8.

Other assets consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Income taxes payable on inter-company transfers of property [1]	$ 113,779	$ 124,551
Investments [2]	3,105	2,537
Loans and notes receivable	1,931	2,029
Escrow deposit - Caisson	1,000	—
Guaranteed deposits	768	940
Other	862	641
	$ 121,445	$ 130,698

(1) The income taxes payable on intercompany transfers of property asset is the asset account created to defer the income tax effect of an intercompany intellectual property sale and intercompany inventory sales pursuant to ASC 810-10-45-8.
(2) Primarily cash surrender value of company owned life insurance policies.

Accrued liabilities and other consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Product remediation liability [1]	$ 22,115	$ 23,464
Deferred compensation - Caisson acquisition	14,052	—
Legal and other administrative costs	9,077	6,184
Provisions for agents, returns and other	7,984	7,271
Restructuring related liabilities	6,725	16,859
Product warranty obligations	2,278	2,736
Royalty costs	2,257	2,503
Escrow indemnity liability - Caisson	2,000	—
Deferred income and government grants	3,039	1,708
Derivative contract liabilities [2]	981	942
Research and development costs	961	839
Other	18,577	13,061
	$ 90,046	$ 75,567

(1) Refer to “Note 4. Product Remediation Liability.”

(2) Refer to “Note 8. Derivatives and Risk Management.”

Other long-term liabilities consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Contingent payments [1]	$ 36,080	$ 3,890
Uncertain tax positions	11,553	11,108
Product remediation liability [2]	9,860	10,023
Government grants	6,256	3,803
Derivative contract liabilities [3]	1,002	1,392
Escrow indemnity liability - Caisson	1,000	—
Unfavorable operating leases [4]	248	1,672
Other	9,667	7,599
	$ 75,666	$ 39,487

(1) The contingent payments liability represents contingent payments related to three acquisitions: the first and second acquisitions, in September 2015, were Cellplex PTY Ltd. in Australia and the commercial activities of a local distributor in Colombia. The contingent payments for the first acquisition are based on achievement of sales targets by the acquiree through June 30, 2018 and the contingent payments for the second acquisition are based on sales of cardiopulmonary disposable products and heart lung machines of the acquiree through December 2019. Refer to “Note 6. Fair Value Measurements.” The third acquisition, Caisson, occurred in May 2017. Refer to “Note 2. Acquisitions”.

(2) Refer to “Note 4. Product Remediation Liability.”

(3) Refer to “Note 8. Derivatives and Risk Management.”

(4) Unfavorable operating leases represent the adjustment to recognize future lease obligations at their estimated fair value in conjunction with the Mergers.

Note 16. New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASC Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. Update No. 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers and will replace most existing revenue recognition guidance when it becomes effective. This new standard is effective for annual reporting periods beginning after December 15, 2017, and interim periods within that reporting period. The standard permits the use of either the retrospective or cumulative effect transition method. We expect to adopt the new standard under the cumulative effect transition method. We are evaluating the effect this standard will have on our consolidated financial statements and related disclosures.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments-Overall (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities*. Update 2016-01 requires equity investments that do not result in consolidation and are not accounted for under the equity method to be measured at fair value with changes recognized in net income. However, an entity may elect to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The amendments, in addition, reduce complexity of the impairment assessment of equity investments without readily determinable fair values with regard to the other-than-temporary impairment guidance. The amendments also require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset and liability. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early application of certain provisions is permitted. We are currently evaluating the effect this standard will have on our consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases.* This guidance requires lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets. While many aspects of lessor accounting remain the same, the new standard makes some changes, such as eliminating the current real estate-specific guidance. The new standard requires lessees and lessors to classify most leases using a principle generally consistent with that of "IAS 17 - Leases," which is similar to U.S. GAAP but without the use of bright lines. The standard also changes what is considered initial direct costs. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The standard is effective for annual periods beginning after December 15, 2018 and interim periods within that year. Early adoption is permitted. We are currently evaluating the effect this standard will have on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation*: *Improvements to Employee Share-Based Payment Accounting.* This simplified the accounting for certain aspects of share-based payment transactions including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. We adopted the amendments of ASU 2016-09 (each "an Amendment") effective January 1, 2017, using the following methods:

We adopted the Amendment that requires all of the tax effects related to the settlement of share based compensation awards to be recorded through the income statement on a prospective basis. The adoption of this Amendment did not have a material effect on income tax expense for the six months ended June 30, 2017.

We adopted the Amendment related to cash flow presentation of tax-related cash flows resulting from share based payments on a prospective basis. The Amendment stipulates that all tax-related cash flows resulting from share based payments are to be reported as operating activities in the statement of cash flows, rather than, under past requirements, to present gross windfall tax benefits as an inflow from financing activities and an outflow from operating activities.

Under the Amendment related to forfeitures, entities are permitted to make a company-wide accounting policy election to either estimate forfeitures each period, as required prior to this Amendment's effective date, or to account for forfeitures as they occur. We elected to continue to account for forfeitures using the estimation method.

We adopted the Amendment related to the timing of when excess tax benefits are recognized, which requires that all windfalls and shortfalls be recognized when they arise. There were no unrecognized excess tax benefits prior to the adoption of the Amendment.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments (Topic 230 -Statement of Cash Flows).* Update 2016-15 provides guidance on the presentation and classification of certain cash receipts and cash payments in the statement of cash flows including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination,

proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, and distributions received from equity method investees. The amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The amendments should be applied using a retrospective transition method to each period presented. We are currently evaluating the effect this standard will have on our consolidated financial statements and related disclosures.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory (Topic 740).* This update simplifies the accounting for the income tax consequences of transfers of assets from one unit of a corporation to another unit or subsidiary by eliminating an accounting exception that prevents the recognition of current and deferred income tax consequences for such "intra-entity transfers" until the assets have been sold to an outside party. The amendment should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment directly to retained earnings as of the beginning of the period in which the guidance is adopted. The rule is effective for annual periods after December 15, 2017, including interim periods within those annual reporting periods. We currently estimate the cumulative-effect reduction to retained earnings to be approximately $65.2 million upon adoption at January 1, 2018.

In March 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805)—Clarifying the Definition of a Business*. This update clarifies when a set of assets and activities is a business. The amendments provide a screen to determine when a set is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. If the screen is not met, the amendments in this Update (1) require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) remove the evaluation of whether a market participant could replace missing elements. This update is effective for annual periods after December 15, 2017, including interim periods within those annual reporting periods. We are currently evaluating the impact of adopting this update on our consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post Retirement Benefit Cost*. This update requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the income statement to present the other components of net benefit cost must be disclosed. The amendments in this Update also allow only the service cost component to be eligible for capitalization when applicable. This Update takes effect for annual periods after December 15, 2017, including interim periods within those annual reporting periods. We are currently evaluating the impact of adopting this update on our consolidated financial statements.

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

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and related notes which appear elsewhere in this document and with our Annual Report on Form 10-K for the year ended December 31, 2016 ("2016 Form 10-K"). Our discussion and analysis may contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" in Item 1A of our 2016 Form 10-K and elsewhere in this quarterly report.

The capitalized terms used below have been defined in the notes to our condensed consolidated financial statements. In the following text, the terms "LivaNova," "the Company," "we," "us" and "our" refer to LivaNova PLC and its consolidated subsidiaries.

Business Overview

We are a public limited company organized under the laws of England and Wales, headquartered in London, United Kingdom ("U.K."). We are a global medical device company focused on the development and delivery of important therapeutic solutions for the benefit of patients, healthcare professionals and healthcare systems throughout the world. Working closely with medical professionals in the fields of Cardiac Surgery, Neuromodulation and Cardiac Rhythm Management, we design, develop, manufacture and sell innovative therapeutic solutions that are consistent with our mission to improve our patients' quality of life, increase the skills and capabilities of healthcare professionals and minimize healthcare costs.

Business Franchises

We operate our business through three segments: Neuromodulation, Cardiac Surgery and Cardiac Rhythm Management. Our three reportable segments correspond to our Business Franchises and each Business Franchise corresponds to one of our three main therapeutic areas aligned to best serve our customers. Corporate activities include corporate business development ("New Ventures"). New Ventures is focused on new growth platforms and identification of other opportunities for expansion and investment.

For further information regarding our business segments, historical financial information and our methodology for the presentation of financial results, please refer to the condensed consolidated financial statements and accompanying notes of this Quarterly Report on Form 10-Q.

Cardiac Surgery Update

On October 5, 2015, we announced the initiation of PERSIST-AVR, the first international, prospective post-market randomized multi-center clinical study evaluating the Perceval sutureless aortic valve compared to standard sutured bioprostheses in patients with aortic valve disease. The study is expected to enroll 1,234 patients within a two-year enrollment period and patients will be followed until five years post procedure. In January 2017, the independent study, "Aortic Valve Replacement With Sutureless Perceval Bioprosthesis: Single-Center Experience With 617 Implants," was presented to The Society of Thoracic Surgeons. The study found that AVR procedures conducted with the Perceval sutureless valve resulted in low mortality and excellent hemodynamic performance for patients.

In January 2016, we announced FDA approval of the Perceval sutureless valve. The Perceval valve, the only sutureless biological aortic replacement valve on the market today, employs a unique self-anchoring frame that enables the surgeon to replace the diseased valve without suturing it into place. While we have been selling Perceval in other parts of the world for several years, we began commercial distribution of the device in the United States last year, with the first implant announced on March 8, 2016. The Perceval valve has been implanted in more than 20,000 patients in more than 310 hospitals in 34 countries across the world.

In addition, in early February 2016, we announced that we received FDA approval of our CROWN PRT valve for the treatment of aortic valve disease. The CROWN PRT valve uses a stented aortic bioprosthesis technology and features a surgeon-friendly design, with optimized hemodynamics and a patented phospholipid reduction treatment ("PRT"), designed to enhance valve durability. We anticipate launching the CROWN PRT valve in the U.S. later this year.

In March 2017, we committed to a plan to sell our Suzhou Industrial Park facility in Shanghai, China, an emerging market greenfield project for the local manufacture of Cardiopulmonary disposable products in Suzhou Industrial Park in China. As a result of this exit plan we recorded an impairment of the building and equipment of $4.6 million and accrued $0.5 million of additional costs, primarily related to employee severance, during the six months ended June 30, 2017, included in Restructuring Expenses in the condensed consolidated statement of income (loss). In addition, the land, building and equipment were recorded as Assets Held for Sale on the condensed consolidated balance sheet, with a carrying value of $13.9 million as of June 30, 2017.

3T Heater-Cooler Devices

FDA Warning Letter.

On December 29, 2015, the U.S. Food and Drug Administration ("FDA") issued LivaNova a Warning Letter (the "Warning Letter") alleging certain violations of FDA regulations applicable to medical device manufacturers at our Munich, Germany and Arvada, Colorado facilities.

The FDA inspected the Munich facility from August 24, 2015 to August 27, 2015 and the Arvada facility from August 24, 2015 to September 1, 2015. On August 27, 2015, the FDA issued a Form 483 identifying two observed non-conformities with certain regulatory requirements at the Munich facility. We did not receive a Form 483 in connection with the FDA's inspection of the Arvada facility. Following the receipt of the Form 483, we provided written responses to the FDA describing corrective and preventive actions that were underway or to be taken to address the FDA's observations at the Munich facility. The Warning Letter responded in part to our responses and identified other alleged violations not previously included in the Form 483.

The Warning Letter further stated that our 3T devices and other devices we manufactured at our Munich facility are subject to refusal of admission into the United States until resolution of the issues set forth by the FDA in the Warning Letter. The FDA has informed us that the import alert is limited to the 3T devices, but that the agency reserves the right to expand the scope of the import alert if future circumstances warrant such action. The Warning Letter did not request that existing users cease using the 3T device, and manufacturing and shipment of all of our products other than the 3T device remain unaffected by the import limitation. To help clarify these issues for current customers, we issued an informational Customer Letter in January 2016, and that same month agreed with the FDA on a process for shipping 3T devices to existing U.S. users pursuant to a certificate of medical necessity program.

Lastly, the Warning Letter stated that premarket approval applications for Class III devices to which certain Quality System regulation deviations identified in the Warning Letter are reasonably related will not be approved until the violations have been corrected. However, this restriction applies only to the Munich and Arvada facilities, which do not manufacture or design devices subject to Class III premarket approval.

We continue to work diligently to remediate the FDA's inspectional observations for the Munich facility, as well as the additional issues identified in the Warning Letter. We take these matters seriously and intend to respond timely and fully to the FDA's requests.

CDC and FDA Safety Communications and Company Field Safety Notice Update

On October 13, 2016 the Centers for Disease Control and Prevention ("CDC") and FDA separately released safety notifications regarding the 3T devices. The CDC's Morbidity and Mortality Weekly Report ("MMWR") and Health Advisory Notice ("HAN") reported that tests conducted by CDC and its affiliates indicate that there appears to be genetic similarity between both patient and 3T device strains of the non-tuberculous mycobacterium ("NTM") bacteria M. chimaera isolated in hospitals in Iowa and Pennsylvania. Citing the geographic separation between the two hospitals referenced in the investigation, the report asserts that 3T devices manufactured prior to August 18, 2014 could have been contaminated during the manufacturing process. The CDC's HAN and FDA's Safety Communication, issued contemporaneously with the MMWR report, each assess certain risks associated with 3T devices and provide guidance for providers and patients. The CDC notification states that the decision to use the 3T device during a surgical operation is to be taken by the surgeon based on a risk approach and on patient need. Both the CDC's and FDA's communications confirm that 3T devices are critical medical devices and enable doctors to perform life-saving cardiac surgery procedures.

Also on October 13, 2016, we issued a Field Safety Notice Update for U.S. users of 3T devices to proactively and voluntarily contact facilities to aid in implementation of the CDC and FDA recommendations. In the fourth quarter of 2016, we initiated a program to provide existing 3T device users with a new loaner 3T device at no charge pending regulatory approval and implementation of additional risk mitigation strategies worldwide. This loaner program began in the U.S. and is being progressively made available on a global basis, prioritizing and allocating devices to 3T device users based on pre-established criteria. We anticipate that this program will continue until we are able to address customer needs through a broader solution that includes implementation of one or more of the risk mitigation strategies currently under review with regulatory agencies.

At December 31, 2016, we recognized a liability for our product remediation plan related to our 3T device. We concluded that it was probable that a liability had been incurred upon management's approval of the plan and the commitments made by management to various regulatory authorities globally in November and December 2016, and furthermore, the cost associated with the plan was reasonably estimable. At June 30, 2017, the product remediation liability was $32.0 million. Refer to "Note 4. Product Remediation Liability" for additional information.

Litigation

On February 12, 2016, LivaNova was alerted that a class action complaint had been filed in the U.S. District Court for the Middle District of Pennsylvania with respect to our 3T devices, naming as evidence, in part, the Warning Letter issued by the FDA in December 2015. The named plaintiffs to the complaint underwent open heart surgeries at WellSpan York Hospital and Penn State Milton S. Hershey Medical Center in 2015, and the complaint alleges that: (i) patients were exposed to a harmful form of bacteria, known as nontuberculous mycobacterium ("NTM"), from our 3T devices; and (ii) we knew or should have known that design or manufacturing defects in 3T devices can lead to NTM bacterial colonization, regardless of the cleaning and disinfection procedures used (and recommended by us). Named plaintiffs seek to certify a class of plaintiffs consisting of all Pennsylvania residents who underwent open heart surgery at WellSpan York Hospital and Penn State Milton S. Hershey Medical Center between 2011 and 2015 and who are currently asymptomatic for NTM infection (approximately 3,600 patients).

The putative class action, which has not been certified, seeks: (i) declaratory relief finding the 3T devices are defective and unsafe for intended uses; (ii) medical monitoring; (iii) general damages; and (iv) attorneys' fees. On March 21, 2016, the plaintiffs filed a First Amended Complaint adding Sorin Group Deutschland GmbH and Sorin Group USA, Inc. as defendants. On September 29, 2016 the Court dismissed LivaNova PLC from the case, and on October 11, 2016, the Court denied our motion to dismiss Sorin Group Deutschland GmbH and Sorin Group USA, Inc. from the lawsuit.

In addition to the case addressed in the preceding section, we have received additional lawsuits in the U.S. and Canada related to surgical cases in which a 3T device was allegedly used. Approximately 50 additional lawsuits have been filed against us in state and federal courts in the U.S. and three cases have been filed in Canada.

We intend to defend each of these claims vigorously. Given the relatively early stage of each of these matters, we cannot give any assurances that additional legal proceedings making the same or similar allegations will not be filed against us or one of our subsidiaries, nor that the resolution of these complaints or other related litigation in connection therewith will not have a material adverse effect on our business, results of operations, financial condition and/or liquidity. We have not recognized an expense related to damages in connection with this matter because any potential loss is not currently probable or reasonably estimable. In addition we cannot reasonably estimate a range of potential loss, if any, that may result from this matter.

Neuromodulation Update

Epilepsy

Our product development efforts are directed toward improving the VNS Therapy System and developing new products that provide additional features and functionality. We are conducting ongoing product development activities to enhance the VNS Therapy System pulse generator, lead and programming software. We will be required to obtain appropriate U.S. and international regulatory approvals, and clinical studies may be a prerequisite to regulatory approvals for some products. We recently submitted our application to the FDA for our Sentiva implantable generator and system. The Sentiva generator will be our newest VNS Therapy device and will incorporate the same technology as AspireSR, but will be closer in size to the smaller Demipulse generator. We anticipate approval of this device in the latter part of 2017.

In June 2017, the FDA approved our VNS Therapy device for use in patients who are at least four years of age and have partial onset seizures that are refractory to antiepileptic medications. VNS Therapy is the first and only FDA-approved device for of drug-resistant epilepsy in this pediatric population. Previously, VNS Therapy was approved by the FDA for patients 12 years or older.

Depression

In March 2017, The American Journal of Psychiatry published the results of the longest and largest naturalistic study on effective treatments for patients experiencing chronic and severe depression. The findings showed that the addition of VNS Therapy to traditional treatment methods is effective in reducing symptoms in patients with treatment-resistant depression.

Cardiac Rhythm Management Update

In January 2016, we announced that we received regulatory approval in Japan to market the KORA 250™ pacemaker, a full-body MRI conditional pacemaker equipped with our proprietary Automatic MRI mode. In addition, the device is designed to proactively manage comorbidities, including SafeR and the ability to monitor patients for severe sleep apnea. SafeR is an optimized ventricular pacing mode designed to physiologically manage all types of intrinsic atrioventricular conduction and minimize unnecessary right ventricular pacing.

New Ventures Update

Heart failure

New Ventures is focused on the development and clinical testing of the VITARIA® System for treating heart failure through vagus nerve stimulation.

We received CE Mark approval of the VITARIA System in February 2015 for patients who have moderate to severe heart failure (New York Heart Association Class II/III) with left ventricular dysfunction (ejection fraction < 40%) and who remain symptomatic despite stable, optimal heart failure drug therapy. The VITARIA System provides a specific method of VNS called autonomic regulation therapy (“ART”), and it includes the same elements as the VNS Therapy System - pulse generator, lead, programming wand and software, programming computer, tunneling tool and accessory pack - without the patient kit with magnets. We conducted a pilot study, ANTHEM-HF, outside the United States, which concluded in 2014. The study results support the safety and efficacy of ART delivered by the VITARIA System. We submitted the results to our European Notified Body, DEKRA, and on February 20, 2015, we received CE Mark approval. The VITARIA System is not approved in the U.S. During 2014, we also initiated a second pilot study, ANTHEM-HFpEF, to study ART in patients experiencing symptomatic heart failure with preserved ejection fraction. This pilot study is currently underway outside the United States.

Obstructive sleep apnea

ImThera Medical, Inc. (“ImThera”) is a privately held, emerging-growth company developing an implantable neurostimulation device system for the treatment of obstructive sleep apnea. We have an investment of $12.0 million in ImThera, and a $1 million note receivable due from ImThera for a loan made during the six months ended June 30, 2017 to fund operating expenses.

Mitral valve regurgitation

Mitral regurgitation occurs when the heart's mitral valve does not close tightly, which allows blood to flow backwards in the heart. This reduces the amount of blood that flows to the rest of the body, making the patient feel tired or out of breath. Treatment depends on the nature and the severity of mitral regurgitation. In certain cases, heart surgery may be needed to repair or replace the valve. Left untreated, severe mitral valve regurgitation can cause heart failure or heart rhythm problems (arrhythmias). We are invested in three mitral valve startups. Cardiosolutions Inc., Highlife and Caisson. Cardiosolutions, a startup headquartered in the U.S. in which we have held an interest since 2012, is developing an innovative spacer technology for treating mitral regurgitation. Highlife, headquartered in France, is focused on developing devices for treating mitral regurgitation through percutaneous replacement of the native mitral valve. We recognized an impairment of our equity method investment in, and notes receivable from, Highlife during the three months ended June 30, 2017. The estimated fair value of our investment and notes receivable were below our carrying value by $13.0 million.

On May 2, 2017, we agreed to pay up to $72.0 million to acquire the remaining 51% equity interests in Caisson in support of our strategic growth initiatives. Caisson is developing a device for treating mitral regurgitation through replacement of the native mitral valve using a fully transvenous delivery system. As a result of our acquisition of Caisson, we began consolidating the results of Caisson as of May 2, 2017.

Significant Accounting Policies and Critical Accounting Estimates

There have been no material changes to our critical accounting policies from the information provided in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2016 Form 10-K. The accompanying unaudited condensed consolidated financial statements of LivaNova and its consolidated subsidiaries have been prepared in accordance with U.S. GAAP on an interim basis.

New accounting pronouncements are disclosed in "Note 16. New Accounting Pronouncements" contained in the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

Other

On June 23, 2016, the United Kingdom (the "U.K.") held a referendum in which voters approved an exit from the European Union (the "EU"), commonly referred to as "Brexit." On March 29, 2017, the U.K. Government gave formal notice of its intention to leave the EU, formally commencing the negotiations regarding the terms of withdrawal between the U.K. and the EU. The withdrawal must occur within two years, unless the deadline is extended. The negotiation process will determine the future terms of the U.K.'s relationship with the EU. The notification does not change the application of existing tax laws, and does not establish a clear framework for what the ultimate outcome of the negotiations and legislative process will be.

Various tax reliefs and exemptions that apply to transactions between EU Member States under existing tax laws may cease to apply to transactions between the U.K. and EU Member States when the U.K. ultimately withdraws from the EU. It is unclear at this stage if or when any new tax treaties between the U.K. and the EU or individual EU Member States will replace those reliefs and exemptions. It is also unclear at this stage what financial, trade and legal implications will ensue from Brexit and how Brexit may affect us, our customers, suppliers, vendors, or our industry.

Several of our wholly owned subsidiaries that are domiciled either in the U.K., various EU Member States, or in the United Sates, and our parent company, LivaNova PLC, are party to intercompany transactions and agreements under which we receive various tax reliefs and exemptions in accordance with applicable international tax laws, treaties and regulations. If certain treaties applicable to our transactions and agreements are not renegotiated or replaced with new treaties containing terms, conditions and attributes similar to those of the existing treaties, Brexit may have a material adverse impact on our future financial results and results of operations. During the two-year negotiation period, we will monitor and assess the potential impact of this event and explore possible tax planning strategies that may mitigate or eliminate any such potential adverse impact. We will not account for the impact of Brexit in our income tax provisions until changes in tax laws or treaties between the U.K. and the EU or individual EU Member States are enacted or the withdrawal becomes effective.

The Trump Administration has included as part of its agenda a potential reform of U.S. tax laws. In addition, the "Tax Reform Blueprint" published by the House of Representatives includes a framework of various issues that may affect our future tax position including, but not limited to, a reduction in the corporate tax rate, elimination of the interest deduction and border adjustability. The content of any final legislation, the timing for enactment, and the reporting periods that would be impacted cannot be determined at this time.

Results of Operations

We are reporting, in this Quarterly Report on Form 10-Q, the results for LivaNova and its consolidated subsidiaries for the three and six months ended June 30, 2017, as compared to the three and six months ended June 30, 2016.

The following table summarizes our condensed consolidated results of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net sales	$ 321,387	$ 321,047	$ 606,492	$ 608,016
Cost of sales	108,888	130,654	210,351	254,221
Product remediation	1,723	848	931	1,554
Gross profit	210,776	189,545	395,210	352,241
Operating expenses:				
Selling, general and administrative	120,369	120,645	232,766	236,511
Research and development	43,007	30,211	72,658	61,901
Merger and integration expenses	3,522	6,200	5,730	12,961
Restructuring expenses	1,118	4,246	11,268	32,838
Amortization of intangibles	11,681	6,292	23,095	22,184
Total operating expenses	179,697	167,594	345,517	366,395
Income (loss) from operations	31,079	21,951	49,693	(14,154)
Interest income	252	321	525	534
Interest expense	(1,578)	(1,978)	(3,893)	(3,170)
Gain on acquisition of Caisson Interventional, LLC	39,428	—	39,428	—
Foreign exchange and other (losses) gains	(2,973)	617	466	(1,218)
Income (loss) before income taxes	66,208	20,911	86,219	(18,008)
Income tax expense	3,313	8,418	8,968	7,160
Losses from equity method investments	(15,397)	(3,536)	(18,482)	(6,253)
Net income (loss)	$ 47,498	$ 8,957	$ 58,769	$ (31,421)

Net Sales

The table below illustrates net sales by operating segment and market geography (in thousands, except for percentages):

	Three Months Ended June 30,		
	2017	2016	% Change
Cardiac Surgery			
United States	$ 45,924	$ 46,309	(0.8)%
Europe [1]	44,643	47,347	(5.7)%
Rest of World	68,019	67,395	0.9%
	158,586	161,051	(1.5)%
Neuromodulation			
United States	81,405	75,811	7.4%
Europe [1]	9,514	9,430	0.9%
Rest of World	6,096	4,798	27.1%
	97,015	90,039	7.7%
Cardiac Rhythm Management			
United States	2,230	2,327	(4.2)%
Europe [1]	50,882	54,411	(6.5)%
Rest of World	12,432	12,820	(3.0)%
	65,544	69,558	(5.8)%
Other	242	399	(39.3)%
	$ 321,387	$ 321,047	0.1%

	Six Months Ended June 30,		
	2017	2016	% Change
Cardiac Surgery			
United States	$ 84,169	$ 87,230	(3.5)%
Europe [1]	85,599	90,211	(5.1)%
Rest of World	128,022	127,053	0.8%
	297,790	304,494	(2.2)%
Neuromodulation			
United States	155,064	146,053	6.2%
Europe [1]	17,443	15,785	10.5%
Rest of World	11,667	9,559	22.1%
	184,174	171,397	7.5%
Cardiac Rhythm Management			
United States	4,674	5,294	(11.7)%
Europe [1]	98,343	104,429	(5.8)%
Rest of World	20,807	21,566	(3.5)%
	123,824	131,289	(5.7)%
Other	704	836	(15.8)%
	$ 606,492	$ 608,016	(0.3)%

(1) Includes those countries in Europe where LivaNova has a direct sales presence. Countries where sales are made through distributors are included in Rest of World.

The table below illustrates segment income (loss) from operations (in thousands):

	Three Months Ended June 30,		
	2017	2016	% Change
Cardiac Surgery	$ 23,665	$ 9,020	162.4%
Neuromodulation	51,747	47,240	9.5%
Cardiac Rhythm Management	5,617	(335)	1,776.7%
Other	(33,629)	(17,236)	95.1%
Total Reportable Segment's Income from Operations [1]	47,400	38,689	22.5%

	Six Months Ended June 30,		
	2017	2016	% Change
Cardiac Surgery	39,683	11,406	247.9%
Neuromodulation	93,425	87,822	6.4%
Cardiac Rhythm Management	8,109	(9,834)	182.5%
Other	(51,431)	(35,565)	44.6%
Total Reportable Segment's Income from Operations [1]	89,786	53,829	66.8%

(1) For a reconciliation of segment operating income to consolidated operating income refer to “Note 14. Geographic and Segment Information”.

Cardiac Surgery net sales decreased by 1.5% and 2.2% for the three and six months ended June 30, 2017 as compared to the three and six months ended June 30, 2016, respectively. Net sales decreased $2.5 million for the three months ended June 30, 2017 primarily due to unfavorable foreign currency exchange rate fluctuations of approximately $2.1 million. Heart valve sales decreased due to lower European sales and a decline in mechanical heart valve sales globally, partially offset by increased demand for Perceval sutureless tissue heart valves in the U.S. The decrease in heart valve sales was partially offset by an increase in cardiopulmonary sales due to increased demand for heart-lung machines as customers upgraded to the newest S5 device. The total decrease in net sales of $6.7 million for the six month period was impacted by unfavorable foreign currency exchange rate fluctuations of approximately $3.3 million and an overall decline in sales in Europe, which witnessed a decrease of $4.6 million. Cardiac Surgery operating income for the three and six months ended June 30, 2017 increased 162% and 248%, respectively, over the prior year periods. The increase was primarily driven by inventory fair value step up amortization of $10.2 million and $24.9 million that was recognized in the three and six months ended June 30, 2016. The inventory fair value step up was fully amortized during the three months ended June 30, 2016. In addition, operating income for the three and six months ended June 30, 2017 was positively impacted by favorable product mix from sales of our higher margin products when compared to the prior periods. The positive impacts to operating income were offset by decreases in net sales during the three and six month periods ended June 30, 2017.

Net sales for Neuromodulation increased by 7.7% and 7.5% for the three and six months ended June 30, 2017 as compared to the three and six months ended June 30, 2016, respectively. The total increase in net sales of $7.0 million for the three months ended June 30, 2017 was mostly driven by an increase in U.S. sales which increased $5.6 million over the prior year period primarily due to strong new patient sales and price premiums. Rest of World net sales increase of $1.3 million or 27.1% was due primarily to increased sales in Canada and emerging markets. The total increase in net sales of $12.8 million for the six-month period was also principally due to an increase in U.S. sales, which increased $9.0 million, coupled with an increase of $2.1 million in Rest of World sales. Neuromodulation operating income was positively impacted both by increased net sales and manufacturing efficiencies related to our AspireSR products. This positive impact was partially offset by increased selling, general and administrative costs driven by sales force expansion in the U.S.

Cardiac Rhythm Management net sales decreased by 5.8% and 5.7% for the three and six months ended June 30, 2017 as compared to the three and six months ended June 30, 2016, respectively. The total decline in net sales of $4.0 million and $7.5 million for the three and six months ended June 30, 2017 was primarily due to unfavorable foreign currency exchange rate fluctuations of $1.6 million and $3.2 million for the three and six months ended June 30, 2017, respectively, and a decrease in Implantable Cardiac Defibrillators (“ICDs”) sales as the first half of 2016 marked the initial launch roll-out of the PLATINIUM ICD. These negative impacts to net sales were offset by growth for PLATINIUM Cardiac Resynchronization Therapy devices (“CRT-Ds”) in Europe and continued demand for KORA 250 pacemakers in Japan. Cardiac Rhythm Management operating income increased $6.0 million and $17.9 million for the three and six months ended June 30, 2017, respectively, as compared to

the prior year periods. The increase was primarily driven by inventory fair value step up amortization of $3.5 million and $10.1 million that was recognized in the three and six months periods ended June 30, 2016. The inventory fair value step-up was fully amortized during the three months ended June 30, 2016. Cost reductions resulting from prior restructuring actions also contributed to the increase in operating income. The positive impacts to operating income were offset by decreases in sales during the three and six month periods ended June 30, 2017.

Other comprises the results from our corporate activities and new ventures. Operating loss from Other increased $16.4 million and $15.8 million for the three and six months ended June 30, 2017, respectively, when compared to the prior year periods. The increases for both periods were primarily driven by $5.8 million in post-combination compensation expense recognized concurrent with the acquisition of Caisson, $4.9 million in compensation expense associated with the retention of the employees of Caisson, an increase of approximately $3.0 million in corporate professional fees, and the inclusion of the results of Caisson from the date of acquisition which reflected $2.0 million in expenses,

Cost of Sales and Expenses

The table below illustrates our comparative cost of sales and major expenses as a percentage of sales:

	Three Months Ended June 30,		
	2017	**2016**	**% Change**
Cost of sales	33.9%	40.7%	(6.8)%
Product remediation	0.5%	0.3%	0.2 %
Gross profit	65.6%	59.0%	6.6 %
Operating expenses:			
Selling, general and administrative	37.5%	37.6%	(0.1)%
Research and development	13.4%	9.4%	4.0 %
Merger and integration expenses	1.1%	1.9%	(0.8)%
Restructuring expenses	0.3%	1.3%	(1.0)%
Amortization of intangibles	3.6%	2.0%	1.6 %

	Six Months Ended June 30,		
	2017	**2016**	**% Change**
Cost of sales	34.7%	41.8%	(7.1)%
Product remediation	0.2%	0.3%	(0.1)%
Gross profit	65.2%	57.9%	7.3 %
Operating expenses:			
Selling, general and administrative	38.4%	38.9%	(0.5)%
Research and development	12.0%	10.2%	1.8 %
Merger and integration expenses	0.9%	2.1%	(1.2)%
Restructuring expenses	1.9%	5.4%	(3.5)%
Amortization of intangibles	3.8%	3.6%	0.2 %

Cost of Sales

Cost of sales consisted primarily of direct labor, allocated manufacturing overhead, the acquisition cost of raw materials and components. Our cost of sales as a percentage of net sales decreased by 6.8% to 33.9% and by 7.1% to 34.7% for the three and six months ended June 30, 2017 as compared to the prior year periods. The cost improvement was primarily due to the amortization of the fair value step-up in inventory basis in connection with the Mergers that accounted for 4.3% and 5.7% of the decrease in our cost of sales as a percent of net sales, respectively. The total amount recognized for amortization of the fair value step-up in inventory was $13.7 million and $35.0 million for the three and six months ended June 30, 2016, respectively. The fair value step up in inventory basis was fully amortized during the three months ended June 2016.

Research and Development (“R&D”) Expenses

R&D expenses consisted of product design and development efforts, clinical trial programs and regulatory activities.

R&D expenses, as a percentage of sales, increased by 4.0% to 13.4% for the three months ended June 30, 2017 as compared to the prior year period, and increased by 1.8% to 12.0% for the six months ended June 30, 2017 as compared to the prior year period. The increase is due to the acquisition of Caisson, inclusive of $5.8 million in post-combination compensation expense recognized concurrent with the acquisition of Caisson, and $4.9 million in compensation expense associated with the retention of the employees of Caisson.

Merger and Integration Expenses

Merger and integration expenses consisted primarily of consulting costs associated with computer systems integration efforts, organization structure integration, synergy and tax planning, as well as the integration of internal controls for the two legacy organizations. In addition, integration expenses include retention bonuses, branding and renaming efforts and lease cancellation penalties in Milan and Brussels.

Merger and integration expenses, as a percentage of net sales, decreased by 0.8% to 1.1% for the three months ended June 30, 2017 as compared to the prior year period, and decreased by 1.2% to 0.9% for the six months ended June 30, 2017 as compared to the prior year period. The decrease is due to a continued decline in integration activities.

Restructuring Expenses

Restructuring expenses were primarily due to our efforts under our 2015 and 2016 Reorganization Plans and the Suzhou, China exit plan, to leverage economies of scale, eliminate duplicate corporate expenses and streamline distributions, logistics and office functions in order to reduce overall costs. Restructuring expenses as a percentage of net sales decreased by 1.0% to 0.3% and 3.5% to 1.9% for the three and six months ended June 30, 2017, respectively, as compared to the prior year periods. The decrease is due to a continued decline in restructuring activities.

Gain on Caisson Acquisition

On May 2, 2017, we acquired the remaining 51% equity interests in Caisson which we previously accounted for under the equity method. On the acquisition date, we remeasured our notes receivable due from Caisson and our existing investment in Caisson at fair value and recognized a pre-tax non-cash gain of $1.3 million and $38.1 million, respectively.

Foreign Exchange and Other Gains (Losses)

Foreign exchange and other gains (losses) were $(3.0) million and $0.6 million for the three months ended June 30, 2017 and June 30, 2016, respectively. The gains and losses were primarily due to net foreign currency gains and losses associated with foreign currency on commercial transactions, freestanding foreign currency forward contracts, intercompany debt, and third-party financial assets and liabilities. Foreign exchange and other gains (losses) were $0.5 million and $(1.2) million for the six months ended June 30, 2017 and June 30, 2016. The gains for the six months ended June 30, 2017 included a $3.2 million gain on a sale of the cost-method investment, Istituto Europeo di Oncologia S.R.L. This amount was offset by net foreign currency exchange losses of $2.7 million.

Income Taxes

LivaNova PLC is domiciled and resident in the U.K. Our subsidiaries conduct operations and earn income in numerous countries and are subject to the laws of taxing jurisdictions within those countries, and the income tax rates imposed in the tax jurisdictions in which our subsidiaries conduct operations vary. As a result of the changes in the overall level of our income, the deployment of various tax strategies and the changes in tax laws, our consolidated effective income tax rate may vary from one reporting period to another.

During the three and six months ended June 30, 2017, we recorded consolidated income tax expense of $3.3 million and $9.0 million, respectively, with consolidated effective income tax rates of 5.0% and 10.4%, respectively.

During the three and six months ended June 30, 2016, we recorded consolidated income tax expense of $8.4 million and $7.2 million, respectively, with our consolidated effective income tax rates were 40.3% and (39.8)%, respectively.

Our consolidated effective income tax rates for the three and six months ended June 30, 2017 include the impact of various discrete tax items, including the acquisition of Caisson and the $38.1 million non-taxable gain recognized to re-measure our existing equity investment in Caisson at fair value on the acquisition date. Additionally, we recognized a $3.9 million deferred tax benefit associated with certain temporary differences arising from the Mergers. Discrete tax items for the six months ended June 30, 2017 also include the recognition of a $3.0 million deferred tax asset related to a reserve for an uncertain tax position recognized in a prior year, in addition to various other discrete items.

Our consolidated effective tax rate for the three and six months ended June 30, 2016 was impacted by $58.7 million of unbenefited net operating losses in certain tax jurisdictions, including France and the U.K.

Losses from Equity Method Investments

We recognized losses of $15.4 million and $18.5 million during the three and six months ended June 30, 2017, respectively, from our share of investee losses at Highlife, Caisson and MicroPort. These losses were primarily due to the impairment of our investment in, and notes receivable from, Highlife of $13.0 million during the three months ended June 30, 2017, which consisted of the investment impairment of $4.7 million and the notes receivable impairment of $8.3 million. The carrying value of our investment in Highlife at June 30, 2017 was $0.9 million, and the carrying value of our loan was $0.8 million. The carrying value of the loan is reported with Other Assets in the condensed consolidated balance sheet. We recognized losses of $3.5 million and $6.3 million during the three and six months ended June 30, 2016, respectively, due to losses from our equity method investees.

Liquidity and Capital Resources

Based on our current business plan, we believe that our existing cash and cash equivalents, future cash generated from operations, and available borrowing capacity under our credit facilities will be sufficient to fund our expected operating needs, working capital requirements, R&D opportunities, capital expenditures and debt service requirements over the next 12 months. We regularly review our capital needs and consider various investing and financing alternatives to support our requirements. Refer to “Note 7. Financing Arrangements” in the condensed consolidated financial statements in this Quarterly Report on Form 10-Q for additional information regarding our debt. Our liquidity could be adversely affected by the factors affecting future operating results, including those referred to in “Part II - Item 1A. Risk Factors” in this Quarterly Report on Form 10-Q.

On June 29, 2017, we entered into a new Finance Contract with the EIB to support financing of certain of our R&D projects. The Finance Contract has a borrowing base of €100 million (or approximately $114 million USD equivalent) and can be drawn in up to two tranches, each in a minimum amount of €50 million (or approximately $57 million USD equivalent). Drawdowns must occur by December 30, 2018 and the last repayment date of any tranche will be no earlier than four years and no later than eight years after the disbursement of the relevant tranche. Loans under the Finance Contract are subject to certain covenants and other terms and conditions. No loan drawdowns have occurred as of June 30, 2017.

No provision has been made for income taxes on unremitted earnings of our foreign controlled subsidiaries (non-U.K. subsidiaries) as of June 30, 2017. In the event of the distribution of those earnings in the form of dividends, a sale of the subsidiaries or certain other transactions, we may be liable for income taxes. However, the tax liability on future distributions should not be significant as most jurisdictions with unremitted earnings have various participation exemptions or no withholding tax.

Cash Flows

Net cash and cash equivalents provided by (used in) operating, investing and financing activities and the net increase (decrease) in the balance of cash and cash equivalents were as follows (in thousands):

	Six Months Ended June 30,	
	2017	2016
Operating activities	$ 31,560	$ 12,584
Investing activities	(20,900)	(16,049)
Financing activities	(10,201)	(46,176)
Effect of exchange rate changes on cash and cash equivalents	2,442	914
Net increase (decrease)	$ 2,901	$ (48,727)

Operating Activities

Cash provided by operating activities during the six months ended June 30, 2017 increased $19.0 million as compared to the same prior year period. The increase was primarily the result of an increase in net income of $90.2 million and an increase of $12.2 million in losses recognized for equity method investments mostly offset by a $39.4 million gain recognized in conjunction with the acquisition of Caisson and a $45.1 million change in operating assets and liabilities.

Investing Activities

Cash used in investing activities during the six months ended June 30, 2017 increased $4.9 million as compared to the same prior year period. The increase was primarily the result of net cash paid for the acquisition of Caisson of $14.2 million offset by proceeds of $3.2 million received from the sale of a cost method investment during the six months ended June 30, 2017, an increase of $5.2 million in proceeds received from the sale of assets and a decrease in capital expenditures of $1.7 million.

Financing Activities

Cash used in financing activities during the six months ended June 30, 2017 decreased $36.0 million as compared to the same prior year period. The decrease was primarily the result of the repayment of trade receivable advances of $21.6 million in the prior year period and a decrease in net debt repayments of $22.5 million offset by a reduction in stock option proceeds of $2.3 million and an increase in loans to cost and equity method investees of $3.1 million.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

We are exposed to certain market risks as part of our ongoing business operations, including risks from foreign currency exchange rates, interest rate risks and concentration of procurement suppliers that could adversely affect our consolidated financial position, results of operations or cash flows. We manage these risks through regular operating and financing activities and, at certain times, derivative financial instruments. Quantitative and qualitative disclosures about these risks are included in our 2016 Form 10-K in “Part II, Item 7A Management’s Discussion and Analysis of Financial Condition and Results of Operations.” There have been no material changes from the information provided therein.

ITEM 4. *Controls and Procedures*

Disclosure Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. This information is also accumulated and communicated to management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required disclosure. Our management, under the supervision and with the participation of our CEO and CFO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the most recent fiscal quarter reported herein. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of June 30, 2017.

(b) Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-5(f) under the Exchange Act) occurred during the quarter ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. *Legal Proceedings*

For a description of our material pending legal and regulatory proceedings and settlements, refer to “Note 9. Commitments and Contingencies” in our condensed consolidated financial statements included in this Report on Form 10-Q.

ITEM 1A. *RISK FACTORS*

Our business faces many risks. Any of the risks referenced below or elsewhere in this Report on Form 10-Q, other Reports on Form 10-Qs or our other SEC filings could have a material impact on our business and consolidated financial position or results of operations. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations.

For additional detailed discussion of risk factors that should be understood by any investor contemplating investment in our stock, please refer to “Part I. Item 1A. Risk Factors” in our 2016 Form 10-K and elsewhere as described in this Report on Form 10-Q.

The results of the United Kingdom’s referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business, which could reduce the price of our ordinary shares.

On June 23, 2016, the United Kingdom (the “UK”) held a referendum in which voters approved an exit from the European Union (the “EU”), commonly referred to as “Brexit.” On March 29, 2017, the UK Government gave formal notice of its intention to leave the EU, formally commencing the negotiations regarding the terms of withdrawal between the UK and the EU. The withdrawal must occur within two years, unless the deadline is extended or a withdrawal agreement is negotiated sooner. The negotiation process will determine the future terms of the UK’s relationship with the EU. The notification does not change the application of existing tax laws, and does not establish a clear framework for what the ultimate outcome of the negotiations and legislative process will be.

Various tax reliefs and exemptions that apply to transactions between EU Member States under existing tax laws may cease to apply to transactions between the UK and EU Member States when the UK ultimately withdraws from the EU. It is unclear at this stage if or when any new tax treaties between the UK and the EU or individual EU Member States will replace those reliefs and exemptions. It is also unclear at this stage what financial, trade and legal implications the withdrawal of the U.K. from the EU will have and how Brexit may affect us, our customers, suppliers, vendors, or our industry.

Several of our wholly owned subsidiaries that are domiciled either in the UK, various EU Member States, or in the United Sates, and our holding company, LivaNova PLC, are party to intercompany transactions and agreements under which LivaNova receives various tax reliefs and exemptions. If certain treaties applicable to our transactions and agreements are not renegotiated or replaced with new treaties containing terms, conditions and attributes similar to those of the existing treaties, the departure of the UK from the EU may have a material adverse impact on our future financial results and results of operations. During the two-year negotiation period, LivaNova will monitor and assess the potential impact of this event and explore possible tax planning strategies that may mitigate or eliminate any such potential adverse impact. LivaNova will not account for the impact of Brexit in our income tax provisions until changes in tax laws or treaties between the UK and the EU or individual EU Member States are enacted or the withdrawal becomes effective.

Our acquisition of Caisson may fail to further our strategic objectives or strengthen our existing businesses.

Acquisitions of medical technology companies are inherently risky, and we cannot guarantee that such acquisitions will be successful or will not materially adversely affect our consolidated earnings, financial condition, and/or cash flows. Caisson is in the early stages of clinical development, and therefore, there are risks inherent in the outcome of the clinical trials or regulatory approvals that may impact Caisson’s success. Further, our integration of Caisson’s operations requires significant efforts, including the coordination of information technologies, research and development, operations and finance. These efforts result in additional expenses and significant supervision by management. Our failure to manage and coordinate the growth of Caisson successfully could have an adverse impact on our business. In addition, we cannot be certain that the acquisition will become profitable or remain so. These effects, individually or in the aggregate, could cause a deterioration of our credit rating and result in increased borrowing costs and interest expense.

ITEM 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

None

ITEM 3. *Defaults Upon Senior Securities*

None.

ITEM 4. *Mine Safety Disclosures*

Not applicable.

ITEM 5. *Other Information*

None.

ITEM 6. *Exhibits*

The exhibits marked with the asterisk symbol (*) are filed or furnished (in the case of Exhibit 32.1) with this Report on Form 10-Q. The exhibits marked with the cross symbol (†) are management contracts or compensatory plans or arrangements filed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

Exhibit Number	Document Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
3.2	Amended Articles of Association of LivaNova PLC	LivaNova PLC Current Report on Form 8-K, filed on June 15, 2017	001-37599	3.1
10.1	Form of LivaNova Plc 2017 Service-Based Restricted Share Unit ("RSU") Agreement	LivaNova Plc Current Report on Form 8-K filed on May 11, 2017	001-37599	10.1
10.2	Form of LivaNova Plc 2017 Performance-Based RSU Agreement	LivaNova Plc Current Report on Form 8-K filed on May 11, 2017	001-37599	10.2
10.3†	Service Agreement, by and between LivaNova Plc and Thad Huston, dated April 27, 2017	LivaNova Plc Current Report on Form 8-K filed on May 16, 2017	001-37599	10.1
10.4†	Side Letter dated April 27, 2017 from LivaNova Plc to Thad A. Huston	LivaNova Plc Current Report on Form 8-K filed on May 16, 2017	001-37599	10.2
10.5	LivaNova R&D Finance Contract between the European Investment Bank and LivaNova PLC and Sorin CRM S.A.S. and Sorin Group Italia S.r.l., effective 29 June 2017	LivaNova Plc Current Report on Form 8-K filed on July 6, 2017	001-37599	10.1
10.6†*	Keyna Skeffington service agreement effective May 24, 2017, between LivaNova PLC and Keyna Skeffington			
31.1*	Certification of the Chief Executive Officer of LivaNova PLC pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
31.2*	Certification of the Chief Financial Officer of LivaNova PLC pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
32.1*	Certification of the Chief Executive Officer and Chief Financial Officer of LivaNova PLC pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LIVANOVA PLC

By: /s/ DAMIEN MCDONALD

Damien McDonald
Chief Executive Officer
(Principal Executive Officer)

LIVANOVA PLC

By: /s/ THAD HUSTON

Thad Huston
Chief Financial Officer
(Principal Financial Officer)

Date: August 9, 2017

Exhibit 10.6

Dated 24 May 2017

LIVANOVA PLC

KEYNA P. SKEFFINGTON

SERVICE AGREEMENT

THIS AGREEMENT is made on 24 May, 2017

BETWEEN

(1) **LIVANOVA PLC**, a company registered in England with registered number 09451374 and having its registered office at 1 Fetter Lane, London, EC4A 1BR (the "**Company**"); and

(2) **KEYNA P. SKEFFINGTON**, residing at 5335 Irving Ave South, Minneapolis, MN 55419, U.S.A. (the "**Executive**").

BACKGROUND

The Company wishes to employ the Executive as Senior Vice President & General Counsel on the terms and conditions of this Agreement and the Executive wishes to accept such employment.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

"**Basic Salary**"	means the salary, as specified in Clause 6.1.1 or, as appropriate, the reviewed annual salary from time to time;
"**Board**"	means the Board of Directors of the Company from time to time or any duly authorised committee thereof, or where the relevant powers have been reserved to the Company's members, its members from time to time;
"**Compensation Committee**"	means the compensation committee appointed by the Board;
"**Confidential Information**"	means all information which is identified or treated by the Company or any Group Company or any of the Group's clients or customers as confidential or which by reason of its character or the circumstances or manner of its disclosure is evidently confidential including (without prejudice to the foregoing generality) any information about the personal affairs of any of the directors (or their families) of the Company or any Group Company, business plans, proposals relating to the acquisition or disposal of a company or business or proposed expansion or contraction of activities, maturing new business opportunities, research and development projects, designs, secret processes, trade secrets, product or services development and formulae, know-how, inventions, sales statistics and forecasts, marketing strategies and plans, costs, profit and loss and other financial information (save to the extent published in audited accounts), prices and discount structures and the names, addresses and contact and other details of: (a) employees and their terms of employment; (b) customers and potential customers, their requirements and their terms of business with the Company/Group; and (c) suppliers and potential suppliers and their terms of business (all whether or not recorded in writing or in electronic or other format);
"**Employment**"	means the employment of the Executive under this Agreement or, as the context requires, the duration of that employment;

"**Group**"	means together or separately the Company, any holding company of the Company and any subsidiaries and subsidiary undertakings of the Company or any such holding company (and the words "subsidiary" and "holding company" shall have the meanings given to them in section 1159 of the Companies Act 2006 and "subsidiary undertaking" shall have the meaning given in section 1162 of the Companies Act 2006) from time to time;
"**Group Company**"	means any company within the Group;
"**Health Care Scheme**"	means the medical expenses insurance, permanent health insurance ("**PHI**"), critical illness insurance or other healthcare or disability scheme(s) or arrangement(s) as may be provided or introduced from time to time by the Company (at the Company's discretion) for the benefit of executives in the Group;
"**Intellectual Property Rights**"	means any and all existing and future intellectual or industrial property rights in and to any Works (whether registered or unregistered), including all existing and future patents, copyrights, design rights, database rights, trade marks, semiconductor topography rights, plant varieties rights, internet rights/domain names, know-how and any and all applications for any of the foregoing and any and all rights to apply for any of the foregoing in and to any Works;
"**Minority Holder**"	means a person who either solely or jointly holds (directly or through nominees) any shares or loan capital in any company whose shares are listed or dealt in on a recognised investment exchange (as that term is defined by section 285 Financial Services and Markets Act 2000) provided that such holding does not, when aggregated with any shares or loan capital held by the Executive's partner and/or her or her partner's children under the age of 18, exceed 3% of the shares or loan capital of the class concerned for the time being issued;
"**Share Incentives**"	means any options or other rights that the Executive may have to purchase, hold or otherwise acquire shares or rights in respect of or relating to shares in the Company or a Group Company;
"**Termination Date**"	means the date of termination of the Employment;
"**Works**"	means any documents, materials, models, designs, drawings, processes, inventions, formulae, computer coding, methodologies, know-how, Confidential Information or other work, performed made, created, devised, developed or discovered by the Executive in the course of the Employment (and which relate to, or are reasonably capable of being used in the business of the Company or any Group Company) either alone or with any other person in connection with or in any way affecting or relating to the business of the Company or any Group Company or capable of being used or adapted for use therein or in connection therewith.

1.2 **Interpretation and Construction**

Save to the extent that the context or the express provisions of this Agreement require otherwise, in this Agreement:

(a) words importing the singular shall include the plural and vice versa;

(b) words importing any gender shall include all other genders;

(c) words importing the whole shall be treated as including reference to any part of the whole;

(d) any reference to a Clause, the Schedule or part of the Schedule is to the relevant Clause, Schedule or part of the Schedule of or to this Agreement unless otherwise specified;

(e) reference to this Agreement or to any other document is a reference to this Agreement or to that other document as modified, amended, varied, supplemented, assigned, novated or replaced from time to time;

(f) reference to a provision of law is a reference to that provision as extended, applied, amended, consolidated or re-enacted or as the application thereof is modified from time to time and shall be construed as including reference to any order, instrument, regulation or other subordinate legislation from time to time made under it;

(g) references to a "person" includes any individual, firm, company, corporation, body corporate, government, state or agency of state, trust or foundation, or any association, partnership or unincorporated body (whether or not having separate legal personality) or two or more of the foregoing;

(h) general words shall not be given a restrictive meaning because they are followed by words which are particular examples of the acts, matters or things covered by the general words and "including", "include" and "in particular" shall be construed without limitation; and

(i) the meaning of any words coming after "other" or "otherwise" shall not be constrained by the meaning of any words coming before "other" or "otherwise where a wider construction is possible.

1.3 **Headings**

The table of contents and the headings in this Agreement are included for convenience only and shall be ignored in construing this Agreement.

2. THE EMPLOYMENT

2.1 **Appointment**

Subject to the provisions of this Agreement, the Company employs the Executive and the Executive accepts employment as Senior Vice President & General Counsel of the Company. The Employment will commence on 12 June 2017.

2.2 **Work Permits and warranty**

2.2.1 The Executive warrants to the Company that by virtue of entering into this Agreement she will not be in breach of any express or implied obligation to any third party, including any restrictive covenants.

2.2.2 The Executive warrants that she is legally entitled to work in the United Kingdom, or will undertake such steps as are necessary to become legally entitled to work in the United Kingdom, as soon as reasonably possible, and will throughout the Employment thereafter continue to hold a valid United Kingdom work permit if appropriate. The Executive warrants that she will notify the Company in advance of any possible change to her immigration status, as soon as she becomes aware of any circumstances that might give rise to such change. Should the Company discover that the Executive does not have permission to live and work in the United Kingdom or if any such permission is revoked, the Company reserves the right to terminate the Employment immediately and without notice or pay in lieu of notice and without referring to the warning stages of the Company's disciplinary procedure.

3. DURATION OF THE EMPLOYMENT

3.1 **Continuous Employment**

3.1.1 The Executive's continuous period of employment with the Company will commence on the commencement date of the Employment as set out in Clause 2.1.

3.1.2 No employment with any previous employer shall count as part of the Executive's continuous period of employment.

3.2 **Duration and Notice**

Subject to the provisions of Clauses 3.3 and 18.1, the Employment shall continue unless and until terminated at any time by:

(a) the Company, which must give to the Executive not less than twelve months' prior written notice of termination of the Employment; or

(b) the Executive, who must give to the Company not less than twelve months' prior written notice of termination of the Employment.

3.3 **Payment in lieu of notice**

3.3.1 The Company shall be entitled, at its sole discretion, to terminate the Employment immediately at any time by giving the Executive notice in writing. In these circumstances, the Company will subsequently make a payment to the Executive in lieu of notice, calculated in accordance with the provisions of Clauses 3.3.3 and 3.3.4 (the payment being referred to as a "**Notice Payment**").

3.3.2 For the avoidance of doubt, the Company is not obliged to exercise its right to terminate the Employment and to make a Notice Payment in accordance with clause 3.3.1 above, and nothing in this Agreement shall prevent the Company from terminating the Employment in breach. If the Company opts to terminate the Employment in breach, the Executive shall not be entitled to enforce a Notice Payment as a contractual debt nor as liquidated damages (but may have an enforceable claim in damages for breach of contract).

3.3.3 The Notice Payment will be paid less all deductions that are required or permitted by law to be made including in respect of income tax, national insurance contributions and any sums due to the Company or any Group Company.

3.3.4 Subject to the terms of Clause 3.4, the Notice Payment will consist of a sum equivalent to the Basic Salary which the Executive would have received in respect of any notice period outstanding on the Termination Date, but will exclude any bonus, commission share of profit, pension contributions and any other benefits (including any benefits derived from any Share Incentives) that she would have received or would have accrued to her during that period.

3.3.5 The Notice Payment is in full and final settlement of all and any rights and claims that the Executive may have against the Company arising out of the termination of her employment (including both contractual and statutory employment claims), excluding any amounts accrued and due to the Executive on the Termination Date. The Executive agrees to waive, release and discharge any and all such rights and claims and acknowledges that it is a condition of the payment of the Notice Payment that she will execute a settlement agreement (and any other documents reasonably required by the Company) in a form reasonably acceptable to the Company in order to give effect to the release and waiver in this Clause 3.3.

3.4 **Payment in instalments**

3.4.1 The Company may, at its sole discretion and subject to the terms of Clause 3.4.2, pay the Notice Payment in equal monthly instalments over a period of twelve months (the "**Instalment Period**"), the first instalment payable at the end of the month in which the Termination Date occurs.

3.4.2 If the Executive commences alternative employment during the Instalment Period then the gross instalments of Notice Payment payable after that date will be reduced by a sum equal to the gross amount of the Executive's basic salary from the alternative employment.

3.4.3 If the Executive obtains alternative employment that is to commence during the Instalment Period she will immediately advise the Company of that fact and of her gross monthly salary from that employment. If the Executive fails to comply with this obligation, then from the date the Executive commences alternative employment, the Executive shall have no further entitlement to any payment of Notice Payment.

4. HOURS AND PLACE OF WORK

4.1 **Hours of work**

The Executive agrees that she shall work normal business hours together with such additional hours as are necessary for the proper performance of her duties. No payment will be made for any additional hours worked by the Executive.

4.2 **Working Time Regulations**

4.2.1 The Executive has autonomous decision making powers. The duration of her working time is not measured or predetermined.

4.3 **Place of work**

4.3.1 The Executive's place of work, on her obtainment of the necessary work permit and visa according to the UK immigration legislation, will initially be at the Company's offices at 20 Eastbourne Terrace, W2 6LG London, but the Company may require the Executive to work at any other location within or outside the UK for such periods as the Company may from time to time require. The Executive will be given reasonable notice of any change in her permanent place of work.

4.3.2 The Executive will not be required to be absent from the United Kingdom for a period exceeding one month at any one time.

5. SCOPE OF THE EMPLOYMENT

5.1 Duties of the Executive

During the Employment the Executive shall:

(a) undertake and carry out to the best of her ability such duties and exercise such powers in relation to the Group's business as may from time to time be assigned to or vested in her by the Board including where those duties require the Executive to work for any Group Company;

(b) in the discharge of those duties and the exercise of those powers observe and comply with all lawful resolutions, regulations and directions from time to time made by, or under the authority of, the Board and promptly upon request, give a full account to the Board or a person duly authorised by the Board of all matters with which she is involved. She will provide the information in writing if requested;

(c) comply with the Articles of Association (as amended from time to time) of any Group Company of which she is a director;

(d) ensure compliance with the UK Corporate Governance Code, as applicable from time to time;

(e) act in accordance with all statutory, fiduciary and common law duties that she owes to the Company and any Group Company;

(f) refrain from doing anything that would cause her to be disqualified from acting as a director;

(g) use reasonable endeavours to do, or refrain from doing, such things as are necessary or expedient to ensure compliance by herself and any Group Company with applicable law and regulations and all other regulatory authorities relevant to any Group Company and any codes of practice issued by any Group Company (as amended from time to time);

(h) unless prevented by ill-health, holidays or other unavoidable cause, devote the whole of her working time, attention and skill to the discharge of her duties under this Agreement;

(i) faithfully and diligently perform her duties and at all times use her best endeavours to promote and protect the interests of the Group;

(j) promptly disclose to the Board, to the extent of the Executive's knowledge thereof, full details of any wrongdoing by the Executive or any other employee of any Group Company where that wrongdoing is material to that employee's employment by the relevant company or to the interests or reputation of any Group Company;

(k) not incur on behalf of the Company or any Group Company any capital expenditure in excess of such sum as may be authorised from time to time by resolution of the Board; and

(l) not enter into on behalf of the Company or any Group Company any commitment, contract or arrangement which is otherwise than in the normal course of the Company's

or the relevant Group Company's business or is outside the scope of her normal duties or authorisations or is of an unusual or onerous or long-term nature.

5.2 **Directorships and Directors and Officers insurance**

5.2.1 The Executive may be required to act as a director of the Company and other Group Companies (either executive or non-executive) as the Board requires from time to time. The Company reserves the right on giving written notice to the Executive to terminate any office of directorship immediately at any time**.**

5.2.2 The Company shall for the duration of the Employment and for a period of not less than six calendar years following the Termination Date, maintain directors' and officers' insurance for the benefit of the Executive in respect of those liabilities which she may incur as a director or officer of the Company or any Group Company and for which such insurance is normally available.

5.3 **Right to suspend duties and powers**

5.3.1 The Company reserves the right in its absolute discretion to suspend all or any of the Executive's duties and powers on terms it considers expedient or to require her to perform only such duties, specific projects or tasks as are assigned to her expressly by the Company (including the duties of another position of equivalent status) in any case for such period or periods and at such place or places (including, without limitation, the Executive's home) as the Company in its absolute discretion deems necessary (the "**Garden Leave**"). During any period of Garden Leave the terms and conditions set out in this Agreement shall continue to apply to the Executive.

5.3.2 The Company may, at its sole discretion, require that during the Garden Leave the Executive shall not:

(a) enter or attend the premises of the Company or any Group Company;

(b) contact or have any communication with any client or prospective client or supplier of the Company or any Group Company in relation to the business of the Company or any Group Company;

(c) contact or have any communication with any employee, officer, director, agent or consultant of the Company or any Group Company in relation to the business of the Company or any Group Company;

(d) remain or become involved in any aspect of the business of the Company or any Group Company except as required by such companies; or

(e) work either on her own account or on behalf of any other person.

5.3.3 During Garden Leave, the Executive will continue to receive her Basic Salary and benefits but will not accrue any bonus, commission or share of profit.

5.3.4 For the avoidance of doubt, the Company may exercise its powers under this Clause 5.3 at any time during the Employment including after notice of termination has been given by either party.

5.4 **Joint appointments**

The Company shall be at liberty to appoint any other person or persons to act jointly with the Executive in any position to which she may be assigned from time to time.

6. REMUNERATION

6.1 Basic Salary

6.1.1 During the Employment the Company shall pay the Executive a Basic Salary of not less than £300,000 per annum. The Basic Salary shall accrue from day to day and be payable by credit transfer in equal monthly instalments in arrears on or around the last day of each calendar month or otherwise as arranged from time to time.

6.1.2 The Basic Salary shall be inclusive of all director's fees (if any) to which the Executive may become entitled including all remuneration and director's fees in respect of services rendered by the Executive to any Group Company.

6.2 Salary review

The Basic Salary shall be reviewed annually, the first review to take effect following the first Compensation Committee quarterly meeting of each calendar year commencing in 2018, however the Compensation Committee is not obliged to increase the Basic Salary at any review.

6.3 Discretionary bonus

6.3.1 The Company will, subject to the approval of the Compensation Committee, pay the Executive a bonus in respect of each financial year of the Company (the "**Bonus**"). The Executive's target bonus is a sum equal to 55% of her Basic Salary for that financial year. The terms and amount of this bonus (and whether it is paid in cash or in other forms, such as shares or share options) will be approved from time to time and notified to the Executive by the Compensation Committee in its sole discretion.

6.3.2 The actual amount of any Bonus payable will be determined by reference to the Compensation Committee in its sole discretion and will be determined by the achievement of Company performance objectives or personal performance objectives or both Company and personal performance objectives. The Board will determine appropriate performance targets at the beginning of each financial year. The Bonus will be paid by the Company after receipt by it of the audited financial statements of the Company for the financial year in question.

6.3.3 The Bonus will only be paid if the Executive is in Employment (and has not received or served notice of termination of employment) at the date the Bonus is due for payment. Upon the termination of the Executive's employment or (if earlier) upon either party giving notice under Clause 3 or the Company exercising its rights under Clause 18, the Executive will have no rights as a result of this Agreement or any alleged breach of it to any compensation under or in respect of any Bonus. For the avoidance of doubt, the Bonus will not accrue, nor will the Executive have any legitimate expectation as to the size or form of the Bonus, until the Company pays it to him. There are no circumstances whether in reliance on express or implied terms or otherwise where the Executive can require pay out of a particular sum or payment in a particular form or claim compensation for loss of such a Bonus.

6.4 Corporate Governance

All payments and/or benefits payable to the Executive are subject to and conditional upon: (i) the terms of applicable law, regulation and governance codes that regulate or govern executive pay from time to time; and (ii) the consent of the shareholders of the Company, as appropriate as determined by the Board (together "**Remuneration Governance**"). The Company reserves the right to amend, reduce, hold back, defer, claw back and alter the structure of any payments and benefits payable to the Executive in order to comply with Remuneration Governance.

7. EXPENSES

7.1 Out-of-pocket expenses

The Company shall reimburse to the Executive (against receipts or other appropriate evidence as the Board may require) the amount of all out-of-pocket expenses reasonably and properly incurred by her in the proper discharge of her duties hereunder to the extent that such expenses are incurred in accordance with the Company's business expenses policy from time to time.

7.2 Company credit/charge cards

In the event that the Company issues a Company sponsored credit or charge card to the Executive, she shall use such card only for expenses reimbursable under Clause 7.1 and shall return it to the Company when so requested and in any event immediately on termination of the Employment howsoever arising.

8. DEDUCTIONS

The Executive agrees that the Company may deduct from any sums due to her under this Agreement any sums due by her to the Company including, without limitation, any debits to her Company credit or charge card not authorised by the Company, the Executive's pension contributions (if any), any overpayments, loans or advances made to her by the Company, the cost of repairing any damage or loss to the Company's property caused by her and any losses suffered by the Company as a result of any negligence or breach of duty by the Executive.

9. COMPANY CAR

9.1 Car allowance

The Executive may use her own vehicle or rent a vehicle for the Company's business, in which case she will be paid a car allowance of £1,100 per month towards this cost. The car allowance will be subject to deduction of tax and National Insurance contributions.

10. PENSION SCHEME

10.1 The Scheme

10.1.1 The Executive is eligible to join the Company's pension scheme (the "**Scheme**"), subject to its rules in force from time to time. Details of the Scheme are available from the Company. Pursuant to the Scheme, the Company will make an annual contribution to the Scheme in respect of the Executive equal to 15% of the Executive's annual gross salary and bonus payments, excluding other payments such as the car allowance. The contribution shall be paid to the Scheme at such time or times during the year as the Company shall decide at its discretion.

10.1.2 Subject to Clause 10.2.1, when the Company becomes subject to the employer duties in the Pensions Act 2008, the Company reserves the right to amend the Executive's pension arrangements in place in its absolute discretion. The Company will inform the Executive of any changes to her pension arrangements at that time.

10.1.3 A copy of the current explanatory booklet giving details of the Scheme is available from the HR department.

10.1.4 The Scheme is not a contracted-out scheme for the purposes of the Pension Schemes Act 1993.

10.2 Company's right to amend and terminate

10.2.1 The Company may at any time terminate the Scheme or the Executive's membership of it subject to providing her with membership of an equivalent pension scheme.

11. OTHER INSURANCE & BENEFITS

11.1 Health Care Scheme

Without prejudice to the terms of Clauses 3 and 18, the Executive (and her spouse) shall be entitled during the Employment, to participate in any Health Care Scheme subject to the following terms and conditions:

(a) the Executive's (and her family's participation as applicable) is subject to the Company's rules regarding eligibility and the rules, terms and conditions of the relevant Scheme, both in force from time to time, copies of which shall be available from Human Resources;

(b) the Company reserves the right to terminate the Executive's (or her spouse's) or the Company's participation in any of the Schemes, substitute a new scheme for an existing Scheme and/or alter the level or type of benefits available under any Scheme;

(c) if a scheme provider (e.g. an insurance company or pensions provider) refuses for any reason (whether under its own interpretation of the rules, terms and conditions of the relevant insurance policy or otherwise) to accept a claim and/or provide the relevant benefit(s) to the Executive (or her spouse) under the applicable Scheme, the Company shall not be liable to provide (or compensate the Executive for the loss of) such benefit(s) nor shall it be obliged to take action against the provider to enforce any rights under the Scheme;

(d) the fact that the termination of the Employment under Clauses 3 and 18 may result in the Executive or her spouse ceasing to be eligible to receive or continue to receive benefits under any Scheme does not remove the Company's right to terminate the Employment; and

(e) the Executive's acceptance of such variations to her terms and conditions of employment as may from time to time be required by the Company.

11.2 Payments

11.2.1 All payments under the Schemes will be subject to the deductions required by law.

11.2.2 Where payments are made under a PHI scheme or critical illness scheme, all other payments or benefits provided to or in respect of the Executive will cease from the start of those payments (if they have not done so already), unless the Company is fully reimbursed by the relevant insurance provider for the cost of providing the benefit.

11.3 Medical examinations

At any reasonable time during the Employment the Company may require the Executive to undergo a medical examination by a medical practitioner appointed by the Company and at the Company's expense. The Executive will consent to such examination and to the results being made available to the Company.

12. RELOCATION PACKAGE

12.1 Relocation allowance

A one-time “Relocation Allowance” of £15,000, subject to taxes and National Insurance contribution, will be provided to the Employee to cover miscellaneous relocation expenses not covered elsewhere in the policy.

The Executive is encouraged to retain receipts for relocation expenses to reduce their taxability at filing time.

12.2 **Pre-departure Visits**

In addition to the Relocation Allowance, the Company will reimburse the Employee and her spouse for reasonable expenses related to a visit the United Kingdom once to secure housing, schooling, and become acquainted with the new living environment. All travel should be booked and expensed per the Company’s corporate travel and expense guidelines.

12.3 **Two Years of Tax Assistance**

In addition to the Relocation Allowance, the Company will provide the Executive with tax consultation through a professional tax services firm prior to relocation and after arrival in the United Kingdom for a period of two tax years. The intent of this consultation is to explain tax implications resulting from localization, to review the Executive’s expected tax responsibilities associated with it and to prepare any applicable related US and UK tax filings. The tax services firm will support the Executive on tax compliance in the UK and in the United States, if desired, for the first two tax years following the Commencement Date.

12.4 **Immigration Support**

In addition to the Relocation Allowance, the Company will provide immigration assistance to the Executive through an immigration vendor and will cover the cost of obtaining required entry and work documentation for the Executive, as well as required entry documentation for the Executive’s approved accompanying family members prior to relocation. This includes passports and any required medical exams or other documentation required by immigration authorities.

The Executive is responsible for maintaining valid immigration and travel documents going forward, at the Company’s expense.

12.5 **Travel to the new employment country (the United Kingdom)**

In addition to the Relocation Allowance, the Company will provide the Executive and her accompanying dependents with travel to the United Kingdom for purposes of relocation according to the Company’s corporate travel guidelines.

12.6 **Temporary Living**

In addition to the Relocation Allowance, the Company will support reasonable temporary living expenses for up to sixty days in the London area while the Executive and the Executive’s family are in between permanent housing. Hotel accommodation, or an apartment at reasonably equivalent cost, is provided. Temporary living expenses are covered in accordance with the Company’s travel and expense guidelines.

12.7 **Housing**

In addition to the Relocation Allowance, within the 18-month period following the Executive’s starting date, the Company agrees to provide relocation assistance to the Executive, including assistance with the sale of the Executive’s principal residence at 5335 Irving Ave South, Minneapolis, MN 55419, U.S.A., pursuant to the terms of the Managed Executive Plan provided

by the Company's vendor, Orion Mobility; packing, shipping to the United Kingdom and unpacking Executive's household possessions at the Company's expense; and reimbursement of expenses incurred in connection with the purchase of a principal residence in the United Kingdom. If the Executive is compelled to pay income taxes on any of the foregoing relocation benefits provided by the Company, the Company will pay to the Executive such additional amounts as are necessary to ensure receipt by the Executive of the full amount that the Executive would have received but for the income taxes payable by the Executive or by the Company on her behalf.

13. HOLIDAYS

13.1 **The holiday year**

The Company's holiday year runs from 1st January to 31st December. Holidays can only be taken with the prior permission of the Chief Administrative Officer of the Company.

13.2 **Annual entitlement**

13.2.1 The Executive's annual entitlement to paid holidays is to those public or customary holidays recognised by the Company in any holiday year of which there are eight in total and in addition 24 contractual days holiday. In addition, the Executive shall be entitled to one additional day of holiday per year of continuous service (assessed as at 1st January each year) up to a maximum of five additional days.

13.2.2 Entitlement to contractual holidays is accrued pro rata throughout the holiday year. The Executive will be entitled to take public and customary holidays on the days that they are recognised by the Company during the holiday year.

13.2.3 The Executive is not entitled to carry any unused holiday entitlement forward to the next holiday year without the permission of the Company.

13.3 **Holiday entitlement on termination**

13.3.1 Upon notice of termination of the Employment being served by either party, the Company may require the Executive to take any unused holidays accrued in the holiday year in which the termination takes place at that time during any notice period. Alternatively, the Company may, at its discretion, on termination of the Employment, make a payment in lieu of accrued contractual holiday entitlement.

13.3.2 The Executive will be required to make a payment to the Company in respect of any holidays taken in excess of her holiday entitlement accrued at the Termination Date. Any sums so due may be deducted from any money owing to the Executive by the Company.

14. ABSENCE

14.1 **Absence due to sickness or injury**

14.1.1 If the Executive is absent from work due to sickness or injury she shall:

(a) immediately inform the Company of her sickness or injury; and

(b) In respect of absence due to sickness, injury or accident that continues for more than seven consecutive days (including weekends) the Executive must provide the Company with a note of fitness to work stating the reason for the absence. Thereafter notes of

fitness to work must be provided to the Company to cover the remainder of the period of continuing sickness absence.

14.1.2 Failure to follow the requirements referred to in Clause 14.1.1 may result in disciplinary action and loss of Statutory Sick Pay and/or Company Sick Pay pursuant to Clause 14.2.

14.2 **Payment of salary during absence**

14.2.1 Subject to the Executive complying with the terms of Clause 14.1.1, the Company may, at its sole discretion, continue to pay Basic Salary during any period of absence due to sickness or injury for up to a maximum of six months in any period of twelve consecutive months (the twelve month period being referred to as the "**Entitlement Period**") unless the Employment is terminated in terms of Clauses 3 or 18.1. The first Entitlement Period will begin on the first day of absence and any subsequent Entitlement Period will start on the first day of any absence occurring outside an enduring Entitlement Period.

14.2.2 Payment of the Basic Salary in terms of Clause 14.2.1 shall be made less:

(a) an amount equivalent to any Statutory Sick Pay payable to the Executive;

(b) any sums which may be received by the Executive under any insurance policy effected by the Company; and

(c) any other benefits or sums which the Executive receives, such as under a PHI or other insurance scheme, in terms of the Employment or under any relevant legislation.

14.3 **Absence caused by third party negligence**

If the Executive's absence is caused by the negligence of a third party in respect of which damages are recoverable, then all sums paid by the Company during the period of absence in terms of Clause 14.2 shall constitute loans to the Executive who shall:

(a) notify the Company immediately of all the relevant circumstances and of any claim, compromise, settlement or judgment made or awarded; and

(b) if the Company so requires, refund to it an amount determined by the Company, not exceeding the lesser of:

(i) the amount of damages recovered by her in respect of loss of earnings during the period of absence under any compromise, settlement or judgment; and

(ii) the sums advanced to her by the Company in respect of the period of incapacity.

15. RESTRICTIONS DURING EMPLOYMENT

15.1 **Disclosure of other interests**

The Executive shall disclose to the Board any interest of her own (or that of her partner or of any child of her or of her partner under eighteen years of age):

(a) in any trade, business or occupation whatsoever which is in any way similar to any of those in which the Company or any Group Company is involved; and

(b) in any trade, business or occupation carried on by any supplier or customer of the Company or any Group Company whether or not such trade, business or occupation is conducted for profit or gain.

15.2 **Restrictions on other activities and interests of the Executive**

15.2.1 During the Employment the Executive shall not at any time, without the prior written consent of the Board, either alone or jointly with any other person, carry on or be directly or indirectly employed, engaged, concerned or interested in any business, prospective business or undertaking other than a Group Company. Nothing contained in this Clause 15.2.1 shall preclude the Executive from being a Minority Holder unless the holding is in a company that is a direct business competitor of the Company or any Group Company in which case, the Executive shall obtain the prior consent of the Board to the acquisition or variation of such holding.

15.2.2 If the Executive, with the consent of the Board, accepts any other appointment, she must keep the Company accurately informed of the amount of time she spends working under that appointment.

15.3 **Transactions with the Company**

Subject to any regulations issued by the Company, the Executive shall not be entitled to receive or obtain directly or indirectly any discount, rebate, commission or any other form of gift or gratuity (any of these referred to as a "**Gratuity**") as a result of the Employment or any sale or purchase of goods or services effected or other business transacted (whether or not by him) by or on behalf of the Company or any Group Company and if she (or any person in which she is interested) obtains any Gratuity she shall account to the Company for the amount received by her (or a due proportion of the amount received by the person having regard to the extent of her interest therein).

15.4 **Dealing in securities**

The Executive shall comply with every rule of law (including but not limited to the insider dealing provisions contained in Part V of the Criminal Justice Act 1993), to the extent applicable to the Company, the UK Financial Conduct Authority's listing rules' Model Code for transactions in securities by directors of listed companies, certain employees and persons connected with them and every regulation of the Company for the time being in force in relation to dealings in shares or other securities of the Company or any Group Company. Under Rule 4 of the Model Code, the person to whom notice should be given and from whom acknowledgement must be received before the Executive may deal in securities shall be the Company Secretary of the Company from time to time or such other person as shall be notified to the Executive. The Executive also acknowledges that under the provisions of the Model Code the Executive must seek to ensure compliance with the Model Code by persons connected with the Executive (within the meaning of section 96B and Schedule 11B of the Financial Services and Markets Act 2000) including, without limitation, the Executive's spouse and dependent children, and by investment managers acting on the Executive's behalf or on behalf of connected persons. The Executive undertakes to procure that dealings by or on behalf of such persons are in compliance with the Model Code.

15.5 **Compliance with the code on Corporate Governance**

The Executive shall comply, to the extent that the Board considers appropriate for a company the size of the Company, with the provisions of "The UK Corporate Governance Code" a corporate governance code issued by the Financial Reporting Council (as amended from time to time).

16. CONFIDENTIALITY AND COMPANY DOCUMENTS

16.1 **Restrictions on disclosure and use of Confidential Information**

The Executive must not either during the Employment (except in the proper performance of her duties) or at any time (without limit) after the Termination Date:

(a) divulge or communicate to any person;

(b) use for her own purposes or for any purposes other than those of the Company or any Group Company; or

(c) through any failure to exercise due care and diligence, cause any unauthorised disclosure of;

any Confidential Information. The Executive must at all times use her best endeavours to prevent publication or disclosure of any Confidential Information. These restrictions shall cease to apply to any information which shall become available to the public generally otherwise than through the default of the Executive.

16.2 **Protection of Company documents and materials**

All notes, records, lists of customers, suppliers and employees, correspondence, computer and other discs or tapes, data listings, codes, keys and passwords, designs, drawings and other documents or material whatsoever (whether made or created by the Executive or otherwise and in whatever medium or format) relating to the business of the Company or any Group Company or any of its or their clients (and any copies of the same):

(a) shall be and remain the property of the Company or the relevant Group Company or client; and

(b) shall be handed over by the Executive to the Company or the relevant Group Company or client on demand by the Company and in any event on the termination of the Employment;

provided that following the termination of the Employment, the Executive shall be provided with reasonable access to Board Minutes and agendas of the Company or any Group Company relating to a period during which she was a director of the Company or such Group Company that shall nevertheless remain confidential.

16.3 **Exceptions to confidentiality restrictions**

16.3.1 Nothing in the Agreement prohibits the Executive from reporting possible violations of law or regulation to any governmental agency or entity, including the U.S. Department of Justice, the U.S. Securities and Exchange Commission, the U.S. Congress, and any U.S. agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of U.S. federal law or regulation. The Executive does not need the prior authorization of the Company or any employee of the Company to make any such reports or disclosures, and the Executive is not required to notify the Company that she has made such reports or disclosures.

16.3.2 Pursuant to the U.S. Defend Trade Secrets Act of 2016, the Executive and the Company acknowledge that:

(a) An individual may not be held criminally or civilly liable under any U.S. federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

(b) Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

17. INVENTIONS AND OTHER WORKS

17.1 Executive to further interests of the Company

The Company and the Executive agree that the Executive may make or create Works during the Employment and agree that in this respect the Executive is obliged to further the interests of the Company and any Group Company.

17.2 Disclosure and ownership of Works

The Executive must immediately disclose to the Company all Works and all Intellectual Property Rights. Both the Works and all Intellectual Property Rights will (subject to sections 39 to 43 Patents Act 1977) belong to and be the absolute property of the Company or any other person the Company may nominate.

17.3 Protection, registration and vesting of Works

The Executive shall immediately on request by the Company (whether during or after the Employment) and at the expense of the Company:

(a) apply or join with the Company or any Group Company in applying for any Intellectual Property Rights or other protection or registration ("**Protection**") in the United Kingdom and in any other part of the world for, or in relation to, any Works;

(b) execute all instruments and do all things necessary for vesting all Intellectual Property Rights or Protection when obtained and all right, title and interest to and in the same absolutely and as sole beneficial owner in the Company or such Group Company or other person as the Company may nominate; and

(c) sign and execute any documents and do any acts reasonably required by the Company in connection with any proceedings in respect of any applications and any publication or application for revocation of any Intellectual Property Rights or Protection.

17.4 Waiver of rights by the Executive

The Executive hereby irrevocably and unconditionally waives all rights under Chapter IV Copyright, Designs and Patents Act 1988 and any other moral rights which she may have in the Works, in whatever part of the world such rights may be enforceable including:

(a) the right conferred by section 77 of that Act to be identified as the author of any such Works; and

(b) the right conferred by section 80 of that Act not to have any such Works subjected to derogatory treatment.

17.5 Power of Attorney

The Executive hereby irrevocably appoints the Company to be her attorney and in her name and on her behalf to execute any such act and to sign all deeds and documents and generally to use

her name for the purpose of giving to the Company the full benefit of this Clause. The Executive agrees that, with respect to any third parties, a certificate signed by any duly authorised officer of the Company that any act or deed or document falls within the authority hereby conferred shall be conclusive evidence that this is the case.

17.6 **Statutory rights**

Nothing in this Clause 17 shall be construed as restricting the rights of the Executive or the Company under sections 39 to 43 Patents Act 1977.

18. TERMINATION

18.1 **Termination events**

Notwithstanding any other provision of this Agreement, the Company shall be entitled, but not bound, to terminate the Employment with immediate effect by giving to the Executive notice in writing at any time after the occurrence of any one or more of the following events:

(a) if the Executive is guilty of any gross misconduct or behaviour which tends to bring herself or the Company or any Group Company into disrepute; or

(b) if the Executive commits any material or persistent breach of this Agreement (in the case of a non-material persistent breach, having been given notice in writing of the breach and a reasonable opportunity to rectify the breach) or fails to comply with any reasonable order or direction of the Board; or

(c) if the Executive fails to perform her duties to the reasonable satisfaction of the Board (having been given notice in writing of: (i) the areas of underperformance, (ii) the improvements in performance that are reasonably required by the Board; and (iii) a reasonable period of time to make the necessary improvements in performance; or

(d) if she becomes insolvent or bankrupt or compounds with or grants a trust deed for the benefit of her creditors; or

(e) if her behaviour (whether or not in breach of this Agreement) can reasonably be regarded as materially prejudicial to the interests of the Company or any Group Company, including if she is found guilty of any criminal offence punishable by imprisonment (whether or not such sentence is actually imposed); or

(f) if she has an order made against her disqualifying her from acting as a company director; or

(g) if she becomes of unsound mind; or

(h) if the Executive is found guilty of a serious breach of the rules or regulations as amended from time to time of the UK Listing Authority (including the Model Code for transactions in securities by directors), or any other regulatory authority relevant to the Company or any Group Company or any code of practice issued by the Company or any Group Company (as amended from time to time).

18.2 **Company's right to proceed**

While the Company will endeavour to deal fairly with allegations against the Executive, it reserves the right to proceed under Clause 18.1 without prior notice and without holding a hearing or inviting any representations from the Executive.

18.3 **Termination on resignation as director**

If the Executive resigns as a director of the Company or any Group Company (otherwise than at the request of the Company), she shall be deemed to have terminated the Employment with effect from the date of her resignation and the Employment shall terminate at that time, unless the Company agrees with the Executive that the Employment should continue, in which case the Employment may be subject to any terms and conditions stipulated by the Company in its absolute discretion.

18.4 **No damages or payment in lieu of notice**

In the event of the Employment being terminated pursuant to Clause 18.1 or 18.3, the Executive shall not be entitled to receive any payment in lieu of notice nor make any claim against the Company or any Group Company for damages for loss of office or termination of the Employment. Regardless of this, the termination shall be without prejudice to the continuing obligations of the Executive under this Agreement.

19. EVENTS UPON TERMINATION

19.1 **Obligations upon termination**

Immediately upon the termination of the Employment howsoever arising or immediately at the request of the Board at any time after either the Company or the Executive has served notice of termination of the Employment, the Executive shall:

(a) deliver to the Company all Works, materials within the scope of Clause 16.2 and all other materials and property including credit or charge cards, mobile telephone, computer equipment, disks and software, passwords, encryption keys or the like, keys, security pass, letters, stationery, documents, files, films, records, reports, plans and papers (in whatever format including electronic) and all copies thereof used in or relating to the business of the Company or the Group which are in the possession of or under the control of the Executive;

(b) resign (without claim for compensation) as a director and from all other offices held by her in the Company or any Group Company or otherwise by virtue of the Employment. For the avoidance of doubt, such resignations shall be without prejudice to any claims the Executive may have against the Company or any Group Company arising out of the termination of the Employment; and

(c) transfer without payment, to the Company, or as the Company may direct, any shares or other securities held by the Executive as nominee or trustee for the Company or any Group Company;

and should the Executive fail to do so the Company is hereby irrevocably authorised to appoint some person to sign any documents and/or do all things in her name and on her behalf necessary to give effect thereto,

19.2 **Share Incentives**

On termination of the Employment, the Executive’s rights with respect to Share Incentives granted to the Executive during the Employment shall be governed by the terms of the LivaNova Plc 2015 Incentive Award Plan and the underlying award agreement for each such Share Incentive.

20. RESTRICTIONS AFTER TERMINATION

20.1 **Definitions**

Since the Executive is likely to obtain Confidential Information in the course of the Employment and personal knowledge of and influence over suppliers, customers, clients and employees of the Company and Group Companies, the Executive hereby agrees with the Company that in addition to the other terms of this Agreement and without prejudice to the other restrictions imposed upon her by law, she will be bound by the covenants and undertakings contained in Clauses 20.2 to 20.5. In this Clause20, unless the context otherwise requires:

"**Customer**"	means any person to which the Company distributed, sold or supplied Restricted Products or Restricted Services during the Relevant Period and with which, during that period either the Executive, or any employee under the direct or indirect supervision of the Executive, had material dealings in the course of the Employment, but always excluding therefrom, any division, branch or office of such person with which the Executive and/or any such employee had no dealings during that period;
"**Prospective Customer**"	means any person with which the Company had discussions during the Relevant Period regarding the possible distribution, sale or supply of Restricted Products or Restricted Services and with which during such period the Executive, or any employee who was under the direct or indirect supervision of the Executive, had material dealings in the course of the Employment, but always excluding therefrom any division, branch or office of that person with which the Executive and/or any such employee had no dealings during that period;
"**Relevant Period**"	means: (i) where the Employment is continuing, the period of the Employment; and (ii) where the Employment has terminated, the period of twelve months immediately preceding the Termination Date;
"**Restricted Area**"	means: (a) the United Kingdom; and (b) any other country in the world where, on the Termination Date, the Company dealt in Restricted Products or Restricted Services;
"**Restricted Employee**"	means any person who was a director, employee or consultant of the Company at any time within the Relevant Period who by reason of that position and in particular her seniority and expertise or knowledge of Confidential Information or knowledge of or influence over the clients, customers or contacts of the Company is likely to cause damage to the Company if she were to leave the employment of the Company and become employed by a competitor of the Company;
"**Restricted Period**"	means the period commencing on the Termination Date and, subject to the terms of Clause 20.4, continuing for twelve months;
"**Restricted Products**"	means any product, device, equipment or machinery researched into, developed, manufactured, supplied, marketed, distributed or sold by the Company and with which the duties of the Executive were materially concerned or for which she was responsible during the Relevant Period, or any products, equipment or machinery of the same type or materially similar to those products, equipment or machinery;

"**Restricted Services**"	means any services (including but not limited to technical and product support, technical advice and customer services) researched into, developed or supplied by the Company and with which the duties of the Executive were materially concerned or for which she was responsible during the Relevant Period, or any services of the same type or materially similar to those services;
"**Supplier**"	means any supplier, agent, distributor or other person who, during the Relevant Period was in the habit of dealing with the Company and with which, during that period, the Executive, or any employee under the direct or indirect supervision of the Executive, had material dealings in the course of the Employment.

20.2 **Restrictive covenants**

Both during the Employment and during the Restricted Period, the Executive will not, without the prior written consent of the Company (such consent not to be unreasonably withheld), whether by herself, through her employees or agents or otherwise and whether on her own behalf or on behalf of any person, directly or indirectly:

(a) so as to compete with the Company, solicit business from or canvas any Customer or Prospective Customer in respect of Restricted Products or Restricted Services;

(b) so as to compete with the Company, accept orders from, act for or have any business dealings with, any Customer or Prospective Customer in respect of Restricted Products or Restricted Services;

(c) within the Restricted Area, be employed or engaged or at all interested (except as a Minority Holder) in that part of a business or person which is involved in the business of researching into, developing, manufacturing, distributing, selling, supplying or otherwise dealing with Restricted Products or Restricted Services, if the business or person is or seeks to be in competition with the Company. For the purposes of this sub-Clause, acts done by the Executive outside the Restricted Area shall nonetheless be deemed to be done within the Restricted Area where their primary purpose is to distribute, sell, supply or otherwise deal with Restricted Products or Restricted Services in the Restricted Area;

(d) solicit or induce or endeavour to solicit or induce any person who was a Restricted Employee (and with whom the Executive had dealings during the Relevant Period) to cease working for or providing services to the Company, whether or not any such person would thereby commit a breach of contract;

(e) employ or otherwise engage any Restricted Employee in the business of researching into, developing, manufacturing, distributing, selling, supplying or otherwise dealing with Restricted Products or Restricted Services if that business is, or seeks to be, in competition with the Company; or

(f) solicit or induce or endeavour to solicit or induce any Supplier to cease to deal with the Company and shall not interfere in any way with any relationship between a Supplier and the Company.

20.3 **Application of restrictive covenants to other Group Companies**

Clause 20.2 shall also apply as though references to the "**Company**" in Clauses 20.1 and 20.2 include references to each Group Company in relation to which the Executive has in the course

of the Employment or by reason of rendering services to or holding office in such Group Company:

(a) acquired knowledge of its products, services, trade secrets or Confidential Information; or

(b) had personal dealings with its Customers or Prospective Customers; or

(c) supervised directly or indirectly employees having personal dealings with its Customers or Prospective Customers;

but so that references to the "**Company**" shall for this purpose be deemed to be references to the relevant Group Company. The obligations undertaken by the Executive pursuant to this Clause 20.3 shall, with respect to each Group Company, constitute a separate and distinct covenant in favour of and for the benefit of each Group Company and which shall be enforceable either by the particular Group Company or by the Company on behalf of the Group Company and the invalidity or unenforceability of any such covenant shall not affect the validity or enforceability of the covenants in favour of any other Group Company.

20.4 **Effect of suspension on Restricted Period**

If the Company exercises its right to suspend the Executive's duties and powers under Clause 5.3 after notice of termination of the Employment has been given, the aggregate of the period of the suspension and the Restricted Period shall not exceed twelve months and if the aggregate of the two periods would exceed twelve months, the Restricted Period shall be reduced accordingly.

20.5 **Further undertakings**

The Executive hereby undertakes to the Company that she will not at any time:

(a) during the Employment or after the Termination Date engage in any trade or business or be associated with any person engaged in any trade or business using any trading names used by the Company or any Group Company including the name(s) or incorporating the word(s) "LivaNova", "Cyberonics" or "Sorin";

(b) after the Termination Date make any public statement in relation to the Company or any Group Company or any of their officers or employees; or

(c) after the Termination Date represent or otherwise indicate any association or connection with the Company or any Group Company or for the purpose of carrying on or retaining any business represent or otherwise indicate any past association with the Company or any Group Company.

20.6 **Severance**

The restrictions in this Clause 20 (on which the Executive has had the opportunity to take independent advice, as the Executive hereby acknowledges) are separate and severable restrictions and are considered by the parties to be reasonable in all the circumstances. It is agreed that if any such restrictions, by themselves, or taken together, shall be adjudged to go beyond what is reasonable in all the circumstances for the protection of the legitimate interests of the Company or a Group Company but would be adjudged reasonable if some part of it were deleted, the relevant restriction or restrictions shall apply with such deletion(s) as may be necessary to make it or them valid and enforceable.

21. RECONSTRUCTION AND AMALGAMATIONS

If the Company undergoes any process of reconstruction or amalgamation (whether or not involving the liquidation of the Company) and the Executive is offered employment by the successor or proposed successor to the Company or any Group Companies on terms which as a whole are no less favourable than those under this Agreement whether as to duties, responsibilities, remuneration or otherwise and the Executive does not accept the offer within one month of it being made, then the Executive shall have no claim against the Company or the successor to the Company in respect of termination of this Agreement and the Employment.

22. DISCIPLINARY AND GRIEVANCE PROCEDURE

22.1 Disciplinary procedures and grievance procedures

22.1.1 Any disciplinary action taken in connection with the Employment will usually be taken in accordance with the Company's normal disciplinary procedures (which are workplace rules and not contractually binding) a copy of which is available from Human Resources.

22.1.2 If the Executive wishes to obtain redress of any grievance relating to the Employment or is dissatisfied with any reprimand, suspension or other disciplinary step taken by the Company, she should follow the procedures set out in the Company's grievance policy, a copy of which is available from Human Resources.

23. GENERAL

23.1 Provisions which survive termination

Any provision of this Agreement which is expressed or intended to have effect on, or to continue in force after, the termination of this Agreement shall have such effect, or, as the case may be, continue in force, after such termination.

23.2 No collective agreements

There are no collective agreements that directly affect the terms and conditions of the Employment.

24. DATA PROTECTION AND PRIVACY

24.1 Data Protection

The Executive acknowledges and agrees that the Company is permitted to hold personal information (including sensitive personal data) about the Executive as part of its personnel and other business records and may use such information in the course of the Company's or the Group's business. The Executive agrees that the Company may disclose such information to third parties in the event that such disclosure is in the Company's view required for the proper conduct of the Company's business or that of any Group Company. This Clause 24.1 applies to information held, used or disclosed in any medium.

24.2 Privacy

All communications, whether by telephone, email, fax, or any other means, which are transmitted, undertaken or received using the Company's IT or communications systems ("**Company Systems**") or on Company premises will be treated by the Company as work related. The Company Systems are provided for work use only. The Company may intercept, record and

monitor all communications made by the Executive and her use of the Company Systems, without further notice. The Executive should not regard any communications or use as being private.

25. AMENDMENTS, WAIVERS AND REMEDIES

25.1 **Amendments**

No amendment or variation of this Agreement or any of the documents referred to in it (other than an alteration in the Basic Salary) shall be effective unless it is in writing and signed by or on behalf of each of the parties.

25.2 **Waivers and remedies cumulative**

25.2.1 The rights of each party under this Agreement:

(a) may be exercised as often as necessary;

(b) are cumulative and not exclusive of its rights under the general law; and

(c) may be waived only in writing and specifically.

25.2.2 Delay in exercising or non-exercise of any right is not a waiver of that right.

25.2.3 Any right of rescission conferred upon the Company by this Agreement shall be in addition to and without prejudice to all other rights and remedies available to it.

26. ENTIRE AGREEMENT

26.1.1 This Agreement and the documents referred to in it constitute the entire agreement and understanding of the parties and supersede and extinguish all previous agreements, promises, assurances, warranties, representations and understandings between the parties, whether written or oral, relating to the subject matter of this Agreement.

26.1.2 Each party acknowledges that in entering into this Agreement it does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this Agreement.

26.1.3 Each party agrees that it shall have no claim for innocent or negligent misrepresentation or negligent misstatement based on any statement in this Agreement.

26.1.4 Nothing in this Clause shall limit or exclude any liability for fraud.

27. NO OUTSTANDING CLAIMS

The Executive hereby acknowledges that she has no outstanding claims of any kind against the Company or any Group Company (other than in respect of remuneration and expenses due to the date of this Agreement but not yet paid).

28. SEVERANCE

If any provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect:

(a) the legality, validity or enforceability in that jurisdiction of any other provisions of this Agreement; or

(b) the legality, validity or enforceability in any other jurisdiction of that or any other provision of this Agreement.

29. NOTICE

29.1 Notices and deemed receipt

Any notice hereunder shall be given by either party to the other either personally to the Executive or the Company Secretary (as appropriate) or sent in the case of the Company, to its registered office for the time being and, in the case of the Executive, to her address last known to the Company. Any such notice shall be in writing and shall be given by letter delivered by hand or sent by first class prepaid recorded delivery or registered post or by facsimile transmission. Any such notice shall be deemed to have been received:

(a) if delivered personally, at the time of delivery;

(b) in the case of pre-paid recorded delivery or registered post, 48 hours from the date of posting;

(c) in the case of registered airmail, five days from the date of posting; and

(d) in the case of fax or email, at the time of transmission;

provided that if deemed receipt occurs before 9am on a business day the notice shall be deemed to have been received at 9:00 am on that day and if deemed receipt occurs after 5pm on a business day, or on a day which is not a business day, the notice shall be deemed to have been received at 9:00 am on the next business day. For the purpose of this Clause, "**business day**" means any day which is not a Saturday, a Sunday or a public holiday in the place at or to which the notice is left or sent.

30. GOVERNING LAW AND JURISDICTION

30.1 Governing law

This Agreement is governed by and to be construed in accordance with English law.

30.2 Jurisdiction

Each party hereby submits to the exclusive jurisdiction of the English courts as regards any claim, dispute or matter arising out of or in connection with this Agreement and its implementation and effect.

IN WITNESS of which this Agreement has been executed and delivered as a deed on the first date written above.

EXECUTED as a Deed
by LIVANOVA PLC
acting by Damien McDonald,
Chief Executive Officer,
and a Witness

_____
Damien McDonald

_____
Witness

Full Name: _____

Address: _____

_____

_____

EXECUTED as a Deed
By KEYNA P. SKEFFINGTON
in the presence of:

_____

Witness's
Signature: _____

Full Name: _____

Address: _____

_____

_____

EXHIBIT 31.1

CERTIFICATION

I, Damien McDonald, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 30, 2017, filed by LivaNova PLC and its consolidated subsidiaries;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2017

/s/ DAMIEN MCDONALD

Damien McDonald
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Thad Huston, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 30, 2017, filed by LivaNova PLC and its consolidated subsidiaries;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2017

/s/ THAD HUSTON

Thad Huston

Chief Financial Officer

(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF THE

CHIEF EXECUTIVE OFFICER AND

CHIEF FINANCIAL OFFICER

OF LIVANOVA PLC

PURSUANT TO 18 U.S.C. SECTION 1350

Each of Damien McDonald, Chief Executive Officer of LivaNova PLC (the "Company"), and Thad Huston, Chief Financial Officer of the Company, each hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(a) the Quarterly Report on Form 10-Q of the Company and its consolidated subsidiaries for the quarter ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2017

/s/ DAMIEN MCDONALD

Damien McDonald
Chief Executive Officer
(Principal Executive Officer)

/s/ THAD HUSTON

Thad Huston
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as a part of this report or on a separate disclosure document.