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, 2021

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)*

Registrant's telephone number, including area code: **(44) (0) 203 325-0660**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares - £1.00 par value per share	LIVN	NASDAQ Global Market

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 every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	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 July 23, 2021
Ordinary Shares - £1.00 par value per share	49,023,767

LIVANOVA PLC

TABLE OF CONTENTS

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 generator products: Model 102 (Pulse®), Model 102R (Pulse Duo®), Model 103 (Demipulse®), Model 104 (Demipulse Duo®), Model 106 (AspireSR®), Model 1000 (SenTiva®), Model 1000-D (SenTiva® Duo), Model 7103 (VITARIA® and TitrationAssist™) and Model 8103 (Symmetry®).
- Trademarks for our Cardiopulmonary product systems: S5® heart-lung machine, S3® heart-lung machine, S5 Pro™ heart-lung machine, B-Capta®, Inspire®, Heartlink®, XTRA® Autotransfusion System, 3T Heater-Cooler®, Connect™ and Revolution®.
- Trademarks for our advanced circulatory support systems: TandemLife®, TandemHeart®, TandemLung®, ProtekDuo®, and LifeSPARC®.
- Trademarks for our obstructive sleep apnea system: ImThera® and Aura6000®.

These trademarks and trade names 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 Quarterly 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 of 1933 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:

- changes in our common stock price;
- activist investors causing disruptions to the business;
- 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 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, shareholder-related, environmental-related, income tax and other litigation, disputes, 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;
- competition from providers of alternative medical therapies, such as pharmaceutical companies and providers of cannabis;
- cyber-attacks or other disruptions to our information technology systems;
- failure to comply with applicable U.S. laws and regulations, including federal and state privacy and security laws and regulations;
- failure to comply with applicable non-U.S. laws 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, including any amount of liability or damages imposed by the Appeals Court or the Supreme Court of Italy with respect to SNIA S.p.A.;
- 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;
- risks relating to the exchangeability of the exchangeable senior notes;
- continued volatility in the global market and worldwide economic conditions, including volatility caused by Brexit and/or changes to existing trade agreements and relationships between the U.S. and other countries;
- risks relating to the outbreak and spread of COVID-19 around the world;
- changes in tax laws, including changes related 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 and our other Quarterly Reports on Form 10-Q, (2) our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (“2020 Form 10-K”), (3) our reports and registration statements filed and furnished from time to time with the Securities and Exchange Commission (“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 condensed consolidated financial statements and related notes included elsewhere in this report. Operating results for the six months ended June 30, 2021 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 2020 Form 10-K and in our Quarterly Reports on Form 10-Q.

Financial Information and Currency of Financial Statements

All of the financial information included in this quarterly report has been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S.” and such principles, “U.S. GAAP”). The reporting currency of our condensed consolidated financial statements is U.S. dollars.

PART I. FINANCIAL INFORMATION

Item 1. *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,	
	2021	2020	2021	2020
Net sales	$ 264,483	$ 182,206	$ 512,086	$ 424,603
Cost of sales	90,803	65,730	173,723	141,631
Gross profit	173,680	116,476	338,363	282,972
Operating expenses:				
Selling, general and administrative	122,748	102,743	238,429	227,675
Research and development	52,557	25,152	97,182	61,054
Other operating expenses	33,236	3,818	42,036	8,872
Operating loss from continuing operations	(34,861)	(15,237)	(39,284)	(14,629)
Interest income	189	287	115	435
Interest expense	(16,515)	(5,715)	(32,451)	(10,564)
Foreign exchange and other gains (losses)	50	(999)	(6,319)	(2,913)
Loss from continuing operations before tax	(51,137)	(21,664)	(77,939)	(27,671)
Income tax expense	4,140	66,285	6,996	21,571
Losses from equity method investments	(41)	(44)	(81)	(173)
Net loss from continuing operations	(55,318)	(87,993)	(85,016)	(49,415)
Net loss from discontinued operations, net of tax	—	—	—	(995)
Net loss	$ (55,318)	$ (87,993)	$ (85,016)	$ (50,410)
Basic loss per share:				
Continuing operations	$ (1.13)	$ (1.81)	$ (1.74)	$ (1.02)
Discontinued operations	—	—	—	(0.02)
	$ (1.13)	$ (1.81)	$ (1.74)	$ (1.04)
Diluted loss per share:				
Continuing operations	$ (1.13)	$ (1.81)	$ (1.74)	$ (1.02)
Discontinued operations	—	—	—	(0.02)
	$ (1.13)	$ (1.81)	$ (1.74)	$ (1.04)
Shares used in computing basic loss per share	48,928	48,611	48,833	48,548
Shares used in computing diluted loss per share	48,928	48,611	48,833	48,548

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,	
	2021	2020	2021	2020
Net loss	$ (55,318)	$ (87,993)	$ (85,016)	$ (50,410)
Other comprehensive income (loss):				
Net change in unrealized (loss) gain on derivatives	(1,250)	1,029	(1,585)	(327)
Tax effect	42	(246)	381	79
Net of tax	(1,208)	783	(1,204)	(248)
Foreign currency translation adjustment	22,345	16,651	(3,530)	(15,449)
Total other comprehensive income (loss)	21,137	17,434	(4,734)	(15,697)
Total comprehensive loss	$ (34,181)	$ (70,559)	$ (89,750)	$ (66,107)

See accompanying notes to the condensed consolidated financial statements

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

	June 30, 2021	December 31, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 329,386	$ 252,832
Accounts receivable, net of allowance of $11,999 at June 30, 2021 and $10,310 at December 31, 2020	182,180	184,356
Inventories	127,168	126,675
Prepaid and refundable taxes	36,182	60,240
Assets held for sale	—	70,539
Current derivative assets	105,371	2,053
Prepaid expenses and other current assets	28,815	22,739
Total Current Assets	809,102	719,434
Property, plant and equipment, net	157,415	163,805
Goodwill	918,275	922,318
Intangible assets, net	419,182	437,636
Operating lease assets	49,891	50,525
Investments	15,275	31,094
Deferred tax assets	1,883	2,990
Long-term derivative assets	—	72,302
Other assets	25,499	11,247
Total Assets	$ 2,396,522	$ 2,411,351
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current debt obligations	$ 232,012	$ 13,343
Accounts payable	61,328	73,668
Accrued liabilities and other	100,227	88,036
Current derivative liabilities	174,866	7,372
Current litigation provision liability	53,177	28,612
Taxes payable	18,429	16,463
Accrued employee compensation and related benefits	62,209	51,879
Liabilities held for sale	—	29,679
Total Current Liabilities	702,248	309,052
Long-term debt obligations	431,033	642,298
Contingent consideration	97,047	89,850
Litigation provision liability	6,989	7,878
Deferred tax liabilities	10,462	8,915
Long-term operating lease liabilities	42,723	42,221
Long-term employee compensation and related benefits	18,396	20,628
Long-term derivative liabilities	200	121,940
Other long-term liabilities	46,954	49,740
Total Liabilities	1,356,052	1,292,522
Commitments and contingencies (Note 8)		
Stockholders' Equity:		
Ordinary Shares, £1.00 par value: unlimited shares authorized; 49,522,582 shares issued and 48,983,280 shares outstanding at June 30, 2021; 49,447,473 shares issued and 48,655,863 shares outstanding at December 31, 2020	76,405	76,300
Additional paid-in capital	1,779,113	1,768,156
Accumulated other comprehensive income	23,075	27,809
Accumulated deficit	(837,418)	(752,402)
Treasury stock at cost, 539,302 ordinary shares at June 30, 2021; 791,610 ordinary shares at December 31, 2020	(705)	(1,034)
Total Stockholders' Equity	1,040,470	1,118,829
Total Liabilities and Stockholders' Equity	$ 2,396,522	$ 2,411,351

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,	
	2021	**2020**
Operating Activities:		
Net loss	$ (85,016)	$ (50,410)
Non-cash items included in net loss:		
Stock-based compensation	19,452	19,034
Amortization	13,353	19,661
Remeasurement of derivative instruments	13,191	(7,250)
Depreciation	12,256	13,596
Remeasurement of contingent consideration to fair value	10,746	(46,034)
Amortization of debt issuance costs	8,989	1,219
Amortization of operating lease assets	8,947	6,297
Remeasurement of Respicardia investment and loan	(4,640)	—
Deferred tax expense	1,357	46,171
Other	1,356	4,214
Changes in operating assets and liabilities:		
Accounts receivable, net	(4,664)	66,256
Inventories	1,221	(16,210)
Other current and non-current assets	18,786	(10,263)
Accounts payable and accrued current and non-current liabilities	3,558	(48,001)
Taxes payable	2,491	(2,150)
Litigation provision liability	23,728	(121,194)
Net cash provided by (used in) operating activities	45,111	(125,064)
Investing Activities:		
Purchases of property, plant and equipment	(14,622)	(17,955)
Purchase of investments	(2,097)	(3,168)
Proceeds from sale of Heart Valves, net of cash disposed	41,759	—
Proceeds from sale of Respicardia investment and loan	23,057	—
Loans to investees	—	(2,250)
Other	(1,382)	707
Net cash provided by (used in) investing activities	46,715	(22,666)
Financing Activities:		
Shares repurchased from employees for minimum tax withholding	(11,072)	(5,177)
Payment of contingent consideration	(4,387)	(5,250)
Proceeds from share issuances under ESPP	1,750	2,064
Repayment of long-term debt obligations	(1,287)	(481,254)
Debt issuance costs	(376)	(19,970)
Change in short-term borrowing, net	69	(1,532)
Proceeds from long-term debt obligations	—	886,899
Proceeds from short term borrowings (maturities greater than 90 days)	—	46,717
Repayments of short term borrowings (maturities greater than 90 days)	—	(44,838)
Purchase of capped call	—	(43,096)
Closing adjustment payment for sale of CRM business	—	(14,891)
Other	1,216	25
Net cash (used in) provided by financing activities	(14,087)	319,697
Effect of exchange rate changes on cash and cash equivalents	(1,185)	(555)
Net increase in cash and cash equivalents	76,554	171,412
Cash and cash equivalents at beginning of period	252,832	61,137
Cash and cash equivalents at end of period	$ 329,386	$ 232,549

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, 2021 and 2020, have been prepared in accordance with 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, 2020 has been derived from audited financial statements contained in our 2020 Form 10-K, 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 considered necessary for a fair statement of the operating results of LivaNova and its subsidiaries, for the three and six months ended June 30, 2021, and are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. The financial information presented herein should be read in conjunction with the audited consolidated financial statements and notes thereto accompanying our 2020 Form 10-K.

Recent Developments Regarding COVID-19

Due to the COVID-19 pandemic ("COVID-19"), we have experienced and may continue to experience significant and unpredictable reductions in the demand for our products as healthcare customers have diverted medical resources and priorities towards the treatment of COVID-19. In addition, public health bodies have delayed elective procedures during the COVID-19 pandemic, which has negatively impacted the usage of our products, including the number of Neuromodulation procedures. Further, some people are avoiding seeking treatment for non-COVID-19 emergency procedures, which has also negatively impacted the demand for our products.

Procedure volumes in Neuromodulation continue to recover, especially replacement implant volumes. Across our business, certain countries in our Europe and Rest of World regions remain challenged by COVID-19. Despite shifting market dynamics resulting from the pandemic, we continue to gain momentum in Neuromodulation sales growth across all regions.

Reclassifications

We have reclassified certain prior period amounts on the condensed consolidated statements of income (loss) and the condensed consolidated statements of cash flows for comparative purposes. These reclassifications did not have a material effect on our financial condition, results of operations or cash flows. The prior period reclassifications on the condensed consolidated statements of income (loss) are summarized and presented below (in thousands):

- Product remediation has been reclassified to cost of sales
- Merger and integration expenses have been reclassified to other operating expenses
- Restructuring expenses have been reclassified to other operating expenses
- Litigation provision, net has been reclassified to other operating expenses and
- Amortization of intangibles has been reclassified to cost of sales or selling, general and administrative based on the nature of the underlying intangible asset.

	Three Months Ended June 30, 2020			Six Months Ended June 30, 2020		
	As Previously Reported	Reclassifications	Current Presentation	As Previously Reported	Reclassifications	Current Presentation
Net sales	$ 182,206	$ —	$ 182,206	$ 424,603	$ —	$ 424,603
Cost of sales	56,762	8,968	65,730	125,685	15,946	141,631
Product remediation	4,269	(4,269)	—	5,735	(5,735)	—
Gross profit	121,175	(4,699)	116,476	293,183	(10,211)	282,972
Operating expenses:						
Selling, general and administrative	98,048	4,695	102,743	218,225	9,450	227,675
Research and development	25,152	—	25,152	61,054	—	61,054
Merger and integration expenses	2,048	(2,048)	—	5,522	(5,522)	—
Restructuring expenses	794	(794)	—	2,374	(2,374)	—
Amortization of intangibles	9,394	(9,394)	—	19,661	(19,661)	—
Litigation provision, net	976	(976)	—	976	(976)	—
Other operating expenses	—	3,818	3,818	—	8,872	8,872
Operating loss from continuing operations	$ (15,237)	$ —	$ (15,237)	$ (14,629)	$ —	$ (14,629)

Significant Accounting Policies

Our significant accounting policies are detailed in “Note 2. Basis of Presentation, Use of Accounting Estimates and Significant Accounting Policies” and “Note 3. Revenue Recognition” of our 2020 Form 10-K.

Note 2. Divestiture of Heart Valve Business

On December 2, 2020, LivaNova entered into a Share and Asset Purchase Agreement (“Purchase Agreement”) with Mitral Holdco S.à r.l. (the “Purchaser”), a company incorporated under the laws of Luxembourg and wholly owned and controlled by funds advised by Gyrus Capital S.A., a Swiss private equity firm. The Purchase Agreement provides for the divestiture of certain of LivaNova’s subsidiaries as well as certain other assets and liabilities relating to the Company’s Heart Valve business and site management operations conducted by the Company’s subsidiary LivaNova Site Management S.r.l. (“LSM”) at the Company’s Saluggia campus for €60.0 million (approximately $71.2 million as of June 30, 2021). On April 9, 2021, LivaNova and the Purchaser entered into an Amended and Restated Share and Asset Purchase Agreement (the “A&R Purchase Agreement”) which amends and restates the original Purchase Agreement to, among other things, defer the closing of the sale and purchase of LSM by up to two years and include or amend certain additional terms relating to such deferral, including certain amendments relating to the potential hazardous substances liabilities of LSM and the related expense reimbursement provisions.

As a result of entering into the Purchase Agreement, during the fourth quarter of 2020 the Company concluded that the assets and liabilities of the Heart Valve business being sold met the criteria to be classified as held for sale. As a result, we recognized an impairment of $180.2 million during the fourth quarter of 2020 to record the Heart Valves disposal group at fair value less estimated cost to sell.

The initial closing of the sale of the Heart Valve business occurred on June 1, 2021 and we received €34.8 million (approximately $42.5 million as of June 1, 2021), subject to customary trade working capital and net indebtedness adjustments, as set forth in the Purchase Agreement. An additional €2.5 million (approximately $3.0 million as of June 30, 2021) is payable to LivaNova during the fourth quarter of 2021 and €10.0 million (approximately $11.9 million as of June 30, 2021) is payable to LivaNova on December 30, 2022. During the three and six months ended June 30, 2021, we recognized a (loss) gain from the sale of the Heart Valve business of $(0.1) million and $0.8 million, respectively, which is included within other operating expenses on the condensed consolidated statements of income (loss).

In conjunction with the sale, we entered into a transition services agreement to provide certain support services generally for up to twelve months from the closing date of the sale. These services include, among others, accounting, information technology, human resources, quality assurance, regulatory affairs, supply chain, clinical affairs and customer support. During the three and six months ended June 30, 2021, we recognized income of $0.3 million and $0.3 million, respectively, for providing these services. Income recognized related to the transition services agreements is recorded as a reduction to the related expenses in the associated expense line items in the condensed consolidated statements of income.

Note 3. Restructuring

We initiate restructuring 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 the operating results of our condensed consolidated statements of income (loss).

During the fourth quarter of 2020, we initiated a reorganization plan (the "2020 Plan") to reduce our cost structure. We incurred restructuring expenses of $5.3 million during the three months ended December 31, 2020 primarily associated with severance costs for 54 employees, and $3.6 million and $9.7 million during the three and six months ended June 30, 2021, respectively, primarily associated with severance costs for 15 and 27 additional employees during the three and six months ended June 30, 2021, respectively, under the 2020 Plan and lease abandonment costs.

The following table provides a reconciliation of the beginning and ending balance of the accruals and other reserves recorded in connection with our restructuring plans included within accrued liabilities and other and other long-term liabilities on the condensed consolidated balance sheet (in thousands):

	Employee Severance and Other Termination Costs	Other	Total
Balance at December 31, 2020	$ 5,749	$ 546	$ 6,295
Charges	8,022	1,671	9,693
Cash payments and other	(7,810)	(1,803)	(9,613)
Balance at June 30, 2021	$ 5,961	$ 414	$ 6,375

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cardiovascular	$ 933	$ 570	$ 2,829	$ 1,256
Neuromodulation	311	305	1,521	808
Other	2,357	(81)	5,343	310
Total [1]	$ 3,601	$ 794	$ 9,693	$ 2,374

(1) Restructuring expense is included within other operating expenses on the condensed consolidated statements of income (loss).

Note 4. Investments

The following table details the carrying value of our investments in equity securities of non-consolidated affiliates without readily determinable fair values for which we do not exert significant influence over the investee. These equity investments are reported at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. The below equity investments are included in investments on the condensed consolidated balance sheets (in thousands):

	June 30, 2021	December 31, 2020
Respicardia Inc. [1]	$ —	$ 17,706
ALung Technologies, Inc. [2]	3,000	3,000
Ceribell, Inc.	3,000	3,000
ShiraTronics, Inc.	2,045	2,045
Noctrix Health, Inc.	3,159	1,359
MD Start II [3]	1,187	1,227
Rainbow Medical Ltd.	1,162	1,201
Highlife S.A.S.	1,125	1,163
	14,678	30,701
Equity method investment	597	393
	$ 15,275	$ 31,094

(1) In April 2021, Zoll Medical Corporation acquired Respicardia Inc. As a result of the acquisition we received proceeds of $23.1 million for our investment and loan receivable with carrying values of $17.7 million and $0.8 million as of December 31, 2020, respectively. The Company recorded a gain of $4.6 million during the first quarter of 2021 to adjust the investment and loans receivable to fair value, which is included in foreign exchange and other gains (losses) on the condensed consolidated statements of income (loss).

(2) ALung Technologies, Inc. (“ALung”) is a privately held medical device company focused on creating advanced medical devices for treating respiratory failure. We have a loan outstanding to ALung, with a carrying amount of $2.5 million and $2.5 million as of June 30, 2021 and December 31, 2020, respectively, which is included in prepaid expenses and other current assets on the condensed consolidated balance sheet.

(3) During the second quarter of 2021 the Company received a cash dividend from its investment in MD Start II of $3.1 million, which is included in foreign exchange and other gains (losses) on the condensed consolidated statements of income (loss).

Note 5. Fair Value Measurements

We review the fair value hierarchy classification on a quarterly basis. Changes in the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. There were no transfers between Level 1, Level 2, or Level 3 during the six months ended June 30, 2021 and 2020.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables provide 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, 2021	Fair Value Measurements Using Inputs Considered as:		
		Level 1	Level 2	Level 3
Assets:				
Derivative assets - designated as cash flow hedges (foreign currency exchange rate "FX")	$ 663	$ —	$ 663	$ —
Derivative assets - freestanding instruments (FX)	449	—	449	—
Derivative assets - capped call derivatives	104,259	—	—	104,259
Convertible notes receivable	2,775	—	—	2,775
	$ 108,146	$ —	$ 1,112	$ 107,034
Liabilities:				
Derivative liabilities - designated as cash flow hedges (FX)	$ 628	$ —	$ 628	$ —
Derivative liabilities - freestanding instruments (FX)	98	—	98	—
Derivative liabilities - embedded exchange feature	174,140	—	—	174,140
Derivative liabilities - other	200	—	—	200
Contingent consideration arrangements	109,564	—	—	109,564
	$ 284,630	$ —	$ 726	$ 283,904

	Fair Value as of December 31, 2020	Fair Value Measurements Using Inputs Considered as:		
		Level 1	Level 2	Level 3
Assets:				
Derivative assets - designated as cash flow hedges (FX)	$ 2,893	$ —	$ 2,893	$ —
Derivative assets - freestanding instruments (FX)	55	—	55	—
Derivative assets - capped call derivatives	72,302	—	—	72,302
Convertible notes receivable	2,775	—	—	2,775
	$ 78,025	$ —	$ 2,948	$ 75,077
Liabilities:				
Derivative liabilities - designated as cash flow hedges (FX)	$ 14	$ —	$ 14	$ —
Derivative liabilities - freestanding instruments (interest rate swaps)	74	—	74	—
Derivative liabilities - freestanding instruments (FX)	4,073	—	4,073	—
Derivative liabilities - embedded exchange feature	121,756	—	—	121,756
Derivative liabilities - other	4,290	—	—	4,290
Contingent consideration arrangements	103,818	—	—	103,818
	$ 234,025	$ —	$ 4,161	$ 229,864

The following table provides a reconciliation of the beginning and ending balances of our recurring fair value measurements, using significant unobservable inputs (Level 3) (in thousands):

	Capped Call Derivative Asset	Convertible Notes Receivable	Embedded Exchange Feature Derivative Liability	Other Derivative Liabilities	Contingent Consideration Liability Arrangements
As of December 31, 2020	$ 72,302	$ 2,775	$ 121,756	$ 4,290	$ 103,818
Payments [1]	—	—	—	—	(5,000)
Changes in fair value	31,957	—	52,384	(4,090)	10,746
Total at June 30, 2021	104,259	2,775	174,140	200	109,564
Less current portion at June 30, 2021	104,259	2,515	174,140	—	12,517
Long-term portion at June 30, 2021	$ —	$ 260	$ —	$ 200	$ 97,047

(1) During the six months ended June 30, 2021, we paid $5.0 million under the contingent consideration arrangement for the acquisition of Miami Instruments, LLC ("Miami Instruments").

Embedded Exchange Feature and Capped Call Derivatives

In June 2020, the Company issued $287.5 million in cash exchangeable senior notes and entered into related capped call transactions. The cash exchangeable senior notes include an embedded exchange feature that is bifurcated from the cash exchangeable senior notes. Please refer to "Note 6. Financing Arrangements" for further details. The embedded exchange feature derivative is measured at fair value using a binomial lattice model and discounted cash flows that utilize observable and unobservable market data. The capped call derivative is measured at fair value using the Black-Scholes model utilizing observable and unobservable market data, including stock price, remaining contractual term, expected volatility, risk-free interest rate and expected dividend yield, as applicable.

The embedded exchange feature and capped call derivatives are classified as Level 3 as the Company uses historical volatility and implied volatility from options traded to determine expected stock price volatility which is an unobservable input that is significant to the valuation. In general, an increase in our stock price or stock price volatility would increase the fair value of the embedded exchange feature and capped call derivatives which would result in an increase in expense. As time to the expiration of the derivatives decreases the fair value of the derivatives would decrease. The future impact on net income depends on how significant inputs such as stock price, stock price volatility and time to the expiration of the derivatives change in relation to other inputs. Changes in the fair value of the embedded exchange feature derivative and capped call derivatives are recognized in foreign exchange and other gains (losses) in the condensed consolidated statements of income (loss).

The stock price volatility as of June 30, 2021 was 30%. As of June 30, 2021, a 10% lower volatility, holding other inputs constant, would result in approximate fair value for the embedded exchange feature derivative of $160.4 million and a 10% higher volatility, holding other inputs constant, would result in approximate fair value of $191.4 million. As of June 30, 2021, a 10% lower volatility, holding other inputs constant would result in approximate fair value for the capped call derivatives of $115.3 million and a 10% higher volatility, holding other inputs constant, would result in approximate fair value of $94.1 million.

Contingent Consideration Arrangements

The following table provides the fair value of our Level 3 contingent consideration arrangements by acquisition (in thousands):

	June 30, 2021	December 31, 2020
ImThera Medical, Inc. (“ImThera”)	$ 97,047	$ 89,436
CardiacAssist, Inc., doing business as TandemLife (“TandemLife”)	11,593	8,809
Miami Instruments	924	5,573
	$ 109,564	$ 103,818

The ImThera business combination involved contingent consideration arrangements composed of potential cash payments upon the achievement of a certain regulatory milestone and a sales-based earnout associated with sales of products. The sales-based earnout is valued using projected sales from our internal strategic plan. Both arrangements are Level 3 fair value measurements and include the following significant unobservable inputs as of June 30, 2021:

ImThera Acquisition	Valuation Technique	Unobservable Input	Inputs		
Regulatory milestone-based payment	Discounted cash flow	Discount rate	5.2%		
		Probability of payment	85%		
		Projected payment year	2024		
Sales-based earnout	Monte Carlo simulation	Risk-adjusted discount rate	12.0%	-	12.6%
		Credit risk discount rate	5.5%	-	6.4%
		Revenue volatility	32.5%		
		Probability of payment	85%		
		Projected years of earnout	2025	-	2028

The TandemLife business combination involved a contingent consideration arrangement composed of potential cash payments upon the achievement of certain regulatory milestones. The arrangement is a Level 3 fair value measurement and includes the following significant unobservable inputs as of June 30, 2021:

TandemLife Acquisition	Valuation Technique	Unobservable Input	Inputs
Regulatory milestone-based payment	Discounted cash flow	Discount rate	3.3%
		Probability of payment	90%
		Projected payment year	2021

Note 6. Financing Arrangements

The outstanding principal amount of our long-term debt as of June 30, 2021 and December 31, 2020 was as follows (in thousands, except interest rates):

	June 30, 2021	December 31, 2020	Maturity	Interest Rate
2020 Senior Secured Term Loan	$ 426,372	$ 424,002	June 2025	LIBOR (1% Floor) + 6.50%
2020 Cash Exchangeable Senior Notes	218,356	212,073	December 2025	3.00%
Bank of America Merrill Lynch Banco Múltiplo S.A.	6,781	6,515	July 2023	4.32%
Mediocredito Italiano	4,404	5,406	December 2023	0.50 % - 2.73%
Bank of America, U.S.	1,527	2,019	January 2023	2.75%
Other	576	660		
Total long-term facilities	658,016	650,675		
Less current portion of long-term debt	226,983	8,377		
Total long-term debt	$ 431,033	$ 642,298		

Revolving Credit

The outstanding principal amount of our short-term unsecured revolving credit agreements and other agreements with various banks was $5.0 million and $5.0 million, at June 30, 2021 and December 31, 2020, respectively, with interest rates ranging from 3.06% to 7.50% and loan terms ranging from overnight to 364 days, as of June 30, 2021.

On December 30, 2020, we entered into the $50.0 million 2020 Revolving Credit Facility for working capital needs. The 2020 Revolving Credit Facility has a maturity of June 30, 2024 and borrowings bear interest at either LIBOR (subject to a 1% floor) plus 5.0% or ABR (subject to a 2% floor) plus 4.0%. There were no borrowings under the 2020 Revolving Credit Facility during the six months ended June 30, 2021. The 2020 Revolving Credit Facility has financial covenants consistent with those of the Term Loan described below.

2020 Senior Secured Term Loan

On June 10, 2020, we entered into a $450.0 million five-year senior secured term loan (the “Term Loan”) through our wholly owned subsidiary LivaNova USA Inc., with funds managed by affiliates of Ares Management Corporation, as administrative agent and collateral agent, resulting in cash proceeds of approximately $421.5 million, net of discounts and issuance costs. The obligations under the Term Loan are guaranteed by LivaNova and its existing and future wholly owned material subsidiaries, and are secured by a perfected security interest in substantially all tangible and intangible assets of LivaNova and certain U.S. and UK subsidiaries of LivaNova, subject in each case to certain exceptions contained in the Term Loan. Borrowings under the Term Loan bear interest at a variable annual rate equal to the three-month LIBOR rate (subject to a 1% floor), plus an applicable margin of 6.5% per annum. The effective interest rate of the Term Loan at June 30, 2021 was 9.05%. The Term Loan will mature on June 30, 2025 and includes certain affirmative, negative and financial covenants. The financial covenants under the Term Loan state (i) the net revenue of LivaNova PLC, LivaNova USA, Inc. and any restricted subsidiaries on a consolidated basis shall not be lower than $700 million for each trailing 12 month period, such threshold to decrease pro rata (not below $550 million) upon prepayments of the Term Loan made by LivaNova USA, Inc. out of the proceeds of certain asset sales, and (ii) the total secured leverage ratio (as defined in the debt agreement) for LivaNova PLC, LivaNova USA, Inc. and any restricted subsidiaries on a consolidated basis shall not be greater than the applicable ratio set forth below:

Test Period	Total Secured Leverage Ratio [1]
4 Quarters ending June 30, 2020 through each fiscal quarter thereafter until (and including) the fiscal quarter ending June 30, 2021	5.625 : 1.00
4 Quarters ending September 30, 2021 and ending each fiscal quarter thereafter	4.5 : 1.00

(1) The secured leverage ratio is calculated as the ratio of (a) debt secured by a lien on assets to (b) Consolidated EBITDA as defined under the Term Loan agreement for the period of four consecutive fiscal quarters ended on the calculation date. The Company was in compliance with all financial covenants as of June 30, 2021, as amended.

Debt discounts and issuance costs related to the Term Loan were approximately $28.5 million and included various legal, bank and accounting fees. Amortization of debt discount and issuance costs was $1.2 million and $2.4 million for the three and

six months ended June 30, 2021 and is included in interest expense on the condensed consolidated statements of income (loss). The unamortized discount related to the Term Loan as of June 30, 2021 was $23.6 million.

2020 Cash Exchangeable Senior Notes

On June 17, 2020, our wholly-owned subsidiary, LivaNova USA, Inc., issued $287.5 million aggregate principal amount of 3.00% cash exchangeable senior notes (the "Notes") by private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The sale of the Notes resulted in approximately $278.0 million in net proceeds to the Company after deducting issuance costs. Interest is payable semiannually in arrears on June 15 and December 15 of each year. The effective interest rate of the Notes at June 30, 2021 was 9.95%. The Notes mature on December 15, 2025 unless earlier exchanged, repurchased, or redeemed.

Debt discounts and issuance costs related to the Notes were approximately $82.0 million and included $75.0 million of discount attributable to the embedded exchange feature, discussed below, and $7.0 million of allocated issuance costs to the Notes related to legal, bank and accounting fees. Amortization of debt discount and issuance costs was $3.2 million and $6.3 million for the three and six months ended June 30, 2021 and is included in interest expense on the condensed consolidated statements of income (loss). The unamortized discount related to the Notes as of June 30, 2021 was $69.1 million.

Holders of the Notes are entitled to exchange the Notes at any time during specified periods, at their option. This includes the right to exchange the Notes during any calendar quarter, if the last reported sale price of LivaNova's ordinary shares, with a nominal value of £1.00 per share, is greater than or equal to 130% of the exchange price, or $79.27 per share for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter. The exchange condition was satisfied on June 18, 2021, which allows the holders of the Notes to request to exchange the Notes beginning July 1, 2021 through September 30, 2021. As such, we have reclassified our obligations from the Notes and the associated embedded exchange feature derivative as a current liability on the condensed consolidated balance sheet as of June 30, 2021. However, as of the date of filing of this Form 10-Q, no holders have elected to exchange the Notes. The Notes are exchangeable solely into cash and are not exchangeable into ordinary shares of LivaNova or any other security under any circumstances. The initial exchange rate for the Notes is 16.3980 ordinary shares per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $60.98 per share). The exchange rate is subject to adjustment in certain circumstances, as set forth in the indenture governing the Notes.

The Company may redeem the Notes at its option, on or after June 20, 2023 and prior to the 51st scheduled trading day immediately preceding the maturity date, in whole or in part, if the last reported sale price per ordinary share has been at least 130% of the exchange price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. Additionally, the Company may redeem the Notes at its option, prior to their stated maturity, in whole but not in part, in connection with certain tax-related events.

Embedded Exchange Feature

The embedded exchange feature of the Notes requires bifurcation from the Notes and is accounted for as a derivative liability. The fair value of the Notes' embedded exchange feature derivative at the time of issuance was $75.0 million and was recorded as debt discount on the Notes. This discount is amortized as interest expense using the effective interest method over the term of the Notes. The Notes' embedded exchange feature derivative is carried on the condensed consolidated balance sheets at its estimated fair value and is adjusted at the end of each reporting period, with the unrealized gain or loss reflected within foreign exchange and other gains (losses) in the condensed consolidated statements of income (loss). The fair value of the embedded exchange feature derivative liability was $174.1 million as of June 30, 2021.

Capped Call Transactions

In connection with the pricing of the Notes, the Company entered into privately negotiated capped call transactions with certain of the initial purchasers of the Notes or their respective affiliates. The capped call transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the Notes, the number of LivaNova's ordinary shares underlying the Notes and are expected generally to offset any cash payments the Company is required to make upon exchange of the Notes in excess of the principal amount thereof in the event that the market value per ordinary share, as measured under the capped call transactions, is greater than the strike price of the capped call transactions, with such offset being subject to an initial cap price of $100.00 per share. The capped call transactions expire on December 15, 2025 and must be settled in cash. If the capped call transactions are converted or redeemed early, settlement occurs at their termination value, which is equal to their fair value at the time of the redemption. The capped calls are carried on the condensed consolidated balance sheets as a

derivative asset at their estimated fair value and are adjusted at the end of each reporting period, with unrealized gain or loss reflected within foreign exchange and other gains (losses) in the condensed consolidated statements of income (loss). The fair value of the capped call derivative assets was $104.3 million as of June 30, 2021. As of June 30, 2021, the capped call derivative assets are classified as current.

Note 7. Derivatives and Risk Management

Due to the global nature of our operations, we are exposed to foreign currency exchange rate fluctuations. We enter into FX derivative contracts to reduce the impact of foreign currency exchange rate fluctuations on earnings and cash flow. We are also exposed to equity price risk in connection with our Notes, including exchange and settlement provisions based on the price of our ordinary shares at exchange or maturity of the Notes. In addition, the capped call transactions associated with the Notes also include settlement provisions that are based on the price of our ordinary shares, subject to a capped price per share.

We measure all outstanding derivatives each period end at fair value and report the fair value as either financial assets or liabilities on the condensed 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, changes in the fair value of the derivative will be recorded in accumulated other comprehensive income (“AOCI”) until the hedged item is recognized in earnings upon settlement/termination. FX derivative gains and losses in AOCI are reclassified to our condensed consolidated statements of income (loss) as shown in the tables below. We evaluate hedge effectiveness at inception. Cash flows from derivative contracts are reported as operating activities on our condensed consolidated statements of cash flows.

Freestanding FX Derivative Contracts

The gross notional amount of FX derivative contracts not designated as hedging instruments outstanding at June 30, 2021 and December 31, 2020 was $132.6 million and $352.6 million, respectively. These derivative contracts are designed to offset the FX effects in earnings of various intercompany loans and trade receivables. We recorded net (losses) gains for these freestanding derivatives of $(1.7) million and $(1.2) million for the three months ended June 30, 2021 and 2020, respectively, and $5.9 million and $6.9 million for the six months ended June 30, 2021 and 2020, respectively. These gains (losses) are included in foreign exchange and other gains (losses) on our condensed consolidated statements of income (loss).

Counterparty Credit Risk

We are exposed to credit risk in the event of non-performance by the counterparties to our derivatives.

The two counterparties to the capped call transactions are financial institutions. To limit our credit risk, we selected financial institutions with a minimum long-term investment grade credit rating. Our exposure to the credit risk of the counterparties is not secured by any collateral. If a counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings, with a claim equal to our exposure at that time under the capped call transactions with that counterparty.

To manage credit risk with respect to our other derivatives, the Company selects and periodically reviews counterparties based on credit ratings, limits its exposure with respect to each counterparty, and monitors the market positions. However, if one or more of these counterparties were in a liability position to the Company and were unable to meet their obligations, any transactions with the counterparty could be subject to early termination, which could result in substantial losses for the Company.

Cash Flow Hedges

We utilize FX derivative contracts, designed as cash flow hedges, to hedge the variability of cash flows associated with our 12 months U.S. dollar forecasts of revenues and costs denominated in British Pound, Japanese Yen and the Euro. We transfer to earnings from AOCI the gain or loss realized on the FX derivative contracts at the time of invoicing.

The gross notional amounts of open derivative contracts designated as cash flow hedges at June 30, 2021 and December 31, 2020 were as follows (in thousands):

Description of Derivative Contract	June 30, 2021	December 31, 2020
FX derivative contracts to be exchanged for British Pounds	$ 7,714	$ 9,545
FX derivative contracts to be exchanged for Japanese Yen	10,574	18,637
FX derivative contracts to be exchanged for Euros	28,845	47,444
	$ 47,133	$ 75,626

After-tax net loss associated with derivatives designated as cash flow hedges recorded in the ending balance of AOCI and the amount expected to be reclassified to earnings in the next 12 months are as follows (in thousands):

Description of Derivative Contract	After-Tax Net Gain in AOCI as of June 30, 2021	After-Tax Net Gain in AOCI as of Amount Expected to be Reclassified to Earnings in Next 12 Months
FX derivative contracts	$ 1,117	$ 1,117

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 AOCI were as follows (in thousands):

		Three Months Ended June 30,			
		2021		2020	
Description of Derivative Contract	Location in Earnings of Reclassified Gain or Loss	Losses Recognized in OCI	(Losses) Gains Reclassified from AOCI to Earnings	Gains Recognized in OCI	Gains (Losses) Reclassified from AOCI to Earnings
FX derivative contracts	Foreign exchange and other gains (losses)	$ (621)	$ (1,306)	$ 1,230	$ 520
FX derivative contracts	SG&A	—	858	—	(234)
Interest rate swap contracts	Interest expense	—	—	—	(85)
		$ (621)	$ (448)	$ 1,230	$ 201

		Six Months Ended June 30,			
		2021		2020	
Description of Derivative Contract	Location in Earnings of Reclassified Gain or Loss	Losses Recognized in OCI	(Losses) Gains Reclassified from AOCI to Earnings	Losses Recognized in OCI	Losses Reclassified from AOCI to Earnings
FX derivative contracts	Foreign exchange and other gains (losses)	$ (2,844)	$ (2,802)	$ (850)	$ (85)
FX derivative contracts	SG&A	—	1,543	—	(325)
Interest rate swap contracts	Interest expense	—	—	—	(113)
		$ (2,844)	$ (1,259)	$ (850)	$ (523)

We offset fair value amounts associated with our derivative instruments on our condensed consolidated balance sheets that are executed with the same counterparty under master netting arrangements. Our netting arrangements include a right to set off or net together purchases and sales of similar products in the settlement process.

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

June 30, 2021	Asset Derivatives		Liability Derivatives	
Derivatives Designated as Hedging Instruments	**Balance Sheet Location**	**Fair Value [1]**	**Balance Sheet Location**	**Fair Value [1]**
FX derivative contracts	Current derivative assets	$ 663	Current derivative liabilities	$ 628
Total derivatives designated as hedging instruments		663		628
Derivatives Not Designated as Hedging Instruments				
FX derivative contracts	Current derivative assets	449	Current derivative liabilities	98
Capped call derivatives	Current derivative assets	104,259		
Embedded exchange feature			Current derivative liabilities	174,140
Other derivatives			Long-term derivative liabilities	200
Total derivatives not designated as hedging instruments		104,708		174,438
Total derivatives		$ 105,371		$ 175,066

December 31, 2020	Asset Derivatives		Liability Derivatives	
Derivatives Designated as Hedging Instruments	**Balance Sheet Location**	**Fair Value [1]**	**Balance Sheet Location**	**Fair Value [1]**
FX derivative contracts	Current derivative assets	$ 1,998	Current derivative liabilities	$ 14
FX derivative contracts	Current derivative liabilities	895		
Total derivatives designated as hedging instruments		2,893		14
Derivatives Not Designated as Hedging Instruments				
Interest rate swap contracts			Current derivative liabilities	74
FX derivative contracts	Current derivative assets	55	Current derivative liabilities	4,073
Capped call derivatives	Long-term derivative assets	72,302		
Embedded exchange feature			Long-term derivative liability	121,756
Other derivatives			Current derivative liabilities	4,106
Other derivatives			Long-term derivative liability	184
Total derivatives not designated as hedging instruments		72,357		130,193
Total derivatives		$ 75,250		$ 130,207

(1) For the classification of inputs used to evaluate the fair value of our derivatives, refer to “Note 5. Fair Value Measurements.”

Note 8. Commitments and Contingencies

FDA Warning Letter

On December 29, 2015, the FDA issued a 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 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 related to the manufacture of our 3T Heater-Cooler device that were 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 were 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 had informed us that the import alert was limited to the 3T devices, but that the agency reserved the right to expand the scope of the import alert if future circumstances warranted 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 were 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.

Finally, the Warning Letter stated that premarket approval applications for Class III devices to which certain Quality System regulation deviations identified in the Warning Letter were reasonably related would not be approved until the violations had been corrected; however, this restriction applied only to the Munich and Arvada facilities, which do not manufacture or design devices subject to Class III premarket approval.

On February 25, 2020, LivaNova received clearance for K191402, a 510(k) for the 3T devices that addressed issues contained in the 2015 Warning Letter along with design changes that further mitigate the potential risk of aerosolization. Concurrent with this clearance, (1) 3T devices manufactured in accordance with K191402 will not be subjected to the import alert and (2) LivaNova initiated a correction to distribute the updated Operating Instructions cleared under K191402. With this 510(k) clearance, all actions to remediate the FDA's inspectional observations in the Warning Letter are complete, and at this time, LivaNova is awaiting the FDA's close-out inspection.

CDC and FDA Safety Communications and Company Field Safety Notice

On October 13, 2016, the Center for Disease Control (the "CDC") and the 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 the 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, concurrent with the CDC's HAN and FDA's Safety Communication, 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, including a vacuum canister and internal sealing upgrade program and a deep disinfection service. In April 2017, we obtained CE Mark in Europe for the design change of the 3T device, and in October 2018, the FDA concluded that we could commence the vacuum canister and internal sealing upgrade program in the U.S. On February 25, 2020, LivaNova received clearance for K191402, a 510(k) for the 3T devices that addressed issues contained in the 2015 Warning Letter along with design changes that further mitigate the potential risk of aerosolization. We are in the process of completing and closing out all recall activities with the FDA. While our vacuum canister and internal sealing upgrade program and deep cleaning service in the U.S. are substantially complete, these services will continue as a servicing option outside of the U.S.

On 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 the fourth quarter of 2016, and furthermore, the cost associated with the plan was reasonably estimable. At June 30, 2021, the product remediation liability was $0.5 million.

Saluggia Site Hazardous Substances

LivaNova Site Management S.r.l. (“LSM”), formerly a subsidiary of Sorin, one of the companies that merged into LivaNova PLC in 2015, manages site services for the campus in Saluggia, Italy. In addition to a LivaNova manufacturing facility, the Saluggia campus is also the location of manufacturing facilities of third parties, a cafeteria for workers, and storage facilities for hazardous substances and equipment previously used in a nuclear research center, later turned nuclear medicine business, between the 1960s and the late 1990s. Pursuant to authorization from the Italian government, LSM has, and continues to, perform ordinary maintenance, secure the facilities, monitor air and water quality and file applicable reports with the competent environmental authorities.

During 2020, LSM received correspondence from ISIN (a sub-body of the Italian Ministry of Economic Development) requesting that within five years, LSM demonstrate the financial capacity to meet its obligations under Italian law to clean and dismantle any contaminated buildings and equipment as well as to deliver hazardous substances to a national repository. This repository will be built by the Italian government at a location and time yet to be determined. ISIN subsequently published Technical Guide n. 30, which identifies the technical criteria, and general safety and protection requirements for the design, construction, operation and dismantling of temporary storage facilities for the hazardous substances. Most recently, in January 2021, a list of 67 potential sites for the national repository was published. There is no legal obligation to begin any work or deliver the hazardous substances, as the performance of these obligations is contingent on the construction of the as-yet unbuilt national repository.

As a result of the above correspondence and publication from ISIN and the publication of potential sites for the national repository, some of the substantial uncertainties regarding the obligation became more certain. In connection with developing the plan required by ISIN, we retained a third party specialist to assist in the estimation of the potential costs. Based on the aforementioned factors, the Company concluded its obligation to clean, dismantle, and deliver any hazardous substances to a national repository, was probable and reasonably estimable as of December 31, 2020. Accordingly, in the fourth quarter of 2020, we recognized a $42.2 million provision for this matter. The liability as of December 31, 2020 was $43.0 million which represented the low end of the estimated range of loss of $43.0 million to $55.0 million. At June 30, 2021 the liability was $41.3 million. The decrease in the liability from December 31, 2020 was primarily due to the effects of foreign currency changes during the first half of 2021.

Litigation

Product Liability

The Company is currently involved in litigation involving our 3T device. The litigation includes federal multi-district litigation in the U.S. District Court for the Middle District of Pennsylvania, various U.S. state court cases and cases in jurisdictions outside the U.S. A class action, filed in February 2016 in the U.S. District Court for the Middle District of Pennsylvania, 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 currently are asymptomatic for NTM infection, was dismissed on July 16, 2021.

On March 29, 2019, we announced a settlement framework that provides for a comprehensive resolution of the personal injury cases pending in the multi-district litigation in U.S. federal court, the related class action in federal court, as well as certain cases in state courts across the United States. The agreement, which makes no admission of liability, is subject to certain conditions, including acceptance of the settlement by individual claimants and provides for a total payment of up to $225 million to resolve the claims covered by the settlement. Per the agreed-upon terms, the first payment of $135 million was paid into a qualified settlement fund in July 2019 and the second payment of $90 million was paid in January 2020. Cases covered by the settlement are being dismissed as amounts are disbursed to individual plaintiffs from the qualified settlement fund.

Cases in state courts in the U.S. and in jurisdictions outside the U.S. continue to progress. As of July 28, 2021, including the cases encompassed in the settlement framework described above that have not yet been dismissed, we are aware of approximately 85 filed and unfiled claims worldwide, with the majority of the claims in various federal or state courts throughout the United States. This number includes 10 cases that have settled but have not yet been dismissed. The complaints generally seek damages and other relief based on theories of strict liability, negligence, breach of express and implied warranties, failure to warn, design and manufacturing defect, fraudulent and negligent misrepresentation or concealment, unjust enrichment, and violations of various state consumer protection statutes.

In the second quarter of 2021, we recorded an additional liability of $29.4 million due to new information received about the nature of certain claims. At June 30, 2021, the provision for these matters was $60.2 million. While the amount accrued represents our best estimate for those filed and unfiled claims that are both probable and estimable, the actual liability for resolution of these matters may vary from our estimate.

Changes in the carrying amount of the litigation provision liability are as follows (in thousands):

Total litigation provision liability at December 31, 2020	$	36,490
Payments		(8,702)
Adjustments [(1)]		32,430
FX and other		(52)
Total litigation provision liability at June 30, 2021		60,166
Less current portion of litigation provision liability at June 30, 2021		53,177
Long-term portion of litigation provision liability at June 30, 2021	$	6,989

(1) Adjustments are included within other operating expenses on the condensed consolidated statements of income (loss) and were $29.4 million and $32.4 million for the three and six months ended June 30, 2021, respectively.

Environmental Liability

Sorin was created as a result of a spin-off (the "Sorin spin-off") from SNIA in January 2004, and in October 2015, Sorin was merged into LivaNova. SNIA subsequently became insolvent and 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 approximately $4 billion for remediation costs relating to the environmental damage at chemical sites previously operated by SNIA's other subsidiaries.

In September 2011 and July 2014, the Bankruptcy Court of Udine and the Bankruptcy Court of Milan 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 or its subsidiaries in connection with their claims in the Italian insolvency proceedings. The Public Administrations appealed and in January 2016, the Court of Udine rejected the appeal. The Public Administrations appealed that decision to the Supreme Court. In addition, the Bankruptcy Court of Milan's decision has been appealed.

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; the Public Administrations entered voluntarily into the proceeding, asking Sorin, as jointly liable with SNIA, to pay compensation for SNIA's environmental damages. On April 1, 2016, the Court of Milan dismissed all legal actions of SNIA and of the Public Administrations further requiring the Public Administrations to pay Sorin approximately €292,000 (approximately $347,000 as of June 30, 2021) for legal fees. The Public Administrations appealed the 2016 Decision to the Court of Appeal of Milan. On March 5, 2019, the Court of Appeal issued a partial decision on the merits declaring Sorin/LivaNova jointly liable with SNIA for SNIA's environmental liabilities in an amount up to the fair value of the net worth received by Sorin because of the Sorin spin-off, an estimated €572.1 million (approximately $679.1 million as of June 30, 2021). Next the Court will evaluate a report delivered by a panel of three experts assessing the environmental damages, including the costs of clean-up and compensatory damages, and review briefs from the parties. Thereafter, the Court will issue its ruling on the amount of damages attributable to LivaNova. We cannot predict the outcome of these proceedings with respect to damages, or the timing of any resolution by the Court, however we do not expect a final judgment earlier than December 2021. Separately, we have appealed the partial decision on liability to the Italian Supreme Court (Corte di Cassazione), although any final judgment on damages may not be stayed pending resolution by the Italian Supreme Court.

In 2011, Caffaro, a SNIA subsidiary, sold its Brescia chemical business to Caffaro Brescia, a third party belonging to the Todisco group, and as part of the acquisition, Caffaro Brescia agreed to secure hydraulic barriers at the site and maintain existing environmental security measures. In September 2020, Caffaro Brescia declared it was withdrawing from its agreement to maintain the environmental measures. In January 2021, we (in addition to Caffaro Brescia, and other non-LivaNova entities) received an administrative order ("Order") from the Italian Ministry of the Environment requiring us to ensure the maintenance of the environmental measures and to guarantee that such works remain fully operational, the annual management and maintenance for which is estimated at approximately €1 million per year. LivaNova's receipt of the Order appears to be based on the aforementioned Court of Appeals decision regarding our alleged joint liability with SNIA for SNIA's environmental liabilities. Our response, dated February 16, 2021, disputes the grounds upon which the Order is based. We also appealed the Order in the Administrative Court in Brescia.

We have not recognized a liability in connection with these related matters because any potential loss is not currently probable or reasonably estimable.

Patent Litigation

On May 11, 2018, Neuro and Cardiac Technologies LLC (“NCT”), a non-practicing entity, filed a complaint in the United States District Court for the Southern District of Texas asserting that the VNS Therapy System, when used with the SenTiva Model 1000 generator, infringes the claims of U.S. Patent No. 7,076,307 owned by NCT. The complaint requests damages that include a royalty, costs, interest, and attorneys’ fees. On September 13, 2018, we petitioned the Patent Trial and Appeal Board of the U. S. Patent and Trademark Office (the “Patent Office”) for an *inter partes review* (“IPR”) of the validity of the ‘307 patent, and on May 18, 2020, the Patent Office issued a Final Written Decision determining that all challenged claims are unpatentable. NCT is appealing the Final Written Decision. On March 24, 2020 we were granted our request for an *ex parte* reexamination of the ‘307 patent, and in April 2021, the Patent Office issued a Non-Final Rejection of all the ‘307 claims. The Court has stayed the litigation pending the outcome of the IPR appeal proceeding. We have not recognized a liability in connection with this matter because any potential loss is not currently probable or reasonably estimable.

Contract Litigation

On November 25, 2019, LivaNova received notice of a lawsuit initiated by former members of Caisson Interventional, LLC (“Caisson”), a subsidiary of the Company acquired in 2017. The lawsuit, Todd J. Mortier, as Member Representative of the former Members of Caisson Interventional, LLC v. LivaNova USA, Inc., is currently pending in the United States District Court for the District of Minnesota. The complaint alleges (i) breach of contract, (ii) breach of the covenant of good faith and fair dealing and (iii) unjust enrichment in connection with the Company’s operation of Caisson’s Transcatheter Mitral Valve Replacement (“TMVR”) program and the Company’s November 20, 2019 announcement that it was ending the TMVR program at the end of 2019. The lawsuit seeks damages arising out of the 2017 acquisition agreement, including various regulatory milestone payments. We intend to vigorously defend this claim. The Company has not recognized a liability related to this matter because any potential loss is not currently probable or reasonably estimable.

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 liquidity.

Note 9. Stockholders' Equity

The tables below present the condensed consolidated statements of stockholders' equity as of and for the three and six months ended June 30, 2021 and 2020 (in thousands):

	Ordinary Shares	Ordinary Shares - Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
March 31, 2021	49,455	$ 76,310	$ 1,770,407	$ (798)	$ 1,938	$ (782,100)	$ 1,065,757
Stock-based compensation plans	68	95	8,706	93	—	—	8,894
Net loss	—	—	—	—	—	(55,318)	(55,318)
Other comprehensive income	—	—	—	—	21,137	—	21,137
June 30, 2021	49,523	$ 76,405	$ 1,779,113	$ (705)	$ 23,075	$ (837,418)	$ 1,040,470
March 31, 2020	49,414	$ 76,259	$ 1,739,873	$ (1,090)	$ (52,523)	$ (369,811)	$ 1,392,708
Stock-based compensation plans	62	79	10,925	33	—	—	11,037
Net loss	—	—	—	—	—	(87,993)	(87,993)
Other comprehensive income	—	—	—	—	17,434	—	17,434
June 30, 2020	49,476	$ 76,338	$ 1,750,798	$ (1,057)	$ (35,089)	$ (457,804)	$ 1,333,186

	Ordinary Shares	Ordinary Shares - Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
December 31, 2020	49,447	$ 76,300	$ 1,768,156	$ (1,034)	$ 27,809	$ (752,402)	$ 1,118,829
Stock-based compensation plans	76	105	10,957	329	—	—	11,391
Net loss	—	—	—	—	—	(85,016)	(85,016)
Other comprehensive loss	—	—	—	—	(4,734)	—	(4,734)
June 30, 2021	49,523	$ 76,405	$ 1,779,113	$ (705)	$ 23,075	$ (837,418)	$ 1,040,470
December 31, 2019	49,411	$ 76,257	$ 1,734,870	$ (1,263)	$ (19,392)	$ (406,755)	$ 1,383,717
Adoption of ASU No. 2016-13	—	—	—	—	—	(639)	(639)
Stock-based compensation plans	65	81	15,928	206	—	—	16,215
Net loss	—	—	—	—	—	(50,410)	(50,410)
Other comprehensive loss	—	—	—	—	(15,697)	—	(15,697)
June 30, 2020	49,476	$ 76,338	$ 1,750,798	$ (1,057)	$ (35,089)	$ (457,804)	$ 1,333,186

The table below presents the change in each component of AOCI, net of tax, and the reclassifications out of AOCI into net income for the six months ended June 30, 2021 and 2020 (in thousands):

	Change in Unrealized Gain (Loss) on Derivatives	Foreign Currency Translation Adjustments Gain (Loss) [1]	Total
December 31, 2020	$ 2,319	$ 25,490	$ 27,809
Other comprehensive (loss) income before reclassifications, before tax	(2,844)	(3,530)	(6,374)
Tax benefit	683	—	683
Other comprehensive (loss) income before reclassifications, net of tax	(2,161)	(3,530)	(5,691)
Reclassification of loss from accumulated other comprehensive income (loss), before tax	1,259	—	1,259
Reclassification of tax benefit	(302)	—	(302)
Reclassification of loss from accumulated other comprehensive income (loss), after tax	957	—	957
Net current-period other comprehensive loss, net of tax	(1,204)	(3,530)	(4,734)
June 30, 2021	$ 1,115	$ 21,960	$ 23,075
December 31, 2019	$ 513	$ (19,905)	$ (19,392)
Other comprehensive loss before reclassifications, before tax	(850)	(15,449)	(16,299)
Tax benefit	204	—	204
Other comprehensive loss before reclassifications, net of tax	(646)	(15,449)	(16,095)
Reclassification of loss from accumulated other comprehensive income (loss), before tax	523	—	523
Reclassification of tax benefit	(125)	—	(125)
Reclassification of loss from accumulated other comprehensive income (loss), after tax	398	—	398
Net current-period other comprehensive loss, net of tax	(248)	(15,449)	(15,697)
June 30, 2020	$ 265	$ (35,354)	$ (35,089)

(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 10. Stock-Based Incentive Plans

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Service-based restricted stock units (“RSUs”)	$ 5,205	$ 4,250	$ 10,047	$ 8,728
Service-based stock appreciation rights (“SARs”)	3,064	3,290	6,386	5,974
Market performance-based restricted stock units	898	1,035	1,661	1,931
Operating performance-based restricted stock units	239	1,149	506	1,844
Employee share purchase plan	510	267	852	557
Total stock-based compensation expense	$ 9,916	$ 9,991	$ 19,452	$ 19,034

During the six months ended June 30, 2021, we issued stock-based compensatory awards with terms approved by the Compensation Committee of our Board of Directors. The awards with service conditions generally vest ratably from two to four years and are subject to forfeiture unless service conditions are met. Market performance-based awards were issued that cliff vest after three years subject to the rank of our total shareholder return for the three-year period ending December 31, 2023 relative to the total shareholder returns for a peer group of companies. Operating performance-based awards were issued that cliff vest after three years subject to the achievement of a target based on the adjusted free cash flow for fiscal year 2021. Additionally, operating performance-based awards were issued that cliff vest after three years subject to the achievement of a

target based on the return on invested capital for fiscal year 2021. Compensation expense related to awards granted during 2021 for the three and six months ended June 30, 2021 was $3.3 million and $3.4 million, respectively.

Stock-based compensation agreements issued during the six months ended June 30, 2021, representing potential shares and their weighted average grant date fair values by type follows (shares in thousands, fair value in dollars):

	Six Months Ended June 30, 2021	
	Shares	Weighted Average Grant Date Fair Value
Service-based SARs	594,617	$ 29.22
Service-based RSUs	338,860	$ 73.64
Market performance-based RSUs	47,916	$ 114.74
Operating performance-based RSUs	76,040	$ 73.25

Note 11. Income Taxes

Our effective income tax rate from continuing operations for the three and six months ended June 30, 2021 was (8.1)% and (9.0)%, respectively, compared with (306.0)% and (78.0)%, respectively, for the for the three and six months ended June 30, 2020. Our effective income tax rate fluctuates based on, among other factors, changes in pretax income in countries with varying statutory tax rates, changes in valuation allowances, changes in tax credits and incentives, and changes in unrecognized tax benefits associated with uncertain tax positions.

We continually assess the realizability of our worldwide deferred tax asset and valuation allowance positions, and when the need arises, we establish or release valuation allowances accordingly.

Compared with the three months ended June 30, 2020, the change in the effective tax rate for the three months ended June 30, 2021 was primarily attributable to the discrete tax impact of the sale of the Heart Valve business as compared to the establishment of a $70.0 million valuation allowance for the U.K. during the three months ended June 30, 2020.

Compared with the six months ended June 30, 2020, the change in the effective tax rate for the six months ended June 30, 2021 was primarily attributable to changes in valuation allowances and the discrete tax impact of the sale of the Heart Valve business as compared to the $42.9 million realized discrete tax benefit related to the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) offset by the establishment of a $70.0 million valuation allowance for the U.K. during the six months ended June 30, 2020.

We operate in multiple jurisdictions throughout the world, and our tax returns are periodically audited or subjected to review by tax authorities. As a result, there is an uncertainty in income taxes recognized in our financial statements. Tax benefits totaling $3.3 million and $3.4 million were unrecognized as of June 30, 2021 and December 31, 2020, respectively. It is reasonably possible that, within the next twelve months, due to the settlement of uncertain tax positions with various tax authorities and the expiration of statutes of limitations, unrecognized tax benefits could decrease by up to approximately $1.5 million.

Note 12. Earnings Per Share

The following table sets forth the basic and diluted weighted-average shares outstanding used in the computation of basic and diluted net income per share for the three and six months ended June 30, 2021 and 2020 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Basic and diluted weighted average shares outstanding [1]	48,928	48,611	48,833	48,548

(1) Excluded from the computation of diluted earnings per share were stock options, SARs and restricted share units totaling 3.9 million and 4.2 million for the three months ended June 30, 2021 and 2020, respectively, and 4.1 million and 4.2 million for the six months ended June 30, 2021 and 2020, respectively, because to include them would have been anti-dilutive under the treasury stock method.

Note 13. Geographic and Segment Information

We identify operating segments based on the way we manage, evaluate and internally report our business activities for purposes of allocating resources, developing and executing our strategy, and assessing performance. We have two reportable segments: Cardiovascular and Neuromodulation.

The Cardiovascular segment generates its revenue from the development, production and sale of cardiopulmonary and advanced circulatory support products. Cardiopulmonary products include oxygenators, heart-lung machines, autotransfusion systems, perfusion tubing systems, cannulae and other related accessories. Advanced circulatory support products include temporary life support product kits that can include a combination of pumps, oxygenators, and cannulae. On June 1, 2021, the Company completed the initial closing of the sale of the Heart Valve business which was part of the Cardiovascular segment. Revenues and expenses of the Heart Valves business prior to the closing date are included in the Cardiovascular segment results.

Our Neuromodulation segment generates its revenue from the design, development and marketing of neuromodulation therapy systems for the treatment of drug-resistant epilepsy, difficult-to-treat depression ("DTD") and obstructive sleep apnea. Neuromodulation products include the VNS Therapy System, which consists of an implantable pulse generator, a lead that connects the generator to the vagus nerve, and other accessories.

"Other" includes corporate shared service expenses for finance, legal, human resources, information technology and corporate business development.

Net sales of our reportable segments include revenues from the sale of products that each reportable segment develops and manufactures or distributes. We define segment income as operating income before merger and integration, restructuring and amortization of intangibles.

We operate under three geographic regions: U.S., Europe, and Rest of World. The table below presents net sales by operating segment and geographic region (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cardiopulmonary				
United States	$ 37,388	$ 25,816	$ 73,147	$ 62,674
Europe	35,133	23,294	65,759	57,528
Rest of World	45,355	51,946	87,689	97,221
	117,876	101,056	226,595	217,423
Heart Valves				
United States	2,212	2,488	4,929	5,861
Europe	6,123	5,348	14,407	14,877
Rest of World	6,389	9,630	16,843	21,939
	14,724	17,466	36,179	42,677
Advanced Circulatory Support				
United States	12,964	5,668	25,524	15,744
Europe	178	303	406	673
Rest of World	133	42	337	87
	13,275	6,013	26,267	16,504
Cardiovascular				
United States	52,564	33,972	103,600	84,279
Europe	41,434	28,945	80,572	73,078
Rest of World	51,877	61,618	104,869	119,247
	145,875	124,535	289,041	276,604
Neuromodulation				
United States	91,779	44,215	174,079	117,491
Europe	14,604	6,416	26,283	16,999
Rest of World	11,253	6,581	20,973	12,379
	117,636	57,212	221,335	146,869
Other	972	459	1,710	1,130
Totals				
United States	144,343	78,187	277,679	201,770
Europe [1]	56,038	35,361	106,855	90,077
Rest of World	64,102	68,658	127,552	132,756
Total [2]	$ 264,483	$ 182,206	$ 512,086	$ 424,603

(1) Europe sales include those countries in which we have a direct sales presence, whereas European countries in which we sell through distributors are included in Rest of World.

(2) No single customer represented over 10% of our consolidated net sales. No country's net sales exceeded 10% of our consolidated sales except for the U.S.

The table below presents a reconciliation of segment (loss) income from continuing operations to consolidated loss from continuing operations before tax (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cardiovascular [1]	$ (28,343)	$ (9,407)	$ (22,715)	$ (726)
Neuromodulation	38,084	27,282	72,123	61,140
Other	(34,228)	(20,876)	(64,897)	(47,486)
Total reportable segment (loss) income from continuing operations	(24,487)	(3,001)	(15,489)	12,928
Other expenses [2]	10,374	12,236	23,795	27,557
Operating loss from continuing operations	(34,861)	(15,237)	(39,284)	(14,629)
Interest income	189	287	115	435
Interest expense	(16,515)	(5,715)	(32,451)	(10,564)
Foreign exchange and other gains (losses)	50	(999)	(6,319)	(2,913)
Loss from continuing operations before tax	$ (51,137)	$ (21,664)	$ (77,939)	$ (27,671)

(1) Cardiovascular segment operating loss includes provision for litigation involving our 3T device of $29.4 million and $32.4 million for the three and six months ended June 30, 2021, respectively, and $1.0 million and $1.0 million for the three and six months ended June 30, 2020, respectively, which is included within other operating expenses on the condensed consolidated statements of income (loss). For additional information, please refer to “Note 8. Commitments and Contingencies.”

(2) Other expenses consists of merger and integration expense, restructuring expense and amortization of intangible assets.

Assets by segment are as follows (in thousands):

	June 30, 2021	December 31, 2020
Cardiovascular	$ 1,264,145	$ 1,361,669
Neuromodulation	654,649	673,586
Other	477,728	376,096
Total assets	$ 2,396,522	$ 2,411,351

Capital expenditures by segment are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cardiovascular	$ 4,418	$ 5,445	$ 8,567	$ 10,737
Neuromodulation	51	836	91	6,075
Other	1,663	364	2,588	2,207
Total	$ 6,132	$ 6,645	$ 11,246	$ 19,019

The changes in the carrying amount of goodwill by segment for the six months ended June 30, 2021 were as follows (in thousands):

	Cardiovascular	Neuromodulation	Total
December 31, 2020	$ 523,564	$ 398,754	$ 922,318
Foreign currency adjustments	(4,043)	—	(4,043)
June 30, 2021	$ 519,521	$ 398,754	$ 918,275

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

	June 30, 2021	December 31, 2020
United States	$ 62,880	$ 64,553
Europe	88,704	93,821
Rest of World	5,831	5,431
Total	$ 157,415	$ 163,805

Note 14. Supplemental Financial Information

Inventories consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Raw materials	$ 41,572	$ 43,257
Work-in-process	11,155	8,055
Finished goods	74,441	75,363
	$ 127,168	$ 126,675

As of June 30, 2021 and December 31, 2020, inventories include adjustments totaling $5.2 million and $6.6 million, respectively, to record balances at lower of cost or net realizable value.

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

	June 30, 2021	December 31, 2020
Legal and administrative costs	$ 21,427	$ 15,820
Operating lease liabilities	11,709	11,276
Contingent consideration [1]	12,517	13,968
Contract liabilities	7,837	6,929
Restructuring related liabilities [2]	6,338	6,258
Amount payable to Gyrus Capital S.A.	5,595	—
Research and development costs	4,808	4,257
Provisions for agents, returns and other	2,573	3,063
Other accrued expenses	27,423	26,465
	$ 100,227	$ 88,036

(1) Refer to “Note 5. Fair Value Measurements”

(2) Refer to “Note 3. Restructuring”

As of June 30, 2021 and December 31, 2020, contract liabilities of $8.1 million and $8.6 million, respectively, are included within accrued liabilities and other long-term liabilities on the condensed consolidated balance sheets.

The table below presents the items included within foreign exchange and other gains (losses) on the condensed consolidated statements of income (loss) (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Exchangeable Notes fair value adjustment [1]	$ (26,048)	$ 3,450	$ (52,384)	$ 3,450
Capped call fair value adjustment [1]	19,408	1,829	31,957	1,829
Dividend income [2]	3,133	—	3,133	—
Foreign exchange rate fluctuations	1,544	(590)	1,134	(2,761)
Other derivative liabilities fair value adjustment [1]	923	—	4,090	—
Investment revaluation [2]	—	—	4,640	—
Exchangeable Notes issuance costs	—	(2,429)	—	(2,429)
Other	1,090	(3,259)	1,111	(3,002)
Foreign exchange and other gains (losses)	$ 50	$ (999)	$ (6,319)	$ (2,913)

(1) Refer to “Note 5. Fair Value Measurements”

(2) Refer to “Note 4. Investments”

Note 15. New Accounting Pronouncements

Adoption of New Accounting Pronouncements

The following table provides a description of our adoption of new Accounting Standards Updates (“ASUs”) issued by the FASB and the impact of the adoption on our condensed financial statements:

Issue Date & Standard	Description	Date of Adoption	Effect on Financial Statements or Other Significant Matters
August 2018 ASU No. 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): *Changes to the Disclosure Requirements for Defined Benefit Plans*	This update adds and removes certain disclosure requirements related to defined benefit plans.	January 1, 2021	There was no material impact to our consolidated financial statements as a result of adopting this ASU.
December 2019 ASU No. 2019-12, Income Taxes (Topic 740): *Simplifying the Accounting for Income Taxes*	This update simplifies various aspects related to the accounting for income taxes. The standard removes certain exceptions to the general principles in Topic 740 and also clarifies and modifies existing guidance to improve consistent application of Topic 740.	January 1, 2021	There was no material impact to our consolidated financial statements as a result of adopting this ASU.
August 2020 ASU No. 2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity’s Own Equity (Subtopic 815-40): *Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*	This update simplifies the accounting for convertible debt instruments by removing certain accounting separation models as well as the accounting for debt instruments with embedded conversion features that are not required to be accounted for as derivative instruments. The update also improves the consistency of earnings per share calculations for convertible instruments.	January 1, 2021	There was no material impact to our consolidated financial statements as a result of adopting this ASU.

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 2020 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 2020 Form 10-K, as updated and supplemented by our Quarterly Reports on Form 10-Q, including in Part 2, Item 1A and elsewhere in this Quarterly Report on Form 10-Q.

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.

COVID-19

Our business, operations and financial condition and results have been and may continue to be impacted by the COVID-19 pandemic. We have experienced significant and unpredictable reductions in the demand for our products due to healthcare customers diverting medical resources and priorities towards the treatment of COVID-19. In addition, public health organizations have regularly delayed or suspended elective procedures during the COVID-19 pandemic, which has negatively impacted the usage of our products, including the number of Neuromodulation procedures. Further, there has been a decline in treatment for non-COVID-19 emergency procedures, which has also negatively impacted the demand for our products.

Procedure volumes in Neuromodulation continue to recover, especially replacement implant volumes. Across our business, certain countries in our Europe and Rest of World regions remain challenged by COVID-19. Despite shifting market dynamics resulting from the pandemic, we continue to gain momentum in Neuromodulation sales growth across all regions.

Our business operations have been affected by a range of external factors related to the COVID-19 pandemic that are not within our control. For example, many jurisdictions have imposed, and in some cases reimposed, a wide range of restrictions on the physical movement of our employees and vendors to limit the spread of COVID-19. If the COVID-19 pandemic has a substantial impact on our employee or vendor attendance or productivity, our operations may suffer, and in turn our results of operations and overall financial performance may be harmed.

During the second quarter of 2020, LivaNova paused RECOVER study patients in progressing beyond the first baseline depression scale measurement because the majority of our study sites and their corresponding surgical centers were closed. In order to maintain momentum, we continued activating new sites and identifying, educating and consenting patients at existing sites. During the third quarter of 2020, certain sites and surgical centers began to open and we re-initiated movement within RECOVER. We expect the number of patient implants to accelerate through fiscal year 2021 as study sites are able to progress consented patients and the impact of COVID-19 diminishes. With an increase in the reopening of psychiatrist offices and surgical centers in the second quarter of 2021, we have accelerated site activations, patient consents and implants. However, there can be no assurance that there will not be closures of sites in the future should COVID-19 reemerge.

Additionally, our ANTHEM-HFrEF international pivotal trial was temporarily paused in March 2020 due to COVID-19 restrictions after randomizing just over 200 patients. During the second quarter of 2020, we were able to re-initiate enrollment and screening activities in more than half of the sites, and in April 2021 we randomized the 300th patient in the trial. We continue to monitor relevant conditions at medical centers participating in the trial.

We have taken numerous steps, and will continue to take further actions, in our approach to addressing the COVID-19 pandemic. We have successfully implemented our business continuity plans, and our management team is responding to changes in our environment quickly and effectively. We have not closed any of our manufacturing plants. Additionally, the supply of raw materials and the distribution of finished products remain operational with no known or foreseen constraints relating to COVID-19. As a result of the COVID-19 pandemic, we instructed the majority of our employees at many of our facilities across the globe to work from home on a temporary basis and have implemented company-wide travel restrictions. For our manufacturing, operations, and other personnel remaining on site due to the essential nature of their work, we have implemented safety measures such as the use of personal protective equipment and social distancing measures. We have incurred additional expenses in connection with our response to the COVID-19 pandemic, including manufacturing inefficiencies and costs related to enabling our employees to support our customers while working remotely.

We continue to implement cost reduction efforts to mitigate the impact of reduced revenues on our operating income. We have reduced expenses by evaluating whether projects and initiatives are critical to meet the needs of the Company, protecting strategic priorities for future growth, reducing discretionary spending and tightening management of personnel costs.

The extent to which the COVID-19 pandemic continues to impact the Company's results of operations and financial condition will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity and longevity of COVID-19 and its variants, the resurgence of COVID-19 in regions that have begun to recover from the initial impact of the pandemic, the impact of COVID-19 on economic activity and the actions to contain its impact on public health and the global economy.

Business Overview

We are a public limited company organized under the laws of England and Wales and headquartered in London, England. 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 Cardiovascular and Neuromodulation, 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.

LivaNova is comprised of two reportable segments: Cardiovascular and Neuromodulation, corresponding to our primary therapeutic areas. Other corporate activities include corporate shared service expenses for finance, legal, human resources, information technology and corporate business development.

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.

Cardiovascular

Our Cardiovascular segment is engaged in the development, production and sale of cardiopulmonary products and advanced circulatory support. Cardiopulmonary products include oxygenators, heart-lung machines, autotransfusion systems, perfusion tubing systems, cannulae and other related accessories. Advanced circulatory support products include temporary life support controllers and product kits that can include a combination of pumps, oxygenators, and cannulae.

Divestiture of Heart Valve Business

On December 2, 2020, LivaNova entered into a Purchase Agreement with Purchaser, a company incorporated under the laws of Luxembourg and wholly owned and controlled by funds advised by Gyrus Capital S.A., a Swiss private equity firm. The Purchase Agreement provides for the divestiture of certain of LivaNova's subsidiaries as well as certain other assets and liabilities relating to the Company's Heart Valve business and site management operations conducted by the Company's subsidiary LSM at the Company's Saluggia campus for €60.0 million (approximately $71.2 million as of June 30, 2021). On April 9, 2021, LivaNova and the Purchaser entered into an A&R Purchase Agreement which amends and restates the original Purchase Agreement to, among other things, defer the closing of the sale and purchase of LSM by up to two years and include or amend certain additional terms relating to such deferral, including certain amendments relating to the potential hazardous substances liabilities of LSM and the related expense reimbursement provisions. The initial closing of the sale of the Heart Valve business occurred on June 1, 2021 and we received €34.8 million (approximately $42.5 million as of June 1, 2021), subject to customary trade working capital and net indebtedness adjustments, as set forth in the Purchase Agreement. An additional €2.5 million (approximately $3.0 million as of June 30, 2021) is payable to LivaNova during the fourth quarter of 2021 and €10.0 million (approximately $11.9 million as of June 30, 2021) is payable to LivaNova on December 30, 2022.

Cardiopulmonary Product Approval

In April 2021, the FDA provided 510(k) clearance for B-Capta, the new in-line, blood-gas monitoring system integrated into the Company's S5 heart-lung machine. The system is designed to easily and accurately monitor arterial and venous blood gas parameters even during long and complex pediatric and adult cardiopulmonary bypass procedures. B-Capta, which received CE Mark in May 2020 and completed a successful limited commercial release in Europe, is now available globally.

Product Remediation

On December 29, 2015, the FDA issued a Warning Letter alleging certain violations of FDA regulations applicable to medical device manufacturers at our Munich, Germany and Arvada, Colorado facilities and issued inspectional observations on FDA's Form-483 applicable to our Munich, Germany facility.

The Warning Letter further stated that our 3T Heater-Cooler devices (the "3T devices") and other devices we manufactured at our Munich facility were 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 informed us that the import alert was limited to the 3T devices, but that the agency reserved the right to expand the scope of the import alert if future circumstances warranted such action. The Warning Letter did not request that

existing users cease using the 3T device, and manufacturing and shipment of all our products other than the 3T device were 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.

Finally, the Warning Letter stated that premarket approval applications for Class III devices to which certain Quality System regulation deviations identified in the Warning Letter were reasonably related would not be approved until the violations had been corrected; however, this restriction applied only to the Munich and Arvada facilities, which do not manufacture or design devices subject to Class III premarket approval.

On February 25, 2020, LivaNova received clearance for K191402, a 510(k) for the 3T devices that addressed issues contained in the 2015 Warning Letter along with design changes that further mitigate the potential risk of aerosolization. Concurrent with this clearance, (1) 3T devices manufactured in accordance with K191402 will not be subjected to the import alert and (2) LivaNova initiated a correction to distribute the updated Operating Instructions cleared under K191402. With this 510(k) clearance, all actions to remediate the FDA's inspectional observations in the Warning Letter are complete, and at this time, LivaNova is awaiting the FDA's close-out inspection.

Product Liability

The Company is currently involved in litigation involving our 3T device. The litigation includes federal multi-district litigation in the U.S. District Court for the Middle District of Pennsylvania, various U.S. state court cases and cases in jurisdictions outside the U.S. A class action, filed in February 2016 in the U.S. District Court for the Middle District of Pennsylvania, 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 currently are asymptomatic for NTM infection, was dismissed on July 16, 2021.

On March 29, 2019, we announced a settlement framework that provides for a comprehensive resolution of the personal injury cases pending in the multi-district litigation in U.S. federal court, the related class action in federal court, as well as certain cases in state courts across the United States. The agreement, which makes no admission of liability, is subject to certain conditions, including acceptance of the settlement by individual claimants and provides for a total payment of up to $225 million to resolve the claims covered by the settlement. Per the agreed-upon terms, the first payment of $135 million was paid into a qualified settlement fund in July 2019 and the second payment of $90 million was paid in January 2020. Cases covered by the settlement are being dismissed as amounts are disbursed to individual plaintiffs from the qualified settlement fund.

Cases in state courts in the U.S. and in jurisdictions outside the U.S. continue to progress. As of July 28, 2021, including the cases encompassed in the settlement framework described above that have not yet been dismissed, we are aware of approximately 85 filed and unfiled claims worldwide, with the majority of the claims in various federal or state courts throughout the United States. This number includes 10 cases that have settled but have not yet been dismissed. The complaints generally seek damages and other relief based on theories of strict liability, negligence, breach of express and implied warranties, failure to warn, design and manufacturing defect, fraudulent and negligent misrepresentation or concealment, unjust enrichment, and violations of various state consumer protection statutes.

In the second quarter of 2021, we recorded an additional liability of $29.4 million due to new information received about the nature of certain claims. At June 30, 2021, the provision for these matters was $60.2 million. While the amount accrued represents our best estimate for those filed and unfiled claims that are both probable and estimable, the actual liability for resolution of these matters may vary from our estimate.

Neuromodulation

Our Neuromodulation segment designs, develops and markets Neuromodulation therapy for the treatment of drug-resistant epilepsy, DTD and obstructive sleep apnea. We are also developing and conducting clinical testing of the VITARIA System for treating heart failure through vagus nerve stimulation.

DTD UNCOVER Study

In April 2021, LivaNova and Verily, a subsidiary of Alphabet, announced that the first patient had been enrolled in their collaborative UNCOVER study, a subset of the RECOVER study. Data obtained from Verily-developed digital tools will complement the clinical outcomes collected in RECOVER, providing clinicians a more comprehensive view of depression patient biomarkers.

Obstructive Sleep Apnea

In June 2021, LivaNova received approval from the FDA to proceed with its investigational device exemption clinical study, “Treating Obstructive Sleep Apnea using Targeted Hypoglossal Neurostimulation (OSPREY).” The OSPREY study seeks to demonstrate the safety and effectiveness of the Aura6000® System, the LivaNova implantable hypoglossal neurostimulator intended to treat adult patients with moderate to severe obstructive sleep apnea.

Significant Accounting Policies and Critical Accounting Estimates

In addition to our critical accounting policies provided in “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2020 Form 10-K, refer to “Significant Accounting Policies” within “Note 1. Unaudited Condensed Consolidated Financial Statements” included in this Quarterly Report on Form 10-Q.

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 15. New Accounting Pronouncements” contained in the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net sales	$ 264,483	$ 182,206	$ 512,086	$ 424,603
Cost of sales	90,803	65,730	173,723	141,631
Gross profit	173,680	116,476	338,363	282,972
Operating expenses:				
Selling, general and administrative	122,748	102,743	238,429	227,675
Research and development	52,557	25,152	97,182	61,054
Other operating expenses	33,236	3,818	42,036	8,872
Operating loss from continuing operations	(34,861)	(15,237)	(39,284)	(14,629)
Interest income	189	287	115	435
Interest expense	(16,515)	(5,715)	(32,451)	(10,564)
Foreign exchange and other gains (losses)	50	(999)	(6,319)	(2,913)
Loss from continuing operations before tax	(51,137)	(21,664)	(77,939)	(27,671)
Income tax expense	4,140	66,285	6,996	21,571
Losses from equity method investments	(41)	(44)	(81)	(173)
Net loss from continuing operations	(55,318)	(87,993)	(85,016)	(49,415)
Net loss from discontinued operations, net of tax	—	—	—	(995)
Net loss	$ (55,318)	$ (87,993)	$ (85,016)	$ (50,410)

Net Sales

The table below presents net sales by operating segment and geographic region (in thousands, except for percentages):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
Cardiopulmonary						
United States	$ 37,388	$ 25,816	44.8 %	$ 73,147	$ 62,674	16.7 %
Europe	35,133	23,294	50.8 %	65,759	57,528	14.3 %
Rest of World	45,355	51,946	(12.7)%	87,689	97,221	(9.8)%
	117,876	101,056	16.6 %	226,595	217,423	4.2 %
Heart Valves						
United States	2,212	2,488	(11.1)%	4,929	5,861	(15.9)%
Europe	6,123	5,348	14.5 %	14,407	14,877	(3.2)%
Rest of World	6,389	9,630	(33.7)%	16,843	21,939	(23.2)%
	14,724	17,466	(15.7)%	36,179	42,677	(15.2)%
Advanced Circulatory Support						
United States	12,964	5,668	128.7 %	25,524	15,744	62.1 %
Europe	178	303	(41.3)%	406	673	(39.7)%
Rest of World	133	42	216.7 %	337	87	287.4 %
	13,275	6,013	120.8 %	26,267	16,504	59.2 %
Cardiovascular						
United States	52,564	33,972	54.7 %	103,600	84,279	22.9 %
Europe	41,434	28,945	43.1 %	80,572	73,078	10.3 %
Rest of World	51,877	61,618	(15.8)%	104,869	119,247	(12.1)%
	145,875	124,535	17.1 %	289,041	276,604	4.5 %
Neuromodulation						
United States	91,779	44,215	107.6 %	174,079	117,491	48.2 %
Europe	14,604	6,416	127.6 %	26,283	16,999	54.6 %
Rest of World	11,253	6,581	71.0 %	20,973	12,379	69.4 %
	117,636	57,212	105.6 %	221,335	146,869	50.7 %
Other	972	459	111.8 %	1,710	1,130	51.3 %
Totals						
United States	144,343	78,187	84.6 %	277,679	201,770	37.6 %
Europe [1]	56,038	35,361	58.5 %	106,855	90,077	18.6 %
Rest of World	64,102	68,658	(6.6)%	127,552	132,756	(3.9)%
Total	$ 264,483	$ 182,206	45.2 %	$ 512,086	$ 424,603	20.6 %

(1) Europe sales include those countries in which we have a direct sales presence, whereas European countries in which we sell through distributors are included in “Rest of World.”

The table below presents segment (loss) income from continuing operations (in thousands, except for percentages):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
Cardiovascular	$ (28,343)	$ (9,407)	201.3 %	$ (22,715)	$ (726)	3,028.8 %
Neuromodulation	38,084	27,282	39.6 %	72,123	61,140	18.0 %
Other	(34,228)	(20,876)	64.0 %	(64,897)	(47,486)	36.7 %
Total reportable segment (loss) income from continuing operations [1]	$ (24,487)	$ (3,001)	716.0 %	$ (15,489)	$ 12,928	(219.8)%

(1) For a reconciliation of segment (loss) income from continuing operations to loss from continuing operations before tax refer to “Note 13. Geographic and Segment Information” in the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

Cardiovascular

Cardiovascular net sales for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020 increased 17.1% and 4.5%, respectively. Cardiopulmonary sales for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020 increased 16.6% and 4.2% to $117.9 million and $226.6 million, respectively, primarily related to growth in oxygenators, largely in the Europe and U.S. regions, partially offset by a reduction in capital equipment purchases in the Rest of World region. Advanced Circulatory Support sales for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020 increased 120.8% and 59.2% to $13.3 million and $26.3 million, respectively, resulting from the continued adoption of LifeSPARC in the U.S. and an increase in procedure volumes. These increases in sales were partially offset by a decline in Heart Valves sales for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020 of 15.7% and 15.2% to $14.7 million and $36.2 million, respectively, primarily resulting from the sale of the Heart Valves business on June 1, 2021.

Cardiovascular operating loss for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020 increased primarily due to an increase in the litigation provision related to our 3T Heater-Cooler device of $28.4 million and $31.5 million for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020, respectively. Additionally, operating loss increased due to the net impact of changes in the fair value of the milestone-based contingent consideration arrangements associated with the acquisitions of TandemLife and Miami Instruments totaling $3.7 million and $6.9 million for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020, respectively. These increases to operating loss were partially offset by an increase in net sales, as discussed above, as well as a decrease in 3T Heater-Cooler product remediation expense of $3.9 million and $5.3 million for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020, respectively.

Neuromodulation

Neuromodulation net sales for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020 increased 105.6% and 50.7% to $117.6 million and $221.3 million, respectively, primarily due to improving market dynamics across all regions and particularly in the U.S.

Neuromodulation operating income for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020 increased primarily due to an increase in net sales, as discussed above, partially offset by the net impact of changes in fair value of the sales-based and milestone-based contingent consideration arrangement associated with the acquisition of ImThera of $35.2 million and $49.9 million for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020, respectively.

Cost of Sales and Expenses

The table below presents our comparative cost of sales and significant expenses as a percentage of sales:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change	2021	2020	Change
Cost of sales	34.3 %	36.1 %	(1.8)%	33.9 %	33.4 %	0.5 %
Selling, general and administrative	46.4 %	56.4 %	(10.0)%	46.6 %	53.6 %	(7.0)%
Research and development	19.9 %	13.8 %	6.1 %	19.0 %	14.4 %	4.6 %
Other operating expenses	12.6 %	2.1 %	10.5 %	8.2 %	2.1 %	6.1 %

Cost of Sales

Cost of sales consisted primarily of direct labor, allocated manufacturing overhead, the acquisition cost of raw materials and components and product remediation expenses. Cost of sales as a percentage of net sales for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020 decreased primarily due to favorable product mix as well as a decline in product remediation expenses associated with our 3T Heater-Cooler device. These decreases were partially offset by the net impact of the changes in fair value of sales-based contingent consideration arrangements of $20.6 million and $29.3 million, respectively.

Selling, General and Administrative ("SG&A") Expenses

SG&A expenses consisted of sales, marketing, general and administrative activities. SG&A expenses as a percentage of net sales for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020 decreased primarily due to an increase in sales, partially offset by an increase in sales and marketing expenses due to lower commercial related variable and discretionary spending during the three and six months ended June 30, 2020 as a result of COVID-19.

Research and Development ("R&D") Expenses

R&D expenses consisted of product design and development efforts, clinical study programs and regulatory activities, which are essential to our strategic portfolio initiatives, including DTD, obstructive sleep apnea and heart failure. R&D expenses as a percentage of net sales for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020 increased primarily due to an increase in R&D expense resulting from the net impact of changes in fair value of milestone-based contingent consideration arrangements of $18.4 million and $27.5 million, respectively.

Other Operating Expenses

Other operating expenses consisted of merger and integration expense, restructuring expense, the provision for litigation involving our 3T Heater-Cooler device and gain (loss) on the on sale of Heart Valves. Other operating expenses as a percentage of net sales for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020 increased primarily due to an increase in the litigation provision related to our 3T Heater-Cooler device of $28.4 million and $31.5 million, respectively. For additional information refer to "Note 8. Commitments and Contingencies."

Interest Expense

We incurred interest expense of $16.5 million and $32.5 million for the three and six months ended June 30, 2021, respectively, as compared to $5.7 million and $10.6 million for the three and six months ended June 30, 2020, respectively. The increase for the three and six months ended June 30, 2021 as compared to the three and six months ended June 30, 2020 was primarily due to an increase in debt borrowings in June 2020 at increased borrowing rates.

Foreign Exchange and Other Gains (Losses)

Foreign exchange and other gains (losses) consisted primarily of changes in the fair value of the embedded exchange feature and capped call derivatives, gains and losses arising from transactions denominated in a currency different from an entity's functional currency and foreign currency exchange rate derivative gains and losses.

We incurred foreign exchange and other gains (losses) of $0.1 million and $(6.3) million for the three and six months ended June 30, 2021, respectively, as compared to $(1.0) million and $(2.9) million for the three and six months ended June 30, 2020, respectively. For further details on foreign exchange and other gains (losses) refer to "Note 14. Supplemental Financial Information" in the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

Income Taxes

LivaNova PLC is resident in the UK for tax purposes. 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 earnings mix in various jurisdictions and the changes in tax laws, our consolidated effective income tax rate may vary from one reporting period to another.

Our effective income tax rate from continuing operations for the three and six months ended June 30, 2021 was (8.1)% and (9.0)%, respectively, compared with (306.0)% and (78.0)%, respectively, for the for the three and six months ended June 30, 2020. Our effective income tax rate fluctuates based on, among other factors, changes in pretax income in countries with varying statutory tax rates, changes in valuation allowances, changes in tax credits and incentives, and changes in unrecognized tax benefits associated with uncertain tax positions.

Compared with the three months ended June 30, 2020, the change in the effective tax rate for the three months ended June 30, 2021 was primarily attributable to the discrete tax impact of the sale of the Heart Valve business as compared to the establishment of a $70.0 million valuation allowance for the U.K. during the three months ended June 30, 2020.

Compared with the six months ended June 30, 2020, the change in the effective tax rate for the six months ended June 30, 2021 was primarily attributable to changes in valuation allowances and the discrete tax impact of the sale of the Heart Valve business as compared to the $42.9 million realized discrete tax benefit related to the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") offset by the establishment of a $70.0 million valuation allowance for the U.K. during the six months ended June 30, 2020.

European Union State Aid Challenge

On April 2, 2019, the EC concluded that "when financing income from a foreign group company, channeled through an offshore subsidiary, derives from UK activities, the group finance exemption is not justified and constitutes State aid under EU rules." Based upon our assessment of the technical arguments as to whether the UK group exemption is State aid, together with no material UK activities involved in our financing, no reserve relating to our tax position has been recognized related to this matter. Furthermore, in December 2019, we amended our 2017 tax return filing to avail ourselves of different rules to determine UK taxation, which are not subject to the EU decision. We filed our 2018 tax return in a similar fashion, and therefore, we do not believe that the EU state aid decision will result in a material liability.

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 borrowing under our current debt facilities will be sufficient to fund our expected operating needs, working capital requirements, R&D opportunities, capital expenditures, and debt service requirements over the twelve-month period beginning from the issuance date of these condensed consolidated financial statements. From time to time, we may decide to access debt and/or equity markets to optimize our capital structure, raise additional capital or increase liquidity as necessary, including to satisfy liabilities in the event of an adverse ruling in connection with the SNIA litigation. Our liquidity could be adversely impacted by the factors affecting future operating results, including those referred to in "Part II, Item 1A. Risk Factors" in the 2020 Form 10-K as supplemented by the factors referred to in "Part II, Item 1A, Risk Factors" in this Quarterly Reports on Form 10-Q as well as "Note 8. Commitments and Contingencies" in the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

On June 17, 2020, our wholly-owned subsidiary, LivaNova USA, Inc., issued $287.5 million principal amount of 3.00% Cash Exchangeable Senior Notes due 2025 (the "Notes"). Holders of the Notes are entitled to exchange the Notes at any time during specified periods, at their option. This includes the right to exchange the Notes during any calendar quarter, if the last reported sale price of LivaNova's ordinary shares, with a nominal value of £1.00 per share, is greater than or equal to 130% of the exchange price, or $79.27 per share for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter. The exchange condition was satisfied on June 18, 2021, which allows the holders of the Notes to request to exchange the Notes beginning July 1, 2021 through September 30, 2021. As a result, we have reclassified our obligations from the Notes and the associated embedded exchange feature derivative as a current liability on the condensed consolidated balance sheet as of June 30, 2021. However, as of the date of filing of this Form 10-Q, no holders have elected to exchange the Notes. The Notes are exchangeable solely into cash and are not exchangeable into ordinary shares of LivaNova or any other security under any circumstances. The initial exchange rate for the Notes is 16.3980 ordinary shares per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $60.98 per share). The exchange rate is subject to adjustment in certain circumstances, as set forth in the indenture governing the Notes. If holders elect to exchange their Notes during the current period or any future periods in the event an exchange condition is met, we would be required to settle our exchange obligation through the payment of cash, which could adversely affect our liquidity. Currently, the Company believes it is unlikely the holders of the Notes will exchange significant amounts of the Notes.

The Company has also entered into privately negotiated capped call transactions with terms substantially similar to those applicable to the Notes. The capped call transactions are expected generally to offset any cash payments the Company is required to make upon exchange of the Notes in excess of the principal amount thereof in the event that the market value per ordinary share, as measured under the capped call transactions, is greater than the strike price of the capped call transactions, with such offset being subject to an initial cap price of $100.00 per share. The capped call transactions expire on December 15, 2025 and must be settled in cash. If the capped call transactions are converted or redeemed early, settlement occurs at their termination value, which is equal to their fair value at the time of the redemption. The capped call transactions are included at their estimated fair value as of June 30, 2021 within current derivative assets on the condensed consolidated balance sheet.

Refer to “Note 6. Financing Arrangements” in the condensed consolidated financial statements in this Quarterly Report on Form 10-Q for additional information regarding our debt and debt transactions.

Cash Flows

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

	Six Months Ended June 30, 2021	
	2021	**2020**
Operating activities	$ 45,111	$ (125,064)
Investing activities	46,715	(22,666)
Financing activities	(14,087)	319,697
Effect of exchange rate changes on cash and cash equivalents	(1,185)	(555)
Net increase in cash and cash equivalents	$ 76,554	$ 171,412

Operating Activities

Cash provided by operating activities during the six months ended June 30, 2021 increased by $170.2 million as compared to the same prior-year period. The increase is primarily due to a decrease in 3T litigation settlement payments of $113.5 million, the receipt of a CARES Act tax refund of $24.6 million during the six months ended June 30, 2021 and an increase in cash associated with net loss adjusted for non-cash items.

Investing Activities

Cash provided by investing activities during the six months ended June 30, 2021 increased $69.4 million as compared to the same prior-year period. The increase is primarily due proceeds from the sale of Heart Valves of $41.8 million as well as proceeds from the sale of LivaNova’s investment in and loan to Respicardia totaling $23.1 million.

Financing Activities

Cash used in financing activities during the six months ended June 30, 2021 was $14.1 million as compared to cash provided by financing activities during the six months ended June 30, 2020 of $319.7 million. The decrease is primarily due to a decrease in net borrowings of $387.6 million, partially offset by the purchase of a capped call associated with our Notes of $43.1 million and a closing adjustment payment for the sale of our former CRM business of $14.9 million made during the six months ended June 30, 2020.

Off-Balance Sheet Arrangements

As of June 30, 2021, we did not have any off-balance sheet arrangements.

Contractual Obligations

We had no material changes in our contractual commitments and obligations from amounts listed under “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources” in our 2020 Form 10-K.

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, equity price risk, 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 this Quarterly Report on Form 10-Q in “Part I, Note 7. Derivatives and Risk Management,” “Part I, Item 2. Management’s Discussion and Analysis of Financial Conditions and Results of Operations” and “Part II, Item 1A. Risk Factors” and in our 2020 Form 10-K in “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Part I, Item 1A. Risk Factors.”

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, 2021.

(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, 2021 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 8. Commitments and Contingencies" in our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Item 1A. *Risk Factors*

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A to our 2020 Annual Report on Form 10-K.

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*

On July 28, 2021, the Company announced that the Company's Board of Directors (the "Board") will appoint Mr. Alex Shvartsburg to the position of Chief Financial Officer ("CFO"), effective August 1, 2021. Mr. Shvartsburg, 51, most recently served as Interim CFO of the Company, stepping in at the end of October 2020. Prior to his Interim CFO position, Mr. Shvartsburg served as the Company's Corporate Vice President of Financial Planning and Analysis and the International Region.

Prior to joining LivaNova in 2017, Mr. Shvartsburg was CFO and COO of Caligor, a private equity-backed clinical services organization, where he held responsibility for Finance, Operations, Human Resources and Information Technology functions from June 2016 to September 2017. Previously, he held finance leadership roles including CFO of the Genetic Sciences division at Thermo Fisher Scientific and Senior Finance Director at Life Technologies, and for over twenty years, Mr. Shvartsburg held a series of finance roles of increasing responsibility within Johnson & Johnson.

On July 28, 2021, the Compensation Committee of the LivaNova Board of Directors approved a contract with Mr. Shvartsburg with respect to his employment as CFO. The contract provides for: (a) an annual base salary of not less than £330,000; (b) a 2021 short term incentive target bonus equal to 65% of the aforementioned salary; (c) eligibility to participate in the Company's long term incentive plan and receive share incentives with a market value of at least $1,000,000 in any calendar year commenting in 2022, as determined at the sole discretion of the Compensation Committee; (d) annual pension allowance in an amount equal to 15% base + bonus; (e) a car allowance at £1,100 per month; and (f) a notice of termination of employment period of twelve months.

Mr. Shvartsburg does not have any family relationships with any executive officer or director of the Company or its affiliates. There are no arrangements or understandings with the Company, or any other persons, under which Mr. Shvartsburg was elected to serve as an officer of the Company. He is not party to any transaction requiring disclosure under Item 404(a) of Regulation S-K.

Disclosure Pursuant to Section 13(r) of the Exchange Act of 1934

Section 13(r) of the Exchange Act requires issuers to disclose in their quarterly reports certain types of dealings with Iran, including transactions or dealing with government-owned entities, even when those activities are lawful and do not involve U.S. persons. One of our non-U.S. subsidiaries currently sells medical devices, including cardiopulmonary, cardiac surgery and neuromodulation products, to privately held distributors in Iran.

We have limited visibility into the identity of these distributors' customers in Iran. It is possible that their customers include entities, such as government-owned hospitals or sub-distributors, that are owned or controlled directly or indirectly by the Iranian government. To the best of our knowledge at this time, we do not have any contracts or commercial arrangements with the Iranian government.

Our gross revenues and net profits attributable to the above-mentioned Iranian activities were $3.3 million and $1.4 million for the three months ended June 30, 2021, respectively, and $4.6 million and $2.0 million for the six months ended June 30, 2021, respectively.

We believe our activities are consistent with applicable law, including U.S., EU, and other applicable sanctions laws, though such laws are complex and continue to evolve rapidly. We intend to continue our business in Iran.

Item 6. *Exhibits*

The exhibits marked with the asterisk symbol (*) are filed or furnished (in the case of Exhibit 32.1) with this Quarterly 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
10.1*†	Service Agreement, effective August 1, 2021 between the Company and Alex Shvartsburg
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
101*	Interactive Data Files Pursuant to Rule 405 of Regulation S-T formatted in Inline XBRL: (i) the Condensed Consolidated Statements of Income (Loss) for the three and six months ended June 30, 2021 and 2020, (ii) the Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2021 and 2020, (iii) the Condensed Consolidated Balance Sheet as of June 30, 2021 and December 31, 2020, (iv) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30 2021 and 2020, and (vi) the Notes to the Condensed Consolidated Financial Statements
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURE

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

LIVANOVA PLC

Date: July 28, 2021 By: /s/ DAMIEN MCDONALD

Damien McDonald
Chief Executive Officer
(Principal Executive Officer)

LIVANOVA PLC

Date: July 28, 2021 By: /s/ ALEX SHVARTSBURG

Alex Shvartsburg
Chief Financial Officer
(Principal Accounting and Financial Officer)

LIVANOVA PLC

ALEX SHVARTSBURG

SERVICE AGREEMENT

THIS AGREEMENT is made on 23, July 2021

BETWEEN

(1) LIVANOVA PLC, a company registered in England with registered number 09451374 and having its registered office at 20 Eastbourne Terrace, W2 6LG London (the "Company"); and

(2) ALEX SHVARTSBURG, residing 601 Balmoral Apartments, 2 Praed Street, W2 1AL London (the "Executive").

BACKGROUND

The Executive is currently employed by the Company as interim, CFO. Effective on 1, August 2021 (the Commencement Date), the Company wishes to employ the Executive as Chief Financial Officer 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, health insurance, 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 his or his 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 whether or not made or discovered in the course of the Employment) 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 Chief Financial Officer (CFO) with effect from the Commencement Date.

2.2 Warranty

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

3. DURATION OF THE EMPLOYMENT

3.1 Continuous Employment

The Executive's continuous period of employment with the Company commenced on 21, September 2017.

3.2 Duration and Notice

Subject to the provisions of Clauses 3.3 and 17.1, the Employment shall continue unless and until terminated at any time by:

(a) the Company, which must give to the Executive not less than 12 months' prior written notice of termination of the Employment; or

(b) the Executive, who must give to the Company not less than 12 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, subject to the terms of Clause 3.3.2, 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 make a Notice Payment. If the Company shall decide not to make a Notice Payment, the Executive shall not be entitled to enforce that payment as a contractual debt nor as liquidated damages.

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 he would have received or would have accrued to him 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 his employment (including both contractual and statutory employment claims). 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 he 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 12 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 income from the alternative employment.

3.4.3 If the Executive obtains alternative employment that is to commence during the Instalment Period, he will immediately advise the Company of that fact and of his 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 he shall work normal business hours together with such additional hours as are necessary for the proper performance of his 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 his working time is not measured or predetermined.

4.3 Place of Work

4.3.1 The Executive's place of work is 20, Eastbourne Terrace, W2 6LG London and his principal residence, as desired, 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 his 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, unless personally requested by the Executive and agreed by the employer.

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 his 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 him, 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 Chief Executive Officer of all matters with which he is involved. He 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 he is a director;

(d) do, or refrain from doing, such things as are necessary or expedient to ensure compliance by himself and any Group Company with applicable law and regulations;

(e) ensure compliance with the UK Corporate Governance Code, if applicable;

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

(g) refrain from doing anything which would cause him to be disqualified from acting as a director;

(h) do, or refrain from doing, such things as are necessary or expedient to ensure compliance by himself 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);

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

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

(k) promptly disclose to the Company 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;

(l) 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

(m) 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 his normal duties or authorisations or is of an unusual or onerous or long-term nature.

5.2 Directorships

The Executive may be required to act as a director of a Group Company (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.

5.3 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 him to perform only such duties, specific projects or tasks as are assigned to him 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 his own account or on behalf of any other person.

5.3.3 During Garden Leave, the Executive will continue to receive his 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 on a condition that notice of termination has been given by either party.

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 £330,000 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 directors' 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; however, the Company is not obliged to increase the Basic Salary at any review.

6.3 Discretionary Bonus

6.3.1 The Company may, at its sole discretion, 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 65% of his 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 Company, or if applicable to the Executive, the Compensation Committee, in its sole discretion.

6.3.2 The actual amount of any Bonus payable will be determined by reference to the achievement of performance objectives, which may include both Company and personal performance objectives. The Compensation Committee, if applicable to the Executive, will determine appropriate Company 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 Long Term Incentive Plan (LTIP)

6.4.1 The Executive will be eligible to participate in the Company's LTIP and receive Share Incentives with a market value of at least $1,000,000 in any calendar year commencing in 2022, as determined at the sole discretion of the Compensation Committee and subject always to the terms of any award agreement and the applicable Share Incentive plan.

6.4.2 Where the Employment is terminated for whatever reason and whether or not in breach of contract the Executive shall not be entitled, and by accepting any award of Share Incentives the Executive shall be deemed irrevocably to have waived any entitlement, by way of compensation for loss of office or otherwise to any sum or other benefits to compensate him for the loss

6.5 Corporate Governance

All payments and/or benefits payable to the Executive are subject to and conditional upon: (i) the terms of applicable Company policies, including, but not limited to, the LivaNova Compensation Recoupment Policy, in such form as it may exist from time to time, 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 Company may require) the amount of all out-of-pocket expenses reasonably and properly incurred by him in the proper discharge of his 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 and Charge Cards

In the event that the Company issues a Company-sponsored credit or charge card to the Executive, he 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 him under this Agreement any sums due by him to the Company including, without limitation, any debits to his Company credit or charge card not authorised by the Company, the Executive's pension contributions (if any), any overpayments, loans or advances made to him by the Company, the cost of repairing any damage or loss to the Company's property caused by him and any losses suffered by the Company as a result of any negligence or breach of duty by the Executive.

9. COMPANY CAR

The Executive may choose to receive a cash allowance of £1,100 per month, subject to normal tax withholdings, in lieu of a Company vehicle. This amount is also subject to company car policy changes.

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. 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 monthly 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 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 him 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 17, the Executive (and his spouse and children up to the age of 18 in respect of private medical insurance) 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 his family's participation as applicable) is subject to the Company's rules regarding eligibility and the rules, terms and conditions of the relevant Health Care Scheme, both in force from time to time;

(b) the Company reserves the right to terminate the Executive's (or his family's, as applicable) or the Company's participation in any of the Health Care Schemes, substitute a new scheme for an existing Scheme and/or alter the level or type of benefits available under any Health Care 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 family) 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 17 may result in the Executive or his family ceasing to be eligible to receive or continue to receive benefits under any Health Care Scheme does not remove the Company's right to terminate the Employment; and

(e) the Executive's acceptance of such variations to his 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 Health Care Schemes will be subject to the deductions required by law.

11.2.2 Where payments are made under a private healthcare insurance 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. HOLIDAYS

12.1 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 Executive Officer of the Company.

12.2 Annual Entitlement

12.2.1 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.

12.2.2 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.

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

12.3 Holiday Entitlement on Termination

12.3.1 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.

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

13. ABSENCE

13.1 Absence Due to Sickness or Injury

13.1.1 If the Executive is absent from work due to sickness or injury he shall:

(a) immediately inform the Company of his 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.

13.1.2 Failure to follow the requirements referred to in Clause 13.1.1 may result in disciplinary action and loss of Statutory Sick Pay and/or Company Sick Pay pursuant to Clause 13.2.

13.2 Payment of Salary during Absence

13.2.1 Subject to the Executive complying with the terms of Clause 13.1.1, 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 three months in any period of 12 consecutive months (the 12-month period being referred to as the "Entitlement Period") unless the Employment is terminated in terms of Clauses 3 or 17. 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.

13.2.2 Payment of the Basic Salary in terms of Clause 13.2.1 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.

13.3 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 13.2 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 him in respect of loss of earnings during the period of absence under any compromise, settlement or judgment; and

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

14. RESTRICTIONS DURING EMPLOYMENT

14.1 Disclosure of Other Interests

The Executive shall disclose to the Company any interest of his own (or that of his partner or of any child of his or of his partner under 18 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.

14.2 Restrictions on Other Activities and Interests of the Executive

14.2.1 During the Employment, the Executive shall not at any time, without the prior written consent of the Company, 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 14.2.1 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 Company to the acquisition or variation of such holding.

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

14.3 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 he (or any person in which he is interested) obtains any Gratuity, he shall account to the Company for the amount received by him (or a due proportion of the amount received by the person having regard to the extent of his interest therein).

14.4 Dealing in Securities

The Executive shall comply with every rule of law (including but not limited to the insider dealing provisions contained in the U.S. Securities and Exchange Commission's Rule 10b-5 under the Securities and Exchange Act of 1934, as amended, and Part V of the U.K. Criminal Justice Act 1993), the NASDAQ Stock Market listing rules and every policy 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. To the extent applicable to the Executive, 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 the Executive must seek to ensure compliance with this Clause 14.4 by 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 this Clause 14.4.

14.5 Compliance with the Code on Corporate Governance

The Executive shall comply, if and to the extent that the Board considers appropriate for 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).

15. CONFIDENTIALITY AND COMPANY DOCUMENTS

15.1 Restrictions on Disclosure and Use of Confidential Information

The Executive must not either during the Employment (except in the proper performance of his 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 his 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. Nothing in this Agreement shall prevent the Executive from making a protected disclosure.

15.2 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 Date, the Executive shall be provided with reasonable access to board minutes and agendas of any Group Company relating to a period during which he was a director of such Group Company that shall nevertheless remain confidential.

16. INVENTIONS AND OTHER WORKS

16.1 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.

16.2 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.

16.3 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.

16.4 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 that he 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.

16.5 Power of Attorney

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

16.6 Statutory Rights

Nothing in this Clause 16 shall be construed as restricting the rights of the Executive or the Company under sections 39 to 43 Patents Act 1977.

17. TERMINATION

17.1 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 that tends to bring himself 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 Company; or

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

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

(e) if his 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 he is found guilty of any criminal offence punishable by imprisonment (whether or not such sentence is actually imposed); or

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

(g) if he 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 any regulatory authority relevant to the Company or any Group Company or any policy issued by the Company or any Group Company (as amended from time to time); or

(i) the expiration of three months following notice in writing if the Executive has been prevented by reason of ill health, injury or some other reason beyond his control from performing his duties under this Agreement for a period or periods aggregating at least ninety days in the preceding period of twenty-four consecutive months, provided that if at any time during the period of such notice and before the termination of the Employment the Executive shall provide a medical certificate satisfactory to the Company to the effect that he has fully recovered his physical and/or mental health and that no recurrence of illness or incapacity can reasonably be anticipated, the Company shall withdraw the notice.

17.2 **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 17.1 without prior notice and without holding a hearing or inviting any representations from the Executive.

17.3 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), he shall be deemed to have terminated the Employment with effect from the date of his 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.

17.4 No Damages or Payment in Lieu of Notice

In the event of the Employment being terminated pursuant to Clause 17.1 or 17.3, 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.

18. EVENTS UPON TERMINATION

18.1 Obligations upon termination

Immediately upon the termination of the Employment howsoever arising, the Executive shall:

(a) deliver to the Company all Works, materials within the scope of Clause 15.2 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 him 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 his name and on his behalf necessary to give effect thereto.

19. RESTRICTIONS AFTER TERMINATION

19.1 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 him by law, he will be bound by the covenants and undertakings contained in Clauses 19.2 to 19.5. In this Clause 0, 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 12 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 his 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 he 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 19.4, continuing for 12 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 he 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 he 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.

19.2 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 himself, through his employees or agents or otherwise and whether on his 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 material 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.

19.3 Application of Restrictive Covenants to Other Group Companies

Clause 19.2 shall also apply as though references to the "Company" in Clauses 19.1 and 19.2 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 19.3 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.

19.4 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 12 months and if the aggregate of the two periods would exceed 12 months, the Restricted Period shall be reduced accordingly.

19.5 Further Undertakings

The Executive hereby undertakes to the Company that he 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.

19.6 Severance

The restrictions in this Clause 0 (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.

20. 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.

21. DISCIPLINARY AND GRIEVANCE PROCEDURE

21.1 Disciplinary Procedures and Grievance Procedures

21.1.1 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).

21.1.2 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, he should follow the procedures set out in the Company's grievance policy.

22. GENERAL

22.1 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.

22.2 No Collective Agreements

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

23. DATA PROTECTION AND PRIVACY

23.1 Data Protection

The Company will process personal information relating to the Executive in accordance with applicable data protection laws as set out in the Company's privacy notice as updated from time to time, including where this is necessary due to changes to the Company's data processing practices or activities. The Company will make this privacy notice available to the Executive throughout the course of the Employment.

The Executive is required to review the Company's data protection policies from time to time, (the "Data Protection Policies"). The Executive shall comply with the Company's Data

Protection Policies when handling personal information in the course of the Employment including personal information relating to any employee, worker, contractor, customer, client, supplier, or agent of the Company. Failure to comply with the Company's Data Protection Policies may be dealt with under the Company's disciplinary procedure and, in serious cases, may be treated as gross misconduct leading to termination without notice.

The Executive is referred to the Company's privacy notice for details of his rights under applicable data protection laws, including his rights to access, object to, or rectify the data concerning him.

23.2 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.

24. AMENDMENTS, WAIVERS AND REMEDIES

24.1 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.

24.2 Waivers and Remedies Cumulative

24.2.1 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.

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

24.2.3 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.

25. ENTIRE AGREEMENT

25.1.1 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, including the Executive's prior employment agreement with Livanova dated 21, September 2017.

25.1.2 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.

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

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

26. NO OUTSTANDING CLAIMS

The Executive hereby acknowledges that he 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).

27. 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.

28. NOTICE

28.1 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 his 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 9:00 a.m. on a business day, the notice shall be deemed to have been received at 9:00 a.m. on that day, and if deemed receipt occurs after 5:00 p.m. 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 a.m. 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.

29. GOVERNING LAW AND JURISDICTION

29.1 Governing Law

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

29.2 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
DAMIEN McDONALD,
Chief Executive Officer,
for and on behalf of
LIVANOVA PLC
in the presence of a Witness

/s/ Damien McDonald
Damien McDonald

/s/ Jaimie Hartridge
Witness

Full Name: Jaimie Hartridge

Address: 20 Eastbourne Terrace
London
W26LG

EXECUTED as a Deed by
ALEX SHVARTSBURG
in the presence of a Witness

/s/ Alex Shvartsburg
Alex Shvartsburg

/s/ Jaimie Hartridge
Witness

Full Name: Jaimie Hartridge

Address: 20 Eastbourne Terrace
London
W26LG

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Damien McDonald, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 of 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 Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) and internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) for the registrant and have:

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

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

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

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

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

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

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

Date: July 28, 2021

/s/ DAMIEN MCDONALD
Damien McDonald
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Alex Shvartsburg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 of 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 Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) and internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) for the registrant and have:

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

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

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

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

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

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

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

Date: July 28, 2021

/s/ ALEX SHVARTSBURG
Alex Shvartsburg
Chief Financial Officer
(Principal Accounting and 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

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of Damien McDonald, Chief Executive Officer of LivaNova PLC (the "Company"), and Alex Shvartsburg, 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 quarterly period ended June 30, 2021, 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: July 28, 2021

/s/ DAMIEN MCDONALD
Damien McDonald
Chief Executive Officer
(Principal Executive Officer)

/s/ ALEX SHVARTSBURG
Alex Shvartsburg
Chief Financial Officer
(Principal Accounting and 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.