UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 March 31, 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 NO. 0-26224

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware	**51-0317849**
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	**(I.R.S. EMPLOYER IDENTIFICATION NO.)**
1100 Campus Road **Princeton , New Jersey** **(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)**	**08540** **(ZIP CODE)**

Registrant's Telephone Number, Including Area Code: (609) 275-0500

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report:

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

TITLE OF EACH CLASS	TRADING SYMBOL	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, Par Value $.01 Per Share	IART	Nasdaq Global Select 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 ☒

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☒

The number of shares of the registrant's Common Stock, $0.01 par value, outstanding as of April 27, 2021 was 84,549,309.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME / (LOSS)
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2021	**2020**
Total revenue, net	$ 360,071	$ 354,324
Costs and expenses:		
Cost of goods sold	145,823	133,476
Research and development	22,374	20,816
Selling, general and administrative	156,633	165,952
Intangible asset amortization	4,527	6,977
Total costs and expenses	329,357	327,221
Operating income	30,714	27,103
Interest income	1,748	2,570
Interest expense	(12,929)	(17,752)
Gain from the sale of business	42,876	—
Other income (expense), net	4,869	(479)
Income before income taxes	67,278	11,442
Provision for income taxes	21,884	2,262
Net income	$ 45,394	$ 9,180
Net income per share		
Basic	$ 0.54	$ 0.11
Diluted	$ 0.53	$ 0.11
Weighted average common shares outstanding (See Note 13):		
Basic	84,500	85,188
Diluted	85,258	85,892
Comprehensive income (loss) (See Note 14)	75,826	(19,007)

The accompanying unaudited notes are an integral part of these condensed consolidated financial statements.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except per share amounts)

	March 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 408,976	$ 470,166
Trade accounts receivable, net of allowances of $6,886 and $6,439	223,542	225,532
Inventories, net	328,049	310,117
Prepaid expenses and other current assets	78,508	69,282
Assets held for sale	—	162,105
Total current assets	1,039,075	1,237,202
Property, plant and equipment, net	296,193	287,529
Right of use asset - operating leases	91,174	83,635
Intangible assets, net	1,193,681	989,436
Goodwill	1,010,072	932,367
Deferred tax assets, net	74,626	73,690
Other assets	36,733	11,277
Total assets	$ 3,741,554	$ 3,615,136
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of borrowings under senior credit facility	$ 45,000	$ 33,750
Current portion of borrowings under securitization facility	110,900	112,500
Current portion of lease liability - operating leases	13,900	12,818
Accounts payable, trade	61,500	54,608
Income taxes payable	13,700	—
Contract liabilities	5,400	5,275
Accrued compensation	65,442	76,117
Accrued expenses and other current liabilities	96,459	94,194
Liabilities held for sale	—	11,751
Total current liabilities	412,301	401,013
Long-term borrowings under senior credit facility	922,672	933,387
Long-term convertible securities	562,240	474,834
Lease liability - operating leases	95,549	88,118
Deferred tax liabilities	65,282	16,190
Other liabilities	154,179	186,727
Total liabilities	2,212,223	2,100,269
Stockholders' equity:		
Preferred stock; no par value; 15,000 authorized shares; none outstanding	—	—
Common stock; $0.01 par value; 240,000 authorized shares; 89,406 and 89,251 issued at March 31, 2021 and December 31, 2020, respectively	894	893
Additional paid-in capital	1,231,637	1,290,909
Treasury stock, at cost; 4,899 shares and 4,914 shares at March 31, 2021 and December 31, 2020, respectively	(234,461)	(235,141)
Accumulated other comprehensive loss	(43,627)	(74,059)
Retained earnings	574,888	532,265
Total stockholders' equity	1,529,331	1,514,867
Total liabilities and stockholders' equity	$ 3,741,554	$ 3,615,136

The accompanying unaudited notes are an integral part of these condensed consolidated financial statements.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands)

	Three Months Ended March 31,	
	2021	**2020**
OPERATING ACTIVITIES:		
Net income	$ 45,394	$ 9,180
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	29,214	29,151
Non-cash impairment charges	2,754	—
Deferred income tax (benefit) provision	(1,234)	5,068
Share-based compensation	6,334	3,750
Amortization of debt issuance costs and expenses associated with debt refinancing	1,721	4,246
Non-cash lease expense	1,522	178
Accretion of bond issuance discount	—	2,529
Loss on disposal of property and equipment	(2)	374
Gain from the sale of business	(42,876)	—
Change in fair value of contingent consideration and others	281	(1,051)
Changes in assets and liabilities:		
Accounts receivable	16,756	28,301
Inventories	(2,332)	(26,236)
Prepaid expenses and other current assets	(3,574)	4,683
Other non-current assets	10,419	3,000
Accounts payable, accrued expenses and other current liabilities	14,449	(40,413)
Contract liabilities	(83)	338
Other non-current liabilities	(9,662)	(2,284)
Net cash provided by operating activities	69,081	20,814
INVESTING ACTIVITIES:		
Purchases of property and equipment	(6,675)	(16,519)
Proceeds from sale of Extremity Orthopedics business	191,736	—
Proceeds from sale of property and equipment	—	34
Cash (paid) provided for business acquisitions, net of cash acquired	(302,627)	—
Acquired in-process research and development	—	(5,000)
Net cash used in investing activities	(117,566)	(21,485)
FINANCING ACTIVITIES:		
Proceeds from borrowings of long-term indebtedness	600	113,200
Payments on debt	(2,200)	(344,200)
Purchase of option hedge on convertible notes	—	(104,248)
Proceeds from convertible notes issuance	—	575,000
Proceeds from sale of stock purchase warrants	—	44,562
Payment of debt issuance costs	—	(20,264)
Purchases of treasury stock	—	(100,000)
Proceeds from exercised stock options	2,222	2,303
Cash taxes paid in net equity settlement	(3,637)	(4,348)
Net cash (used) provided by financing activities	(3,015)	162,005
Effect of exchange rate changes on cash and cash equivalents	(9,690)	(2,533)
Net increase in cash and cash equivalents	(61,190)	158,801
Cash and cash equivalents at beginning of period	470,166	198,911
Cash and cash equivalents at end of period	$ 408,976	$ 357,712

The accompanying unaudited notes are an integral part of these condensed consolidated financial statements.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended March 31, 2021							
	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
	Shares	Amount	Shares	Amount				
	(In thousands)							
Balance, January 1, 2021	89,251	$ 893	(4,914)	$ (235,141)	$ 1,290,908	$ (74,059)	$ 532,266	$ 1,514,867
Net income	—	—	—	—	—	—	45,394	45,394
Other comprehensive income (loss), net of tax	—	—	—	—	—	30,432	—	30,432
Issuance of common stock through employee stock purchase plan	18	—	—	—	1,127	—	—	1,127
Issuance of common stock for vesting of share based awards, net of shares withheld for taxes	137	1	15	680	(3,222)	—	—	(2,541)
Share-based compensation	—	—	—	—	6,098	—	—	6,098
Adoption of Update No. 2020-06	—	—	—	—	(63,274)	—	(2,772)	(66,046)
Balance, March 31, 2021	89,406	894	(4,899)	(234,461)	1,231,637	(43,627)	574,888	1,529,331

	Three Months Ended March 31, 2020							
	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
	Shares	Amount	Shares	Amount				
	(In thousands)							
Balance, January 1, 2020	88,735	$ 887	(2,865)	$ (119,943)	$ 1,213,620	$ (76,401)	$ 398,573	$ 1,416,736
Net income	—	—	—	—	—	—	9,180	9,180
Other comprehensive loss, net of tax	—	—	—	—	—	(28,187)	—	(28,187)
Issuance of common stock through employee stock purchase plan	13	—	—	—	694	—	—	694
Issuance of common stock for vesting of share based awards, net of shares withheld for taxes	357	2	10	476	(3,217)	—	—	(2,739)
Share-based compensation	—	—	—	—	3,781	—	—	3,781
Share repurchase and equity component of the convertible note issuance, net	—	—	(135)	(7,632)	42,538	—	—	34,906
Accelerated shares repurchased	—	—	(1,304)	(75,407)	(16,961)	—	—	(92,368)
Adoption of Update No. 2016-13	—	—	—	—	—	—	(200)	(200)
Balance, March 31, 2020	89,105	$ 889	(4,294)	$ (202,506)	$ 1,240,455	$ (104,588)	$ 407,553	$ 1,341,803

The accompanying unaudited notes are an integral part of these condensed consolidated financial statements.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

General

The terms “we,” “our,” “us,” “Company” and “Integra” refer to Integra LifeSciences Holdings Corporation, a Delaware corporation, and its subsidiaries unless the context suggests otherwise.

In the opinion of management, the March 31, 2021 unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the financial position, statement of changes in shareholder's equity, results of operations and cash flows of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2020 included in the Company’s Annual Report on Form 10-K. The December 31, 2020 consolidated balance sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. Operating results for the three month period ended March 31, 2021 are not necessarily indicative of the results to be expected for the entire year.

The preparation of consolidated financial statements is in conformity with generally accepted accounting principles in the United States ("GAAP") which requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Significant estimates affecting amounts reported or disclosed in the consolidated financial statements include allowances for doubtful accounts receivable and sales returns and allowances, net realizable value of inventories, valuation of intangible assets including amortization periods for acquired intangible assets, discount rates and estimated projected cash flows used to value and test impairments of long-lived assets and goodwill, estimates of projected cash flows and depreciation and amortization periods for long-lived assets, computation of taxes, valuation allowances recorded against deferred tax assets, the valuation of stock-based compensation, valuation of derivative instruments, valuation of contingent liabilities, the fair value of debt instruments and loss contingencies. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the current circumstances. Actual results could differ from these estimates.

Risks and Uncertainties

The Company is subject to risks and uncertainties as a result of the COVID-19 pandemic. The extent of the impact of the COVID-19 pandemic on the Company's business is highly uncertain and difficult to predict, as the responses to the pandemic and information is rapidly evolving. During the beginning of 2020, the Company's customers diverted resources to treat COVID-19 patients and deferred or canceled elective or non-emergent surgical procedures, all of which impacted hospitals' abilities to meet their obligations, including to the Company. Towards the end of 2020 and during the first quarter of 2021, procedural volumes relevant to the Company’s products steadily increased and, in some geographic areas, began to approach normalized levels. However, on-going uncertainty persists about the continuing sustainability of those procedural volumes as virus outbreaks constrain healthcare networks. Furthermore, capital markets and economies worldwide have also been negatively impacted by the COVID-19 pandemic, and it is possible that it could cause a local and/or global economic recession. Such economic disruption has had an adverse effect on the Company's business as customers curtailed and reduced capital and overall spending. Policymakers around the globe have responded with fiscal policy actions to support the healthcare industry and the economy as a whole. The magnitude and overall effectiveness of these actions remains uncertain. The severity of the impact of the COVID-19 pandemic on the Company's business will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Company's customers, all of which are uncertain and cannot be predicted with certainty. The Company's future results of operations and liquidity could be adversely impacted by delays in payments of outstanding receivable amounts beyond normal payment terms, supply chain disruptions and uncertain demand, and the impact of any initiatives or programs that the Company may undertake to address financial and operations challenges faced by its customers. During the first quarter of 2021, the Company's revenues were still impacted due to COVID-19 resurgences and lower surgical procedural volumes, though not to the levels seen in early 2020. As a result, the Company has continued to manage its operating costs in this environment. Even after the COVID-19 pandemic and government responses thereto have subsided, residual economic and other effects may have an impact on the demand for post-pandemic surgery levels that are difficult to predict. If the downturn is more severe and prolonged than currently expected, the Company may need to take further steps to reduce costs.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - *Credit Losses (Topic 326)*: Measurement of Credit Losses on Financial Instruments. The ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The ASU requires the measurement of all expected credit losses for financial assets including trade receivables held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. The ASU became effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company adopted this guidance on January 1, 2020 using a modified retrospective transition method which requires a cumulative-effect adjustment to the opening balance of retained earnings to be recognized on the date of adoption with no change to financial results reported in prior periods. The cumulative-effect adjustment recorded on January 1, 2020 is not material. The adoption of this ASU did not have a significant impact on the Company's consolidated financial statements and related disclosures.

The Company's exposure to credit losses may increase if its customers are adversely affected by changes in healthcare laws, coverage, and reimbursement, economic pressures or uncertainty associated with local or global economic recessions, disruption associated with the COVID-19 pandemic, and other customer-specific factors. Although the Company has historically not experienced significant credit losses, it is possible that there could be an adverse impact due to customer and governmental responses to the COVID-19 pandemic.

In August 2018, the FASB issued ASU 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans*. This guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans, including removing certain previous disclosure requirements, adding certain new disclosure requirements, and clarifying certain other disclosure requirements. The ASU is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption was permitted. The Company adopted this guidance during the year ended December 31, 2020. The adoption of this guidance did not have a significant impact on the Company's consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software* (Subtopic 350-40), relating to a customer's accounting for implementation, set-up, and other upfront costs incurred in a cloud computing arrangement that is hosted by a vendor (e.g., a service contract). Under this guidance, a customer will apply the same criteria for capitalizing implementation costs as it would for an arrangement that has a software license. The new guidance also prescribes the balance sheet, income statement, and cash flow classification of the capitalized implementation costs and related amortization expense, and requires additional quantitative and qualitative disclosures. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company adopted this guidance on January 1, 2020 using a prospective transition method. The adoption of this guidance did not have a significant impact on the Company's consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes:* Simplifying the Accounting for Income Taxes, intended to simplify the accounting for income taxes by eliminating certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. This guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard is effective for annual periods beginning after December 15, 2020 and interim periods within, with early adoption permitted. The Company adopted ASU No. 2019-12 as of January 1, 2021. Adoption of the standard requires certain changes to be made prospectively, with some changes to be made retrospectively. The adoption of this guidance did not have a material impact on the Company's results or financial position.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform*, which provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. This amendment applies to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference London Inter-Bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. This ASU is effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. In January 2021, the FASB also issued ASU 2021-01, Reference Rate Reform- Scope which clarified certain optional expedients and exceptions to entities that are affected because of the reference rate reform. The amendments in this ASU affect the guidance in ASU No. 2020-04 and are effective in the same timeframe as ASU No. 2020-04. The Company is currently assessing the impact that this ASU will have on its consolidated financial statements and related disclosures.

In August 2020, the FASB issued 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*. The guidance simplifies accounting for convertible instruments by removing major separation models required under current GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument with no separate accounting for embedded conversion features. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify. The guidance also simplifies the diluted net income per share calculation in certain areas. The ASU will be effective for annual and interim periods beginning after December 15, 2021, and early adoption is permitted for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years using either the modified retrospective or full retrospective method.

As detailed in Note 6 – *Debt*, on February 4, 2020, the Company issued $575.0 million aggregate principal amount of its 0.5% Convertible Senior Notes due 2025 (the "2025 Notes"). The 2025 Notes are subject to the guidance included in ASU 2020-06. The Company adopted this guidance on January 1, 2021 using the modified retrospective approach which resulted in a cumulative-effect adjustment that increased (decreased) the following consolidated balance sheet accounts:

ADJUSTMENT	CONSOLIDATED BALANCE SHEET CLASSIFICATION		AMOUNT (in millions)
Deferred tax impact of cumulative-effect adjustment	Deferred tax liabilities	$	(20.6)
Debt discount reclassification	Long-term convertible securities		89.1
Equity issuance costs reclassification	Long-term convertible securities		(2.5)
Debt discount amortization and equity costs reclassification, net of tax	Retained Earnings		(2.8)
Net impact of cumulative-effect adjustment	Additional paid-in capital		(63.3)

Upon adoption of this ASU No. 2020-06, the Company’s Convertible Senior Notes were reflected entirely as a liability since the embedded conversion feature will no longer be separately presented within stockholders’ equity. On December 9, 2020, the Company made an irrevocable election under the indenture to require the principal portion of its convertible senior notes to be settled in cash and any excess in shares. Following the irrevocable notice, only the amounts settled in excess of the principal will be considered in diluted earnings per share under the “if-converted” method. Additionally, from January 1, 2021, the Company is no longer incurring non-cash interest expense for the amortization of debt discount, therefore the interest expense for the 2025 Notes, which is included in the interest expense on the consolidated statements of operations and comprehensive loss, is lower as compared to the fiscal year of 2020.

In October 2020, the FASB issued ASU 2020-10, *Codification Improvements*, which updates various codification topics by clarifying or improving disclosure requirements to align with the SEC’s regulations. The ASU will be effective for the Company for annual and interim periods beginning after beginning January 1, 2021. The Company adopted this standard on the January 1, 2021. The adoption of this guidance did not have a material impact on the Company's results, financial position or disclosures.

There are no other recently issued accounting pronouncements that are expected to have any significant effect on the Company's financial position, results of operations or cash flows.

2. ACQUISITIONS AND DIVESTITURES

Sale of Extremity Orthopedics Business

On January 4, 2021, the Company completed its previously announced sale of its Extremity Orthopedics business to Smith & Nephew USD Limited ("Smith & Nephew"). The transaction included the sale of the Company's upper and lower Extremity Orthopedics product portfolio, including ankle and shoulder arthroplasty and hand and wrist product lines. The Company received an aggregate purchase price of $240.0 million from Smith and Nephew and concurrently paid $41.5 million to the Consortium of Focused Orthopedists, LLC ("CFO") effectively terminating the licensing agreement between Integra and CFO relating to the development of shoulder arthroplasty products.

Assets and liabilities divested consisted of the following as of December 31, 2020 (amounts in thousands):

Prepaid expenses and other current assets	$	713
Right of use asset-operating leases and Other assets		3,186
Deferred tax assets		6,589
Intangible assets, net		13,332
Property, plant and equipment, net		37,893
Goodwill		47,546
Inventories		52,845
Total assets held for sale	$	162,104
Other liabilities		336
Current portion of lease liability - operating leases		539
Accrued compensation		1,767
Deferred tax liabilities		3,440
Lease liability - operating leases		5,669
Total liabilities held for sale	$	11,751

The Divestiture does not represent a strategic shift that will have a major effect on the Company's operations and financial statements. Goodwill was allocated to the assets and liabilities divested using the relative fair value method of the Extremity Orthopedics business to the Company's Tissue Technologies reporting unit. The Company recognized a gain of $42.9 million in connection with the sale that is presented in Gain from the sale of business in the consolidated statement of operations for the three months ended March 31, 2021. The net proceeds are subject to adjustments based on changes in the actual closing net working capital.The purchase price is preliminary pending finalization of potential working capital adjustments.

The Company also entered into a transition services agreement ("TSA") with Smith & Nephew which requires the Company to provide certain services on behalf of Smith & Nephew for the duration of the period subsequent to the sale of the business as defined in the agreement. The Company recognized a payable due to Smith & Nephew of $9.0 million, included in the consolidated balance sheet within accrued expenses and other current liabilities respectively.

ACell Inc. Acquisition

On January 20, 2021, the Company acquired ACell Inc. (the "ACell Acquisition") for an acquisition purchase price of $305.4 million plus contingent consideration of up to $100 million, that may be payable upon achieving certain revenue-based performance milestones in 2022, 2023 and 2025. The purchase price is subject to adjustments based on changes in the actual closing net working capital. The consideration is preliminary pending finalization of potential working capital adjustments. ACell was a privately-held company that offered a portfolio of regenerative products for complex wound management, including developing and commercializing products based on MatriStem Urinary Bladder Matrix ("UBM"), a technology platform derived from porcine urinary bladder extracellular matrix.

Assets Acquired and Liabilities Assumed at Fair Value

The ACell Acquisition has been accounted for using the acquisition method of accounting. This method requires that assets acquired and liabilities assumed in a business combination are recognized at their fair values as of the acquisition date. As of March 31, 2021, certain amounts relating to the valuation of intangible assets and tax related matters have not been finalized. The finalization of these matters may result in changes to goodwill.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the acquisition date:

	Preliminary Valuation	Weighted Average Life
	(In thousands)	
Current assets:		
Cash	$ 2,726	
Trade accounts receivable, net	16,469	
Inventories, net	18,299	
Prepaids expenses and other current assets	1,498	
Total current assets	38,992	
Property, plant and equipment, net	13,769	
Intangible assets	245,000	13-14 years
Goodwill	92,983	
Right of use asset - operating leases	9,259	
Deferred tax assets	9,768	
Other assets	148	
Total assets acquired	**409,919**	
Current liabilities:		
Accounts payable	$ 718	
Accrued expenses	6,227	
Current portion of lease liability - operating leases	1,673	
Total current liabilities	8,618	
Other long-term liability	276	
Lease liability - operating leases	7,585	
Deferred tax liability	64,178	
Contingent consideration	23,900	
Total liabilities assumed	**104,557**	
Net assets acquired	**$ 305,362**	

Intangible Assets

The estimated fair value of the developed technology acquired was determined using the multi-period excess earnings method of the income approach, which estimates value based on the present value of future economic benefits. Some of the more significant assumptions inherent in the development of those asset valuations include the estimated net cash flows for each year for each product including net revenues, cost of sales, R&D costs, selling and marketing costs, working capital, and contributory asset charges, the appropriate discount rate to select in order to measure the risk inherent in each future cash flow stream, the assessment of each asset's life cycle, and competitive trends impacting the asset and each cash flow stream.

The Company used a discount rate of 8.5% to arrive at the present value for the acquired intangible assets to reflect the rate of return a market participant would expect to earn and incremental commercial uncertainty in the cash flow projections. No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change. For these and other reasons, actual results may vary significantly from estimated results.

Goodwill

The Company allocated goodwill related to the ACell Acquisition to the Tissue Technologies segment. Goodwill is the excess of the consideration transferred over the net assets recognized and represents the expected synergies of the combined company and assembled workforce. Goodwill recognized as a result of this acquisition is non-deductible for income tax purposes.

Contingent Consideration

As part of the acquisition, the Company is required to pay the former shareholders of ACell up to $100 million based on the achievement of certain revenue-based performance milestones in 2022, 2023, and 2025. The Company used iterations of the Monte Carlo simulation to calculate the fair value of the contingent consideration that considered the possible outcomes of

scenarios related to each specific milestone. The Company estimated the fair value of the contingent consideration to be $23.9 million at the acquisition date.

The Company determines the acquisition date fair value of contingent consideration obligations using a Monte Carlo simulation, as well as significant unobservable inputs, reflecting the Company's assessment of the assumptions market participants would use to value these liabilities. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined using the fair value concepts in ASC 820. The resultant most likely payouts are discounted using an appropriate effective annual interest rate. At each reporting date, the contingent consideration obligation will be revalued to estimated fair value and changes in fair value will be reflected as income or expense in our consolidated statement of operations. Changes in the fair value of the contingent considerations may result from changes in discount periods and rates and changes in the timing and amount of revenue estimates. Adverse changes in assumptions utilized in the contingent consideration fair value estimates could result in an increase in the contingent consideration obligation and a corresponding charge to operating results.

Deferred Tax Liabilities

Deferred tax liabilities result from identifiable intangible assets' fair value adjustments. These adjustments create excess book basis over tax basis which is tax-effected by the statutory tax rates of applicable jurisdictions.

Pro forma revenues for the three months ended March 31, 2021 and 2020 were $364.7 million and $377.3 million, respectively. Pro forma net income and earnings per share are not presented for this acquisition as they are not material.

3. REVENUES FROM CONTRACTS WITH CUSTOMERS

Summary of Accounting Policies on Revenue Recognition

Revenue is recognized upon the transfer of control of promised products or services to the customers in an amount that reflects the consideration the Company expects to receive in exchange for those products and services.

Performance Obligations

The Company's performance obligations consist mainly of transferring control of goods and services identified in the contracts, purchase orders, or invoices. The Company has no significant multi-element contracts with customers.

Significant Judgments

Usage-based royalties and licenses are estimated based on the provisions of contracts with customers and recognized in the same period that the royalty-based products are sold by the Company and the Company's strategic partners. The Company estimates and recognizes royalty revenue based upon communication with licensees, historical information, and expected sales trends. Differences between actual reported licensee sales and those that were estimated are adjusted in the period in which they become known, which is typically the following quarter. Historically, such adjustments have not been significant.

The Company estimates returns, price concessions, and discount allowances using the expected value method based on historical trends and other known factors. Rebate allowances are estimated using the most likely method based on each customer contract.

The Company's return policy, as set forth in its product catalogs and sales invoices, requires review and authorization in advance prior to the return of product. Upon the authorization, a credit will be issued for the goods returned within a set amount of days from the shipment, which is generally ninety days.

The Company disregards the effects of a financing component if the Company expects, at contract inception, that the period between the transfer and customer payment for the goods or services will be one year or less. The Company has no significant revenues recognized on payments expected to be received more than one year after the transfer of control of products or services to customers.

Contract Asset and Liability

Revenues recognized from the Company's private label business that are not invoiced to the customers as a result of recognizing revenue over time are recorded as a contract asset included in the prepaid expenses and other current assets account in the consolidated balance sheet.

Other operating revenues may include fees received under service agreements. Non-refundable fees received under multiple-period service agreements are recognized as revenue as the Company satisfies the performance obligations to the other party. A portion of the transaction price allocated to the performance obligations to be satisfied in the future periods is recognized as contract liability.

The following table summarizes the changes in the contract asset and liability balances for the three months ended March 31, 2021:

Contract Asset		
Contract asset, January 1, 2021	$	7,430
Transferred to trade receivable of contract asset included in beginning of the year contract asset		(7,430)
Contract asset, net of transferred to trade receivables on contracts during the period		6,499
Contract asset, March 31, 2021	$	6,499

Contract Liability		
Contract liability, January 1, 2021	$	11,961
Recognition of revenue included in beginning of year contract liability		(1,677)
Contract liability, net of revenue recognized on contracts during the period		1,604
Foreign currency translation		(22)
Contract liability, March 31, 2021		11,866

At March 31, 2021, the short-term portion of the contract liability of $5.4 million and the long-term portion of $6.5 million were included in accrued expenses and other current liabilities and other liabilities in the consolidated balance sheet.

As of March 31, 2021, the Company is expected to recognize approximately 46% of unsatisfied (or partially unsatisfied) performance obligations as revenue through 2021, with the remaining balance to be recognized in 2022 and thereafter.

Shipping and Handling Fees

The Company elected to account for shipping and handling activities as a fulfillment cost rather than a separate performance obligation. Amounts billed to customers for shipping and handling are included as part of the transaction price and recognized as revenue when control of underlying products is transferred to the customer. The related shipping and freight charges incurred by the Company are included in the cost of goods sold.

Product Warranties

Certain of the Company's medical devices, including monitoring systems and neurosurgical systems, are designed to operate over long periods of time. These products are sold with warranties which may extend for up to two years from the date of purchase. The warranties are not considered a separate performance obligation. The Company estimates its product warranties using the expected value method based on historical trends and other known factors. The Company includes them in accrued expenses and other current liabilities in the consolidated balance sheet.

Taxes Collected from Customers

The Company elected to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the entity from a customer.

Disaggregated Revenue

The following table presents revenues disaggregated by the major sources of revenues for the three months ended March 31, 2021 and 2020 (amounts in thousands):

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Neurosurgery	$ 189,254	$ 184,943
Instruments	51,987	46,497
Total Codman Specialty Surgical	241,241	231,440
Wound Reconstruction and Care[2]	88,698	72,267
Extremity Orthopedics[1]	—	21,472
Private Label	30,132	29,145
Total Tissue Technologies	118,830	122,884
Total revenue	$ 360,071	$ 354,324

[1] On January 4, 2021, the Company completed its previously announced sale of its Extremity Orthopedics business to Smith & Nephew USD Limited. In conjunction with the sale of this business, the Company rebranded the Orthopedics and Tissue Technologies segment as Tissue Technologies in the first quarter of 2021. See Note 2. *Acquisitions and Divestitures*, for details.

[2] On January 20, 2021, the Company acquired ACell Inc. for an acquisition purchase price of $305.4 million plus contingent consideration of up to $100 million, that may be payable upon achieving certain revenue-based performance milestones in 2022, 2023 and 2025.See Note 2. *Acquisitions and Divestitures*, for details.

See Note 15, *Segment and Geographical Information*, for details of revenues based on the location of the customer.

4. INVENTORIES

Inventories, net consisted of the following:

	March 31, 2021	December 31, 2020
	(In thousands)	
Finished goods	$ 191,712	$ 180,301
Work in process	57,173	53,336
Raw materials	79,164	$ 76,480
Total inventories, net	$ 328,049	$ 310,117

At December 31, 2020, $52.8 million of inventories, net was presented separately as "Assets held for sale" in conjunction with the sale of the Extremity Orthopedics business. Further, the increase in inventory at March 31, 2021 as compared to the year ended December 31, 2020, was primarily driven from the inventory acquired in conjunction with the ACell Inc. acquisition. See Note 2, *Acquisitions and Divestitures*, for details.

5. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Changes in the carrying amount of goodwill for the three-month period ended March 31, 2021 were as follows:

	Codman Specialty Surgical	Tissue Technologies	Total
		(In thousands)	
Goodwill at December 31, 2020	$ 671,975	$ 260,392	$ 932,367
ACell Acquisition	—	92,983	92,983
Foreign currency translation	(10,013)	(5,265)	(15,278)
Goodwill at March 31, 2021	$ 661,962	$ 348,110	$ 1,010,072

The components of the Company's identifiable intangible assets were as follows:

	March 31, 2021			
	Weighted Average Life	Cost	Accumulated Amortization	Net
		(Dollars in thousands)		
Completed technology	18 years	1,120,918	(257,360)	863,558
Customer relationships	12 years	212,332	(134,794)	77,538
Trademarks/brand names	28 years	98,533	(28,862)	69,671
Codman tradename	Indefinite	165,091	—	165,091
Supplier relationships	30 years	30,211	(15,447)	14,764
All other	10 years	6,813	(3,754)	3,059
		1,633,898	(440,217)	1,193,681

	December 31, 2020			
	Weighted Average Life	Cost	Accumulated Amortization	Net
		(Dollars in thousands)		
Completed technology	19 years	896,478	(248,088)	648,390
Customer relationships	12 years	213,270	(132,838)	80,432
Trademarks/brand names	28 years	104,209	(31,767)	72,442
Codman tradename	Indefinite	170,226	—	170,226
Supplier relationships	27 years	30,211	(15,203)	15,008
All other [(1)]	4 years	6,693	(3,755)	2,938
		1,421,087	(431,651)	989,436

(1) Prior period amounts were reclassified as it relates to All other within this table to conform to the current period presentation.

The increase in the Company's identifiable intangible assets at March 31, 2021 as compared to the year ended December 31, 2020, was primarily driven from intangible assets acquired in conjunction with the ACell Inc. acquisition. See Note 2, *Acquisitions and Divestitures*, for details.

Based on quarter-end exchange rates, amortization expense (including amounts reported in cost of product revenues) is expected to be approximately $60.7 million for the remainder of 2021, $78.8 million in 2022, $78.0 million in 2023, $77.3 million in 2024, $77.3 million in 2025, $77.2 million in 2026 and $582.7 million thereafter.

6. DEBT

Amendment to the Sixth Amended and Restated Senior Credit Agreement

On February 3, 2020, the Company entered into the sixth amendment and restatement (the "February 2020 Amendment") of its Senior Credit Facility (the "Senior Credit Facility") with a syndicate of lending banks with Bank of America, N.A., as Administrative Agent. The February 2020 Amendment extended the maturity date to February 3, 2025. The Company continues to have the aggregate principal amount of up to approximately $2.2 billion available to it through the following facilities: (i) a $877.5 million Term Loan facility, and (ii) a $1.3 billion revolving credit facility, which includes a $60 million sublimit for the issuance of standby letters of credit and a $60 million sublimit for swingline loans.

On July 14, 2020, the Company entered into an amendment (the "July 2020 Amendment") to the February 2020 Amendment of the Senior Credit Facility to increase financial flexibility in light of the unprecedented impact and uncertainty of the COVID-19 pandemic on the global economy. The July 2020 amendment does not increase the Company's total indebtedness.

In connection with the July 14, 2020 amendment, the Company's maximum consolidated total leverage ratio in the financial covenants (as defined in the Senior Credit Facility) was modified to the following:

Fiscal Quarter	Maximum Consolidated Total Leverage Ratio
Execution of July 2020 Amendment through June 30, 2021	5.50 to 1.00
September 30, 2021 through June 30, 2022	5.00 to 1.00
September 30, 2022 through June 30, 2023	4.50 to 1.00
September 30, 2023 and the last day of each fiscal quarter thereafter	4.00 to 1.00

Borrowings under the Senior Credit Facility bear interest, at the Company's option, at a rate equal to the following:

i. the Eurodollar Rate (as defined in the amendment and restatement) in effect from time to time plus the applicable rate (ranging from 1.00% to 2.25%), or

ii. the highest of:

1. the weighted average overnight Federal funds rate, as published by the Federal Reserve Bank of New York, plus 0.50%
2. the prime lending rate of Bank of America, N.A. or
3. the one-month Eurodollar Rate plus 1.00%

The applicable rates are based on the Company's consolidated total leverage ratio (defined as the ratio of (a) consolidated funded indebtedness as of such date less cash that is not subject to any restriction on the use or investment thereof to (b) consolidated EBITDA as defined by the July 2020 amendment, for the period of four consecutive fiscal quarters ending on such date).

The Company will pay an annual commitment fee (ranging from 0.15% to 0.30%), based on the Company's consolidated total leverage ratio, on the amount available for borrowing under the revolving credit facility.

The Senior Credit Facility is collateralized by substantially all of the assets of the Company's U.S. subsidiaries, excluding intangible assets. The Senior Credit Facility is subject to various financial and negative covenants and at March 31, 2021, the Company was in compliance with all such covenants. In connection with the February 2020 Amendment, the Company capitalized $4.6 million of financing costs in connection with modification of the Senior Credit Facility and wrote off $1.2 million of previously capitalized financing costs during the first quarter of 2020. In connection with the July 2020 amendment, the Company expensed $3.3 million of incremental financing costs in connection with the modification of the Senior Credit Facility during the third quarter of 2020.

At March 31, 2021 and December 31, 2020, there was $97.5 million outstanding under the revolving credit component of the Senior Credit Facility at weighted average interest rates of 1.5%. At March 31, 2021 and December 31, 2020, there was $877.5 million outstanding under the Term Loan component of the Senior Credit Facility at a weighted average interest rate of 1.5%. At March 31, 2021, $45.0 million of the Term Loan component of the Senior Credit Facility is classified as current on the consolidated balance sheet as the first mandatory repayment is due June 30, 2021.

The fair value of outstanding borrowings of the Senior Credit Facility's revolving credit and Term Loan components at March 31, 2021 were $98.5 million and $884.9 million, respectively. These fair values were determined by using a discounted cash flow model based on current market interest rates available to the Company. These inputs are corroborated by observable market data for similar liabilities and therefore classified within Level 2 of the fair value hierarchy. Level 2 inputs represent inputs that are observable for the asset or liability, either directly or indirectly, and are other than active market observable inputs that reflect unadjusted quoted prices for identical assets or liabilities.

Letters of credit outstanding as of March 31, 2021 and December 31, 2020 totaled $1.6 million. There were no amounts drawn as of March 31, 2021.

Contractual repayments of the Term Loan component of the Senior Credit Facility are due as follows:

Quarter Ended March 31, 2021		Principal Repayment (In thousands)
Remainder of 2021	$	33,750
2022		45,000
2023		61,875
2024		67,500
2025		669,375
	$	877,500

The outstanding balance of the revolving credit component of the Senior Credit Facility is due on February 3, 2025.

Convertible Senior Notes

On February 4, 2020, the Company issued $575.0 million aggregate principal amount of its 0.5% Convertible Senior Notes due 2025 (the "2025 Notes"). The 2025 Notes will mature on August 15, 2025 and bear interest at a rate of 0.5% per annum payable semi-annually in arrears, unless earlier converted, repurchased or redeemed in accordance with the terms of the Notes. The portion of debt proceeds that was classified as equity at the time of the offering was $104.5 million. The effective interest rate implicit in the liability component was 4.2%. In connection with this offering, the Company capitalized $13.2 million of financing fees.

The 2025 Notes are senior, unsecured obligations of the Company, and are convertible into cash and shares of its common stock based on initial conversion rate, subject to adjustment of 13.5739 shares per $1,000 principal amounts of the 2025 Notes (which represents an initial conversion price of $73.67 per share). The 2025 Notes convert only in the following circumstances: (1) if the closing price of the Company's common stock has been at least 130% of the conversion price during the period; (2) if the average trading price per $1000 principal amount of the 2025 Notes is less than or equal to 98% of the average conversion value of the 2025 Notes during a period as defined in the indenture; (3) at any time on or after February 20, 2023; or (4) if specified corporate transactions occur. As of March 31, 2021, none of these conditions existed with respect to the 2025 Notes and as a result the 2025 Notes are classified as long term.

On December 9, 2020, the Company entered into the First Supplemental Indenture to the original agreement dated as of February 4, 2020 between the Company and Citibank, N.A., as trustee, governing the Company’s outstanding 2025 Notes. The Company irrevocably elected (1) to eliminate the Company’s option to choose physical settlement on any conversion of the 2025 Notes that occurs on or after the date of the First Supplemental Indenture and (2) with respect to any Combination Settlement for a conversion of the 2025 Notes, the Specified Dollar Amount that will be settled in cash per $1,000 principal amount of the 2025 Notes shall be no lower than $1,000.

Holders of the Notes will have the right to require the Company to repurchase for cash all or a portion of their Notes at 100% of their principal amount, plus any accrued and unpaid interest, upon the occurrence of a fundamental change (as defined in the indenture relating to the Notes). The Company will also be required to increase the conversion rate for holders who convert their Notes in connection with certain fundamental changes occurring prior to the maturity date or following delivery by the Company of a notice of redemption.

In connection with the issuance of the 2025 Notes, the Company entered into call transactions and warrant transactions, primarily with affiliates of the initial purchasers of the 2025 Notes (the “hedge participants”). The cost of the call transactions was $104.2 million for the 2025 Notes. The Company received $44.5 million of proceeds from the warrant transactions for the 2025 Notes. The call transactions involved purchasing call options from the hedge participants, and the warrant transactions involved selling call options to the hedge participants with a higher strike price than the purchased call options. The initial strike price of the call transactions was $73.67, subject to anti-dilution adjustments substantially similar to those in the 2025 Notes. The initial strike price of the warrant transactions was $113.34 for the 2025 Notes, subject to customary anti-dilution adjustments.

At December 31, 2020, the carrying amount of the liability component was $485.9 million, the remaining unamortized discount was $89.1 million, and the principal amount outstanding was $575.0 million. On January 1, 2021, the Company adopted ASU 2020-06 using the modified retrospective method. See Note 1, *Basis of Presentation*, for further details. At March 31, 2021, in conjunction with the adoption of the ASU, the carrying amount of the liability was $575.0 million. The fair value of the 2025 Notes at March 31, 2021 was $642.1 million. Factors that the Company considered when estimating the fair value of the 2025 Notes included recent quoted market prices or dealer quote. The level of the 2025 Notes is considered as Level 1.

During the three months ended March 31, 2020, the Company recognized cash interest of $0.4 million and amortization of the discount on the liability component of $2.5 million for a total interest charge of $2.9 million on the 2020 Notes. On January 1, 2021, the Company adopted ASU 2020-06 using the modified retrospective method. See Note 1, *Basis of Presentation*, for further details. During the three months ended March 31, 2021, as a result of the adoption of the ASU, the Company recognized only cash interest related to the contractual interest coupon of $0.7 million on the 2025 Notes.

Securitization Facility

During the fourth quarter of 2018, the Company entered into an accounts receivable securitization facility (the "Securitization Facility") under which accounts receivable of certain domestic subsidiaries are sold on a non-recourse basis to a special purpose entity (“SPE”), which is a bankruptcy-remote, consolidated subsidiary of the Company. Accordingly, the assets of the SPE are not available to satisfy the obligations of the Company or any of its subsidiaries. From time to time, the SPE may finance such accounts receivable with a revolving loan facility secured by a pledge of such accounts receivable. The amount of outstanding borrowings on the Securitization Facility at any one time is limited to $150.0 million. The Securitization Facility Agreement ("Securitization Agreement") is for an initial three-year term and may be extended. The Securitization Agreement governing the Securitization Facility contains certain covenants and termination events. An occurrence of an event of default or a termination event under this Securitization Agreement may give rise to the right of its counterparty to terminate this facility. As of March 31, 2021, the Company was in compliance with the covenants and none of the termination events had occurred. At March 31, 2021 and December 31, 2020, the Company had $110.9 million and $112.5 million, respectively, of outstanding borrowings under its Securitization Facility at a weighted average interest rate of 1.3%. At March 31, 2021, the total amount outstanding under the Securitization Facility is classified as current on the consolidated balance sheet as the total amount is due on December 21, 2021.

The fair value of the outstanding borrowing of the Securitization Facility at March 31, 2021 was $110.8 million. These fair values were determined by using a discounted cash flow model based on current market interest rates available to the Company. These inputs are corroborated by observable market data for similar liabilities and therefore classified within Level 2 of the fair value hierarchy. Level 2 inputs represent inputs that are observable for the asset or liability, either directly or indirectly, and are other than active market observable inputs that reflect unadjusted quoted prices for identical assets or liabilities.

7. DERIVATIVE INSTRUMENTS

Interest Rate Hedging

The Company’s interest rate risk relates to U.S. dollar denominated variable interest rate borrowings. The Company uses interest rate swap derivative instruments to manage earnings and cash flow exposure resulting from changes in interest rates. These interest rate swaps apply a fixed interest rate on a portion of the Company's expected LIBOR-indexed floating-rate borrowings.

The Company held the following interest rate swaps as of March 31, 2021 and December 31, 2020 (dollar amounts in thousands):

						March 31, 2021	December 31, 2020
Hedged Item	Notional Amount	Designation Date	Effective Date	Termination Date	Fixed Interest Rate	Estimated Fair Value Asset (Liability)	
1-month USD LIBOR Loan	100,000	March 27, 2017	December 31, 2017	June 30, 2021	1.97%	(463)	(929)
1-month USD LIBOR Loan	300,000	December 13, 2017	January 1, 2018	December 31, 2022	2.20%	(10,526)	(12,557)
1-month USD LIBOR Loan	150,000	December 13, 2017	July 1, 2019	June 30, 2024	2.42%	(9,413)	(11,502)
1-month USD LIBOR Loan	200,000	December 13, 2017	January 1, 2018	December 31, 2024	2.31%	(12,293)	(16,243)
1-month USD LIBOR Loan	75,000	October 10, 2018	July 1, 2020	June 30, 2025	3.22%	(7,842)	(9,836)
1-month USD LIBOR Loan	75,000	October 10, 2018	July 1, 2020	June 30, 2025	3.19%	(7,805)	(9,826)
1-month USD LIBOR Loan	75,000	October 10, 2018	July 1, 2020	June 30, 2025	3.20%	(7,849)	(9,783)
1-month USD LIBOR Loan	100,000	December 18, 2018	December 30, 2022	December 31, 2027	2.88%	(6,037)	(10,407)
1-month USD LIBOR Loan	100,000	December 18, 2018	December 30, 2022	December 31, 2027	2.86%	(5,826)	(10,431)
1-month USD LIBOR Loan	575,000	December 15, 2020	July 31, 2025	December 31, 2027	1.41%	11,810	(1,907)
1-month USD LIBOR Loan	125,000	December 15, 2020	July 1, 2025	December 31, 2027	1.40%	2,697	(348)
Total interest rate derivatives designated as cash flow hedge	$ 1,875,000				$	(53,547)	$ (93,769)

The Company has designated these derivative instruments as cash flow hedges. The Company assesses the effectiveness of these derivative instruments and has recorded the changes in the fair value of the derivative instrument designated as a cash flow hedge as unrealized gains or losses in accumulated other comprehensive loss (“AOCL”), net of tax, until the hedged item affected earnings, at which point any gain or loss was reclassified to earnings. If the hedged cash flow does not occur, or if it becomes probable that it will not occur, the Company will reclassify the remaining amount of any gain or loss on the related cash flow hedge recorded in AOCL to interest expense at that time.

Foreign Currency Hedging

From time to time the Company enters into foreign currency hedge contracts intended to protect the U.S. dollar value of certain forecasted foreign currency denominated transactions. The Company assesses the effectiveness of the contracts that are designated as hedging instruments. The changes in fair value of foreign currency cash flow hedges are recorded in AOCL, net of tax. Those amounts are subsequently reclassified to earnings from AOCL as impacted by the hedged item when the hedged item affects earnings. If the hedged forecasted transaction does not occur, or if it becomes probable that it will not occur, the Company will reclassify the amount of any gain or loss on the related cash flow hedge to earnings at that time. For contracts not designated as hedging instruments, the changes in fair value of the contracts are recognized in other income, net in the consolidated statements of operation, along with the offsetting foreign currency gain or loss on the underlying assets or liabilities.

During the fourth quarter of 2020, the Company entered into foreign currency forward contracts, with a notional amount of $9.7 million to mitigate the foreign exchange risk related to certain intercompany loans denominated in Canadian Dollar ("CAD") and intercompany receivables denominated in Japanese Yen ("JPY"). The contracts are not designated as hedging instruments. The Company recognized a $0.2 million loss from the change in fair value of the contracts, which was included in other income, net in the consolidated statement of operations as of March 31, 2021. The Company subsequently settled its foreign currency forward contracts associated with the intercompany receivables denominated in JPY during the first quarter of 2021. The fair value of the foreign currency forward contracts denominated in CAD was $0.2 million as of March 31, 2021.

The success of the Company’s hedging program depends, in part, on forecasts of certain activity denominated in foreign currency. The Company may experience unanticipated currency exchange gains or losses to the extent that there are differences between forecasted and actual activities during periods of currency volatility. In addition, changes in currency exchange rates related to any unhedged transactions may affect earnings and cash flows.

Cross-Currency Rate Swaps

On October 2, 2017, the Company entered into cross-currency swap agreements to convert a notional amount of $300.0 million equivalent to 291.2 million of Swiss Francs ("CHF") denominated intercompany loans into U.S. dollars. The CHF-denominated intercompany loans were the result of the purchase of intellectual property by a subsidiary in Switzerland as part of an acquisition.

On December 21, 2020, the Company entered into cross-currency swap agreements to convert a notional amount of $471.6 million equivalent to 420.1 million of a CHF denominated intercompany loan into U.S. dollars. The CHF denominated intercompany loan was the result of an intra-entity transfer of certain intellectual property rights to a subsidiary in Switzerland completed during the fourth quarter of 2020. The intercompany loan requires quarterly payments of CHF 5.8 million plus accrued interest. As a result, the aggregate notional amount of the related cross-currency swaps will decrease by a corresponding amount.

The objective of these cross-currency swaps is to reduce volatility of earnings and cash flows associated with changes in the foreign currency exchange rate. Under the terms of these contracts, which have been designated as cash flow hedges, the Company will make interest payments in Swiss Francs and receive interest in U.S. dollars. Upon the maturity of these contracts, the Company will pay the principal amount of the loans in Swiss Francs and receive U.S. dollars from the counterparties.

The Company held the following cross-currency rate swaps as of March 31, 2021 and December 31, 2020 (dollar amounts in thousands):

				March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
	Effective Date	Termination Date	Fixed Rate	Aggregate Notional Amount		Fair Value Asset (Liability)	
Pay CHF	October 2, 2017	October 2, 2021	1.85%	CHF 48,533	48,533	(955)	(4,335)
Receive U.S.$			4.46%	$ 50,000	50,000		
Pay CHF	October 2, 2017	October 2, 2022	1.95%	CHF 145,598	145,598	(868)	(11,262)
Receive U.S.$			4.52%	$ 150,000	150,000		
Pay CHF	December 21, 2020	December 20, 2025	3.00%	CHF 414,387	420,137	17,314	(7,843)
Receive U.S.$			3.98%	$ 465,185	471,640		
Total						$ 15,491	$ (23,441)

The cross-currency swaps are carried on the consolidated balance sheet at fair value, and changes in the fair values are recorded as unrealized gains or losses in AOCL. For the three months ended March 31, 2021 and 2020, the Company recorded a gain of $42.9 million and a loss of $1.7 million, respectively, in other income, net related to change in fair value related to the foreign currency rate translation to offset the gains or losses recognized on the intercompany loans.

For the three months ended March 31, 2021 and 2020, the Company recorded gains of $40.2 million and $5.9 million in AOCL, respectively, related to change in fair value of the cross-currency swaps.

For the three months ended March 31, 2021 and 2020, the Company recorded gains of $1.3 million and $1.5 million, respectively, in other income, net included in the consolidated statements of operations related to the interest rate differential of the cross-currency swaps.

The estimated gain that is expected to be reclassified to other income (expense), net from AOCL as of March 31, 2021 within the next twelve months is $9.1 million. As of March 31, 2021, the Company does not expect any gains or losses will be reclassified into earnings as a result of the discontinuance of these cash flow hedges because the original forecasted transaction will not occur.

Net Investment Hedges

The Company manages certain foreign exchange risks through a variety of strategies, including hedging. The Company is exposed to foreign exchange risk from its international operations through foreign currency purchases, net investments in foreign subsidiaries, and foreign currency assets and liabilities created in the normal course of business. On October 1, 2018 and December 16, 2020, the Company entered into cross-currency swap agreements designated as net investment hedges to partially offset the effects of foreign currency on foreign subsidiaries.

The Company held the following cross-currency rate swaps designated as net investment hedges as of March 31, 2021 and December 31, 2020, respectively (dollar amounts in thousands):

	Effective Date	Termination Date	Fixed Rate	Aggregate Notional Amount	March 31, 2021 Fair Value Asset (Liability)	December 31, 2020 Fair Value Asset (Liability)
Pay EUR Receive U.S.$	October 3, 2018	September 30, 2021	—% 3.01%	EUR 44,859 $ 52,000	$ (9)	$ (1,884)
Pay EUR Receive U.S.$	October 3, 2018	September 30, 2023	—% 2.57%	EUR 51,760 $ 60,000	1,707	(450)
Pay EUR Receive U.S.$	October 3, 2018	September 30, 2025	—% 2.19%	EUR 38,820 $ 45,000	1,096	92
Pay CHF Receive U.S.$	December 16, 2020	December 16, 2027	—% 1.10%	CHF 222,300 $ 250,000	3,033	(3,794)
Total					$ 5,827	$ (6,036)

The cross-currency swaps were carried on the consolidated balance sheet at fair value and changes in the fair values were recorded as unrealized gains or losses in AOCL. For the three months ended March 31, 2021 and 2020, the Company recorded gains of $11.9 million and $16.7 million in AOCL related to the change in fair value of the cross-currency swaps.

For the three months ended March 31, 2021 and 2020, the Company recorded gains of $1.7 million and $2.2 million in interest income included in the consolidated statements of operations related to the interest rate differential of the cross-currency swaps.

The estimated gain that is expected to be reclassified to interest income from AOCL as of March 31, 2021 within the next twelve months is $5.2 million.

Counterparty Credit Risk

The Company manages its concentration of counterparty credit risk on its derivative instruments by limiting acceptable counterparties to a group of major financial institutions with investment grade credit ratings, and by actively monitoring their credit ratings and outstanding positions on an ongoing basis. Therefore, the Company considers the credit risk of the counterparties to be low. Furthermore, none of the Company's derivative transactions are subject to collateral or other security arrangements, and none contain provisions that depend upon the Company's credit ratings from any credit rating agency.

Fair Value of Derivative Instruments

The Company has classified all of its derivative instruments within Level 2 of the fair value hierarchy because observable inputs are available for substantially the full term of the derivative instruments. The fair values of the interest rate swaps and cross-currency swaps were developed using a market approach based on publicly available market yield curves and the terms of the swap. The Company performs ongoing assessments of counterparty credit risk.

The following table summarizes the fair value for derivatives designated as hedging instruments in the condensed consolidated balance sheets as of March 31, 2021 and December 31, 2020:

Location on Balance Sheet [1]:	Fair Value as of March 31, 2021	Fair Value as of December 31, 2020
	(In thousands)	
Derivatives designated as hedges — Assets:		
Prepaid expenses and other current assets		
Cash Flow Hedges		
Cross-currency swap	10,083	7,623
Net Investment Hedges		
Cross-currency swap	5,209	5,297
Other assets		
Cash Flow Hedges		
Interest rate swap[2]	14,507	—
Cross-currency swap	10,978	
Net Investment Hedges		
Cross-currency swap	656	—
Total derivatives designated as hedges — Assets	$ 41,433	$ 12,920
Derivatives designated as hedges — Liabilities:		
Accrued expenses and other current liabilities		
Cash Flow Hedges		
Interest rate swap[2]	21,337	22,033
Cross-currency swap	955	4,335
Net Investment Hedges		
Cross-currency swap	10	1,884
Other liabilities		
Cash Flow Hedges		
Interest rate swap[2]	46,717	71,736
Cross-currency swap	4,615	26,728
Net Investment Hedges		
Cross-currency swap	28	9,449
Total derivatives designated as hedges — Liabilities	$ 73,652	$ 136,165

[1] The Company classifies derivative assets and liabilities as current based on the cash flows expected to be incurred within the following 12 months.
[2] At March 31, 2021 and December 31, 2020, the total notional amounts related to the Company's interest rate swaps both were $1.9 billion.

The following presents the effect of derivative instruments designated as cash flow hedges on the accompanying condensed consolidated statement of operations during the three months ended March 31, 2021 and 2020:

	Balance in AOCL Beginning of Quarter	Amount of Gain (Loss) Recognized in AOCL	Amount of Gain (Loss) Reclassified from AOCL into Earnings	Balance in AOCL End of Quarter	Location in Statements of Operations
			(In thousands)		
Three Months Ended March 31, 2021					
Cash Flow Hedges					
Interest rate swap	$ (93,769)	$ 34,518	$ (5,705)	$ (53,546)	Interest expense
Cross-currency swap	(1,073)	40,194	44,150	(5,029)	Other income (expense),net
Net Investment Hedges					
Cross-currency swap	(12,291)	13,573	1,711	(429)	Interest income
	$ (107,133)	$ 88,285	$ 40,156	$ (59,004)	
Three Months Ended March 31, 2020					
Cash Flow Hedges					
Interest rate swap	$ (45,145)	$ (51,651)	$ (1,043)	$ (95,753)	Interest expense
Cross-currency swap	177	5,907	(182)	6,266	Other income (expense),net
Net Investment Hedges					
Cross-currency swap	10,229	18,897	2,180	26,946	Interest income
	$ (34,739)	$ (26,847)	$ 955	$ (62,541)	

8. STOCK-BASED COMPENSATION

As of March 31, 2021, the Company had stock options, restricted stock awards, performance stock awards, contract stock awards and restricted stock unit awards outstanding under the 2003 Equity Incentive Plan (the “2003 Plan”). The 2000 and 2001 Equity Incentive Plans were terminated as of February 19, 2021, and no further awards may be issued under the plans.

Stock options issued under the 2003 Plan become exercisable over specified periods, generally within four years from the date of grant for officers and employees, and within one year from date of grant for directors and generally expire eight years from the grant date for employees, and from six to ten years for directors and certain executive officers. The Company values stock option grants using the binomial distribution model. Restricted stock issued under the Plans vests over specified periods, generally three years after the date of grant. The vesting of performance stock issued under the Plans is subject to service and performance conditions.

Stock Options

As of March 31, 2021, there were approximately $7.7 million of total unrecognized compensation costs related to unvested stock options. These costs are expected to be recognized over a weighted-average period of approximately three years. There were 149,558 stock options granted during the three months ended March 31, 2021. For the three months ended March 31, 2021, the weighted average grant date fair value for stock options was $22.59 per option.

Awards of Restricted Stock and Performance Stock

Performance stock and restricted stock awards generally have requisite service periods of three years. Performance stock units are subject to graded vesting conditions based on revenue goals of the Company. The Company expenses the fair value of restricted stock awards on a straight-line basis over the requisite service period. As of March 31, 2021, there was approximately $42.4 million of total unrecognized compensation costs related to these unvested awards. The Company expects to recognize these costs over a weighted-average period of approximately two years. The Company granted 211,262 restricted stock awards and 176,147 performance stock awards during the three months ended March 31, 2021. For the three months ended March 31, 2021, the weighted average grant date fair value for restricted stock awards and performance stock units was $68.00 and $68.10 per award, respectively.

The Company also maintains an Employee Stock Purchase Plan (the “ESPP”), which provides eligible employees with the opportunity to acquire shares of common stock at periodic intervals by means of accumulated payroll deductions. The ESPP is a non-compensatory plan based on its terms.

9. RETIREMENT PLANS

The Company maintains defined benefit pension plans that cover certain employees in France, Japan, Germany and Switzerland.

Net periodic benefit costs for the Company's defined benefit pension plans for the three months ended March 31, 2021 were $0.6 million. The components of the net periodic benefit costs other than the service cost component of $0.8 million for the three months ended March 31, 2021, are included in other income (expense), net in the consolidated statements of operations.

Net periodic benefit costs for the Company's defined benefit pension plans for the three months ended March 31, 2020 was $1.0 million. The components of the net periodic benefit costs other than the service cost component of $0.9 million for the three months ended March 31, 2020, are included in other income (expense), net in the consolidated statements of operations.

The estimated fair values of plan assets were $32.8 million and $37.8 million as of March 31, 2021 and December 31, 2020, respectively. The net plan assets of the pension plans are invested in common trusts as of March 31, 2021 and December 31, 2020. Common trusts are classified as Level 2 in the fair value hierarchy. The fair value of common trusts is valued at the net asset value based on the fair values of the underlying investments of the trusts as determined by the sponsor of the trusts. The investment strategy of the Company's defined benefit plans is both to meet the liabilities of the plans as they fall due and to maximize the return on invested assets within an appropriate risk profile.

Deferred Compensation Plan

The Company maintains a Deferred Compensation Plan in which certain employees of the Company may defer the payment and taxation of up to 75% of their base salary and up to 100% of bonus amounts and other eligible cash compensation.

During the first quarter of 2020, employees participating in the Company's deferred compensation plan began to defer their compensation. This deferred compensation is invested in funds offered under this plan and is valued based on Level 1 measurements in the fair value hierarchy. Assets of the Company's deferred compensation plan are included in Other current assets and recorded at fair value based on their quoted market prices. The fair value of these assets at March 31, 2021 was $2.9 million. Offsetting liabilities relating to the deferred compensation plan are included in Other liabilities.

10. LEASES AND RELATED PARTY LEASES

The Company leases administrative, manufacturing, research and distribution facilities and vehicles through operating lease agreements. The Company has no finance leases as of March 31, 2021. Many of the Company's leases include both lease (e.g., fixed payments including rent) and non-lease components (e.g., common-area or other maintenance costs). For vehicles, the Company has elected the practical expedient to group lease and non-lease components.

Most facility leases include one or more options to renew. The exercise of lease renewal options is typically at the Company's sole discretion, therefore, the majority of renewals to extend the lease terms are not included in the Right of Use ("ROU") assets and lease liabilities as they are not reasonably certain of exercise. The Company regularly evaluates renewal options and when they are reasonably certain of exercise, the renewal period is included in the lease term.

As most of the Company's leases do not provide an implicit rate, the Company uses a collateralized incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments.

Total operating lease expense for the three months ended March 31, 2021 and March 31, 2020 was $5.3 million and $4.8 million respectively, which includes $0.1 million, in related party operating lease expense.

Supplemental balance sheet information related to operating leases were as follows:

	March 31, 2021	December 31, 2020
	(In thousands, except lease term and discount rate)	
ROU assets	91,174	83,635
Current lease liabilities	13,900	12,818
Non-current lease liabilities	95,549	88,118
Total lease liabilities	$ 109,449	$ 100,936
Weighted average remaining lease term (in years):		
Leased facilities	11.8 years	11.6 years
Leased vehicles	2.0 years	2.3 years
Weighted average discount rate:		
Leased facilities	5.1 %	4.6 %
Leased vehicles	2.7 %	2.3 %

Supplemental cash flow information related to leases for the three months ended March 31, 2021 and 2020 were as follows:

	March 31, 2021	March 31, 2020
	(In thousands)	(In thousands)
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 3,761	$ 3,229
ROU assets obtained in exchange for lease liabilities:		
Operating leases	$ 9,662	$ 5,808

Future minimum lease payments under operating leases at March 31, 2021 were as follows:

	Third Parties	Related Parties	Total
		(In thousands)	
2021	$ 11,637	$ 222	$ 11,859
2022	16,331	296	16,627
2023	12,949	296	13,245
2024	11,410	296	11,706
2025	10,813	296	11,109
2026	9,672	296	9,968
Thereafter	72,854	837	73,691
Total minimum lease payments	$ 145,666	$ 2,539	$ 148,205
Less: Imputed interest			38,756
Total lease liabilities			109,449
Less: Current lease liabilities			13,900
Long-term lease liabilities			95,549

Related Party Leases

The Company leases its manufacturing facility in Plainsboro, New Jersey, from a general partnership that is 50% owned by a corporation whose shareholders are trusts, whose beneficiaries include family members of the Company's principal stockholder and former director. The term of the current lease agreement is through October 31, 2029 at an annual rate of approximately $0.3 million per year. The current lease agreement also provides (i) a 5-year renewal option for the Company to extend the lease from November 1, 2029 through October 31, 2034 at the fair market rental rate of the premises, and (ii) another 5-year renewal option to extend the lease from November 1, 2034 through October 31, 2039 at the fair market rental rate of the premises.

11. TREASURY STOCK

As of March 31, 2021 and December 31, 2020, there were 4.9 million shares of treasury stock outstanding with a cost of $234.5 million and $235.1 million, respectively, at a weighted average cost per share of $47.86.

On December 7, 2020, the Board of Directors of the Company authorized the Company to repurchase up to $225.0 million of the Company's common stock. The program allows the Company to repurchase its shares opportunistically from time to time. The repurchase authorization expires in December 2022. The Company has $225.0 million remaining under the share repurchase of its Common Stock. The price and timing of any future purchases under the share repurchase program will depend on factors such as levels of cash generation from operations, the volume of stock option exercises by employees, cash requirements for acquisitions, dividends, economic and market conditions and stock price.

During the twelve months ended December 31, 2020, the Company repurchased 2.1 million shares of Integra's common stock as part of the previous share repurchase authorization. The Company utilized $100.0 million of net proceeds from the offering of the Convertible Senior Notes to execute the share repurchase transactions. This included $7.6 million from certain purchasers of the convertible notes in conjunction with the closing of the offering. On February 5, 2020, the Company entered into a $92.4 million accelerated share repurchase ("ASR") to complete the remaining $100.0 million of share repurchase. The Company received 1.3 million shares at inception of the ASR, which represented approximately 80% of the expected total shares. Upon settlement of the ASR in June 2020, the Company received an additional 0.6 million shares determined using the volume-weighted average price of the Company's common stock during the term of the transaction.

12. INCOME TAXES

The following table provides a summary of the Company's effective tax rate:

	Three Months Ended March 31,	
	2021	2020
Reported tax rate	32.5 %	19.8 %

The Company's effective income tax rates for the three months ended March 31, 2021 and 2020 were 32.5% and 19.8%, respectively. For the three months ended March 31, 2021, the primary driver of the higher tax rate is the tax impact of the gain on the sale of the business which closed during the first quarter of 2021. For the three months ended March 31, 2020, the primary drivers of the rate were lower income impacted by the COVID-19 pandemic, coupled with a $3.3 million valuation allowance on certain foreign deferred tax assets.

As of March 31, 2021, the Company has not provided deferred income taxes on unrepatriated earnings from foreign subsidiaries as they are deemed indefinitely reinvested. Such taxes would primarily be attributable to foreign withholding taxes and local income taxes when such earnings are distributed. As such, the Company has determined the tax impact of repatriating these earnings would not be material as of March 31, 2021. The Company does not anticipate the need to repatriate earnings from foreign subsidiaries as a result of the impact of the COVID-19 pandemic.

13. NET INCOME PER SHARE

Basic and diluted net income per share was as follows:

	Three Months Ended March 31,	
	2021	2020
	(In thousands, except per share amounts)	
Basic net income per share:		
Net income	$ 45,394	$ 9,180
Weighted average common shares outstanding	84,500	85,188
Basic net income per common share	$ 0.54	$ 0.11
Diluted net income per share:		
Net income	$ 45,394	$ 9,180
Weighted average common shares outstanding — Basic	84,500	85,188
Effect of dilutive securities:		
Stock options and restricted stock	758	704
Weighted average common shares for diluted earnings per share	85,258	85,892
Diluted net income per common share	$ 0.53	$ 0.11

Common stock of approximately 0.5 million and 0.4 million shares at March 31, 2021, and 2020, respectively that are issuable through exercise of dilutive securities were not included in the computation of diluted net income per share because their effect would have been anti-dilutive.

Performance Shares and Restricted Units that entitle the holders to approximately 0.5 million shares of common stock are included in the basic and diluted weighted average shares outstanding calculation from their date of issuance because no further consideration is due related to the issuance of the underlying common shares.

Based on the adoption of ASU 2020-06, as the principal amount of the 2025 Notes will be paid in cash and only the conversion spread is settled in shares, the Company will be utilizing the if-converted method and only includes the net number of incremental shares that would be issued upon conversion.

14. ACCUMULATED OTHER COMPREHENSIVE LOSS

Comprehensive loss for three months ended March 31, 2021 and 2020 was as follows:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Net income	$ 45,394	$ 9,180
Foreign currency translation adjustment	(6,802)	(6,813)
Change in unrealized loss on derivatives, net of tax	36,915	(21,306)
Pension liability adjustment, net of tax	319	(68)
Comprehensive income (loss), net	$ 75,826	$ (19,007)

Changes in accumulated other comprehensive loss by component between December 31, 2020 and March 31, 2021 are presented in the table below, net of tax:

	Gains and Losses on Derivatives	Defined Benefit Pension Items	Foreign Currency Items	Total
	(In thousands)			
Balance at January 1, 2021	$ (82,249)	$ (5,105)	$ 13,295	$ (74,059)
Other comprehensive income (loss)	67,776	319	(6,802)	61,293
Less: Amounts reclassified from accumulated other comprehensive loss	30,861	—	—	30,861
Net current-period other comprehensive income (loss)	36,915	319	(6,802)	30,432
Balance at March 31, 2021	$ (45,334)	$ (4,786)	$ 6,493	$ (43,627)

For the three months ended March 31, 2021, the Company reclassified a loss of $33.9 million and $3.1 million from accumulated other comprehensive loss to other income (expense), net and interest income.

15. SEGMENT AND GEOGRAPHIC INFORMATION

The Company internally manages two global reportable segments and reports the results of its businesses to its chief operating decision maker. The two reportable segments and their activities are described below.

- The Codman Specialty Surgical segment includes (i) the Neurosurgery business, which sells a full line of products for neurosurgery and neuro critical care such as tissue ablation equipment, dural repair products, cerebral spinal fluid management devices, intracranial monitoring equipment, and cranial stabilization equipment and (ii) the instruments business, which sells more than 40,000 instrument patterns and surgical and lighting products to hospitals, surgery centers, dental, podiatry, and veterinary offices.
- The Tissue Technologies segment includes such offerings as skin and wound repair, bone grafts, and nerve and tendon repair products. In conjunction with the sale of the Extremity Orthopedics business, the Company rebranded the Orthopedics and Tissue Technologies segment as Tissue Technologies in the first quarter of 2021.

The Corporate and other category includes (i) various executive, finance, human resource, information systems and legal functions, (ii) brand management, and (iii) share-based compensation costs.

The operating results of the various reportable segments as presented are not comparable to one another because (i) certain operating segments are more dependent than others on corporate functions for unallocated general and administrative and/or operational manufacturing functions and (ii) the Company does not allocate certain manufacturing costs and general and administrative costs to the operating segment results. Net sales and profit by each reportable segment for the three months ended March 31, 2021 and 2020 are as follows :

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Segment Net Sales		
Codman Specialty Surgical	$ 241,241	$ 231,440
Tissue Technologies	118,830	122,884
Total revenues	$ 360,071	$ 354,324
Segment Profit		
Codman Specialty Surgical	$ 106,778	$ 87,235
Tissue Technologies	50,011	31,271
Segment profit	156,789	118,506
Amortization	(4,527)	(6,977)
Corporate and other	(121,548)	(84,426)
Operating income	$ 30,714	$ 27,103

The Company does not allocate any assets to the reportable segments. No asset information is reported to the chief operating decision maker and disclosed in the financial information for each segment.

The Company attributes revenues to geographic areas based on the location of the customer. Total revenue by major geographic area consisted of the following:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
United States	$ 247,793	$ 246,852
Europe	45,819	45,896
Asia Pacific	47,295	39,960
Rest of World	19,164	21,616
Total Revenues	$ 360,071	$ 354,324

16. COMMITMENTS AND CONTINGENCIES

In consideration for certain technology, manufacturing, distribution, selling rights and licenses granted to the Company, the Company has agreed to pay royalties on sales of certain products that it sells. The royalty payments that the Company made under these agreements were not significant for any of the periods presented.

The Company is subject to various claims, lawsuits and proceedings in the ordinary course of the Company's business, including claims by current or former employees, distributors and competitors and with respect to its products and product liability claims, lawsuits and proceedings, some of which have been settled by the Company. In the opinion of management, such claims are either adequately covered by insurance or otherwise indemnified, or are not expected, individually or in the aggregate, to result in a material, adverse effect on the Company's financial condition. However, it is possible that the Company's results of operations, financial position and cash flows in a particular period could be materially affected by these contingencies.

The Company accrues for loss contingencies when it is deemed probable that a loss has been incurred and that loss is estimable. The amounts accrued are based on the full amount of the estimated loss before considering insurance proceeds and do not include an estimate for legal fees expected to be incurred in connection with the loss contingency. The Company consistently accrues legal fees expected to be incurred in connection with loss contingencies as those fees are incurred by outside counsel as a period cost.

Contingent Consideration

The Company determined the fair value of contingent consideration during the three month period ended March 31, 2021 and March 31, 2020 to reflect the change in estimates, additions, payments, transfers and the time value of money during the period.

A reconciliation of the opening balances to the closing balances of these Level 3 measurements for the three months ended March 31, 2021 and March 31, 2020 is as follows (in thousands):

	Contingent Consideration Liability Related to Acquisition of:				
Three Months Ended March 31, 2021	**Arkis**		**Derma Sciences**	**ACell Inc. (See Note 2)**	**Location in Financial Statements**
	Short-term	**Long-term**	**Long-term**	**Long-term**	
Balance as of January 1, 2021	$ 3,415	$ 11,746	$ 230	$ —	
Additions from acquisition of ACell	—	—	—	23,900	
Loss from change in fair value of contingent consideration liabilities	17	$ 265	—	—	Research and development
Balance as of March 31, 2021	$ 3,432	$ 12,011	$ 230	$ 23,900	

	Contingent Consideration Liability Related to Acquisition of:		
Three Months Ended March 31, 2020	**Arkis**	**Derma Sciences**	**Location in Financial Statements**
	Long-term	**Long-term**	
Balance as of January 1, 2020	$ 14,210	$ 230	
Loss from change in fair value of contingent consideration liabilities	(1,051)	—	Research and development
Balance as of March 31, 2020	$ 13,159	$ 230	

Arkis BioSciences Inc.

On July 29, 2019, the Company acquired Arkis BioSciences Inc. ("Arkis") for an acquisition purchase price of $30.6 million (the "Arkis Acquisition") plus contingent consideration of up to $25.5 million, that may be payable based on the successful completion of certain development and commercial milestones. Arkis was a privately-held company that marketed the CerebroFlo® external ventricular drainage (EVD) catheter with Endexo® technology, a permanent additive designed to reduce the potential for catheter obstruction due to thrombus formation.

As part of the acquisition, the Company is required to pay the former shareholders of Arkis up to $25.5 million based on the timing of certain development milestones of $10.0 million and commercial sales milestones of $15.5 million, respectively. The Company used a probability weighted income approach to calculate the fair value of the contingent consideration that considered the possible outcomes of scenarios related to each specified milestone. The Company estimated the fair value of the contingent consideration to be $13.1 million at the acquisition date. The estimated fair value as of March 31, 2021 and March 31, 2020 was $15.4 million and $13.2 million, respectively. The Company recorded $3.4 million in accrued expenses and other current liabilities at March 31, 2021 and $12 million and $13.2 million in other liabilities at March 31, 2021 and March 31, 2020, respectively, in the consolidated balance sheet of the Company.

Derma Sciences

The Company assumed contingent consideration incurred by Derma Sciences, Inc. ("Derma Sciences") related to its acquisitions of BioD and the intellectual property related to Medihoney products. The Company accounted for the contingent liabilities by recording their fair value on the date of the acquisition based on a probability weighted income approach. The Company has already paid $33.3 million related to the aforementioned contingent liabilities. One contingent liability remains which relates to net sales of Medihoney products exceeding certain amounts defined in the agreement between the Company and Derma Sciences. The potential maximum undiscounted payment amounts to $3.0 million. The estimated fair value as of March 31, 2021 and March 31, 2020 was $0.2 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes thereto appearing elsewhere in this report and our consolidated financial statements for the year ended December 31, 2020 included in our Annual Report on Form 10-K.

We have made statements in this report which constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). These forward-looking statements are subject to a number of risks, uncertainties and assumptions about the Company and other matters. These forward-looking statements include, but are not limited to, statements related to the Company's expectations regarding the potential impacts of the COVID-19 pandemic on our business, financial condition, and results of operations. These statements should, therefore, be considered in light of various important factors, including, but not limited to, the following: the Company's ability to recover to normalized procedure volume in the midst of the COVID-19 pandemic; the risk that the COVID-19 pandemic could lead to further material delays and cancellations of, or reduced demand for, procedures; curtailed or delayed capital spending by the Company's customers; disruption to the Company's supply chain; closures of our facilities; delays in gathering clinical evidence; diversion of management and other resources to respond to the COVID-19 outbreak; the impact of global and regional economic and credit market conditions on healthcare spending; the risk that the COVID-19 virus disrupts local economies and causes economies in our key markets to enter prolonged recessions. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those set forth under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020, and under the heading "Risk Factors" in this report. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

You can identify these forward-looking statements by forward-looking words such as "believe," "may," "might," "could," "will," "estimate," "continue," "anticipate," "intend," "seek," "plan," "expect," "should," "would" and similar expressions in this report.

GENERAL

Integra, headquartered in Princeton, New Jersey, is a world leader in medical technology. The Company was founded in 1989 with the acquisition of an engineered collagen technology platform used to repair and regenerate tissue. Since then, Integra has developed numerous product lines from this technology for applications ranging from burn and deep tissue wounds, to the repair of dura mater in the brain, as well as nerves and tendons. The Company has expanded its base regenerative technology business to include surgical instruments, neurosurgical products and advanced wound care through a combination of several global acquisitions and development of products internally to further meet the needs of its customers and impact patient care.

Integra manufactures and sells products in two reportable business segments: Codman Specialty Surgical and Tissue Technologies. In conjunction with the sale of the Extremity and Orthopedics business, the Company rebranded the Orthopedics and Tissue Technologies segment as Tissue Technologies in the first quarter of 2021. See Note 2. *Acquisitions and Divestitures*, for details. Our Codman Specialty Surgical products comprise of specialty surgical implants and instrumentation for a broad range of specialties. This segment includes products and solutions for dural access and repair, instruments, advanced energy, cerebral spinal fluid ("CSF") management and neuro monitoring including market leading product portfolios used in neurosurgery operation suites and critical care units. Codman Specialty Surgical products are sold through a combination of directly employed sales representatives, distributors and wholesalers, depending on the customer call point. Our Tissue Technologies product portfolios consist of differentiated regenerative technology products for soft tissue repair and tissue regeneration products, and surgical reconstruction. This business also includes private label sales of a broad set of our regenerative and wound care medicine technologies. Tissue Technologies products are sold through directly employed sales representatives and distributors focused on their respective surgical specialties, and strategic partners.

We have key manufacturing and research facilities located in California, Indiana, Maryland, Massachusetts, New Jersey, Ohio, Tennessee, Canada, France, Germany, Ireland, Puerto Rico and Switzerland. We also source most of our handheld surgical instruments, and dural sealant products through specialized third-party vendors.

Integra is committed to delivering high quality products that positively impact the lives of millions of patients and their families. We focus on four key pillars of our strategy: 1) enabling an execution-focused culture, 2) optimizing relevant scale, 3) advancing innovation and agility, and 4) leading in customer experience. We believe that by sharpening our focus on these areas through improved planning and communication, optimization of our infrastructure, and strategically aligned tuck-in acquisitions, we can build scale, increase competitiveness and achieve our long-term goals.

To this end, the executive leadership team has established the following key priorities aligned to the following areas of focus:

Strategic Acquisitions. An important part of the Company's strategy is pursuing strategic transactions and licensing agreements that increase relevant scale in the clinical areas in which Integra competes. In December 2020, Integra entered into a merger agreement to acquire ACell, Inc., an innovative regenerative medicine company specializing in the manufacture of porcine urinary bladder extracellular matrices. This acquisition, which closed on January 20, 2021, expands our product offering of regenerative technology and is complementary to Integra's existing tissue technologies portfolio. The acquisition also supports our long-term growth and profitability strategy with a financial profile similar to Integra's tissue products. In 2021, we are focused on the integration of ACell Inc., into our Tissue Technologies business segment, while also continuing the development of regenerative tissue products for complex wound management that will benefit the expanded portfolio. See Note 2, *Acquisitions and Divestitures*, for details.

Portfolio Optimization and New Product Introductions. We are investing in innovative product development to drive a multi-generational pipeline for our key product franchises. Our product development efforts span across our key global franchises focused on potential for significant returns on investment. We continue to advance the development of pioneering technologies from our 2019 acquisitions, Arkis Biosciences, Inc. and Rebound Therapeutics Corporation. In addition to new product development, we are funding studies to gather clinical evidence to support launches, ensure market access and improve reimbursement for existing products. We continue to identify ways of optimizing our portfolio including identifying low-growth, low-margin products and product franchises for discontinuation.

In January 2021, we completed the sale of our Extremity Orthopedics business to Smith & Nephew for approximately $240 million in cash subject to finalization of working capital adjustments. This transaction enables us to increase our investments in our core Neurosurgery and Tissue Technology businesses which will strengthen our existing leadership positions in both areas, fund pipeline opportunities to drive future growth and expand our addressable markets. See Note 2, *Acquisitions and Divestitures* for details.

Commercial Channel Investments. With acquisitions, new product introductions and a broader portfolio of products, investing in our sales channels is a core part of our strategy to create specialization and greater focus on reaching new and existing customers and addressing their needs. To support our commercial efforts in Tissue Technologies, we expanded our two-tier specialist model to increase our presence in focused segments. We created a virtual selling organization to help serve the evolving needs of our customers. Internationally, we have increased our commercial resources significantly in key emerging markets and are making investments to support our sales organization and maximize our commercial opportunities. These strong investments in our international sales channel position us well for expansion and long-term growth. In addition, we continue to build upon our leadership brands across our product franchises to enable us to engage customers through enterprise-wide contracts.

Customer Experience. We aspire to be ranked as a best-in-class provider and are committed to strengthen our relationships with all customers. We continue to invest in technologies, systems and processes to enhance the customer experience. Additionally, we launched new digital programs, resources and virtual product training to drive continued customer familiarity with our growing portfolio of medical technologies globally.

Clinical and Product Development Activities

We continue to invest in collecting clinical evidence to support the Company's existing products and new product launches, and to ensure that we obtain market access for broader and more cost-effective solutions. In each area, we continue to benefit from products launched over the past several years.

Within our Codman Specialty Surgical segment, the Company received FDA clearance in 2020 to treat malignant and benign tumors, but not limited to meningiomas and gliomas, for its CUSA® Clarity Ultrasonic Surgical Aspirator System, the first and only ultrasonic tissue ablation system with this specific indication. The FDA clearance is based on a wealth of peer-reviewed clinical publications and 40 years of surgical cases involving resection of brain and spinal tumors.

Additionally, the Company continued to reap the benefits of our product launches from the prior year from the Codman Specialty Surgical segment, including our new electrosurgery generator and irrigator system, an innovative customer-centric toolkit for our Certas™ Plus Programmable Valve along with additional shunt configurations. In Japan, we are experiencing strong growth as a result of the successful launch of DuraGen® in mid-2019, which is the first and only collagen xenograft approved for use as a dural substitute in the country. We are focused on the development of core clinical applications in our
electromechanical technologies portfolio. Also, we updated our CUSA Clarity platform to incorporate a new ultrasonic handpiece, surgical tips and integrated electrosurgical capabilities. We continue to work with several instrument partners to bring new surgical instrument platforms to the market. This enables us to add new instruments with minimal expense and invest in ongoing development, such as our next generation of LED technology with our DUO LED Surgical Headlight System.

We also continued to advance the early-stage technology platforms we acquired during 2019. Through the Arkis Biosciences acquisition, we added a platform technology, CerebroFlo® external ventricular drainage (EVD) catheter with Endexo® technology, a permanent additive designed to reduce the potential for catheter obstruction due to thrombus formation. The CerebroFlo EVD Catheter has demonstrated an average of 99% less thrombus accumulation onto its surface, in vitro, compared to a market leading EVD catheter. We also acquired a company, Rebound Therapeutics, that specialized in single-use medical devices that enable minimally invasive access with enhanced lighting and visualization to the neurosurgery suite and launched the MIRROR registry to collect data on this new device. Importantly, these new platforms provide us with the opportunity to expand into new, faster growth therapeutic areas, such as intracerebral hemorrhage and minimally invasive neurosurgery.

Within our Tissue Technologies segment, in 2020, we launched AmnioExcel® Plus Placental Allograft Membrane, a human placental tissue product for treatment of wounds. We also completed a randomized clinical study of PriMatrix for use in the closure of Diabetic Foot Ulcers (DFU). The Company also announced positive clinical and economic data on Integra® Bilayer Wound Matrix ("IBWM") in complex lower extremity reconstruction based on two retrospective studies recently published in Plastic and Reconstructive Surgery, the official journal of the American Society of Plastic Surgeons. As surgeons look for ways to efficiently and effectively repair and close wounds during these challenging times, IBWM helps address the efficiency needed in operating rooms by reducing both the operating time and costs to hospitals and patients.

COVID-19 Pandemic

During this global crisis, the Company's focus remained on supporting patients, providing customers with life-saving products, and protecting the well-being of our employees. The rapid and evolving spread of the virus has resulted in an unprecedented challenge to the global healthcare industry, as medical resources were reallocated to fight COVID-19. During the first half of 2020, in response to the pandemic, we acted swiftly by implementing protocols to ensure continuity of our manufacturing and distribution sites around the world and to provide for the safety of our employees.

During the first quarter of 2021, the Company's revenues were still impacted due to COVID-19 resurgences and lower surgical procedural volumes, though not to the levels seen in early 2020. As a result, the Company has continued to manage its operating costs in this environment. We remain confident that the underlying markets in which the Company competes remain attractive over the long term. We also remain focused on managing the business for the long-term, including preserving full time jobs needed to support the rebound in surgical procedure volumes. The Company's adaptability and resiliency in the face of this unprecedented crisis is made possible in part by prior investments in technology infrastructure and operations, as well as our talented and committed global workforce.

Capital markets and worldwide economies have also been significantly impacted by the COVID-19 pandemic, and it is possible that it could cause a local and/or global economic recession. Any such economic recession could have a material adverse effect on the Company's long-term business as hospitals curtail and reduce capital as well as overall spending. The COVID-19 pandemic and local actions, such as “shelter-in-place” orders and restrictions on travel and access to our customers or temporary closures of our facilities or the facilities of our suppliers and their contract manufacturers, could further significantly impact our sales and our ability to ship our products and supply our customers. Any of these events could negatively impact the number of surgical and medical intervention procedures performed and have a material adverse effect on our business, financial condition, results of operations, or cash flows.

FDA Matters

We manufacture and distribute products derived from human tissue for which FDA has specific regulations governing human cells, tissues and cellular and tissue-based products, or HCT/Ps. An HCT/P is a product containing or consisting of human cells or tissue intended for transplantation into a human patient.

On June 22, 2015, the FDA issued an Untitled Letter (the "Untitled Letter") alleging that BioD's morselized amniotic membrane tissue based products do not meet the criteria for regulation as HCT/Ps solely under Section 361 of the Public Health Services Act ("Section 361") and that, as a result, BioD would need a biologics license to lawfully market those morselized products. Since the issuance of the Untitled Letter, BioD and more recently the Company have been in discussions with the FDA to communicate their disagreement with the FDA’s assertion that certain products are more than minimally manipulated. The FDA has not changed its position that certain of the BioD acquired products are not eligible for marketing solely under Section 361. In July, 2020, the FDA issued the final guidance document related to human tissue titled, “Regulatory Considerations for Human Cells, Tissues, and Cellular and Tissue-Based Products: Minimal Manipulation and Homologous Use” (the “HCT/PFinal Guidance”). This Guidance document supersedes the November 2017 guidance.

The HCT/P Final Guidance maintains the FDA’s position that products such as the Company’s morselized amniotic membrane tissue-based products do not meet the criteria for regulation solely as HCT/Ps. In addition, the FDA articulated a risk-based approach to enforcement and, while some uses for amniotic membrane tissue-based products would have as much as thirty-six months of enforcement discretion, other high risk uses could be subject to immediate enforcement action. The revised final

guidance extends the discretionary enforcement period to May 31, 2021. The Company does not believe the uses for its amniotic membrane tissue-based products fall into the high-risk category.

As of March 31, 2021, the Company has not received any further notice of enforcement action from the FDA regarding its morselized amniotic tissue-based products. Nonetheless, we can make no assurances that the FDA will continue to exercise its enforcement discretion with respect to the Company's morselized amniotic membrane tissue-based products, and any potential action of the FDA could have a financial impact regarding the sales of such products.

Revenues from BioD morselized amniotic membrane-based products for the three months ended March 31, 2021 were less than 1.0% of consolidated revenues.

On March 7, 2019, TEI Biosciences, Inc. a subsidiary of the Company received a Warning Letter (the "Warning Letter"), dated March 6, 2019, from the FDA. The warning letter relates to quality systems issues at our manufacturing facility located in Boston, Massachusetts. The letter resulted from an inspection held at that facility in October and November 2018 and did not identify any new observations that were not already provided in the Form 483 that followed the inspection. The Company submitted its initial response to the FDA Warning Letter on March 28, 2019 and provides regular progress reports to the FDA as to its corrective actions and, since the conclusion of the inspection, has undertaken significant efforts to remediate the observations and continues to do so. The warning letter does not restrict the Company's ability to manufacture or ship products or require the recall of any products. Nor does it restrict our ability to seek FDA 510(k) clearance of products. The letter states that requests for Certificates to Foreign Governments would not be granted. However, due to our progress reports, the FDA agreed to resume issuing Certificates to Foreign Governments to TEI due to substantial progress and the length of time it takes to resolve the Warning Letter. Additionally, premarket approval applications for Class III devices to which the Quality System regulation violations are reasonably related will not be approved until the violations have been corrected. The TEI Boston facility manufactures extracellular bovine matrix (EBM) products. The Company does not expect to incur material incremental expense for remediation activities. We cannot, however, give any assurances that the FDA will be satisfied with our response to the Warning Letter or as to the expected date of the resolution of the matters included in the letter. Until the issues cited in the letter are resolved to the FDA's satisfaction, the FDA may initiate additional regulatory action without further notice. Any adverse regulatory action, depending on its magnitude, may restrict us from effectively manufacturing, marketing and selling our products and could have a material adverse effect on our business, financial condition and results of operations.

Revenues of products manufactured in the TEI Boston facility for the three months ended March 31, 2021 were approximately 4.5% of consolidated revenues.

ACQUISITIONS & DIVESTITURES

Divestiture

On January 4, 2021, the Company completed its previously announced sale of its Extremity Orthopedics business to Smith & Nephew USD Limited. The transaction included the sale of the Company's upper and lower Extremity Orthopedics product portfolio, including ankle and shoulder arthroplasty and hand and wrist product lines. The Company received an aggregate purchase price of $240.0 million from Smith and Nephew and concurrently paid $41.5 million to the Consortium of Focused Orthopedists, LLC ("CFO") effectively terminating the licensing agreement between Integra and CFO relating to the development of shoulder arthroplasty products. The Company recognized a gain of $42.9 million in connection with the sale that is presented in Gain from the sale of business in the consolidated statement of operations for the year ended March 31, 2021. See Note 2- *Acquisitions and Divestitures* for details.

Acquisition

On January 20, 2021, the Company acquired ACell Inc. for an acquisition purchase price of $305.4 million plus contingent consideration of up to $100 million, that may be payable upon achieving certain revenue-based performance milestones in 2022, 2023 and 2025. ACell was a privately-held company that offered a portfolio of regenerative products for complex wound management, including developing and commercializing products based on MatriStem Urinary Bladder Matrix ("UBM"), a technology platform derived from porcine urinary bladder extracellular matrix. See Note 2- *Acquisitions and Divestitures* for details.

OPTIMIZATION AND INTEGRATION ACTIVITIES

As a result of our ongoing acquisition strategy and significant growth in recent years, we have undertaken cost-saving initiatives to consolidate manufacturing operations, distribution facilities and transfer activities, implement a common ERP system, eliminate duplicative positions, realign various sales and marketing activities, and expand and upgrade production capacity for our regenerative technology products. These efforts are expected to continue and while we expect a positive impact from ongoing restructuring, integration, and manufacturing transfer and expansion activities, such results remain uncertain.

RESULTS OF OPERATIONS

Executive Summary

Net income for the three months ended March 31, 2021 was $45.4 million, or $0.53 per diluted share, as compared to $9.2 million or $0.11 per diluted share for the three months ended March 31, 2020.

The net income for the three months ended March 31, 2021 was primarily driven by an increase in non-operating income primarily due to the gain of $42.9 million recognized in the first quarter of 2021 as a result of the sale of its Extremity Orthopedics business to Smith & Nephew. The Company also benefited from slightly higher revenues and lower operating expenses in the current period as compared to the prior period.

Special Charges

Income before taxes includes the following special charges**:**

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Acquisition, divestiture and integration-related charges[2]	$ (27,001)	$ 6,166
Structural optimization charges	3,946	3,242
EU medical device regulation	5,748	2,187
Discontinued product lines charges	33	3,185
Convertible debt non-cash interest expense	—	2,529
Expenses related to debt refinancing	—	2,740
COVID-19 pandemic related charges[1]	—	4,706
Total	$ (17,274)	$ 24,755

(1) Charges relate to business interruptions and costs associated with the COVID-19 pandemic which impacted the Company's operations globally, partially offset by Coronavirus government relief programs in the prior year.

(2) The Company completed its sale of its Extremity Orthopedics business to Smith & Nephew and recognized a gain of $42.9 million for the three months ended March 31, 2021 which was partially offset by other acquisition, divestiture and integration-related charges. See Note 2. *Acquisitions and Divestitures* for details.

The items reported above are reflected in the condensed consolidated statements of operations as follows:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Cost of goods sold	$ 10,179	$ 9,307
Research and development	5,515	(1,051)
Selling, general and administrative	11,494	11,230
Interest expense[1]	—	5,269
Gain from the sale of business[2]	(42,876)	—
Other income	(1,586)	—
Total	$ (17,274)	$ 24,755

(1) Upon adoption of ASU No. 2020-06, the Company will no longer incur non-cash interest expense for the amortization of debt discount. See Note 1. *Basis of Presentation*, for details.

(2) See Note 2. *Acquisitions and Divestitures* for details.

We typically define special charges as items for which the amounts and/or timing of such expenses may vary significantly from period to period, depending upon our acquisition, divestiture, integration and restructuring activities, and for which the amounts are non-cash in nature, or for which the amounts are not expected to recur at the same magnitude. We believe that given our ongoing strategy of seeking acquisitions, our continuing focus on rationalizing our existing manufacturing and distribution infrastructure and our continuing review of various product lines in relation to our current business strategy, some of the special charges discussed above could recur with similar materiality in the future.

We believe that the separate identification of these special charges provides important supplemental information to investors regarding financial and business trends relating to our financial condition and results of operations. Investors may find this information useful in assessing comparability of our operating performance from period to period, against the business model objectives that management has established, and against other companies in our industry. We provide this information to investors so that they can analyze our operating results in the same way that management does and to use this information in their assessment of our core business and valuation of Integra.

Revenues and Gross Margin

The Company's revenues and gross margin on product revenues were as follows:

	Three Months Ended March 31,	
	2021	2020
Segment Net Sales	(Dollars in thousands)	
Codman Specialty Surgical	$ 241,241	$ 231,440
Tissue Technologies	$ 118,830	$ 122,884
Total revenues	$ 360,071	$ 354,324
Cost of goods sold	$ 145,823	$ 133,476
Gross margin on total revenues	$ 214,248	$ 220,848
Gross margin as a percentage of total revenues	59.5 %	62.3 %

Three Months Ended March 31, 2021 as Compared to Three Months Ended March 31, 2020

Revenues

For the three months ended March 31, 2021, total revenues increased by $5.7 million to $360.1 million from $354.3 million for the same period in 2020. Domestic revenues increased by $0.9 million, or 0.4%, to $247.8 million and were 68.8% of total revenues for the three months ended March 31, 2021 compared to $246.9 million during the same period in the prior year. International revenues increased by $4.8 million or 4.5% to $112.3 million for the three months ended March 31, 2021 compared to $107.5 million during the same period in the prior year. Foreign exchange fluctuations had a favorable impact of $5.9 million on revenues for the quarter.

In the Codman Specialty Surgical segment ("CSS"), revenues were $241.2 million which was an increase of $9.8 million, or 4.2% as compared to the prior-year period. The Company saw growth within our Neurosurgery portfolio primarily with sales in advanced energy increasing high single digits as a result of capital and disposable sales recovery in our international markets. Sales in our instruments portfolio increased low double digits as compared to the first quarter of 2020 primarily driven by recovery in physician office visits in comparison to the prior year.

In the Tissue Technologies ("TT") segment, revenues were $118.8 million which was a decrease of $4.1 million, or 3.3% from the prior-year period. The decline in revenue was primarily as a result of the sale of the Company's Extremity Orthopedics product portfolio to Smith and Nephew which occurred on January 4, 2021. This decline was partially offset by sales in our Wound Reconstruction portfolio which increased due to the acquisition of ACell Inc. which was completed on January 20, 2021 and growth from our legacy portfolio such as Primatrix and Integra skin products.

We continue to closely monitor local, regional, and global COVID-19 surges as well as new variants of the virus for an impact on procedures during Q2 2021 and beyond. The reallocation of hospital resources to treat COVID-19 may continue to cause a financial strain on healthcare systems and reduce procedural volumes. Additionally, the Company does not expect all markets and product lines to improve at the same rate based on the level of recurrence of COVID-19 and its associated impact on the pace of procedure recovery and economic normalization.

Gross Margin

For three months ended March 31, 2021 and 2020, gross margin as a percentage of revenues was 59.5% and 62.3%, respectively. The decrease in gross margin percentage was due to increased amortization associated with technology-based intangible assets, inventory step-up amortization in connection with the ACell Inc. acquisition, revenue mix and higher manufacturing costs. The product revenue mix was impacted by the timing of the Extremity Orthopedics divestiture relative to the partial quarter benefit from ACell, and a higher mix of international revenue, which has lower gross margins than that of domestic revenue. The higher manufacturing costs were mainly due to higher idle capacity relating to the impact of COVID resurgences on our workforce.

Operating Expenses

The following is a summary of operating expenses as a percent of total revenues:

	Three Months Ended March 31,	
	2021	2020
Research and development	6.2 %	5.9 %
Selling, general and administrative	43.5 %	46.8 %
Intangible asset amortization	1.3 %	2.0 %
Total operating expenses	51.0 %	54.7 %

Total operating expenses, which consist of research and development, selling, general and administrative, and amortization expenses, decreased by $10.2 million, or 5.3% to $183.5 million in the three months ended March 31, 2021, compared to $193.7 million in the same period in 2020. The Company has continued to manage its operating costs as a result of the impact of the COVID-19 pandemic. We also began to benefit from synergies as a result of the ACell Inc. acquisition and the sale of the Extremity Orthopedic business.

Research and Development

Research and development expenses for the three months ended March 31, 2021 increased by $1.6 million as compared to the same period in prior year. The Company continues to invest in R&D programs despite the challenges from the COVID-19 pandemic.

Selling, General and Administrative

Selling, general and administrative costs decreased by $9.3 million as compared to the same period in prior year resulting from less spending on travel, events and other discretionary expenses, as well as benefits from synergies as a result of the ACell Inc. acquisition and the sale of the Extremity and Orthopedic business. The Company has continued to manage its operating costs as a result of the impact of the COVID-19 pandemic.

Intangible Asset Amortization

Amortization expense (excluding amounts reported in cost of product revenues for technology-based intangible assets) for the three months ended March 31, 2021 was $4.5 million compared to $7.0 million for the same period in prior year primarily due to a reduction in amortization expense associated with intangible assets sold in conjunction with the sale of the business during the current year and accelerated amortization expense associated with an intangible asset recorded in the prior year.

We may discontinue certain products in the future as we continue to assess the profitability of our product lines. As our profitability assessment evolves, we may make further decisions about our trade names and incur additional impairment charges or accelerated amortization. We expect total annual amortization expense to be approximately $78.8 million in 2022, $78.0 million in 2023, $77.3 million in 2024, $77.3 million in 2025, $77.2 million in 2026 and $582.7 million thereafter.

Non-Operating Income and Expenses

The following is a summary of non-operating income and expenses:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Interest income	$ 1,748	$ 2,570
Interest expense	(12,929)	(17,752)
Gain from the sale of business	42,876	—
Other income, net	4,869	(479)
Total non-operating income and expense	$ 36,564	$ (15,661)

Interest Income

Interest income for the three months ended March 31, 2021 decreased by $0.8 million as compared to the same period last year.

Gain from the sale of business

On January 4, 2021, the Company completed its sale of its Extremity Orthopedics business to Smith & Nephew and recognized a gain of $42.9 million for the three months ended March 31, 2021.

Interest Expense

Interest expense for the three months ended March 31, 2021 decreased by $4.8 million as compared to the same period in the prior year primarily due to the elimination of the non-cash interest expense as the result of the adoption ASU 2020-06 and the expenses associated with Amended and Restated Senior Credit Agreement which occurred in the prior period. See Note 1. *Basis of Presentation* for details in relation to the adoption of ASU 2020-06.

Other Income, net

Other income, net for the three months ended March 31, 2021 increased by $5.3 million compared to the same period in the prior year primarily due to income associated with the transition services agreement with Smith and Nephew and favorable impact of foreign exchange.

Income Taxes

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Income before income taxes	$ 67,278	$ 11,442
Income tax (benefit) expense	21,884	2,262
Effective tax rate	32.5 %	19.8 %

The Company’s effective income tax rates for the three months ended March 31, 2021 and 2020 were 32.5% and 19.8%, respectively.

For the three months ended March 31, 2021, the primary driver of the higher tax rate is the tax impact of the gain from the sale of the business, which closed during the first quarter.

For the three months ended March 31, 2020, the primary drivers of the rate were lower income impacted by the COVID-19 pandemic, coupled with a $3.3 million valuation allowance on certain foreign deferred tax assets.

The effective tax rate may vary from period to period depending on, among other factors, the geographic and business mix of taxable earnings and losses, tax planning and settlements with various taxing authorities. We consider these factors and others, including the Company's history of generating taxable earnings, in assessing our ability to realize tax assets on a quarterly basis.

While it is often difficult to predict the outcome or the timing of the resolution of a particular matter with the various federal, state, and foreign tax authorities, we believe that our reserves reflect the most probable outcome of known tax contingencies. Settlement of a particular issue would usually require the use of cash. A favorable resolution would be recognized as a reduction to our annual effective tax rate in the year of resolution. The Company's tax reserves are presented in the balance sheet within other liabilities, except for amounts relating to items that we expect to pay in the coming year, which would be classified as current income taxes payable.

GEOGRAPHIC PRODUCT REVENUES AND OPERATIONS

The Company attributes revenues to geographic areas based on the location of the customer. Total revenue by major geographic area consisted of the following:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
United States	$ 247,793	$ 246,852
Europe	45,819	45,896
Asia Pacific	47,295	39,960
Rest of World	19,164	21,616
Total Revenues	$ 360,071	$ 354,324

The Company generates significant revenues outside the U.S., a portion of which are U.S. dollar-denominated transactions conducted with customers that generate revenue in currencies other than the U.S. dollar. As a result, currency fluctuations between the U.S. dollar and the currencies in which those customers do business could have an impact on the demand for the Company's products in foreign countries. Local economic conditions, regulatory compliance or political considerations, the effectiveness of our sales representatives and distributors, local competition and changes in local medical practice all may combine to affect our sales into markets outside the U.S.

Domestic revenues increased by $0.9 million for the three months ended March 31, 2021 compared to the same period last year. European sales decreased by $0.1 million for the three months ended March 31, 2021 compared to the same period last year. Sales to customers in Asia Pacific increased by $7.3 million for the three months ended March 31, 2021 driven by accelerated recovery in both the Japan and China markets in relation to otherwise negative COVID-19 impacts. The Rest of the World for the three months ended March 31, 2021 decreased by $2.5 million compared to the same period last year primarily due to adverse effects of the COVID-19 pandemic.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

The working capital as of March 31, 2021 and December 31, 2020 was $626.8 million and $836.2 million, respectively. Working capital consists of total current assets less total current liabilities as presented in the consolidated balance sheets.

Cash and Marketable Securities

The Company had cash and cash equivalents totaling approximately $409.0 million and $470.2 million at March 31, 2021 and December 31, 2020 respectively, which are valued based on Level 1 measurements in the fair value hierarchy. At March 31, 2021, our non-U.S. subsidiaries held approximately $251.6 million of cash and cash equivalents that are available for use outside the U.S. The Company asserts that it has the ability and intends to indefinitely reinvest the undistributed earnings from its foreign operations unless there is no material tax cost to remit the earnings into the U.S. The Company does not anticipate the need to repatriate earnings from foreign subsidiaries as a result of the impact of the COVID-19 pandemic.

Cash Flows

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Net cash provided by operating activities	$ 69,081	$ 20,814
Net cash used in investing activities	(117,566)	(21,485)
Net cash (used) provided by financing activities	(3,015)	162,005
Effect of exchange rate fluctuations on cash	(9,690)	(2,533)

Cash Flows Provided by Operating Activities

Operating cash flows for the three months ended March 31, 2021 increased by $48.3 million compared to the same period in 2020. For the three months ended March 31, 2021, net income after removing the impact of the gain on sale of business and non-cash adjustments decreased by approximately $10.1 million. The changes in assets and liabilities increased cash flows by $26.0 million primarily due to operating cash flow contributions of accounts receivable for the three months ended March 31, 2021 when compared to the prior year. In addition, the increase was also driven by an increase in accounts payables, accrued expenses and other current liabilities for the three months ended March 31, 2021.

Cash Flows Used in Investing Activities

During the three months ended March 31, 2021, we paid a net cash amount of $302.6 million in relation to the acquisition of ACell Inc. and received net proceeds of $191.7 million for the sale of the Extremity Orthopedics business. The Company also paid for $6.7 million capital expenditures to support operations improvement initiatives at a number of our manufacturing facilities and other information technology investments.

During the three months ended March 31, 2020, the Company paid $16.5 million for capital expenditures, most of which were directed to our Mansfield, Massachusetts facility, our Princeton, New Jersey facility and commercial expansion, as well as $5.0 million payment related to the first developmental milestone for Rebound.

Cash Flows Used in Financing Activities

Uses of cash from financing activities in the three months ended March 31, 2021 were $2.2 million proceeds from the exercise of stock options which was partially offset by net repayments of $1.6 million on the Securitization Facility offset and $3.6 million cash taxes paid in net equity settlement.

Sources of cash from financing activities in the three months ended March 31, 2020 were $515.3 million proceeds from the issuance of Convertible Senior Notes including the call and warrant transactions, $113.2 million borrowing under our Senior Credit Facility and Securitization Facility and $2.3 million in proceeds from the exercise of stock options. These were offset by repayments of $344.2 million on the revolving portion of our Senior Credit Facility and Securitization Facility, $20.3 million debt issuance costs related to the Amended and Restated Credit Agreement, $100 million purchases of treasury stock and $4.3 million cash taxes paid in net equity settlement.

Amended and Restated Senior Credit Agreement, Convertible Senior Notes, Securitization and Related Hedging Activities

See Note 6, *Debt* to the current period's condensed consolidated financial statements for a discussion of our Amended and Restated Senior Credit Agreement, Convertible Senior Notes and Securitization Facility and Note 7, *Derivative Instruments* for discussion of our hedging activities. We are forecasting that for the next twelve months, sales and earnings will be sufficient to remain in compliance with our financial covenants under the terms of the February 2020 Amendment and July 2020 Amendment to the Senior Credit Facility.

Share Repurchase Plan

On December 7, 2020, the Board of Directors authorized the Company to repurchase up to $225 million of the Company's common stock. The program allows the Company to repurchase its shares opportunistically from time to time. The repurchase authorization expires in December 2022. The Company has $225.0 million remaining under the share repurchase of its Common Stock. The price and timing of any future purchases under the share repurchase program will depend on factors such as levels of cash generation from operations, the volume of stock option exercises by employees, cash requirements for acquisitions, dividends, economic and market conditions and stock price.

During the year ended December 31, 2020, the Company repurchased 2.1 million shares of Integra's common stock as a part of our previous share repurchase authorization. The Company utilized $100.0 million of net proceeds from the offering of the

Convertible Senior Notes to execute the share repurchase transactions. This included $7.6 million from certain purchasers of the convertible notes in conjunction with the closing of the offering. On February 5, 2020, the Company entered into a $92.4 million accelerated share repurchase ("ASR") to complete the remaining $100.0 million of share repurchase. The Company received 1.3 million shares through the ASR, which represented approximately 80% of the expected total shares. Upon settlement of the ASR in June 2020, the Company received an additional 0.6 million shares determined using the volume-weighted average price of the Company's common stock during the term of the transaction.

Dividend Policy

The Company has not paid any cash dividends on our common stock since our formation. Our Senior Credit Facility limits the amount of dividends that we may pay. Any future determinations to pay cash dividends on our common stock will be at the discretion of the Board and will depend upon our financial condition, results of operations, cash flows and other factors deemed relevant by the Board.

Capital Resources

We believe that our cash and available borrowings under the Senior Credit Facility are sufficient to finance our operations and capital expenditures for the foreseeable future. Our future capital requirements will depend on many factors, including the growth of our business, the timing and introduction of new products and investments, strategic plans and acquisitions, among others. Additional sources of liquidity available to us include short term borrowings and the issuance of long term debt and equity securities.

Off-Balance Sheet Arrangements

We do not have any off–balance sheet financing arrangements during the three months ended March 31, 2021 that have or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our interests.

Contractual Obligations and Commitments

As of March 31, 2021, the Company is obligated to pay the following amounts under various agreements:

		Payments Due by Calendar Year			
	Total	Remaining 2021	2022-2023	2024-2025	Thereafter
		(In millions)			
Revolving Credit Facility (1)	$ 97.5	$ —	$ —	$ 97.5	$ —
Term Loan	877.6	33.8	106.9	736.9	—
Securitization Facility (1)	111.5	111.5	—	—	—
Convertible Debt (4)	575.0	—	—	575.0	—
Interest (2)	54.5	9.5	23.4	21.6	—
Employment Agreements (3)	0.8	0.8	—	—	—
Operating Leases	148.3	11.9	29.9	22.8	83.7
Purchase Obligations	4.9	1.6	3.3	—	—
Other	4.3	1.2	0.4	1.6	1.1
Total	$ 1,874.4	$ 170.3	$ 163.9	$ 1,455.4	$ 84.8

(1) The Company may borrow and make payments against the revolving credit portion of its Senior Credit Facility and Securitization Facility from time to time and considers all of the outstanding amounts to be long term based on its current intent and ability to repay the borrowing outside of the next twelve-month period.

(2) Interest is calculated on the term loan portion of the Senior Credit Facility based on LIBOR plus the spread paid by the Company. As the revolving credit facility and Securitization Facility can be repaid at any time, no interest has been included in the calculation.

(3) Amounts shown under Employment Agreements do not include compensation resulting from a change in control.

(4) On February 4, 2020, the Company issued $575.0 million aggregate principal amount of its of 0.5% Convertible Senior Notes due 2025 (the "2025 Notes"). The 2025 Notes will mature on August 15, 2025 and bear interest at a rate of 0.5% per annum payable semi-annually in arrears, unless earlier converted, repurchased or redeemed in accordance with the terms of the Notes. See Note 6, *Debt*, for the details on the 2025 Notes.

The Company has excluded its contingent consideration obligation related to prior and current year acquisitions from the contractual obligations table above; this liability had a total estimated fair value of $39.6 million at March 31, 2021. This liability has been excluded because the amount to be paid and the potential payment date is not fixed.

The Company has excluded its future pension contribution obligations from the table above. This has been excluded because the future amounts to be paid and the potential payment dates are not fixed.

The Company has excluded the liability for uncertain tax benefits from the contractual obligations table above, including interest and penalties, totaling $0.9 million at March 31, 2021. This liability for uncertain tax benefits has been excluded because we cannot make a reliable estimate of the period in which the uncertain tax benefits may be realized.

OTHER MATTERS

Critical Accounting Estimates

The critical accounting estimates included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 have not materially changed.

Recently Issued Accounting Standards

Information regarding new accounting pronouncements is included in Note 1 - *Basis of Presentation* to the current period’s condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, including changes in foreign currency exchange rates and interest rates that could adversely affect our results of operations and financial condition. To manage the volatility relating to these typical business exposures, we may enter into various derivative transactions when appropriate. We do not hold or issue derivative instruments for trading or other speculative purposes.

Foreign Currency Exchange and Other Rate Risks

We operate on a global basis and are exposed to the risk that changes in foreign currency exchange rates could adversely affect our financial condition, results of operations and cash flows. We are primarily exposed to foreign currency exchange rate risk with respect to transactions and net assets denominated in Euros ("EUR"), British pounds ("GBP"), Swiss francs ("CHF"), Canadian dollars, Japanese yen, Mexican pesos, Brazilian reais, Australian dollars and Chinese yuan. We manage the foreign currency exposure centrally, on a combined basis, which allows us to net exposures and to take advantage of any natural offsets. To mitigate the impact of currency fluctuations on transactions denominated in nonfunctional currencies, we periodically enter into derivative financial instruments in the form of foreign currency exchange forward contracts with major financial institutions. We temporarily record realized and unrealized gains and losses on these contracts that qualify as cash flow hedges in other comprehensive income, and then recognize them in other income or expense when the hedged item affects net earnings.

From time to time, we enter into foreign currency forward exchange contracts to manage currency exposures for transactions denominated in a currency other than an entity’s functional currency. As a result, the impact of foreign currency gains/losses recognized in earnings are partially offset by gains/losses on the related foreign currency forward exchange contracts in the same reporting period. Refer to Note 7, *Derivative Instruments* for further information.

We maintain written policies and procedures governing our risk management activities. With respect to derivatives, changes in hedged items are generally expected to be completely offset by changes in the fair value of hedge instruments. Consequently, foreign currency exchange contracts would not subject us to material risk due to exchange rate movements, because gains and losses on these contracts offset gains and losses on the assets, liabilities or transactions being hedged.

The results of operations discussed herein have not been materially affected by inflation.

Interest Rate Risk

Cash and Cash Equivalents - We are exposed to the risk of interest rate fluctuations on the interest income earned on our cash and cash equivalents. A hypothetical 100 basis points movement in interest rates applicable to our cash and cash equivalents outstanding at March 31, 2021 would increase interest income by approximately $4.1 million on an annual basis. No significant decrease in interest income would be expected as our cash balances are earning interest at rates of approximately one basis point. We are subject to foreign currency exchange risk with respect to cash balances maintained in foreign currencies.

Debt - Our interest rate risk relates primarily to U.S. dollar LIBOR-indexed borrowings. We use interest rate swap derivative instruments to manage our earnings and cash flow exposure to changes in interest rates. These interest rate swaps fix the interest rate on a portion of our expected LIBOR-indexed floating-rate borrowings. These interest rate swaps were designated as cash flow hedges as of March 31, 2021. The total notional amounts related to the Company's interest rate swaps were $1.9 billion with $975.0 million effective as of March 31, 2021. Based on our outstanding borrowings at March 31, 2021, a 100 basis points change in interest rates would have impacted interest expense on the unhedged portion of the debt by $1.1 million on an annualized basis.See Note 7, *Derivative Instruments*, for the details of interest rate swaps.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act report is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Management has designed our disclosure controls and procedures to provide reasonable assurance of achieving the desired control objectives.

As required by Exchange Act Rule 13a-15(b), the Company has carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2021. Based upon this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2021 to provide such reasonable assurance.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In response to business integration activities, the Company has and will continue to further align and streamline the design and operation of the financial control environment to be responsive to the changing business model.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information pertaining to legal proceedings can be found in Note 16. *Commitment and Contingencies*.

ITEM 1A. RISK FACTORS

The following risk factor is in addition to the risks described in the Company's Form 10-K under Item 1A, "Risk Factors" for its fiscal year ended December 31, 2020 and in its subsequent periodic reports filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. The risk factor described below may have the effect of heightening many of the risks contained in the Company's Form 10-K and other periodic reports.

Changes in the calculation and or complete replacement of LIBOR could have an impact on our business.

The United Kingdom's Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced in July 2017 that it will no longer persuade or require banks to submit rates for LIBOR after 2021. This announcement and global financial benchmark reforms generally have resulted in the future of certain interest rate benchmarks being more uncertain. LIBOR may be disrupted, materially change, or no longer be published in the future. In March 2021, the FCA provided clarity on the future of LIBOR by announcing that GBP, EUR, CHF, JPY Libor and 1-week and 2-month USD LIBOR will cease on December 31, 2021 while the remaining USD LIBOR settings will end on June 30, 2023. We have multiple debt facilities and swap contracts which utilizes a variable rate equal to Eurodollar LIBOR rate as a component of our interest rate. The upcoming transition away from LIBOR as a common reference rate in the global financial market could have a material, adverse effect on our business. Management continues to monitor the status and discussions regarding LIBOR.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Information pertaining to our common stock under the repurchase program can be found in Note 11. *Treasury Stock*.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Reference is hereby made to the Exhibit Index on page 47.

SIGNATURES

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.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

Date: April 29, 2021

/s/ Peter J. Arduini
Peter J. Arduini
President and Chief Executive Officer
(Principal Executive Officer)

Date: April 29, 2021

/s/ Carrie L. Anderson
Carrie L. Anderson
Executive Vice President, Chief Financial Officer, and Treasurer
(Principal Financial Officer)

Date: April 29, 2021

/s/ Jeffrey A. Mosebrook
Jeffrey A. Mosebrook
Senior Vice President, Finance
(Principal Accounting Officer)

Exhibits

*31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*†101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
*†101.SCH	XBRL Taxonomy Extension Schema Document
*†101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*†101.DEF	XBRL Definition Linkbase Document
*†101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
*†101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

\# Indicates a management contract or compensatory plan or arrangement.

† The financial information of Integra LifeSciences Holdings Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 filed on April 29, 2021 formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations and Comprehensive Income, (ii) the Condensed Consolidated Balance Sheets, (iii) Parenthetical Data to the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements, is furnished electronically herewith.

Exhibit 31.1

Certification of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Peter J. Arduini, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Integra LifeSciences Holdings Corporation;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we 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: April 29, 2021

/s/ Peter J. Arduini
Peter J. Arduini
President and Chief Executive Officer

Exhibit 31.2

Certification of Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Carrie L. Anderson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Integra LifeSciences Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we 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: April 29, 2021

/s/ Carrie L. Anderson
Carrie L. Anderson
Executive Vice President, Chief Financial Officer, and Treasurer

Exhibit 32.1

Certification of Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Peter J. Arduini, President and Chief Executive Officer of Integra LifeSciences Holdings Corporation (the "Company"), hereby certify that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2021 (the "Report") fully complies with the requirement of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2021

/s/ Peter J. Arduini
Peter J. Arduini
President and Chief Executive Officer

Exhibit 32.2

Certification of Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Carrie L. Anderson, Corporate Vice President and Chief Financial Officer of Integra LifeSciences Holdings Corporation (the "Company"), hereby certify that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2021 (the "Report") fully complies with the requirement of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2021

/s/ Carrie L. Anderson
Carrie L. Anderson
Executive Vice President, Chief Financial Officer, and Treasurer