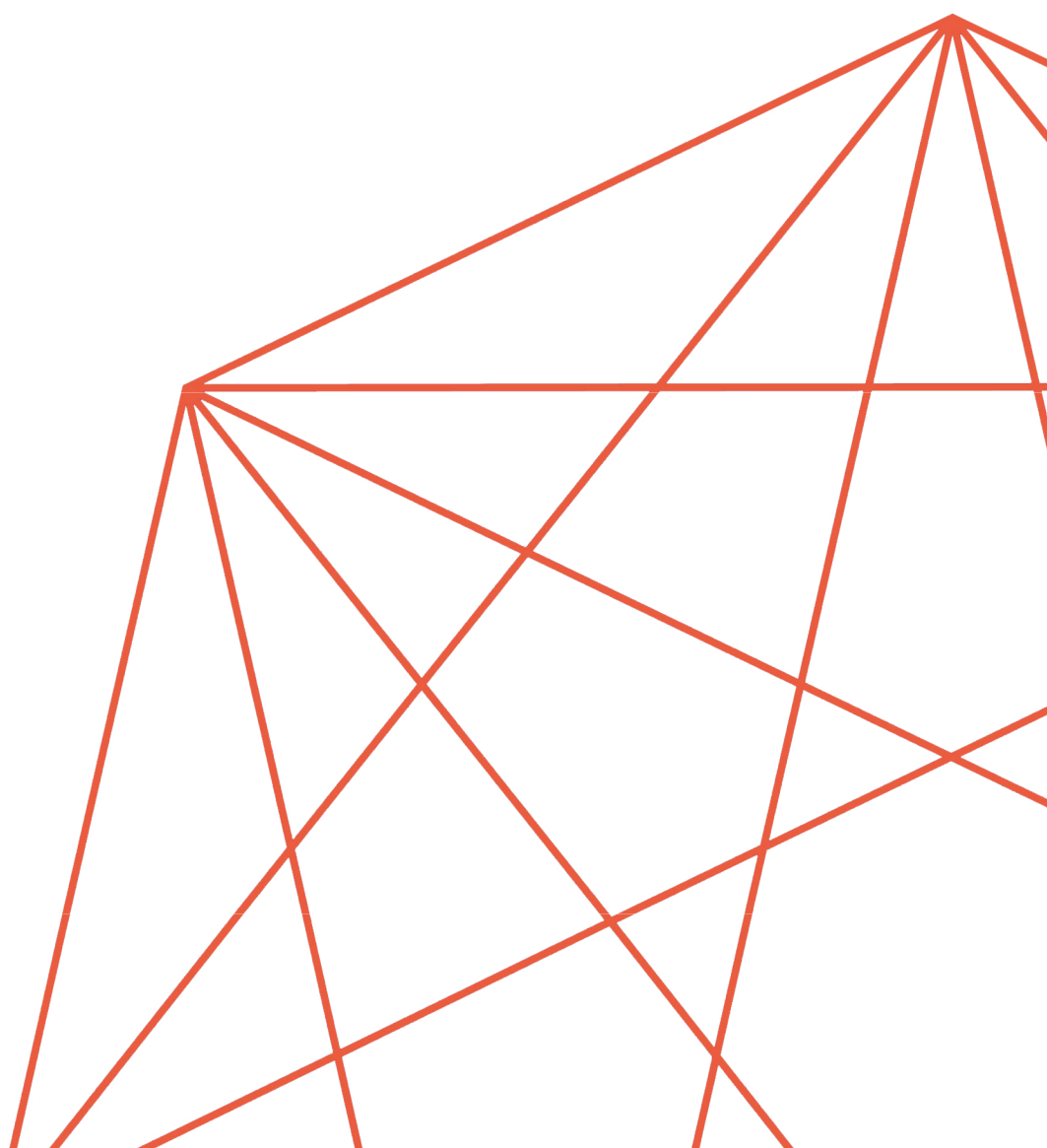
LivaNova

Health innovation that matters

2021 UK Annual Report



LivaNova

Health innovation that matters

Hope Through Innovation

At LivaNova, we unite to provide hope for patients and their families through innovative medical technologies, delivering life-changing improvements for both the Head and Heart. That is our Mission. We are driven by our shared purpose to put patients first to improve the quality of their lives - for every patient, every day.

This 2021 UK Annual Report (UK Annual Report) of LivaNova PLC comprises the Strategic Report, Directors' Report, Remuneration Report, and the LivaNova PLC consolidated Financial Statements prepared in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework," and applicable law), in respect of the year ended 31 December 2021 contained herein.

This UK Annual Report has been prepared to satisfy the reporting requirements of the Companies Act 2006 of England and Wales (Companies Act 2006) and will be included in the 2022 Annual General Meeting (2022 AGM) materials made available to shareholders.

In this UK Annual Report, "LivaNova," the "Company," "Group," "we," "us" and "our" refer to LivaNova PLC and its consolidated subsidiaries.

Cautionary Statement

Certain statements made in this UK Annual Report are forward looking. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future events or results referred to in the forward looking statements. Unless otherwise required by applicable laws, regulations or accounting standards, LivaNova does not undertake any obligation to update or revise any forward looking statements, whether as a result of new information, future developments or otherwise. Nothing in this UK Annual Report should be regarded as a profit forecast.

- Trademarks for our VNS therapy systems, the VNS Therapy™ System, the VITARIA™ System and our proprietary pulse generator products: Model 102 (Pulse™), Model 102R (Pulse Duo™), Model 103 (Demipulse™), Model 104 (Demipulse Duo™), Model 105 (Aspire HC™), Model 106 (AspireSR™), Model 1000 (SenTiva™), Model 1000-D (SenTiva™ Duo), Model 7103 (VITARIA™ and TitrationAssist™) and Model 8103 (Symmetry™).
- Trademarks for our Cardiopulmonary product systems: S5™, S3™, S5 Pro™, B-Capta™, Inspire™, Heartlink™, XTRA™, 3T Heater-Cooler™, Connect™, Revolution™ and Essenz™.
- Trademarks for our advanced circulatory support systems: TandemLife™, TandemHeart™, TandemLung™, ProtekDuo™ and LifeSPARC™.
- Trademarks for our obstructive sleep apnea system: ImThera™ and aura6000™.

These trademarks and trade names are the property of LivaNova or the property of LivaNova's consolidated subsidiaries and are protected under applicable intellectual property laws. Solely for convenience, LivaNova's trademarks and trade names referred to in this Annual Report may appear without the ® or ™ symbols, but such references are not intended to indicate in any way that LivaNova will not assert, to the fullest extent under applicable law, LivaNova's rights to these trademarks and trade names.

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STRATEGIC REPORT

Business Overview

LivaNova at a glance

Hope Through Innovation. Our products work in partnership with and improve life.

WHO WE ARE

LivaNova is a global medical technology company built on decades of experience and a relentless commitment to improve the lives of patients around the world. We are dedicated to helping create meaningful products and therapies that transform lives each and every day. LivaNova is also dedicated to the highest standards, and we operate at the topmost level of quality, business ethics and integrity.

OUR MISSION

At LivaNova, we unite to provide hope for patients and their families through innovative medical technologies, delivering life-changing improvements for both the Head and Heart.

OUR VALUES

Patients First. Our shared purpose is to improve the lives of patients.
Meaningful Innovation. We develop novel products and therapies to address multiple disease states.
Act with Agility. We challenge ourselves to continuously improve and act nimbly.
Commitment to Quality and Integrity. We dedicate ourselves to high quality and integrity in everything we do.
Collaborative Culture. We value diversity of thought and our collective strength as a team.

OUR PILLARS

Growth. Drive demand, build pipeline, expand portfolio.
Profitability. Build better, spend better, price better.
Talent. Attract, retain, develop.
Culture. Continuous improvement, discipline and accountability, teamwork.

OUR IMPACT

- **~ 3,000 EMPLOYEES** supporting healthcare professionals globally
- Presence in over **5,000 HOSPITALS**
- Distributing to over **100 COUNTRIES** worldwide
- **125,000+ PATIENTS** treated with VNS Therapy
- **2.5 M+ PATIENTS** treated with Inspire oxygenator
- **40+ YEARS** of perfusion know-how and world leadership with heart lung machines
- **3M+ PATIENTS** treated with XTRA Autotransfusion System

Our Global Business Model

LivaNova is comprised of three reportable segments: Neuromodulation, Cardiopulmonary and Advanced Circulatory Support, a change we implemented in 2021. We changed our segment reporting from two to three reportable segments to reflect the way in which we internally manage, evaluate performance and allocate resources. This new structure drives further accountability in execution and provides greater transparency to growth and margin profiles.

Neuromodulation

Our Neuromodulation segment designs, develops and markets devices that deliver neuromodulation therapy to treat drug-resistant epilepsy (DRE) and difficult-to-treat depression (DTD). It encompasses the development and management of clinical testing of our aura6000 System for treating obstructive sleep apnea (OSA) as well as our VITARIA System for treating heart failure.

Our principal Neuromodulation product, the LivaNova Vagus Nerve Stimulation Therapy (VNS Therapy) System, is an implantable device authorized for the treatment of DRE and DTD. The VNS Therapy System consists of an implantable pulse generator and connective lead that stimulate the vagus nerve; surgical equipment to assist with the implant procedure; equipment and instruction manuals enabling a treating physician to set parameters for a patient's pulse generator; and for epilepsy, magnets to manually suspend or induce nerve stimulation. The pulse generator and lead are surgically implanted in a subcutaneous pocket in the upper left chest area, generally during an out-patient procedure. The lead, which does not need to be removed to replace a generator with a depleted battery, is connected to the pulse generator and tunnelled under the skin to the vagus nerve in the lower left side of the patient's neck. Our VITARIA System for treating heart failure includes elements similar to the VNS Therapy System, i.e., the pulse generator, lead, programming computer and wand, though the pulse generator and lead are surgically implanted in a subcutaneous pocket in the upper right chest area.

Epilepsy

There are several broad types of treatment available to patients with epilepsy: multiple anti-seizure medications (ASMs); various forms of the ketogenic diet; vagus nerve stimulation (VNS); resective brain surgery and intracranial neurostimulation. ASMs typically serve as a first-line treatment and are prescribed for virtually all patients diagnosed with epilepsy. After two anti-seizure medications fail to deliver seizure control, the epilepsy is characterized as drug-resistant, at which point, adjunctive non-drug options are considered, including ketogenic diet, resective surgery, VNS therapy and other Neuromodulation therapies. Despite the regulatory approval and commercialization of more than 12 new seizure medications over the past 30 years, the percentage of epilepsy patients diagnosed as drug-resistant has not improved.

In 1997, our VNS Therapy System was the first medical device treatment approved by the U.S. Food and Drug Administration (FDA) for DRE, and today is the only neuromodulation device approved for use in DRE patients as young as four years of age with partial onset (a.k.a. focal) seizures. Other worldwide regulatory bodies have also approved the VNS Therapy System for treating patients with DRE, many without age or seizure-type restrictions. Globally, VNS Therapy is widely reimbursed. In 2022, the U.S. Centers for Medicare and Medicaid Services (CMS) approved certain reimbursement related to the syndromes of Lennox-Gastaut and Dravet when those syndromes have various or mixed seizure types that may include partial onset seizures.

We distribute multiple VNS Therapy Systems for the treatment of epilepsy, including Model 103 (Demipulse), Model 104 (Demipulse Duo), Model 106 (AspireSR), Model 1000 (SenTiva) and Model 1000D (SenTiva Duo) pulse generators. The newest technology, SenTiva, which launched in 2017, now accounts for over 65% of neuromodulation revenue. Our AspireSR and SenTiva generators provide the traditional benefits of VNS Therapy but add an additional stimulation capability: closed loop stimulation (AutoStim™) which responds to detection of changes in heart rate potentially indicative of a seizure. The SenTiva generator is the smallest and lightest VNS device capable of delivering responsive therapy for epilepsy and includes the additional flexibility of our Scheduled Programming and Day & Night Programming capabilities. In 2017, VNS Therapy devices were FDA approved for expanded magnetic resonance imaging (MRI) access while similar CE Mark approval followed shortly thereafter. Currently, SenTiva, Aspire HC and AspireSR models of VNS Therapy technology provide for this expanded MRI access.

Depression

U.S.

In July 2005, the FDA approved the VNS Therapy System for the adjunctive treatment of chronic or recurrent depression for patients 18 years or older who are experiencing a major depressive episode and have not had an adequate response to four or more antidepressant treatments. In May 2007, CMS issued a national non-coverage determination (NCD) within the U.S. with respect to reimbursement of the VNS Therapy System for patients with DTD, significantly limiting access to this therapeutic option for most patients.

In March 2017, the American Journal of Psychiatry published the results of the longest and largest naturalistic study (the D23 study) on treatments for patients experiencing chronic and severe DTD. The findings showed that the addition of the VNS Therapy System to traditional treatment is effective in significantly reducing symptoms of depression and well tolerated compared with traditional treatment alone. Furthermore, this efficacy persisted over the full five years of follow-up demonstrating the durability of response of VNS Therapy. Following publication of the D23 study, we requested CMS to reconsider its previous NCD, and in May 2018, CMS published a tracking sheet to reconsider its NCD.

In February 2019, CMS produced a final decision providing coverage for Medicare beneficiaries through Coverage with Evidence Development (CED) when offered in a CMS-approved, double-blind, randomized, placebo-controlled trial with a follow-up

duration of at least one year, as well as coverage of VNS Therapy device replacement. The CED also includes the possibility to extend the study to a prospective longitudinal registry.

That same year, CMS accepted the protocol for our RECOVER clinical study and the first patient was enrolled. On 14 March 2022, we announced that the 250th unipolar depression patient had been implanted in the RECOVER clinical study. RECOVER will include up to 500 unipolar and up to 500 bipolar patients at a maximum of 100 sites in the U.S. in the randomized part of the trial and up to an additional 5,800 patients in a prospective longitudinal registry.

We started a research collaboration called UNCOVER with Verily, a subsidiary of Alphabet Inc., to capture clinical biomarkers of depression within our RECOVER clinical study in 2020. Using technology and analytics by way of the Verily Study Watch and related Verily mobile phone application, LivaNova and Verily aim to gather quantitative data to further understand depressive episodes and a patient's response to treatment. These complementary approaches are expected to help investigators better understand the impact of depression and its treatment on study participants' lives in a more objective and multi-dimensional manner. The first patient was enrolled in the collaborative study, a subset of the RECOVER study, in 2021.

Outside the U.S.

In January 2018, we announced the launch and enrollment of the first patient in our RESTORE-LIFE study, which evaluates the use of our VNS Therapy System in patients who have DTD and failed to achieve an adequate response to standard psychiatric management.

In March 2020, our VNS Therapy System, Symmetry received CE Mark approval for DTD.

Obstructive Sleep Apnea

In June 2021, LivaNova received approval from the FDA to proceed with its investigational device exemption (IDE) clinical study, "Treating Obstructive Sleep Apnea using Targeted Hypoglossal Neurostimulation (OSPREY)." The OSPREY study seeks to confirm the safety and effectiveness of the aura6000 System, the LivaNova implantable hypoglossal neurostimulation device intended to treat adult patients with moderate to severe obstructive OSA by stimulating the hypoglossal nerve, which in turn, engages certain muscles in the tongue in order to open the airway while a patient is sleeping. We already have a commercial presence in the European market.

The technology was acquired in January 2018 when we acquired full ownership of ImThera, a privately held, emerging-growth company developing an implantable neurostimulation device system for the treatment of obstructive sleep apnea.

Heart Failure

We are focused on the development and clinical testing of the VITARIA System for treating heart failure through vagus nerve stimulation. The VITARIA System provides a specific method of VNS called autonomic regulation therapy (ART), and it includes elements similar to the VNS Therapy System: pulse generator, lead, programming computer and wand. In 2012, we initiated a pilot study, ANTHEM-HF, outside the U.S., and the published results support the safety and efficacy of ART delivered to patients with advanced heart failure expressing symptoms despite guideline-directed medical therapy. The study was extended to continue follow-up of patients through 42 months, the results for which have been published in a peer-reviewed cardiology journal. The VITARIA System is not approved in the U.S. though it has been designated as a breakthrough technology by the FDA. The VITARIA System received CE Mark approval in 2015.

We successfully implanted the VITARIA System in 2018 in a patient randomized in the ANTHEM-HFrEF Pivotal Study, an international, multicentre, randomized trial (adaptive sample size) to evaluate the VITARIA System for the treatment of advanced heart failure. In December 2021, we enrolled the 400th patient in the trial, and in January 2022, the 300th patient completed the nine-month follow-up visit. Given these milestone achievements, the first interim analysis is being conducted by independent statisticians. Enrollment and screening continue despite ongoing COVID-19 headwinds, though we are monitoring relevant conditions at medical centres participating in the trial.

Cardiopulmonary

Our Cardiopulmonary segment is engaged in the development, production and sale of cardiopulmonary products, including oxygenators, heart-lung machines (HLM), autotransfusion systems, perfusion tubing systems, cannulae and other related accessories.

During conventional coronary artery bypass graft procedures and heart valve surgery, the patient's heart is temporarily stopped, or arrested. The patient is placed on an extracorporeal circulatory support system that temporarily functions as the patient's heart and lungs and provides blood flow to the body. Our products include systems to enable cardiopulmonary bypass, including HLMs, autotransfusion systems, oxygenators, perfusion tubing sets, cannulae and accessories, as well as related equipment and disposables for autotransfusion and autologous blood washing for neonatal, pediatric and adult patients. Our primary cardiopulmonary products include:

Heart-lung machines. The HLM product group includes HLMs, heater coolers, related cardiac surgery equipment and maintenance services.

Oxygenators and perfusion tubing systems. The oxygenators product group, which includes oxygenators and other disposable devices for extracorporeal circulation, includes the Inspire systems. The Inspire range of product is comprised of 12 models and provides perfusionists with a customizable approach for the benefit of patients.

Autotransfusion systems. One of the key elements for a complete blood management strategy is autologous blood transfusion. The autotransfusion product group facilitates the collection, processing and reinfusion of the patient's own blood lost at the surgical site during the perioperative period.

Cannulae. Our cannulae product family is used to connect the extracorporeal circulation to the heart of the patient during cardiac surgery.

Connect. Connect is our perfusion charting system. Focused on real time and retrospective calculations and trending tools, Connect assists perfusionists with data management during and after cardiopulmonary bypass.

Advanced Circulatory Support

Our Advanced Circulatory Support (ACS) segment is engaged in the development, production and sale of temporary life support products. These products include cardiopulmonary and respiratory support solutions consisting of temporary life support controllers and product kits that can include a combination of pumps, oxygenators, and cannulae.

ACS products simplify temporary extracorporeal cardiopulmonary life support solutions for critically ill patients. Built around a common compact console and pump, LifeSPARC provides temporary support for emergent rescue patients in a variety of settings. Designed for ease of use, the system offers power and versatility for multi-disciplinary programs to support more patients. The system is accompanied by four specialized and ready-to-deploy kits, each designed to support diverse cannulation strategies.

In July 2019, the FDA approved our LifeSPARC system, a new generation of the ACS pump and controller, and in the fourth quarter of 2019, we began a limited commercial release in the U.S., followed by a full commercial launch in the second half of 2020.

Our Strategy: Overview of 2021

COVID-19 continued to present operating challenges for both the global economy as well as LivaNova throughout 2021. Many markets around the world were impacted, resulting in significant volatility in our businesses and pressures on operating margin. Despite the uncertainty, the LivaNova management team focused on factors within the Company's control - managing costs, strengthening the balance sheet and adapting operations to continue delivering life-saving products and therapies. The Company remained focused on its strategic priorities, undertaking actions to shape its portfolio and structure the organization so as to better serve patients and drive shareholder value.

The Company introduced the Strategic Triangle in 2020 - it served as a guide to position LivaNova for long-term success and continues to be utilized in 2022. This focused approach is based on three key principles: driving core growth, executing on our product pipeline and improving operational excellence, all while maintaining quality at the center of everything we do. Execution in these three areas will ensure that we are well positioned to realize the full value of our diverse portfolio and strengthen top- and bottom-line results for years to come. We made progress in each area during 2021.

Core Growth

Our core business consists of Epilepsy, Cardiopulmonary and ACS, all of which support investment in our strategic portfolio initiatives (SPIs), i.e., our pipeline. To drive core growth in 2021, we focused on advancing our leadership positions in underserved markets by generating consistent, profitable revenue growth, in particular in our U.S. Epilepsy and U.S. ACS businesses.

U.S. Epilepsy

In the U.S., we have made progress on our goal to build VNS Therapy treatment pathways in both Comprehensive Epilepsy Centers (CECs) and community health systems in order to improve patient access to care, drive physician advocacy and cultivate networks of health systems to deliver VNS Therapy. Our distinct focus on CECs marked the creation of our go-to-market (GTM) strategy, whereby we utilize a multidisciplinary approach to meeting the varied needs of these large customer segments. This approach involves utilizing dedicated teams who deliver improved outcomes by bringing expertise in the areas of clinical research, education and training, and community outreach. These teams are in addition to our existing sales team and complement their work in the field. In 2021, we saw the revenue growth of the early GTM CEC teams outperform that of our core teams by roughly 10%, resulting in a sales increase of 36% in 2021 versus 2020 and 15% in 2021 versus 2019.

As we build VNS Therapy pathways in CECs as well as in community health systems, we want to guide patients to these centers to discuss the appropriateness of VNS Therapy with their healthcare provider (HCP). In order to drive general epilepsy awareness and to support the patient and caregiver journey, LivaNova has invested in digital tools and programs for patient education and awareness. This includes our "Epsy" application, an unbranded site designed to build a digital community for all epilepsy patients and healthcare professionals. It enables patients to establish a unique profile, to track activity and to gain valuable insights including awareness and education about VNS Therapy. At the end of 2021, Epsy was available only in the U.S. and the application had been installed 130,000 times.

Advanced Circulatory Support

The foundation of the ACS business is the LifeSPARC platform, which includes our next-generation pump and controller system that launched in 2020. The system represents a significant technological upgrade from its predecessor with improved ease of use, more power, better flow rate and more versatility. Sales growth was impacted in the year by HCP staffing shortages and hospital capacity limitations. However, during 2021 and in line with guidance, the ACS business delivered double-digit growth for the fourth consecutive year, growing more than 30%. This growth was driven by continued adoption and utilization of LifeSPARC and higher usage rates to treat COVID-19 patients. Additionally, ACS operating profits reflect our continued investment in sales force expansion.

Pipeline Execution

Our pipeline includes three randomized controlled trials that target medical conditions with significant unmet needs, specifically DTD, heart failure and OSA. DTD and heart failure leverage our current VNS Therapy System, thereby expanding our VNS Therapy platform. This is meaningful because the safety and efficacy for VNS Therapy is well understood with over 125,000 patients implanted to date. Our SPIs also include the commercialization of our next-generation HLM, Essenz, a key initiative to support our market leadership position in this area. This portfolio represents LivaNova's future, any one of which could be transformative for the Company if successfully brought to market.

Depression

In February 2019, CMS issued a final decision providing coverage for Medicare beneficiaries through CED when offered in a CMS-approved, double-blind, randomized, placebo-controlled trial (RCT) with a follow-up duration of at least one year, as well as coverage of VNS Therapy device replacement for battery depletion. The CED also includes the possibility to extend the study to a prospective longitudinal registry. In September 2019, CMS accepted the protocol for the RECOVER (A P**R**ospective, Multi-c**E**nter, Randomized Controlled Blinded Trial Dem**O**nstrating the Safety and Effectiveness of **V**NS Therapy System as Adjunctiv**e** Therapy Versus a No Stimulation Control in Subjects With Treatment-**R**esistant Depression) clinical study, and the first patient was enrolled. RECOVER will include up to 500 unipolar and up to 500 bipolar patients at a maximum of 100 sites in the U.S. during the randomized part of the trial with up to an additional 5,800 patients in the prospective longitudinal registry.

During 2020, we experienced a pause in the RECOVER study because the majority of study sites and their corresponding surgical centres were closed, however they began to reopen in the second half of the year. As psychiatrist offices and surgical centres continued to reopen into 2021, we accelerated site activations, patient consents and implants.

In February 2020, we announced a research collaboration with Verily, a subsidiary of Alphabet Inc., to capture clinical biomarkers of depression within our RECOVER clinical study. Using technology and analytics by way of the Verily Study Watch and related Verily mobile phone application, LivaNova and Verily aim to gather quantitative data to further understand depressive episodes and a patient's response to treatment in what is called the UNCOVER study. These complementary approaches are expected to

help investigators better understand the impact of depression and its treatment on study participants' lives in a more objective and multi-dimensional manner. In April 2021, LivaNova and Verily announced that the first patient had been enrolled in UNCOVER.

Heart Failure

We are also applying our VNS Therapy technology to treat heart failure, a condition that affects more than 25 million people worldwide. We combined our learnings from pre-clinical research, initial pilot clinical research and efforts of others in this space to create a clinical evaluation plan for the VITARIA System. In September 2018, we announced the first successful implantation of VITARIA in a patient randomized in the ANTHEM-HFrEF (**A**uto**N**omic Regulation **T**herapy to **E**nhance **M**yocardial Function and Reduce Progression of **H**eart **F**ailure with **R**educed **E**jection **F**raction) Pivotal Study, an international, multi-center, randomized trial (adaptive sample size) to evaluate the VITARIA System (FDA Breakthrough Technology designation) for the treatment of advanced heart failure. Since the inception of our ANTHEM-HFrEF pivotal trial, patient enrollment has exceeded trial goals. Despite pandemic-related challenges which included a temporary pause in early 2020, the team enrolled the 400th patient in the trial in December 2021.

Obstructive Sleep Apnea

In June 2021, we obtained FDA approval for our IDE clinical study, OSPREY, Treating **O**bstructive **S**leep A**P**nea Using Ta**R**g**E**ted H**Y**poglossal Neurostimulation. The OSPREY study will be the first randomized control trial to confirm efficacy of hypoglossal nerve stimulation for OSA. Specifically, the clinical study will determine if the apnea-hypopnea index responder rate of subjects stimulated via the device is statistically higher than the rate of subjects without stimulation. Throughout the study, independent statisticians will conduct interim data analyses to determine predictive probability of success for OSPREY.

Essenz

In 2021, we delivered above market growth in Cardiopulmonary while making continued investments in our next-generation HLM, Essenz. The Essenz perfusion system is rooted in the heritage of Sorin and Stockert and is the culmination of decades of LivaNova experience in providing lifesaving care to millions of patients worldwide. We listened to our customers and leveraged a user-centric design to modernize the practice of perfusion, to offer an intuitive perfusion experience with the aim to tailor patient care strategies and support continuous improvement of clinical practice. The system is based on a near 50-year legacy of proven safety and reliability that particularly resonates with perfusionists. The Essenz perfusion system will comprise the next generation HLM, a comprehensive range of accurate sensing technology, the intuitive Essenz patient monitor, and a service offering.

In 2021, we invested heavily in Essenz, putting us well on our way to meeting our goal of a limited commercial launch in key geographies in the second half of 2022. For the Essenz Patient Monitor, we received 510(k) clearance and CE Mark, and we commenced our U.S. and European targeted commercial release in April 2022. We strategically designed our regulatory pathway to gain valuable experience with the Patient Monitor ahead of the full system submissions and approvals. We plan to follow the same limited launch strategy with the full Essenz System, thereby giving us the best possible opportunity for a successful launch.

Operational Excellence

Our commitment to operational excellence is enabled by our LivaNova Business System (LBS), our guide to excellence in how we operate and the framework by which we improve our business process. LBS is a methodology that enables us to achieve our objectives. It takes lean practices and applies them across our business. In practice, our LBS process has included user-centric design and modular developments for accelerated delivery of new products, applied problem solving and funnel management for sales force effectiveness, Kaizen events to improve pricing practices and strategy deployment to align our daily activities with our strategic plan. As an example, we held two LBS Kaizen Bootcamps in 2021, one in Munich, Germany and the other in Pittsburgh, Pennsylvania, which, among other things, addressed improvements around processing times, forecasting and resource planning, and the development of roadmaps to achieve 2026 objective goals, respectively. We are continuously employing LBS across the Company because operational excellence is at the core of what we do.

Heart Valve Divestiture

We closed the sale of the heart valve business in June 2021 after amending the original purchase agreement to, among other things, defer the closing of the sale and purchase of LivaNova Site Management (LSM), a subsidiary of LivaNova operating at the Saluggia, Italy campus, by up to two years and include or amend certain additional terms relating to such deferral, including certain amendments relating to the potential hazardous substances liabilities of LSM and the related expense reimbursement provisions. The divestiture has enabled LivaNova to sharpen its focus within its primary platforms, Neuromodulation, Cardiopulmonary and ACS, and to dedicate increased resources toward executing its promising pipeline opportunities.

Segment Reporting

As noted above, effective in the fourth quarter of 2021, we changed our segment reporting from two to three reportable segments. The change reflects the way we internally manage, evaluate performance and allocate resources, thereby driving further accountability in execution and providing greater transparency to growth and margin profiles.

Arvada Sterilization Facility

In December 2021, we opened our new state-of-the-art ethylene oxide sterilization facility in Arvada, Colorado, which enables our sterilization process to move in-house. A result of LBS tools and effective critical path project management, LivaNova can now fully own the sterilization process and potentially ramp up production as needed.

2021 Closing Thoughts

Despite the uncertainty posed by COVID-19 throughout 2021, we remained focused on achieving consistent, profitable revenue growth in our core businesses, delivering on our pipeline, and improving profitability and cash generation. The Company delivered on its financial targets and improved cash flow generation, demonstrating an ability to drive shareholder value in a dynamic market environment. We believe the focus on the Strategic Triangle underpinned by the LBS positions us to realize the full value of our diverse portfolio.

Our Strategy: Looking to 2022

While we enter 2022 with ongoing market uncertainty, our priorities continue to build on our Strategic Triangle. We remain focused on delivering sales and earnings growth, achieving milestones for our pipeline and improving profitability and cash generation. This year, we will conduct interim analyses for our depression and heart failure clinical studies following the achievement of major enrollment milestones and launch our next-generation HLM. Our 2022 corporate theme is “Elevate”, as we focus on raising our business to new levels by continuing to put patients first, applying new ways of working to act with agility, meeting our commitments with quality and integrity, enhancing our portfolio through meaningful innovation, and leveraging the organization to increase collaboration.

Core Growth

Core growth is focused on portfolio optimization to support leadership positions in underserved markets by taking a strategic approach with our core business and growth drivers.

U.S. Epilepsy

Specifically, with respect to U.S. Epilepsy, we intend to build off the success of our GTM teams. Our multi-disciplinary, dedicated teams have been successful in partnering with CECs to deliver improved outcomes by bringing expertise in the areas of clinical research, education and training, and community outreach. In the fourth quarter of 2021, these teams accounted for approximately 19 percent of U.S. sales and implants, delivering sales and implant growth that trended above the baseline business compared to the fourth quarters of 2020 and 2019. At the end of 2021, our GTM initiative encompassed 12 dedicated CEC teams, and our plan is to add four additional CEC teams during 2022.

Advanced Circulatory Support

In an effort to increase market leadership in ACS, we have developed a comprehensive, cross-functional strategic plan that will guide our investment decisions. We intend to build on four fundamental value drivers, starting with product innovation. We plan to grow our cannulation advantage to improve the usability and mobility of the LifeSPARC platform even further, design a differentiated oxygenator platform, and leverage data, remote connectivity and decision support algorithms to better assist users at the point of care. In clinical evidence, we are launching a pilot randomized controlled clinical trial in severe acute respiratory distress syndrome, comparing our Protek-Duo-based extracorporeal membrane oxygenation (ECMO) to Invasive Mechanical Ventilation, the current standard of care. We will also expand our support for investigator-initiated research in cardiac arrest, participating in a short working group registry and continuing our THEME (**T**andem**H**eart **E**xperiences and **ME**thods) registry for post-market respiratory distress failure data. In commercial excellence, we have grown the team to more than 70 individuals since the TandemLife acquisition in 2018, and we plan to continue that growth to more than 200 commercial staff by 2026, including field representatives, clinical consultants, marketers, professional education specialists and the leadership team. We will also continue to expand our inside sales organization to continue driving customer awareness and uncovering new business opportunities for our field team. Finally, on the operational front, we will be investing in additional manufacturing capacity in our Pittsburgh, Pennsylvania facility as well as developments in value improvement engineering, product development transfer, design for manufacturability and quality management system. These improvements to operational capacity will ensure that we have the ability to fully capitalize on the opportunities ahead.

Pipeline Execution

In relation to pipeline execution, we have multiple existing and pipeline initiatives to accelerate growth. This is an extremely important year as we anticipate major milestones in our clinical trials – RECOVER for depression, ANTHEM-HFrEF for heart failure and OSPREY for OSA. In addition, we are preparing for the much anticipated product launch of Essenz, our next-generation perfusion system.

Depression

The RECOVER clinical study continues to steadily progress. On 14 March 2022, we announced that the 250th unipolar depression patient had been implanted in the RECOVER clinical study, marking a major milestone. A series of interim analyses will follow as we collect follow-up data from these patients over time. As interim analyses are conducted for the unipolar cohort, unipolar and bipolar depression patients will continue to be enrolled into the RCT. If any analysis reveals that the predictive probability of success has been reached, the results will be shared with CMS with the intent that RCT enrollment for that patient population will cease and future patients will be enrolled into the prospective longitudinal registry for that cohort. After the last patient enrolled into the RCT has completed 12 months of follow-up, a final analysis will be conducted on the complete dataset for that respective cohort. The trial, if successful, will be used to support a peer-reviewed publication and reconsideration of reimbursement for VNS Therapy by CMS for the treatment of DTD. While we remain focused on enrolling both the unipolar and bipolar cohorts, the unipolar cohort continues to enroll at a faster pace primarily because it is the more prevalent patient population.

Heart Failure

The ANTHEM-HFrEF U.S. pivotal trial continues to advance. As previously noted, we were pleased to report that we recently achieved two key milestones: first, in late December 2021, we enrolled the 400th patient and second, in mid-January 2022, the 300th patient completed the nine-month follow-up visit. These milestone achievements allow for the first interim analysis to be conducted by independent statisticians. As part of the interim analyses, independent statisticians will review five pre-specified conditions, including safety, a trend toward the primary endpoint and the three pre-specified functional endpoints. Once all pre-specified conditions have been met, we may submit the functional dataset to the FDA. If we do not meet all criteria, the independent statisticians will take another look at the data after the 500th patient is enrolled.

Obstructive Sleep Apnea

The OSPREY trial continues to make progress, with approximately half of the 20 study sites currently screening patients. Our first patient was implanted in the OSPREY clinical study on 24 February 2022. The clinical study will ultimately enroll a maximum of 150 adult patients with moderate to severe obstructive sleep apnea (OSA) who do not achieve results from a traditional continuous positive airway pressure (CPAP) machine or have declined its use.

Essenz

We estimate that by the time we launch our next-generation HLM, Essenz, over one-third of our installed base of 7,000 units will be past their average lifetime use of approximately 10 years. We expect a staged rollout for Essenz, anticipating a gradual ramp in capital sales beginning late 2022 and into 2023 and 2024. Longer term, we expect to see an increase in top line growth in the form of recurring revenue in the areas of service and licensing contracts. Over the past several years, we conducted a robust user-centric design process, gathering input from perfusionists worldwide. We used the market-leading S5 HLM as the basis for our collaborative design sessions and very recently had customers involved in testing the Essenz HLM. Our growth will be enabled by our broad commercial infrastructure, which allows us to maintain and build deep customer relationships and our global manufacturing footprint, which enables us to provide unparalleled service.

Operational Excellence

Operational excellence reflects our focus on margin expansion and cash generation. It is the execution of our strategy more consistently, reliably and with lower operational risk. Our organization has embraced a disciplined mindset in delivering on our business objectives in that we are committed to reducing costs and optimizing our working capital. We will continue to drive cost efficiencies and utilize LBS to improve our processes and systems to enable our employees to be more productive. Our new organizational structure will enhance our decision-making processes and ultimately, drive accountability for growth, margin expansion and cash conversion to our business units.

Looking Towards 2022

As noted above, our 2022 theme is Elevate. We have been in a building mode the past few years, and we are on the cusp of breakthroughs in several areas. We are scaling, gaining speed and building momentum like never before. Now is the time for us to begin realizing the value of our efforts and investments, as we elevate LivaNova to new heights.

Human Capital Management

Our almost 3,000 employees worldwide are crucial in our mission to provide hope to our patients and their families through delivering life-changing medical innovation for the head and the heart. In order to meet the needs of our patients and customers, we retain, develop and reward exceptional talent. We have been successful in attracting talent in a highly competitive labor market due, in large part, to our proactive recruitment strategies, competitive compensation and benefits, collaborative and rewarding work environment, professional training and development programs for managers and employees, and health and wellness measures.

Our mission seeks to link our employees to our five core values: patients first, meaningful innovation, act with agility, commitment to quality and integrity, and collaborative culture. These values are how we evaluate ourselves and ultimately, achieve success as an organization. They are deeply embedded in our culture, from our field and manufacturing personnel to the executive leadership team (ELT) and the LivaNova Board of Directors (Board). We continually share best practice stories from our employee community throughout the organization, by way of emailed videos; "the Edge", our internal community intranet site; and virtual and in-person town halls and leadership meetings. Our values inspire our good citizenship and how we conduct our business responsibly and sustainably while interacting with our communities, employees and the environment.

Our Chief Human Resources Officer is responsible for developing and executing our human capital strategy with her team of Human Resources professionals. The Human Resources function is organized into two key areas: (1) Employee Experience, which addresses attraction and retention of talent, on-boarding, compensation and performance management, and ultimately, the employees' experience throughout their tenure in the organization; and (2) Talent, Leadership and Development, which includes internal career pathing, talent development, coaching and training, and diversity strategy and programming.

Compensation and Benefits

Our need for top talent demands desirable compensation and benefits packages. In addition to competitive salaries, our programs include, depending on jurisdiction, annual bonuses, stock awards, pensions, health benefits and health programs, paid time off and parental leave, flexible schedules, remote working, and employee stock purchase plans, among others. To ensure alignment with fair pay standards, we monitor and externally benchmark our compensation and benefits policies and practices annually with recognized professional partners. We also work closely with our trade unions and works councils to ensure that we apply compliant, equitable and fair work practices that are inclusive of the interests of our workers in our policies and decisions.

Importantly, we pride ourselves on forging a strong connection between performance and rewards within the Company. Annually, we define clear, SMART (Specific, Measurable, Achievable, Relevant and Time-bound) goals and targets at the Company level, which translate into business unit and individual level goals for every employee in the organization. They are subsequently tracked by way of metrics and dashboards. Individual and Company success translate into rewarding packages, aimed to incentivize and encourage top talent. In addition, employees themselves can recognize their colleagues through an employee recognition program called Stars.

Culture

Maintaining a culture that embodies our values and mission is of the utmost importance. It demands self-reflection and a commitment to ensure that we take actions to address our employees' thoughts and opinions. Accordingly, we conduct an annual, anonymous employee survey called LivaNova4You to help measure the overall engagement and satisfaction level of our team. Thereafter, our senior leadership assesses employee engagement to understand and identify potential opportunities for improvement.

In our 2021 survey, we achieved 89 percent participation across the Company. The majority of our engagement drivers improved when compared to our 2020 survey results, an encouraging result given the difficulties in working in a pandemic environment. We saw an increase in our employee satisfaction & motivation score and equivalent high marks on the employee loyalty score, with an increase in our overall engagement index.

The survey also revealed growth in collaboration, that is, employees showing high trust and respect for each other; an increased feeling of recognition on a job well done; empowerment and the feeling of being sufficiently challenged, despite a difficult pandemic environment; and flexibility in coming up with new and innovative ways to work. Our employees also acknowledged an improvement in the tools and opportunities for advancement, one of our highest improving scores as compared to 2020.

As with any employee engagement survey, we discovered areas with opportunities for improvement as well. Workload, clarification of processes, and perception surrounding benefits, for example, were all areas identified. Leaders within the Company are working with their teams to consider how to address these areas over the next year.

Development and Training

As part of our promotion and retention efforts, we organize annual performance reviews for all employees which involve an evaluation of goals and performance contributions. A portion of our employees, some of whom include operators involved in the direct production of our devices, receive performance feedback in a form and process based on jurisdiction and local rules and regulations. We also offer all employees performance management training and workshops to guide both managers and employees throughout the review process.

Our annual Talent Review process engages our corporate employees to establish development plans and document their skills and capabilities, while managers assess employee potential, create succession plans, and identify possible career path opportunities. We monitor succession coverage of key roles as it is an indicator of our ability to backfill key positions and create internal career paths. Currently, we have succession plans in place for 91% of our key roles. Also, separate from the content and offerings within LivaNova University (as further articulated below), a number of development plans are rolled out annually for the benefit of our employees. Finally, a targeted group of 22 top performers (up from six participants in 2020) were nominated to participate in our Leadership Conversation program, which puts these key employees in conversation with selected executive leaders to develop our Talent through close exposure and collaboration.

Our operators are onboarded and trained per requirements and processes specific to their jurisdiction and the product that is manufactured in their locations. Thereafter, they receive ongoing technical training to ensure they maintain excellent standards for production and manufacturing. Meanwhile, LivaNova offers programs to foster both leadership and professional skills development to its corporate employees. Newly hired corporate employees undergo a robust onboarding program through LivaNova University and, at any time, employees have access to a large offering of training on commercial, ethics and integrity, quality, product, leadership, business strategy, and other key topics and functions in the organization.

We take great pride in listening to our employees and making LivaNova a great place to work. LivaNova University is the direct result of our LivaNova4You survey where employees asked for flexible, scalable access to learning content for professional growth in the 2020 survey results. Through our Workday Learning platform, which hosts LivaNova University, approximately 2,000 employees have access to over 150 internally developed courses and programs and over 12,000 courses in multiple languages from LinkedIn Learning. Internal content is developed by a global cohort of eight learning partners trained to design, develop and deploy content to support skill development and strategic needs for the organization.

Throughout 2021, several global courses and programs for employees were developed, providing a spotlight on new employee and manager onboarding, anti-harassment and anti-discrimination campaigns, and the learning culture at LivaNova. Overall, during the initial nine months of LivaNova University, 12,456 enrollments were completed across 444 different courses by employees resulting in an average of 6.2 learning enrollments per employee. Learners rated the quality of these courses a 4.5 on a 5-point scale.

Finally, we offer internships and apprenticeships across functions around the globe which can, and do, lead to full-time employment. We believe in continuing education and development regardless of nationality and origin, which is why we partner with organizations to find new talent with hopes of welcoming future, full-time employees.

Mentoring & Women’s Networking

The LivaNova Women's Network (LWN), an organic, grassroots mentorship program, by women and for women, facilitates pairings between mentors and mentees. Originating in the U.S. in 2018, it has since expanded to our Latin America and Asia Pacific regions. Topics range from career and financial advice to performance management and connection to the Company’s strategic triangle. This program continues to provide members with new perspectives, more personalized development and an opportunity to network with other women across the organization, thereby contributing to a better corporate culture based on strong, collaborative relationships and continuous opportunities to grow and develop.

Diversity

The success of LivaNova thrives on diversity of perspective, thought, experience and background within our workforce. Accordingly, we closely monitor our diversity metrics. As of 31 December 2021, and per the table below, LivaNova had ten Directors on the Board , of whom 30% are female and 70% are male. Similarly, the Executive Team at the end of 2021 consisted of 10 individuals, 30% of which are female and 70% male. Of LivaNova’s senior leadership team, which includes vice presidents. senior directors and directors, approximately 31% are women and 69% are men. Finally, as of 31 December 2021, LivaNova employed approximately 3,000 employees, 52% women and 48% men. Our strategy for accelerating diversity begins with creating new ways to find extraordinary talent, and examples of our efforts include accurately mapping the talent market, creating job postings that attract highly qualified diverse candidates, expanding the diversity within our interview panels and guiding interviewers to conduct a fair interview process.

Diversity in Employment as of December 31st, 2021

	Male	Female	Total
Board of Directors	70%	30%	10
Executive Team	70%	30%	10
Senior Leadership (Vice Presidents, Sr. Directors & Directors)	69%	31%	236
Employees	48%	52%	2861

To help promote diversity, we also have a variety of diversity affinity initiatives that span the globe. We host two Diversity, Inclusion and Belonging (DIBs) groups, one in North America and one in the Asia Pacific region, with a mission to empower an environment where conversations of diversity and inclusion develop a culture of belonging. These employee-led, executive-sponsored initiatives are committed to building a network of LivaNova employees who embrace an open mindset with an appreciation of diverse experiences and have been meeting regularly. On average, approximately 100 employees participate in these meetings. Topics range from inclusivity and harassment in the workplace to multi-generational integration and support for working parents. The discussions are open and thought-provoking, encouraging all to share their story, discuss views or simply be a supporter to the cause.

Finally, our senior leadership team monitors and reviews gender and ethnic diversity across our organization on a monthly, quarterly and annual basis. The Board is updated on an annual basis. In relation to Director onboarding, our Corporate Governance Guidelines require that Board candidates bring diversified attributes to the Board, which encompass gender, race, ethnicity, geography, professional experience, national origin, sexual orientation, life experience, skills and tenure, among others. In the summer of 2021, our Nominating and Corporate Governance (NCG) Committee Charter was updated to emphasize the benefits of diversity and it currently demands that every slate of Directors to be considered must include at least one woman and at least one underrepresented minority. Diversity, equity and inclusion metrics and conversations are actively pursued from the top down and are reflected in leadership's continual review of the numbers and commitment in working towards an appropriate balance with respect to ethnicity, age and gender in relation to leadership and development, promotions, and compensation and benefits.

Health and Safety

Saving the lives of our patients starts with the care and well-being of our employees. In response to the COVID-19 pandemic, physical and mental health has been at the forefront of our response. For our manufacturing, operations, and other personnel who have remained on site throughout the pandemic due to the essential nature of their work, we have implemented safety measures such as the use of personal protective equipment and social distancing measures. At the start of the pandemic, we instructed the majority of our employees at many of our facilities across the globe to work from home on a temporary basis and implemented company-wide travel restrictions. In 2021, we declared hybrid working patterns, allowing our employees across the globe – who can work from home – the flexibility to balance their personal and professional needs. Our office provides a safe place for purposeful collaboration, and through piloting and active listening to what employees want and need, we developed the Global Ways of Working guidelines, aimed at providing a consistent global framework to determine our future ways of working for all employees and teams to maintain the well-being of our people.

To support our employees in difficult times like the pandemic, we rolled out a global Employee Assistance program to support health, mental health, financial concerns and other challenges any of us can be faced with in our personal lives. To protect our employees, we rolled out a Healthy Habits program and global flu vaccination campaign and enabled a remote hybrid working approach and personal flexible working schedule. We also implemented an employee volunteering policy for those who want to support their communities during the pandemic or for other philanthropic purposes.

Ethics and Integrity

At LivaNova, we are committed to acting with integrity and maintaining high ethical standards. We understand and respect the obligation we have towards our patients, their families and their caregivers to operate at the topmost level of business ethics and compliance. It is not only what we do, but how we do it, and this, too, is part of our mission.

Code of Conduct, Policies and Risk Assessments

Our commitment to integrity starts with our Code of Ethics and Business Conduct (Code of Conduct), which sets out the key expectations of behavior for our directors, officers, employees and contractors. In addition to that, the organization maintains a set of policies and procedures that provide a firm foundation for our ethics and compliance program and ethical handrails for our employees in their day-to-day work life.

Since 2020, significant work has been done to raise internal awareness of, and strengthen, the Company's written compliance standards globally and across all parts of the business. This includes, but is not limited to, enhancements to Company policies, procedures and guidelines in the areas of responsible sales & marketing practices, for example, ethical interactions with healthcare professionals and patients, management of speaker programs, joint marketing activities with HCPs, marketing material review processes and handling of off-label requests as well as conflicts of interest, harassment and discrimination, and data privacy/ protection. In certain instances, we have added additional guidance documents to further bolster the policy improvements for clarity and ease of understanding for our employees. Relevant corporate employees and leaders receive online and instructor-led training on the above-mentioned topics on a regular basis and have access to on-demand training materials available on the Company's intranet.

All updates to our ethics and compliance program and its written standards are a direct result of our dynamic risk-based approach. The Ethics and Integrity (E&I) function, in collaboration with the Risk function, maintains and regularly updates the Company's E&I Risk Assessment (Assessment), which is based on a careful review of the external legal, regulatory and compliance landscape, as well as the results of internal observations and monitoring efforts. This helps LivaNova maintain the pulse on the organization's culture and its rate of compliance with new or updated laws and regulations that apply to us. This Assessment, in turn, informs E&I's short and long term action plans as the team works to maintain LivaNova's ethics and compliance program current and relevant at all times in an ever evolving environment. The E&I Committee, which consists of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), General Counsel, Chief E&I Officer, VP of Internal Audit and VP of Risk, has overall oversight on the Company's compliance program - owned and managed by the E&I function.

Training and Awareness

The E&I function is committed to dedicating significant efforts to training and education. In 2021, the team conducted more than 300 E&I-related educational awareness or update touch-points with the business, including face-to-face and virtual instructor-led sessions, online attestations, system-based procedure trainings, newsletters and email communications/announcements.

The Company's 2021 Annual Compliance certification process was offered both online and offline, depending on the resources available to the employees. With oversight and support from all levels of executive leadership, we recorded a one hundred percent completion rate amongst our corporate employees and manufacturing plan operators who had online access to the certification - this included individual contributors, managers, directors, presidents and vice-presidents, as well as our C-suite executives. Last year's program encompassed (1) a reiteration of the employee's commitment to the principles of our Code of Conduct, (2) confirmation of their consent to our Employee Privacy Notice, and (3) attendance in an online training focusing on how to lawfully and ethically interact with HCPs and patients, in line with our global corporate policies on anti-corruption & business integrity, and standard procedures on how to conduct responsible sales and marketing practices (the assignment included an electronic attestation to the relevant policies). Operators who completed the offline certification also (1) reiterated their commitment to the principles of our Code of Conduct and (2) confirmed their consent to our Employee Privacy Notice.

In addition, the E&I team instituted additional overview sessions with senior leadership throughout the year, at a minimum quarterly, and more frequently as needed. In addition, a new format for senior leadership updates was introduced in August 2021, meeting as so-called Regional/Functional E&I Working Groups (REIGs). These monthly meetings are held with different members of the executive leadership team in order to draw their attention to and address pressing matters, conflicts, or more generally "hot topics" within their function or region. This structure enables timely communication and proactive collaboration across different parts of the Company on important compliance matters and topics, while at the same time solidifying our culture of ethical leadership across the organization.

Ethics Line and Investigations

LivaNova greatly values its human capital, including their physical and psychological safety. We have multiple reporting channels for employees as well as business partners to report concerns about potential violations of our Code of Conduct, Company policies, procedures or applicable laws and regulations.

Our third-party managed Ethics Line is available 24/7 across multiple time-zones and languages, and employees are encouraged to speak up in good faith over alleged misconduct. Every claim received is addressed per our internal investigation procedure and remediated where substantiated. In 2021, we investigated 144 alleged violations across 23 different countries, resulting in several follow-up corrective actions including, but not limited to, process reviews, additional training and coaching, and in certain instances, disciplinary measures for employees.

During 2021 and continuing in 2022, LivaNova has been monitoring the global whistle-blower regulation landscape, dedicating particular attention to the changes driven by the European Union Whistleblower Protection Directive in various jurisdictions. This is an ongoing process as European Union member states are in the process of transposing the directive into their local legislation with different timelines and different nuances. LivaNova has established an ongoing monitoring process that will enable the Company to ensure its Speak Up program remains compliant with new or upcoming local laws in the countries where LivaNova operates.

Ethics line metrics and Serious Reportable Matters, as defined in our internal investigation procedure, are reported at least quarterly to the E&I Committee. In addition, on a quarterly basis, the Chief Ethics and Integrity Officer reports all Serious Reportable Matters that were opened or closed during the previous quarter to LivaNova's Audit and Compliance Committee (Audit Committee). Immediate escalations and referrals directly to the chair of the Audit Committee are handled in accordance with our internal investigation procedure.

In managing and reporting Speak Up matters and investigations, LivaNova is committed to putting the protection of bona fide reporters and victims at the forefront, while maintaining confidentiality and anonymity as required and allowed by local laws. LivaNova's designated investigators are trained on the skills and requirements for conducting and documenting internal investigations in compliance with Company policies, procedures and applicable regulatory requirements, which include - among others - measures for the safeguard of involved parties from retaliation.

As part of its ongoing Speak Up program initiatives, LivaNova is committed to continue to promote awareness and education around its Speak Up channels and our culture of transparency and openness, including a strict zero-tolerance against retaliation in any form or shape. Reminders about these important topics are always on the E&I agenda - whether in relation to compliance training sessions, sales meetings, top leadership gatherings or CEO town halls - to encourage employees to voice concerns and speak up when something does not look right.

Third Party Management

At LivaNova, we believe it is important that, when we do business with third parties, we have confidence they share our values. As a result, and in hand with our ESG Task Force, LivaNova rolled out its Third Party Code of Ethics and Business Conduct (Third Party Code of Conduct) in 2020. Located on our website (in multiple languages) and incorporated into our purchase orders and distributor agreements, the Third Party Code of Conduct outlines the minimum standards we require of all LivaNova third parties when doing business with us - these standards range from areas of human rights and labor conditions to anti-bribery and corruption as well as confidentiality and data privacy. We take these key principles of the International Labour Organization's fundamental conventions seriously; accordingly, non-alignment with the Third Party Code of Conduct may result in immediate termination of the business relationship. In 2021, the Third Party Code of Conduct was updated to incorporate a training component whereby we request our third party partners complete an online training relating to our expectations around their ethical business standards.

Privacy

LivaNova continues to mature its privacy program through more widespread adoption of OneTrust. OneTrust is a privacy, security, and governance management tool, and LivaNova utilizes this tool to help comply with global privacy and data protection regulations and to receive compliance insights into the personal data we process as part of our business operations. In 2021, we expanded the use of OneTrust beyond impact assessments, process flows, and data mapping into new modules to manage cookie compliance, universal consent, and subject access rights processes. Maturity of our compliance operation provides us with a more accurate awareness of the location, transfer and information security controls in place to protect personal data as required by the growing array of data protection regulations.

Information Security

We are increasingly dependent on our information technology systems and those of third parties to operate our business. We have dedicated resources and processes to help prevent, detect, and respond to cyber threats. Our information security team, led by the Chief Information Security Officer (CISO), manages our Information Security Management System (ISMS) program with the objective of strengthening our cyber resiliency. Our ISMS strengthening plans consider leading industry standards, such as the National Institute of Standards and Technology (NIST) cybersecurity framework, the International Standards Organisation (ISO) 27001, the Committee of Sponsoring Organizations of the Treadway Committee (COSO), and other security controls to apply across our business.

As part of our cyber resiliency strategy, the information security team manages a structured cyber incident response program, and we perform periodic simulation exercises to prepare and train our security responders. We routinely engage third-party experts to assess our IT infrastructure and the strength of our security program, as well as to identify and remediate potential vulnerabilities. We deploy security tools to help bolster our defense and detection capabilities, such as endpoint detection and response tools, security information and event management tools, with 24/7 monitoring.

We publish our information security and acceptable use policies on our company intranet and require annual certification alongside our Code of Conduct. New employees and contract workers are provided these policies during onboarding procedures. We conduct information security awareness and training campaigns for continued security education, and we provide communication avenues for our users to report any security incidents through our global IT help desk.

We routinely detect and respond to attempted cyber-attacks on our network; however, we did not experience any cyber incidents of material impact in 2021. On a quarterly basis, the CISO presents key security metrics to our IT Advisory Council, which is comprised of functional leaders across the company, and is responsible for IT and security governance oversight and functional engagement in the Company. On an annual basis, the Chief Information Security Officer reviews the Information Security program achievements and reports to our IS Executive Committee, which is compromised of the CEO, CFO, General Counsel and other executive leaders of the Company. In addition, on a quarterly basis, the CISO reports on key security metrics to LivaNova's Audit Committee, and on a case-by-case basis, directly to the chair of the Audit Committee at any time during the quarter.

Corporate Social Responsibility and the Environment

LivaNova created the ESG (Environmental, Social and Governance) Task Force in 2020, a cross-functional team of leaders focused on establishing a comprehensive program optimizing our environmental, social and governance efforts with full support from the executive team. Guided by UN Global Compact Principles and Sustainable Development Goals, the ESG Task Force has put a framework around LivaNova's various ESG efforts and is implementing strategies to put these values into action.

The Board's NCG charter encompasses ESG reporting under its list of duties and responsibilities, and as a result, the NCG Committee receives a report on the ESG Task Force's activities at each of its quarterly meetings. The directors on the NCG Committee actively engage on this topic every quarter, and the NCG Committee Chair reports relevant ESG developments to the Board for discussion at each of the quarterly meetings. The previous Chair of the Board, Daniel Moore, joined an all-employee Town Hall in early 2021, to speak to LivaNova's ESG efforts, further emphasizing its importance within the Company and encouraging employees to take an active role, whether by submitting ideas or joining initiatives.

Throughout 2021, the Task Force focused on collecting and implementing relevant ESG initiatives around the Company to properly externalize them for investor and rating company consumption. In the second half of the year, the Company engaged an external ESG consultant to work with various functions to increase the robustness of its disclosures, culminating in the publication of a Sustainability site on the Company's webpage, which is now a dynamic platform by which to publish the Company's latest ESG efforts.

The Company endeavors to impact positively on the community in which it operates, and our Third Party Code of Ethics and Business Conduct promotes and advocates on behalf of the principles of human rights. We respect the human rights of all our employees and those in our value chain, demanding a safe, clean working environment; freedom from discrimination and coercion; a prohibition on the use of child or forced labor; and respect for the rights of privacy and protection of access to personal information. Our Modern Slavery Statement, which is available on the LivaNova homepage, is updated annually and clearly defines our commitment to eradicating slavery and human trafficking from our business activities and supply chains.

The LivaNova International Fellowship (LIFE) Corporate Social Initiative Program was established in 2018 and falls squarely within the ESG Task Force's mission. The LIFE program reflects LivaNova's good citizenship, passion and values in supporting less fortunate patients and individuals in underserved communities by sharing our life-changing innovations. Since its inception, the program has engaged in patient awareness campaigns, supported humanitarian missions, and donated devices by way of patient assistance special programs, among others.

We focus our efforts where we have the greatest opportunity to save and improve lives and help build capabilities and forge a self-reliant localized healthcare delivery system. Despite the challenges posed by COVID-19 during 2021, which resulted in a drastic reduction of targeted missions aimed at helping vulnerable patients in economically challenged environments, LIFE touched hundreds of patients and communities, by way of our lifesaving devices and in donating in excess of $220,000 of products in support of indigent patients as part of our VTAP (VNS Therapy Access Program).

LivaNova's LIFE program is supported by LivaNova employees around the globe. Since its launch, our efforts have crossed functional and geographical lines to ensure greater outreach, support, and efficacy in our patient-driven initiatives, and with the return of missions and initiatives in 2022, we hope to impact further.

Environmental Sustainability

LivaNova is committed to conducting business in a manner that is respectful of the environment and our natural resources. Throughout our operations, we utilize environmental management systems and safety programs to protect the environment and our employees. Some of the regulations and governmental agencies with which we comply are as follows: the U.S. Environmental Protection Agency (EPA); the European Union Registration, Evaluation, Authorization and Restriction of Chemicals (REACH); the UK Department for Environment, Food and Rural Affairs (DEFRA); the UK Environment Agency; Companies Act 2006, Regulations 2013 and the Companies and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018; the UK Energy Savings Opportunity Scheme (ESOS); and Italian regulations under the International Energy Agency (IEA).

We believe that sound environmental, health and safety performance contribute to our competitive strength while benefiting our customers, employees and shareholders. We are focused on continuous improvement in these areas by reducing pollution, depletion of natural resources and our overall environmental footprint. Specifically, we work to optimize energy and resource

usage, ultimately reducing greenhouse gas emissions and waste. Whether in response to ESG Task Force projects, LBS ideas or employee initiative, the Company is supportive of projects, big and small, that move us towards being a "greener" Company.

In early 2021 for example, our team in Mirandola identified, engaged in, and completed the Scrigno Project. Previous practice involved the transportation of components from one cleanroom to a secondary cleanroom in order to build final perfusion packs – transportation involved among other things, double packaging, shelf storage, pallet picking, and unpacking of the components in order to keep them clean while being transported outside the cleanroom environment. In an effort to optimize the process, the team designed and implemented a mobile ISO 6 environment – the scrigno, or "box of valuables" in Italian - to transport components directly from one cleanroom to the other, without waste and in an environmentally friendly way. The team's forward thinking has resulted in a reduction of packing time and movement, a projected generation of $150,000/year in savings, a shorter logistics chain, lower inventory, and a reduction in consumption of 200,000 plastic bags/year and 3,000 cartons/year.

In June 2021, we turned on our new activated carbon abatement system in our Mirandola plant. This system increases the aspiration of all gas emissions from our production areas, thereby potentially reducing operator exposure, increasing filter efficiency in holding pollutants, reducing concentrations in airborne emissions. Another change in our Mirandola plant involved the reduction in temperature in certain rooms by 1.5 degrees Celsius, which improved HVAC efficiency reducing energy use. We also optimized the finished good warehouse ventilation system in 2020, which reduces the ethylene oxide (EO) concentration emitted.

At our Houston site, a local initiative resulted in the elimination of plastic straws in January 2021 throughout the facility, and in October 2021, we installed two Electric Vehicle (EV) charging stations to support our electric car owners and encourage others to purchase similar vehicles. In Germany, we installed four EV charging stations for eight Company-owned cars. As of early 2022, approximately 15% of our Munich fleet has switched to hybrid or full electric.

As noted above in our "Overview of 2021" section, we unveiled our new state-of-the-art EO sterilization facility in Arvada, Colorado in December of last year. This investment allows for our sterilization process to move in-house in Arvada, and significant efforts were made to ensure there was limited overall environmental impact. In the past, LivaNova sent products off site to be sterilized, but thanks to the investment, we can manage the process internally, avoiding unnecessary packaging and shipping, while simultaneously ensuring that our products are ready for use in surgery as soon as possible.

In both Italy and Germany, we entered into electricity contracts with green components - in Italy, our contract requires 40% clean energy sources, and in Germany, our electricity contract requires 100% clean energy sources. In addition to using clean sources, these greener systems serve as protection against natural gas price increases. Various sites around the globe continue to make the shift to more energy efficient LED lights, and since early 2021, we have implemented additional hybrid vehicles in every European country as well as in Japan. Hybrid cars now represent approximately 10% of the European fleet. Finally, as noted in the "Human Capital Management" section, non-essential workers continue to work from home, with the office serving as a safe haven for purposeful collaboration. This policy eliminates the need for a large population to travel to and from the office on a daily basis, thereby contributing to a reduction in carbon emissions into the atmosphere.

2021 Greenhouse Gas Report

In compliance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, we report on our direct and indirect emissions as follows:

- scope 1 (direct emissions): Activities owned by our organization that release emissions straight into the atmosphere, for example the combustion of fuels in company owned equipment and fugitive emissions.
- scope 2 (indirect emissions): Emissions released into the atmosphere associated with our consumption of purchased electricity, heat, and steam that we use at our site.
- scope 3 (other indirect emissions): Emissions related to business travel vehicle usage for which we reimburse fuel costs. In previous reports, this data was reported within Scope 2 and has been removed. LivaNova is only reporting fuel usage related to business travel within Scope 3 - we feel it is appropriate to continue to report on these emissions given that they were previously reported. The 2020 results have been amended for a proper year over year comparison.

We also include the UK-specific energy emissions in line with the new Streamlined Energy and Carbon Reporting (SECR) requirements.

This report focuses on the areas of largest environmental impact, including manufacturing sites, warehouses, research and development (R&D) sites, and offices. Smaller locations representing less than 2% of our overall emissions are not included.

Methodology and approach

In reporting the emissions data as shown in the table herein, LivaNova uses the operational control approach, covering the reporting period from 1 January 2021 to 31 December 2021, in line with our financial year.

Location-based emissions are calculated in compliance with the World Resource Institute (WRI) Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (GHG Protocol Corporate Standard) and have been calculated using carbon conversion factors published by DEFRA. We have applied the emission factors most relevant to the source data, including DEFRA for UK locations, U.S. Emissions & Generation Resource Integrated Database (eGRID) published by the EPA for U.S. locations and conversion factors from the IEA for all the remaining locations. The emission factors for gas, oil, steam, and fugitive emissions are from DEFRA.

GHG emissions from vehicles operated by LivaNova are calculated from fuel expenses and mileage. Where this data was not available, estimates have been used.

Energy efficiency measures

In our continuous commitment in reducing our carbon footprint, we implemented several energy efficiency and low-carbon energy measures throughout our sites in 2021 as it relates to Scope 1 and Scope 2 emission: (1) in our Mirandola manufacturing facility, we identified and eliminated compressed air leaks improving equipment efficiency; (2) optimization of the finished goods warehouse ventilation system in Mirandola, which resulted in ventilation system equipment efficiency improvements; and (3) continued installation of LED lights throughout our sites.

Also while not reflected in the total emission numbers, COVID-19 resulted in continued business travel restrictions, both internationally and domestically. While there will always be benefits from in-person meetings and collaboration, the pandemic has demonstrated that the amount of pre-pandemic travel may not need to be maintained, and LivaNova continues to scrutinize travel policies going forward. Our Ways of Working policy allows non-essential office employees to continue to work in a hybrid remote environment, directly decreasing the energy required for employees to commute to and from work. We continue to add hybrid cars to our leased vehicle fleet program and are looking to add electric vehicles in the years to come. Lastly, LivaNova installed EV charging stations at multiple sites, supporting those employees and visitors who want to commute using electric vehicles.

Changes in emissions

Our overall carbon emissions footprint is made up of Scope 1 and Scope 2 emissions from our own operations and Scope 3 emissions representing fuel used in vehicle business travel, estimated leveraging employee reimbursement data and reported leased vehicle mileage. In previous reporting years, the aforementioned Scope 3 emissions were included in Scope 2 reported numbers. In the table below, the 2020 results have been adjusted to allocate these emissions as Scope 3. Finally, the divested HV business, other than LSM, has been removed from both the 2020 and 2021 reporting years shown below.

As a result of our focus on energy efficiency measures, but in large part, also as a consequence of the pandemic, our overall emissions experienced a reduction of 0.23% when compared to the previous year. The CO_2e per £m sales revenue numbers decreased 16% from 2020 to 2021 while sales revenues increased 18%.

		2021			2020	
	UK	Global (excluding UK)	Total	UK	Global (excluding UK)	Total
tonnes of carbon dioxide equivalent [tCO2e]						
Direct emissions (Scope 1)	27.0	12,162.7	12,189.7	22.2	11,708.0	11,730.2
Energy indirect emissions (Scope 2)	36.5	8,678.4	8,714.9	40.0	9,264.0	9,304.0
Other indirect emissions (Scope 3)	14.4	3,567.3	3,581.7	28.0	3,479.0	3,507.0
Total	**77.9**	**24,408.4**	**24,486.3**	**90.2**	**24,451.0**	**24,541.2**
Underlying energy use for GHG calculations [GWh]						
Scope 1	0.15	67.3	67.45	0.12	63.2	63.32
Scope 2	0.17	20.4	20.57	0.17	19.4	19.57
Scope 3	0.06	14.5	14.56	0.11	14.0	14.11
Total	**0.38**	**102.2**	**102.58**	**0.40**	**96.60**	**97.00**
Intensity ratios						
CO2e per $m sales revenue			**24.5**			**29.0**
CO2e per full time employee			**8.2**			**7.7**

Government Regulation and Other Considerations

Our medical devices are subject to extensive government regulation by numerous government agencies, both within and outside the U.S. To varying degrees, each of these agencies requires us to comply with laws and regulations governing the research, development, testing, manufacturing, labelling, pre-market clearance or approval, marketing, distribution, advertising, promotion, record keeping, reporting, tracking, and importing and exporting of our products. Our business is also affected by patient privacy and security laws, cost containment initiatives, and environmental health and safety laws and regulations worldwide.

The laws applicable to us are subject to changing and evolving interpretations, and we continue to monitor such shifts. The Company believes it is in compliance with such laws and regulations, and while the impact of regulatory changes cannot be predicted with certainty, the Company does not expect compliance to have a material adverse effect upon the Company's earnings, competitive position or estimated capital expenditures. However, if a governmental authority were to conclude that we are not in compliance with applicable laws and regulations, we and our officers and employees could be subject to severe civil and criminal penalties, including substantial fines and damages, and exclusion from participation as a supplier of products to beneficiaries covered by government programs, among other potential enforcement actions.

Product Approval and Monitoring

Many countries where we sell our products subject our medical devices to their own approval and requirements regarding performance, safety and quality. The following provides a brief overview of the oversight and requirements to which we are subject for the commercial distribution of our products in the U.S., Europe and Japan, the largest markets for our medical devices.

Each medical device we seek to distribute commercially in the U.S. must receive 510(k) clearance or pre-market approval (PMA) from the FDA, unless specifically exempted by the agency. The 510(k) process, also known as pre-market notification, requires us to demonstrate that our new medical device is substantially equivalent to a legally marketed medical device. The PMA process, which is more costly and rigorous than the 510(k) process, requires us to demonstrate independently that a medical device is safe and effective for its intended use. One or more clinical studies may be required to support a 510(k) application and are almost always required to support a PMA application.

The European Union (EU), established a single regulatory approval process, according to which a "*Conformité Européenne*" (French for "European Conformity") or CE Mark certifies conformity with all of the legal requirements of the regulatory process. To obtain a CE Mark, defined products must meet minimum standards of performance, safety and quality (i.e., the essential requirements), and then, according to their classification, comply with one or more of a selection of conformity assessment routes. To demonstrate compliance with the essential requirements, we must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. As a general rule, demonstration of conformity of medical devices and their manufacturers with the essential requirements must be based on, among other things, the evaluation of clinical data supporting the safety and performance of the products during normal conditions of use. The competent authorities of the EU countries separately regulate the clinical research for medical devices and the market surveillance of products placed on the market, and manufacturers with CE marked devices are subject to regular inspections to monitor compliance with the applicable directives and essential requirements. In 2017, the EU published its Medical Device Regulation (Reg MDR), which imposed significantly more premarket and post-market requirements for medical devices upon conclusion of a three-year implementation period. We have initiated a plan of action to obtain the appropriate approvals for our products and intend to be fully compliant prior to the May 2024 deadline.

To be sold in Japan, our medical devices must undergo thorough safety examinations and demonstrate medical efficacy before they are granted approval. The Japanese government, through the Ministry of Health, Labour and Welfare, regulates medical devices under the Pharmaceutical Affairs Law (PAL). Penalties for a company's noncompliance with the PAL may include revocation or suspension of a company's business license and/or criminal sanctions. Japanese regulatory bodies also assess the quality management systems of the manufacturer and product conformity to the requirements of the PAL.

Many countries in which we sell our products (outside of the U.S., the EU and Japan) have their own regulatory requirements for medical devices. Most of these countries require that product approvals be recertified on a regular basis, generally every four to five years. The recertification process requires that we evaluate any device changes and any new regulations or standards relevant to the device and, where needed, conduct appropriate testing to document continued compliance. Where recertification applications are required, they must be approved in order to continue selling our products in those countries.

The global regulatory environment is increasingly stringent and unpredictable. Several countries that did not have regulatory requirements for medical devices have established such requirements in recent years, and other countries have expanded, or plan to expand, their existing regulations. While some regulatory bodies have pursued harmonization of global regulations, requirements continue to differ significantly among countries. We expect this global regulatory environment will continue to evolve, which could impact the cost, approval lead time, and ultimately, our ability to maintain existing approvals or obtain future approvals for our products.

Product and Promotional Restrictions

Both before and after we release a product for commercial distribution, we have ongoing responsibilities under various laws and regulations governing medical devices. The FDA and other regulatory agencies in and outside the U.S. review our design and manufacturing practices, labelling, record keeping, and required reports of adverse experiences and other information to identify potential problems with marketed medical devices. We are also subject to periodic inspections for compliance with applicable quality system regulations, which govern the methods used in, and the facilities and controls used for, the design, manufacture, packaging and servicing of finished medical devices intended for human use. In addition, the FDA and other U.S. regulatory bodies monitor the manner in which we promote and advertise our products. Although physicians are permitted to use their medical judgment to prescribe medical devices for indications other than those cleared or approved by the FDA, we are prohibited from promoting products for such "off-label" uses and can only market our products for cleared or approved uses.

Any adverse regulatory action, depending on its magnitude, may limit our ability to market and sell our products effectively, limit our ability to obtain future premarket approvals or result in a substantial modification to our business practices and operations. For additional information, see the "Risk and Uncertainties" section of this UK Annual Report.

Governmental Trade Regulations

The sale and shipment of our products and services across international borders, as well as the purchase of components and products from international sources, subject us to extensive governmental trade regulations. Many countries control the export and re-export of goods, technology and services for public health, national security, regional stability, antiterrorism and other reasons. Some governments may also impose economic sanctions against certain countries, persons or entities. In certain circumstances, governmental authorities may require that we obtain an approval before we export or re-export goods, technology or services to certain destinations, to certain end-users and for certain end-uses. Because we are subject to extensive regulations in the countries in which we operate, we are subject to the risk that laws and regulations could change in a way that would expose us to additional costs, penalties or liabilities.

We also sell and provide goods, technology and services to agents, representatives and distributors who may export such items to customers and end-users, and if these third parties violate applicable export control or economic sanctions laws or regulations when engaging in transactions involving our products, we may be subject to varying degrees of liability depending on the extent of our participation in the transaction. The activities of these third parties may cause disruption or delays in the distribution and sale of our products or result in restrictions being placed on our international distribution and sales of products, which may materially impact our business activities.

Patient Privacy and Security Laws

We are subject to various laws worldwide that protect the security and confidentiality of certain patient health information, including patient medical records, and that restrict the use and disclosure of patient health information. Privacy standards are becoming increasingly strict; enforcement actions and financial penalties related to privacy issues in the EU are growing; and new privacy and data residency laws and restrictions are being passed in other countries including the U.S., China, and Brazil. The management of cross-border transfers of information among and outside of EU member countries is becoming more complex, which may complicate our business and clinical research activities, as well as product offerings that involve transmission or use of patient health information. We continue our efforts to comply with those requirements and to adapt our business processes to those standards.

In the U.S., the Health Insurance Portability and Accountability Act of 1996 (HIPAA), as amended by the Health Information Technology and Clinical Health Act (HITECH) and their respective implementing regulations impose specified requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA's privacy and security standards directly applicable to "business associates," defined as independent contractors or agents of covered entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. We are deemed to operate as a business associate to covered entities in certain instances. In those cases, the patient data that we receive may include protected health information, as defined under HIPAA. Enforcement actions can be costly and interrupt regular operations of our business. In addition, state laws govern the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways, thus complicating compliance and data protection efforts. For example, the California Consumer Privacy Act (CCPA), a bill to enhance privacy rights and consumer protection for residents of California went into effect 1 January 2020. For additional information, see the "Risk and Uncertainties" section of this UK Annual Report.

In the EU, Regulation 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation or GDPR) came into effect in May 2018. One of the strictest and most comprehensive data privacy laws in the world, the GDPR, among other things, introduced proactive compliance measures, such as the requirement to carry out a Privacy Impact Assessment, Data Transfer Impact Assessment, and appoint a Data

Protection Officer in organizations where health data is processed on a "large scale." Although "large scale" is not defined, it is likely that clinical trials involving substantial numbers of patients (or healthy volunteers if applicable) would mean that such requirements apply to us. In addition, the administrative fines that can be levied are significantly increased, the maximum being the higher of €20 million (approximately $22.7 million), or 4% of our total worldwide revenue in the previous financial year.

Cost Containment Initiatives

Government and private sector initiatives to limit the growth of healthcare costs, including price regulation, competitive pricing, bidding and tender mechanics, coverage and payment policies, comparative effectiveness of therapies, technology assessments and managed-care arrangements are continuing in many countries where we do business. These changes are causing the marketplace to put increased emphasis on the delivery of more cost-effective medical devices and therapies. Government programs, private healthcare insurance and managed-care plans have attempted to control costs by limiting the extent of coverage or amount of reimbursement available for particular procedures or treatments, tying reimbursement to outcomes, shifting to population health management, and other mechanisms designed to constrain utilization and contain costs. Hospitals, which purchase implants, are also seeking to reduce costs through a variety of mechanisms, including, for example, creating centralized purchasing functions that set pricing and, in some cases, limit the number of vendors that can participate in the purchasing program. Hospitals are also aligning their interests with those of physicians through employment and other arrangements, such as gainsharing, whereby a hospital agrees with physicians to share certain realized cost savings resulting from the physicians' collective change in practice patterns, such as standardization of devices where medically appropriate, and participation in affordable care organizations. Such alignment has created increasing levels of price sensitivity among customers for our products.

Some third-party payers must also approve coverage and set reimbursement levels for new or innovative devices or therapies before they will reimburse HCPs who use the medical devices or therapies. Even though a new medical device may be cleared for commercial distribution, we may find limited demand for the device until coverage and sufficient reimbursement levels have been obtained from governmental and private third-party payers. In addition, some private third-party payers require that certain procedures or the use of certain products be authorized in advance as a condition of coverage.

As a result of our manufacturing efficiencies, cost controls and other cost-savings initiatives, we believe we are well-positioned to respond to changes resulting from this worldwide trend toward cost containment; however, uncertainty remains as to the nature of any future legislation or other reforms, making it difficult for us to predict the potential impact of cost-containment trends on future operating results.

Applicability of Anti-Corruption Laws and Regulations

Our worldwide business is subject to the U.S. Foreign Corrupt Practices Act of 1977 (FCP), the UK Bribery Act of 2010 (UK Bribery Act) and other anti-corruption laws and regulations applicable in the jurisdictions where we operate. The FCPA can be used to prosecute companies in the U.S. for arrangements with physicians or other parties outside the U.S. if the physician or party is a government official of another country and prohibited payments are made to obtain or retain business. The UK Bribery Act prohibits both domestic and international bribery, as well as bribery across both public and private sectors. There are similar laws and regulations applicable to us outside the U.S. and the UK, all of which are subject to evolving interpretations. For additional information, see the "Risk and Uncertainties" section of this UK Annual Report.

Environmental Regulation and Management

We are subject to various environmental laws, directives and regulations both in the U.S. and abroad. Like other medical device companies, our manufacturing and other operations involve the use, storage and transportation of substances regulated under environmental health and safety laws, including those related to the transportation of hazardous substances. To the best of our knowledge at this time, we do not expect that compliance with environmental protection laws related to our current operations, including but not limited to the Saluggia site as referenced in "Note 25. Commitments and Contingencies" of the LivaNova consolidated financial statements in this UK Annual Report, will have a material impact on our financial position or liquidity. In addition, as noted in Note 25 to such financial statements, we are engaged in litigation with respect to historical remediation claims at sites operated by subsidiaries of SNIA, unrelated to our current operations. For more information, see Note 25. Commitments and Contingencies.

We believe that sound environmental, health and safety performance contribute to our competitive strength while benefiting our customers, stockholders and employees. We are focused on continuous improvement in these areas by reducing pollution, depletion of natural resources and our overall environmental footprint. Specifically, we work to optimize energy and resource usage, ultimately reducing greenhouse gas emissions and waste. See above section, "Corporate Social Responsibility and the Environment", for more information. Finally, our Mirandola, Italy plant is certified ISO 14001 and ISO 45001 and our Munich, Germany plant is certified ISO 14001.

We use quality systems in the design, production, warehousing and distribution of our products to ensure our products are safe and effective. These quality systems include the FDA's Quality System Regulation (QSR) under section 520 of the federal FDA and

its implementing regulations at 21 C.F.R. Part 820; and ISO 13485:2016 and EN ISO 13485:2016, Medical devices - Quality management systems.

Security Health Care Fraud and Abuse Laws

We are subject to U.S. federal and state government healthcare regulation and enforcement and government regulations and enforcement in other countries in which we conduct our business. The federal healthcare Anti-Kickback Statute prohibits persons from, among other things, knowingly and willfully offering or paying remuneration, directly or indirectly, to a person to induce the purchase, order, lease, or recommendation of a good or service for which payment may be made in whole or part under a federal healthcare program such as Medicare or Medicaid, unless the arrangement fits within one of several statutory exemptions or regulatory "safe harbors." Violations of the federal Anti-Kickback Statute may result in civil monetary penalties up to $100,000 for each violation, plus up to three times the remuneration involved. Violations can also result in criminal penalties, including criminal fines of up to $100,000 and imprisonment for up to 10 years. Finally, violations can result in exclusion from participation in government healthcare programs, including Medicare and Medicaid.

In addition to the Anti-Kickback Statute, many states have their own anti-kickback laws. Often, these laws closely follow the language of the federal law, although they do not always have the same exceptions or safe harbors. In some states, these anti-kickback laws apply with respect to all payers, including commercial health insurance companies.

Additionally, violations of the U.S. False Claims Act (False Claims Act) can result in significant monetary penalties and treble damages. The U.S. federal government utilizes the False Claims Act, and the accompanying threat of significant financial liability, to investigate and prosecute device and biotechnology companies in connection with the promotion of products for unapproved uses and other sales and marketing practices. The U.S. government has obtained multi-million and multi-billion-dollar settlements under the False Claims Act, in addition to individual criminal convictions under applicable criminal statutes. Given the U.S. government's success with prosecuting claims under the False Claims Act, we anticipate that the U.S. government will continue to devote substantial resources to investigating HCPs' and manufacturers' compliance with applicable fraud and abuse laws.

HIPAA includes federal criminal statutes that prohibit, among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors; knowingly and willfully embezzling or stealing from a healthcare benefit program; willfully obstructing a criminal investigation of a healthcare offense; and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

There has also been a recent trend of increased federal and state regulation of payments made to physicians and other HCPs. We are subject, for example, to the Physician Payments Sunshine Act, which requires us to report certain payments and other transfers of value we make to U.S. licensed physicians or U.S. teaching hospitals annually. Any failure to comply with such laws and regulations hold the potential for criminal and civil financial penalties.

The evolving commercial compliance environment and the need to build and maintain robust systems to comply with different compliance and/or reporting requirements in multiple jurisdictions increase the possibility that a healthcare company may violate one or more of the requirements. If our operations are found to be in violation of any of such laws or any other governmental regulations that apply to us, we may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of our operations, and exclusion from participation in federal and state healthcare programs, any of which could adversely affect our ability to operate our business and our financial results.

Industry Affiliations

To help navigate the complex compliance environment in which we operate, LivaNova has adopted the AdvaMed Code of Ethics on Interactions with Health Care Professionals, the APACmed Code of Ethical Conduct, the MecoMed Code of Ethical Business Practice and the MedTech Europe Code of Ethical Business Practice.

Business Review

LivaNova is reporting in its consolidated financial statements in this UK Annual Report the results from operations for the years ended 31 December 2021 and 31 December 2020. The basis of presentation, critical accounting estimates and significant accounting policies are set forth in "Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies" and “Note 3. Revenue Recognition” to the UK-adopted International Accounting Standards (IFRS) and with the requirements of the Companies Act 2006as applicable to companies reporting under those standards consolidated financial statements contained in this UK Annual Report. Additionally, LivaNova reported the accounting principles generally accepted in the U.S. (U.S. GAAP) consolidated financial statements for the years ended 31 December 2021 and 31 December 2020 in the Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (SEC) on 1 March 2022.

LivaNova is comprised of three reportable segments: Cardiopulmonary, Neuromodulation and Advanced Circulatory Support, corresponding to our primary business units. Other includes the results of our Heart Valves business, which was disposed of on 1 June 2021, and corporate shared service expenses for finance, legal, human resources, information technology and corporate business development.

Effective in the fourth quarter of 2021, LivaNova changed its reportable segments corresponding to changes in how the Company’s chief operating decision maker regularly reviews information, allocates resources and assesses performance. The segment financial information presented herein reflects these changes for all periods presented. The Company’s changes to its reportable segments are summarised as follows:

- The Company’s Advanced Circulatory Support business is no longer assessed as part of the Company’s previously reported Cardiovascular reportable segment and is evaluated independently as its own reportable segment.
- The Company’s Cardiopulmonary business is no longer assessed as part of the Company’s previously reported Cardiovascular reportable segment and is evaluated independently as its own reportable segment.
- The Company’s Heart Valves business, which was disposed of on 1 June 2021, is now included within Other.

LivaNova reported an operating loss from continuing operations of $26.4 million on net sales of $1,035.4 million for the year ended 31 December 2021 and an operating loss from continuing operations of $169.9 million on net sales of $934.2 million for the year ended 31 December 2020.

In the year ended 31 December 2021, LivaNova recorded $0.7 million of merger and integration expenses, $9.7 million of restructuring expenses, $26.3 million from loss on sale of the company’s Heart Valve business and $35.1 million as litigation provision, net. These items totalled $71.9 million and are included in exceptional items in the consolidated statement of (loss) income. Refer to “Note 31. Exceptional Items” for more details.

In the year ended 31 December 2020, LivaNova recorded an impairment of long-lived assets totalling $96.6 million, as well as $49.5 million for a decommissioning provision, $7.3 million of merger and integration expenses, $7.6 million of restructuring expenses and $6.9 million as litigation provision, net. These items totalled $168.0 million and are included in exceptional items in the consolidated statement of (loss) income.

Key Performance Indicators

The directors of LivaNova consider that the most important key performance indicators (KPIs) for 2021 are those set out below, which can be found in our press release dated 23 February 2022, are reported under the basis of U.S. GAAP, and include restated 2020 measures due to the revision of previously issued financial statements as discussed in “Note 1. Nature of Operations” in the consolidated financial statements in this Annual Report.

- **Net sales growth (on a constant currency basis, or adjusted net sales)**

Due to the number of currencies in which LivaNova’s sales are invoiced to customers, the directors believe that constant currency sales growth is a more appropriate way to measure operational performance. Constant currency growth measures the change in sales between any particular year and the immediate prior year using average foreign exchange rates during the immediate prior year. Net sales include revenue earned from customers from sales of products and services net of customer discounts and estimated sales returns.

- **Adjusted operating income from continuing operations**

Income from operations, as measured under U.S. GAAP and adjusted for non-cash transactions and non-recurring costs, measures LivaNova’s sales and management of normalised operating expenses.

- **Adjusted net income from continuing operations**

Adjusted net income represents our measure of the totality of LivaNova's consolidated statement of (loss) income. It is calculated as U.S. GAAP net income adjusted for non-cash transactions and non-recurring costs and certain finance costs, and the related tax effects.

- **Adjusted earnings per share from continuing operations**

U.S. GAAP earnings per share (EPS), as adjusted for the items referred to above, is a measure often used by investors to arrive at a value for each share issued by a company, including the dilutive effect of incentive shares issued to management.

- **Share price**

An important KPI to be evaluated over a period longer than one year is the share price, which reflects not only LivaNova's current financial results, but also management's ability to articulate medium and longer term strategy and communicate both of these to investors.

Results of Operations

In this Annual Report, LivaNova and its consolidated subsidiaries report results for the years ended 31 December 2021, and 31 December 2020 as follows:

	Year Ended 31 December	
(In thousands, except per share amounts)	2021	2020 Restated [(1)]
Net sales	$ 1,035,365	$ 934,241
Costs and expenses:		
Cost of sales	329,184	338,307
Selling, general and administrative	477,260	445,920
Research and development	183,485	151,895
Exceptional items	71,850	168,004
Operating loss from continuing operations	(26,414)	(169,885)
Finance income	435	131
Finance expense	(77,308)	(59,827)
Loss on debt extinguishment	(60,238)	(1,407)
Foreign exchange and other gains/(losses)	13,202	(12,660)
Share of loss from equity accounted investments	(148)	(264)
Loss from continuing operations before tax	(150,471)	(243,912)
Income tax benefit	13,032	61,046
Loss from continuing operations	(137,439)	(182,866)
Loss from discontinued operations, net of tax	—	(1,493)
Loss attributable to owners of the parent	$ (137,439)	$ (184,359)

(1) The consolidated results the year ended 31 December 2020 have been restated. For further details refer to "Note 1. Nature of Operations" in our consolidated financial statements and accompanying notes, beginning on page 101 of this Annual Report.

Net Sales

The table below illustrates net sales by operating segment for the years ended 31 December 2021 and 31 December 2020 (in thousands):

	Year Ended 31 December	
Net Sales	**2021**	**2020**
Cardiopulmonary	$ 482,979	$ 446,732
Neuromodulation	456,172	354,444
Advanced Circulatory Support	55,459	42,321
Other	40,755	90,744
Total	$ 1,035,365	$ 934,241

Cardiopulmonary

Cardiopulmonary net sales for the year ended 31 December 2021 compared to the year ended 31 December 2020 increased 8.1% to $483.0 million primarily due to growth in oxygenator sales resulting from an increase in procedure volumes, across all regions, growth in HLM sales in the U.S. region, as well as the favourable impact of foreign currency fluctuations, partially offset by a reduction in capital equipment purchases in the Rest of World region.

Neuromodulation

Neuromodulation net sales for the year ended 31 December 2021 compared to the year ended 31 December 2020 increased 28.7% to $456.2 million primarily due to improving market dynamics across all regions resulting from increased hospital access and patient willingness to return to clinics.

Advanced Circulatory Support

Advanced Circulatory Support net sales for the year ended 31 December 2021 compared to the year ended 31 December 2020 increased 31.0% to $55.5 million, resulting from continued adoption and utilization of LifeSPARC in the U.S. and an increase in procedure volumes.

The table below illustrates net sales by market geography for the years ended 31 December 2021 and 31 December 2020 (in thousands):

	Year Ended 31 December 2021				
	Cardiopulmonary	Neuromodulation	Advanced Circulatory Support	Other	Total
United States	$ 154,073	$ 358,476	$ 53,821	$ 4,929	$ 571,299
Europe[(1)]	134,562	51,435	1,120	14,407	201,524
Rest of World	194,344	46,261	518	21,419	262,542
Total	$ 482,979	$ 456,172	$ 55,459	$ 40,755	$ 1,035,365

	Year Ended 31 December 2020				
	Cardiopulmonary	Neuromodulation	Advanced Circulatory Support	Other	Total
United States	$ 132,543	$ 282,509	$ 41,094	$ 12,488	$ 468,634
Europe[(1)]	122,062	39,019	1,027	31,259	193,367
Rest of World	192,127	32,916	200	46,997	272,240
Total	$ 446,732	$ 354,444	$ 42,321	$ 90,744	$ 934,241

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

Cost of Sales and Expenses

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

	Year Ended 31 December	
	2021	2020
Cost of sales	31.8 %	36.2 %
Selling, general and administrative	46.1 %	47.7 %
Research and development	17.7 %	16.3 %

Cost of Sales

Cost of sales consisted primarily of direct labour, allocated manufacturing overhead, and the acquisition cost of raw materials and components.

Cost of sales as a percentage of net sales was 31.8% for the year ended 31 December 2021, a decrease of 4.4% as compared to 2020. The decrease was primarily due to favourable product mix, partially due to the sale of the Heart Valves business during the second quarter of 2021, unfavourable manufacturing variances during the year ended 31 December 2020, as well as a decline in product remediation expenses associated with our 3T Heater-Cooler device of $7.0 million. These decreases were partially offset by the net impact of the change in fair value of a sales-based contingent consideration arrangement of $4.5 million for the year ended 31 December 2021 compared to the year ended 31 December 2020.

SG&A Expenses

Selling, general and administrative (SG&A) expenses are comprised of sales, marketing, and general and administrative activities. SG&A expenses exclude integration costs incurred following the merger between Cyberonics, Inc. (Cyberonics), a Delaware corporation and Sorin S.p.A. (Sorin), a joint stock company organized under the laws of Italy (Merger), and restructuring costs under the restructuring plans.

SG&A expenses as a percentage of net sales decreased for the year ended 31 December 2021 as compared to 2020 primarily due to an increase in sales, partially offset by an increase in sales and marketing expenses due to lower commercial related variable and discretionary spending as a result of COVID-19 during the year ended 31 December 2020.

R&D Expenses

R&D expenses consist of product design and development efforts, clinical study programs and regulatory activities, which are essential to our strategic portfolio initiatives, including DTD, OSA and heart failure.

R&D expenses as a percentage of net sales increased for the year ended 31 December 2021 as compared to 2020 primarily due to an increase in R&D expense resulting from the net impact of changes in fair value of milestone-based contingent consideration arrangements of $16.6 million as well as an increase in research and development expenses due to the upcoming launch of our next-generation HLM and due to our DTD and heart failure clinical trials.

Exceptional Items

Items that are material, either by size or incidence, and non-recurring in nature are classified as exceptional items and include impairment of goodwill and intangible assets, merger and integration expenses, restructuring expenses and litigation provision, net. Further details on these items are included below.

Litigation Provision

During the years ended 31 December 2021 and 2020, we recorded additional litigation provisions of $35.1 million and $6.9 million, respectively, due to new information received about the nature of certain claims. Refer to "Note 25. Commitments and Contingencies" in the consolidated financial statements in this Annual Report.

Impairment of Goodwill and Long-Lived Assets and Loss on sale of Heart Valve Business

On 2 December 2020, LivaNova entered into a Purchase Agreement (HV Purchase Agreement) with Mitral Holdco S.à r.l. (Mitral), a company incorporated under the laws of Luxembourg and wholly owned and controlled by funds advised by Gyrus Capital S.A., a Swiss private equity firm. The HV Purchase Agreement provides for the divestiture of certain of LivaNova's subsidiaries as well as certain other assets and liabilities relating to the Company's Heart Valve business and site management operations conducted by the Company's subsidiary LSM at the Company's Saluggia campus for €60.0 million (approximately $68.1 million as of 31 December 2021). On 9 April 2021, LivaNova and the Purchaser entered into an A&R Purchase Agreement which amends and restates the original Purchase Agreement to, among other things, defer the closing of the sale and purchase of LSM by up to two years and include or amend certain additional terms relating to such deferral, including certain amendments relating to the potential hazardous substances liabilities of LSM and the related expense reimbursement provisions.

As a result of entering into the HV Purchase Agreement, during the fourth quarter of 2020, the Company concluded that the assets and liabilities of the Heart Valve business being sold meet the criteria to be classified as held for sale. As a result, we recognised an impairment of $89.9 million during the fourth quarter of 2020 to record the Heart Valves disposal group at fair value less estimated cost to sell, which is included within exceptional items on the consolidated statements of income (loss).

The initial closing of the sale of the Heart Valve business occurred on 1 June 2021 and we received €34.8 million (approximately $42.5 million as of 1 June 2021), subject to customary trade working capital and net indebtedness adjustments, as set forth in the HV Purchase Agreement. We also received $3.0 million on 17 December 2021. An additional €9.3 million (approximately $10.6 million as of 31 December 2021) is payable to LivaNova in 2022. During the year ended 31 December 2021, we recognised a loss from the sale of the Heart Valve business of $26.3 million. Refer to "Note 7. Divestiture of Heart Valve Business" in the consolidated financial statements in this Annual Report.

Restructuring Expenses

During 2020, we initiated a reorganization plan (the 2020 Plan) to reduce our cost structure. As a result, we incurred restructuring expenses of $5.3 million during the year ended 31 December 2020, primarily associated with severance costs for approximately 54 employees, and $9.7 million during 2021, primarily associated with severance costs for 27 additional employees during 2021 under the 2020 Plan and lease abandonment costs.

In November 2019, we initiated a reorganization plan (the 2019 Plan) to streamline our organizational structure in order to address new regulatory requirements, create efficiencies, improve profitability and ensure business continuity. As a result, we incurred restructuring expenses of $1.9 million during the year ended 31 December 2020 primarily associated with severance costs for approximately 35 impacted employees. The 2019 Plan was completed during 2020.

Additionally, we ended our Caisson TMVR program effective 31 December 2019 after determining that it was no longer viable to continue to invest in the program. As a result, we recognised restructuring expenses of $0.3 million during the year ended 31 December 2020. The Caisson TMVR restructuring plan was completed during 2020.

Refer to "Note 8. Restructuring" in the consolidated financial statements in this Annual Report.

Merger and Integration Expenses

Merger and integration expenses consist of costs associated with our merger and business combinations. Such costs primarily include computer systems integration efforts, organizational structure integration, synergy and tax planning. Merger and integration expenses during the years ended 31 December 2021 and 2020 were $0.7 million and $7.3 million, respectively. LivaNova expects these costs to continue to decline further over time.

Decommissioning Provision

During the year ended 31 December 2020, we recorded a decommissioning provision of $49.5 million in connection with the clean-up of a hazardous waste storage site and contaminated areas located in Saluggia, Italy. The liability as of 31 December 2020 was $50.4 million which was determined utilizing the middle of the estimated range of loss of $43.0 million to $55.0 million. At 31 December 2021, the liability was $44.0 million. The decrease in the liability from 31 December 2020 was primarily due to an increase in the discount rate applied to the liability, as well as the effects of foreign currency changes during the year ended 31 December 2021. Refer to "Note 25. Commitments and Contingencies" in the consolidated financial statements in this Annual Report.

Finance Expense

We incurred finance expense of $77.3 million for the year ended 31 December 2021, as compared to $59.8 million for 2020. The increase for the year ended 31 December 2021 as compared to 2020 was primarily due to $10.5 million in increased net finance expense in 2021 from the exchangeable notes that were entered into in June 2020 as well as an increase in the fair value of the exchangeable notes embedded derivative, partially offset by an increase in the fair value of the associated capped calls.

Loss on debt extinguishment

Loss on debt extinguishment for the year ended 31 December 2021 resulted from the early repayment and termination of the Company's 2020 senior secured term loan and revolving credit facility with ACF FINCO I LP, respectively, totalling $60.2 million. For further details on the loss on debt extinguishment, refer to "Note 17. Financial Liabilities" in the consolidated financial statements in this Annual Report.

Foreign Exchange and Other Gains/(Losses)

Foreign exchange (FX) and other gains/(losses) consists primarily of gains and losses arising from transactions denominated in a currency different from an entity's functional currency and foreign currency exchange rate and other derivative gains and losses. We incurred FX and other gains of $13.2 million for the year ended 31 December 2021, as compared to FX and other losses of $12.7 million for 2020. For further details, refer to "Note 29. Consolidated Statement of (Loss) Income - Expenses by Nature" in the consolidated financial statements in this Annual Report.

Income Taxes

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

Our effective income tax rate from continuing operations for the year ended 31 December 2021 was 8.7% on loss from continuing operations before tax of $150.5 million compared with 25.0% on loss from continuing operations before tax of $243.9 million for 2020. Our effective income tax rate fluctuates based on, among other factors, changes in pre-tax income in countries with varying statutory tax rates, changes in unrecognised deferred tax assets, changes in tax credits and incentives and changes in unrecognised tax benefits associated with uncertain tax positions.

Compared with the year ended 31 December 2020, the decrease in the effective tax rate for 2021 was primarily attributable to changes in unrecognised deferred tax assets, the tax impact of the sale of the Heart Valve business and the early repayment and termination of the Company's 2020 senior secured term loan. Comparatively, the effective tax rate for 2020 included the tax benefits related to the Coronavirus Aid, Relief and Economic Security (CARES) Act, the release of the uncertain tax positions upon the settlement of tax litigation in Italy and other items, offset by an increase to the unrecognised deferred tax assets of the UK and other jurisdictions.

Discontinued Operations

We completed the Cardiac Rhythm Management (CRM) Sale on 30 April 2018 to MicroPort Cardiac Rhythm B.V. and MicroPort Scientific Corporation. Net loss from discontinued operations related to the CRM divestiture for the year ended 31 December 2020 was $1.5 million. There were no disposals during 2021 that represented discontinued operations.

Liquidity and Capital Resources

Based on our current business plan, we believe that our sources of liquidity, which primarily consist of cash and cash equivalents, future cash generated from operations and available borrowings under our current debt facilities, will be sufficient to fund our uses of liquidity, primarily consisting of purchase obligations for expected operating, working capital and R&D needs, capital expenditures, and debt service requirements over the twelve-month period beginning from the issuance date of these consolidated financial statements. From time to time, we may decide to access debt and/or equity markets to optimize our capital structure, raise additional capital or increase liquidity as necessary, including to satisfy liabilities that may arise in connection with the SNIA litigation. Refer to "Note 25. Commitments and Contingencies" in the consolidated financial statements in this Annual Report.

On 21 February 2022, the Court of Appeal notified the Company that it granted the Company a suspension with respect to the payment of damages in the amount of €453.6 million (approximately U.S. $514.6 million at 31 December 2021) in the SNIA litigation until a decision has been reached on our appeal to the Italian Supreme Court. This suspension was subject to providing a first demand bank surety of €270.0 million (approximately U.S. $306.2 million) within 30 calendar days.

On 24 February 2022, LivaNova PLC and its wholly-owned subsidiary, LivaNova USA, Inc. entered into an Incremental Facility Amendment No. 1 to the First Lien Credit Agreement with Goldman Sachs Bank USA, relating to a €200 million bridge loan facility (the Bridge Loan Facility).

On 16 March 2022, LivaNova entered into Amendment No. 2 of the Bridge Loan Facility, which converted the available borrowings under the Bridge Loan Facility from €200 million to $220.0 million and converted the EURIBOR rate to the SOFR rate. LivaNova delivered a borrowing notice for $220.0 million under the Credit Agreement dated 13 August 2021 in connection with the Bridge Loan Facility, which was funded on 17 March 2022. The proceeds of the Bridge Loan Facility were used by LivaNova to post a portion of the cash collateral supporting a €270.0 million first demand bank guarantee which was delivered to obtain the suspension of the Court of Appeals judgment for the payment of damages in connection with the SNIA litigation until review of such judgment by the Italian Supreme Court (the SNIA Litigation Guarantee). The Bridge Loan Facility bears interest at an adjusted term SOFR rate, with a floor of 0.5%, plus 3.5% increasing by 0.25% 15 days after drawing and by an additional 0.5% 90 days after drawing and every 90 days thereafter, with a maximum margin of 5.25% over adjusted SOFR. The Bridge Loan Facility matures on 16 June 2023.

On 18 March 2022, LivaNova PLC, acting through its Italian branch, entered into an Indemnity Letter and a Bank Account Pledge Agreement (Account Pledge Agreement) with Barclays Bank Ireland PLC, acting through its Italian branch (Barclays), further to which Barclays issued the SNIA Litigation Guarantee. As security for the SNIA Litigation Guarantee, LivaNova is required to grant cash collateral to Barclays in U.S. Dollars in an amount equal to the USD equivalent of 105% of the amount of the SNIA Litigation Guarantee.

On 21 March 2022, LivaNova delivered the SNIA Litigation Guarantee as required by the Court of Appeals of Milan, thereby satisfying the condition to obtain the suspension of the Court of Appeals judgment for the payment of damages in connection with the SNIA litigation until review of such judgment by the Italian Supreme Court.

Our liquidity could be adversely affected by the factors affecting future operating results, including those referred to in "Risks and Uncertainties" below and by the contingencies referred to in "Note 25. Commitments and Contingencies" in the consolidated financial statements in this Annual Report.

Cash Flows

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

	Year Ended 31 December	
	2021	**2020**
Operating activities	$ 114,175	$ (65,777)
Investing activities	31,655	(53,862)
Financing activities	(187,864)	309,129
Effect of exchange rate changes on cash and cash equivalents	(2,805)	2,205
Net (decrease) increase in cash and cash equivalents	$ (44,839)	$ 191,695

Operating Activities

Cash provided by operating activities for the year ended 31 December 2021 increased $180.0 million as compared to the same prior-year period. The increase is primarily due to a decrease in 3T litigation settlement payments of $103.4 million, the receipt of a CARES Act tax refund of $24.5 million during the year ended 31 December 2021, and an increase in sales.

Investing Activities

Cash provided by investing activities during the year ended 31 December 2021 increased $85.5 million as compared to the same prior-year period. The increase is primarily due to proceeds from the sale of Heart Valves of $42.9 million, proceeds from the sale of LivaNova's investment in and loan to Respicardia totalling $23.1 million, as well as a decrease in purchases of property, plant and equipment of $7.2 million and a decrease in amounts paid under contingent consideration arrangements of $6.8 million.

Financing Activities

Cash used in financing activities during the year ended 31 December 2021 increased $497.0 million as compared to the same prior-year period. The increase is primarily due to a net repayment of borrowings during the year ended 31 December 2021 of $456.7 million compared to net proceeds from borrowings of $382.4 million in the prior year period, as well as a payment of $35.6 million for the make-whole premium on long-term debt obligations made during the year ended 31 December 2021. These increases were partially offset by the net proceeds from the issuance of ordinary shares of $322.5 million during the year ended 31 December 2021, as well as the purchase of a capped call associated with our Notes of $43.1 million and a closing adjustment payment for the sale of our former CRM business of $14.9 million made during the year ended 31 December 2020.

Debt and Capital

Our capital structure consists of debt and equity. As of 31 December 2021, we had total debt of $239.4 million which was 22.5% of total equity of $1,064.8 million.

Debt

During the year ended 31 December 2021, we repaid $452.3 million in long-term debt and paid $35.6 million for the make-whole premium associated with the early retirement of long-term debt. We received $322.5 million in net proceeds from the issuance of ordinary shares. Additionally, we reduced our short-term unsecured revolving credit agreements and other agreements with various banks by $2.0 million.

During the year ended 31 December 2020, we borrowed $886.9 million in long-term debt, incurred $23.7 million in debt issuance costs, and repaid $482.1 million in long-term debt. Additionally, we reduced our short-term unsecured revolving credit agreements and other agreements with various banks by $1.3 million.

Contractual Obligations

We have various contractual commitments that we expect to fund from existing cash, future operating cash flows and borrowings under our credit facilities. The following table summarises our significant contractual obligations as of 31 December 2021 and the periods in which such obligations are due (in thousands):

	Less Than One Year	One to Three Years	Three to Five Years	Thereafter	Total Contractual Obligations
Principal payments on debt obligations	$ 4,493	$ 9,455	$ 287,560	$ 331	$ 301,839
Interest payments on long-term debt	9,791	18,508	8,753	—	37,052
3T litigation settlements	10,201	—	—	—	10,201
Lease obligations	12,635	18,007	8,814	13,023	52,479
Inventory supply contract obligations	11,731	2,520	—	—	14,251
Derivative instruments	183,109	—	—	—	183,109
Contingent consideration	13,000	60,442	56,124	—	129,566
Total contractual obligations	$ 244,960	$ 108,932	$ 361,251	$ 13,354	$ 728,497

We have other commitments that we are contractually obligated to fulfil with cash under certain circumstances. Obligations under these guarantees are not normally called, as we typically comply with underlying performance requirements. As of 31 December 2021, no liability has been recorded in the consolidated financial statements associated with these obligations.

The following table summarises our guarantees as of 31 December 2021 (in thousands):

	Less Than One Year	One to Three Years	Three to Five Years	Thereafter	Total Guarantees
Guarantees on government bids [1]	$ 5,002	$ 3,422	$ 978	$ 888	$ 10,290
Guarantees - commercial [2]	408	—	636	1,889	2,933
Guarantees to tax authorities [3]	15,734	4,426	1,227	—	21,387
Guarantees to third-parties	5	—	2	455	462
Total guarantees	$ 21,149	$ 7,848	$ 2,843	$ 3,232	$ 35,072

(1) Government bid guarantees include such items as unconditional bank guarantees, irrevocable letters of credit and bid bonds.

(2) Commercial guarantees include our lease and tenancy guarantees.

(3) Guarantees to tax authorities consist of guarantees issued to the Italian Revenue Agency.

Market Risk

We are exposed to certain market risks as part of our ongoing business operations, including risks from foreign currency exchange rates, interest rate risks and concentration of procurement suppliers, that could adversely affect our consolidated financial position, results of operations or cash flows.

We manage these risks through regular operating and financing activities and, at certain times, derivative financial instruments.

Foreign Currency Exchange Rate Risk

Due to the global nature of our operations, we are exposed to foreign currency exchange rate fluctuations. We maintain a foreign currency exchange rate risk management strategy that utilizes derivatives to reduce our exposure to unanticipated fluctuations in forecast revenue and costs and fair values of debt, inter-company debt and accounts receivable caused by changes in foreign currency exchange rates.

We mitigate our credit risk relating to counter-parties of our derivatives through a variety of techniques, including transacting with multiple, high-quality financial institutions, thereby limiting our exposure to individual counter-parties and by entering into International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements, which include provisions for a legally enforceable master netting agreement, with almost all of our derivative counter-parties. The terms of the ISDA agreements may also include credit support requirements, cross default provisions, termination events, and set-off provisions. Legally enforceable master netting agreements reduce credit risk by providing protection in bankruptcy in certain circumstances and generally permitting the settlement and netting of transactions with the same counter-party upon the occurrence of certain events.

Based on our exposure to foreign currency exchange rate risk, a sensitivity analysis indicates that if the United States Dollar (USD) had uniformly strengthened by 10% against the British Pound Sterling (GBP), euro (EUR) and the Japanese Yen, in the year ended 31 December 2021, the effect on our unrealised income, for our derivatives outstanding at 31 December 2021, would

have been approximately $(5.6) million; if the USD had uniformly weakened by 10% against the same currencies, the effect on our unrealised expenses for our derivatives outstanding at 31 December 2021 would have been approximately $6.8 million.

Any gains and losses on the fair value of derivative contracts would generally be offset by gains and losses on the underlying transactions. These offsetting gains and losses are not reflected in the above analysis.

If LivaNova was to incur a hypothetical 10% adverse change in foreign currency exchange rates, net unrealised losses associated with LivaNova's foreign currency denominated assets and liabilities as of 31 December 2020, net of LivaNova's hedging would not be material to LivaNova's consolidated balance sheet or consolidated statement of (loss) income.

Interest Rate Risk

We are subject to interest rate risk on our investments and debt. If interest rates were to increase or decrease by 0.5%, the effects on our consolidated statement of (loss) income would not be material.

Concentration of Credit Risk

Our trade accounts receivable represent potential concentrations of credit risk. This risk is limited due to the large number of customers and their dispersion across a number of geographic areas, as well as our efforts to control our exposure to credit risk by monitoring our receivables and the use of credit approvals and credit limits. In addition, we have historically had strong collections and minimal write-offs. While we believe that our reserves for credit losses are adequate, essentially all of our trade receivables are concentrated in the hospital and healthcare sectors worldwide, and accordingly, we are exposed to their respective business, economic and country-specific variables. Although we do not currently foresee a concentrated credit risk associated with these receivables, repayment is dependent on the financial stability of these industry sectors and the respective countries' national economies and healthcare systems.

Risks and Uncertainties

Risks Relating to the Industry

The global medical device industry is highly competitive, and we may be unable to compete effectively.

We operate in a highly competitive market characterized by increasingly complex products that are expensive and time consuming to develop and manufacture. In the product lines in which we compete, we face a mixture of competitors ranging from large manufacturers with multiple business lines to small manufacturers that offer a limited selection of specialized products. Development by other companies of new or improved products, processes, or technologies, may make our products or proposed products less competitive. In addition, we face competition from providers of alternative medical therapies, such as pharmaceutical companies and providers of cannabis derived products, among others. Competitive factors include: product quality, reliability and performance; product technology; breadth of product lines and product services; ability to identify new market trends; customer support and training; price; capacity to recruit engineers, scientists and other qualified employees; and reimbursement approval. Difficulties in any of these areas may cause our operations and financial condition to suffer.

Reductions or interruptions in the supply of the materials and components used in manufacturing our products may adversely affect our financial condition and business operations, particularly in the wake of COVID-19.

We maintain manufacturing operations in five countries located throughout the world and purchase many of the components and raw materials used in manufacturing these products from numerous suppliers in various countries. Any problem affecting a supplier (whether due to external or internal causes) could have a negative impact on us. Difficulties and delays in manufacturing, internally or through third-party providers or otherwise within the supply chain, may lead to voluntary or involuntary business interruptions or shutdowns, product shortages, withdrawals or suspensions of products from the market, and potential regulatory action.

In some cases, we purchase specific components and raw materials from primary or main suppliers (or in some cases, a single or sole supplier) for reasons related to quality assurance, cost-effectiveness and availability. While we work closely with our suppliers to ensure supply continuity, minimize the instances in which we rely on a sole supplier and take other countermeasures to reduce our supply chain risk, we cannot guarantee that our efforts will always be successful. Moreover, due to strict standards and regulations governing the manufacture and marketing of our products, we may not be able to locate new supply sources quickly or at all in response to a supply reduction or interruption, with negative effects on our ability to manufacture our products effectively and timely.

The COVID-19 pandemic has exacerbated this risk by, among other things, causing global supply chain shortages. Increased demand and low capacity worldwide have caused longer lead times and put price pressure on key raw materials. While our supply of raw materials and the production and distribution of finished products has remained operational to date, we are experiencing supply chain delays, interruptions and inflationary pressures. We are managing our supply chain by giving long visibility to our suppliers, conducting regular supply critical risk reviews and closely monitoring our inventory, among other things, but any problem could quickly, negatively reverberate throughout the organization. To the extent we are unsuccessful in managing our supply chain, any such issues could have a material adverse effect on our business, results of operations, financial condition, cash flows and recoverability of our tangible and intangible assets.

Our products are subject to complex laws and regulations, and failure to obtain product approvals or clearance may materially adversely affect our financial condition and business operations.

Our medical devices and technologies, as well as our business activities, are subject to a complex set of regulations and rigorous enforcement, including by the FDA, U.S. Department of Justice, Health and Human Services - Office of the Inspector General, and numerous other federal, state, and non-U.S. governmental authorities. To varying degrees, each of these agencies requires us to comply with laws and regulations governing the development, testing, manufacturing, labeling, marketing and distribution of our products. As a part of the marketing clearance or approval process for new products and new indications for existing products, we conduct numerous clinical trials with a variety of study designs, patient populations and trial endpoints. Unfavorable or inconsistent clinical data from existing or future clinical trials, or the markets' or FDA's perception of this clinical data, may adversely impact our ability to obtain product approvals. Currently, for example, we are conducting the RECOVER study and the ANTHEM and OSPREY trials - any delays or news regarding unfavorable or inconsistent data could have a material adverse effect on our business. Nevertheless, success in pre-clinical testing and early clinical studies does not always ensure that later clinical studies will be successful, and we cannot be sure that later studies will replicate the results of prior studies. Any delay or termination of our clinical studies will delay the filing of product submissions and, ultimately, our ability to commercialize new products or product modifications. It is also possible that patients enrolled in clinical studies will experience adverse side effects that are not currently part of the product's profile, which could inhibit further marketing and development of such products.

Even if we are able to obtain approval or clearance, it may take a significant amount of time; require the expenditure of substantial resources; involve stringent clinical and pre-clinical testing, as well as increased post-market surveillance; and involve modifications, repairs or replacements of our products or limit the proposed uses of our products. Ultimately, we cannot guarantee that our clinical trials will be successful or that we will be able to obtain or maintain marketing clearance for new products or modifications to existing products, and any such issues, whether in relation to trials, approvals or clearances, could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Failure to comply with product-related government regulations may materially adversely affect our financial condition and business operations.

Both before and after a product is commercially released, we have ongoing responsibilities under FDA and other applicable non-U.S. government agency regulations. For instance, many of our facilities and procedures and those of our suppliers are subject to periodic inspections by the FDA, which can result in inspectional observations on FDA's Form-483, warning letters, or other forms of enforcement. If the FDA were to conclude that we are not in compliance with applicable laws or regulations, or that any of our medical products are ineffective or pose an unreasonable health risk, the FDA could ban such medical products, detain or seize adulterated or misbranded medical products, order a recall, repair, replacement, or refund of such products, refuse to grant pending PMA applications or require certificates of non-U.S. governments for exports, and/or require us to notify health professionals and others that the devices present unreasonable risks of substantial harm to the public health. In 2015, we received a warning letter from the FDA alleging certain violations of FDA regulations, which resulted in certain devices that were manufactured in Munich, Germany, to be denied admission to the U.S. until resolution of the issues set forth by the FDA in the warning letter. For additional information, see "Note 25. Commitments and Contingencies" of the LivaNova consolidated financial statements in this UK Annual Report. While we work diligently to manage our ongoing responsibilities, the FDA and other non-U.S. government agencies could assess civil or criminal penalties against us, our officers or employees and impose operating restrictions on a company-wide basis. The FDA could also recommend prosecution to the U.S. Department of Justice. An adverse regulatory action could restrict us from effectively marketing and selling our products, limit our ability to obtain future pre-market clearances or PMAs, and result in a substantial modification to our business practices and operations. These potential consequences, as well as any adverse outcome from government investigations, could have a material adverse effect on our business, results of operations, financial condition, and cash flows.

In addition, in the U.S., device manufacturers are prohibited from promoting their products other than for the uses and indications set forth in the approved product labeling (so called "off-label uses"). Our VNS Therapy System, for example, is indicated in the U.S., as an adjunctive therapy in reducing the frequency of seizures in patients 4 years of age and older with partial onset seizures that are refractory to antiepileptic medications, yet a number of physicians elect to prescribe our device for certain patients suffering from generalized seizures. While physicians may exercise their discretion in prescribing a device off-label, any failure on the part of the device manufacturer to comply with off-label regulations could subject us to significant civil or criminal exposure, administrative obligations and costs, and/or other potential penalties from, and/or agreements with, the federal government.

Governmental regulations outside the U.S. have, and may continue to become, increasingly stringent and common. In the EU, for example, Reg MDR (Medical Device Regulation) became effective in May 2021, resulting in significant additional premarket and post-market requirements which must be in place by May 2024. During this transition period, the European Commission (EC) is allowing companies to use their Medical Device Directive (MDD) certifications. LivaNova is working to obtain all appropriate approvals and intends to be fully compliant by the May 2024 deadline, as penalties for regulatory non-compliance can be severe, including fines and revocation or suspension of a company's business license, mandatory price reductions and criminal sanctions.

If our marketed medical devices are defective or otherwise pose safety risks, the FDA and similar non-U.S. governmental authorities could require their recall or initiate an enforcement action, or we may initiate a recall of our products voluntarily.

The FDA and similar non-U.S. governmental authorities may require the recall of commercialized products in the event of material deficiencies or defects in design, software or manufacture or in the event that a product poses an unacceptable risk to health. Manufacturers, on their own initiative, may recall a product with a material deficiency, and we have initiated voluntary product recalls in the past. Any recall announcement could harm our reputation with customers and negatively affect our revenue. A recall could also impair our ability to produce our products in a cost-effective and timely manner. In the future, we may initiate voluntary withdrawal, removal or repair actions that we determine do not require notification as a recall. If a regulating authority were to disagree with our determinations, it could require us to report those actions as recalls.

In addition, depending on the corrective action taken to redress a device's deficiencies or defects, regulators may require, or we may decide, that we need to obtain new approvals or clearances for the device before we market or distribute the corrected device. Seeking such approvals or clearances may delay our ability to replace the recalled devices in a timely manner. Any corrective action, whether voluntary or involuntary, or litigation, will require the dedication of our time and capital, distract management from operating the business, and may harm our reputation and financial results. Moreover, if we do not adequately address problems associated with our devices, we may face additional regulatory enforcement action, including FDA warning letters,

product seizure, injunctions, administrative penalties, or civil or criminal fines, and or all of which could have a material adverse effect on our business.

As a manufacturer of medical devices, we are exposed to product liability claims that could adversely affect our consolidated financial condition and tarnish our reputation.

We manufacture and sell medical devices, both equipment and implantables, that pose product liability risks that are inherent in the design, manufacture and marketing of such devices. Component failures, manufacturing defects, software errors, design flaws or inadequate disclosure of product-related risks or product-related information with respect to these or other products we manufacture or sell could result in an unsafe condition, injury to, or death of, a patient. Such an event could result in product liability claims or a recall of, or safety alert relating to, one or more of our products. We have elected to self-insure with respect to a significant portion of our product liability risks and also hold global insurance policies to cover a portion of future potential losses. Product liability claims or product recalls in the future, regardless of their ultimate outcome, could have a material adverse effect on our business and reputation and on our ability to attract and retain customers for our products, and losses from product liability claims in the future could exceed our product liability insurance coverage and lead to a material adverse effect on our financial condition and liquidity. In addition, future unanticipated large liability claims may raise substantial doubt about our ability to continue as a going concern.

As described in "Note 25. Commitments and Contingencies" of the LivaNova consolidated financial statements in this UK Annual Report, we are involved in product liability litigation that may adversely affect our financial condition and may require us to devote significant resources to our defense of these claims. This product liability litigation relates to our cardiopulmonary 3T Heater-Cooler product, and as of 27 April 2022, we are aware of approximately 90 filed and unfiled claims worldwide, with the majority of the claims filed in various federal or state courts throughout the U.S. Although we are defending these matters vigorously, the outcome of such matters could have a material adverse effect on our business.

Global healthcare policy changes and tightening of reimbursement for products may have a material adverse effect on us.

In response to increases in healthcare costs, there have been and continue to be proposals by governments, regulators and third-party payors to control these costs. These proposals have resulted in efforts to enact healthcare system reforms that may lead to pricing restrictions, limits on the amounts of reimbursement available for our products and limits on the acceptance and use of our products. Our ability to commercialize our products is dependent, in large part, on whether third-party payors, including private healthcare insurers, managed care plans, governmental programs and others agree to cover the costs and services associated with our products and related procedures in the U.S. and internationally. Similarly, periodic changes to reimbursement methodologies could have an adverse impact on our business. Adoption of some or all of such healthcare policy and reimbursement proposals could have a material adverse effect on our financial position and results of operations.

Our failure to comply with rules relating to reimbursement of healthcare goods and services, healthcare fraud and abuse, false claims and other applicable laws or regulations may subject us to penalties and adversely impact our reputation and business operations.

Our devices and therapies are subject to regulation by various governmental agencies worldwide responsible for coverage, reimbursement and regulation of healthcare goods and services, including laws and regulations related to kickbacks, false claims, self-referrals and health care fraud. Any failure to comply with these laws and regulations could subject us or our officers and employees to criminal and civil financial penalties.

The risk of being found in violation of these laws is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available under such laws, it is possible that some of our business activities, including our relationships with surgeons and other HCPs, some of whom recommend, purchase and/or prescribe our devices, group purchasing organizations and our independent sales agents and distributors, could be subject to challenge under one or more of such laws. Even an allegation of impropriety could adversely impact our reputation and/or business operations.

Cyber-attacks or other disruptions to our information technology systems could lead to reduced revenue, increased costs, liability claims, fines, harm to our competitive position and loss of reputation.

We are increasingly dependent on our information technology systems and those of third parties to operate our business, and certain products of ours include integrated software and information technology. COVID-19 has exacerbated such dependencies due to the challenges in managing such a vast employee population working remotely. We rely on information technology systems to collect and process customer orders, manage product manufacturing and shipping and support regulatory compliance, and we routinely process, store and transmit large amounts of data, including sensitive personal information, patient health information and confidential business information. The secure processing, maintenance and transmission of this information is critical to our operations but the size and complexity of our products and the information technology systems on which we rely make them vulnerable to cyber-attacks, breakdown, interruptions, destruction, loss or compromise of data, obsolescence or

incompatibility among systems or other significant disruptions. Unauthorized persons routinely attempt to access our products or systems in order to disrupt, disable or degrade such products or services, to obtain proprietary or confidential information, to make ransom demands, or to remotely disrupt or access the systems of large health care providers by exploiting our products or systems. We maintain an information security risk insurance policy and continue to enhance our information security programs. While we have not fallen victim to any material cyber-attacks, such an incident or an incident at a third-party vendor could compromise our networks and our information could be accessed, publicly disclosed, lost or stolen. The negative publicity resulting from such disruptions could significantly impact our reputation and stock price, and the financial consequences could have a material effect on our business.

In addition, from time to time, we may acquire new businesses. As a result of acquisitions, we may face risks due to implementation, modification, or remediation of controls, procedures and policies relating to data privacy and cybersecurity at the acquired company. We continue to consolidate and over time integrate the number of systems we operate, and to upgrade and expand our information system capabilities for stable and secure business operations. There can be no assurance that our process of consolidating, protecting, upgrading and expanding our systems and capabilities, continuing to build security into the design of our products, and developing new systems to keep pace with continuing changes in information processing technology will be successful or that additional systems issues will not arise in the future. Similarly, we may divest and have divested portions of our business, resulting in the migration of data and overlapping data obligations. As a result of such divestitures, we may face risks due to migration or modification of controls, procedures and policies relating to data privacy and cybersecurity internally or enroute. Any significant breakdown, intrusion, interruption, corruption or destruction of these systems, as well as any data breaches, could have a material adverse effect on our business.

The costs of complying with the requirements of federal, state and foreign laws pertaining to the privacy and security of personal information, including health related information and the potential liability associated with failure to do so could materially adversely affect our business and results of operations.

There is significant regulatory and enforcement focus on data protection in the U.S. (at both the state and federal level) and abroad, and an actual or alleged failure to comply with applicable U.S. or foreign data protection regulations or other data protection standards may expose us to litigation (including, in some instances, class action litigation), fines, sanctions or other penalties, which could harm our reputation and adversely impact our business, results of operations and financial condition. This regulatory environment is increasingly challenging and may present material obligations and risks to our business, including significantly expanded compliance burdens, costs and enforcement risks. If we are unable to maintain secure, reliable information technology systems and prevent data breaches, we may suffer legal and regulatory consequences in addition to business consequences. Our worldwide operations mean that we are subject to data protection and cyber-security laws and regulations in many jurisdictions. For example, if we are in breach of the GDPR's or CCPA's requirement that we ensure a level of security, both in terms of technology and other organizational measures, appropriate to the risk that the confidentiality, integrity or availability of personally identifiable data is compromised, we could be subject to fines and enforcement actions. Violations of GDPR can result in fines of as much as 4% of a company's annual revenue. Other governments have enacted or are enacting similar data protection laws, including data localization laws that require data to stay within their borders. Despite programs to comply with such laws and regulations and our purchase of a cyber insurance policy, there is no guarantee that we will avoid enforcement actions by governmental bodies. Enforcement actions may be costly and interrupt regular operations of our business. In addition, there is a trend of civil lawsuits and class actions relating to breaches of consumer data or other cyber-attacks pursuant to laws such as CCPA. While we have not been named in any such lawsuits, if a breach or loss of data occurs, we could become a target of civil litigation or government enforcement actions.

Quality problems with our processes, goods, and services could harm our reputation for producing high-quality products and erode our competitive advantage, sales, and market share.

Quality is extremely important to us and our customers due to the serious and costly consequences of product failure. Our quality certifications are critical to the marketing success of our goods and services. If we fail to meet these standards, our reputation could be damaged, we could lose customers, and our revenue and results of operations could decline. Aside from specific customer standards, our success depends generally on our ability to manufacture precision-engineered components, sub-assemblies, and finished products to exact tolerances and from multiple materials. If our components fail to meet these standards or fail to adapt to evolving standards, our reputation as a manufacturer of high-quality components will be harmed, our competitive advantage could be damaged, and we could lose customers and market share.

We cannot guarantee that our internal R&D efforts and those R&D efforts that rely on investments and investment collaborations will be successful.

Our strategy to provide a broad range of therapies to restore patients to fuller, healthier lives requires a wide variety of technologies, products and capabilities. The rapid pace of technological development in the medical industry and the specialized expertise required in different areas of medicine make it difficult for one company alone to develop a broad portfolio of technological solutions. As a result, we also rely on investments and investment collaborations to provide us access to new technologies both in areas served by our existing or legacy businesses as well as in new areas.

If we do not develop innovative new and enhanced products and services on a timely basis, our offerings will become obsolete over time and our business and financial results could be negatively impacted. Our success depends on several factors, including our ability to appropriately allocate our R&D funding to products and services with higher growth prospects, for example, further incorporation of software; hire and retain the necessary R&D talent; stimulate customer demand for and convince customers to adopt new technologies; innovate and develop new technologies and applications; and acquire or obtain third-party technologies that may have valuable applications in the markets that we serve.

We expect to make investments where we believe that we can stimulate the development of, or acquire new technologies and products to further our strategic objectives and strengthen our existing businesses. Investments and investment collaborations in and with medical technology companies are inherently risky, and we cannot guarantee that any of our previous or future acquisitions, investments or investment collaborations will be successful or will not materially adversely affect our consolidated earnings, financial condition or cash flows.

We are substantially dependent on patent and other proprietary rights and failing to protect such rights or to be successful in litigation related to our rights or the rights of others may result in our payment of significant monetary damages and/or royalty payments, negatively impact our ability to sell current or future products, or prohibit us from enforcing our patent and other proprietary rights against others.

We rely on a combination of patents, trade secrets, and non-disclosure and non-competition agreements to protect our proprietary intellectual property, and we will continue to do so. While we intend to defend against any threats to our intellectual property, any litigation to counter the infringement, misappropriation, or unauthorized use of our intellectual property may require the expenditure of significant financial and managerial resources, which may adversely affect our business, operating results and financial condition. Additionally, our patents, trade secrets, or other agreements may not prevent competitors from independently developing or selling similar products and services and may not adequately deter misappropriation or improper use of our technology. Further, pending patent applications may not result in patents being issued to us. Patents issued to or licensed by us in the past or in the future may be challenged or circumvented by competitors and such patents may be found invalid, unenforceable or insufficiently broad to protect our technology and may limit our competitive advantage. Third parties could obtain patents that may require us to negotiate licenses to conduct our business, and the required licenses may not be available on reasonable terms or at all.

We also rely on non-disclosure and non-competition agreements with certain employees, consultants and other parties to protect, in part, trade secrets and other proprietary rights. We cannot be certain that these agreements will not be breached, that we will have adequate remedies for any breach, that others will not independently develop substantially equivalent proprietary information, or that third parties will not otherwise gain access to our trade secrets or proprietary knowledge.

We operate in an industry characterized by extensive patent litigation and are subject to patent claims from time to time. While we intend to defend against any third-party intellectual property threats, intellectual property litigation is inherently complex and unpredictable. Such litigation can result in significant damage awards and injunctions that could prevent our manufacture and sale of affected products or require us to pay significant royalties in order to continue to manufacture or sell affected products.

In addition, the laws and intellectual property systems of certain countries in which we market some of our products do not protect our intellectual property rights to the same extent as in the U.S., which may impact our market position in those countries. We could also face competition in countries where we have not invested in an intellectual property portfolio, or where we have not invested in the same protection as in the U.S. If we are unable to protect our intellectual property in those countries, it could have a material adverse effect on our business, financial condition, cash flows and reputation.

We are subject to environmental laws and regulations and the risk of environmental liabilities, violations and litigation in multiple jurisdictions, including in Saluggia, where we are currently involved in the disposal of hazardous substances and in Italy in relation to SNIA's environmental liabilities.

Our operations involve the use of substances regulated under environmental laws, primarily those used in manufacturing and sterilization processes in the various jurisdictions where we operate. In addition, certain environmental laws assess liability on current, prior and/or related owners or operators of real property for the costs or investigation, removal or remediation of hazardous substances at their properties or at properties on which they have disposed of hazardous substances. For example, our Saluggia campus contains hazardous substances as a result of nuclear installations, built in 1960 under previous ownership, and the Italian Government has stated that we will eventually be responsible for dismantling the nuclear installation on Company property, which will involve cleaning and dismantling contaminated buildings and equipment as well as delivering the aforementioned waste to a national repository. We have recognised a liability of $44.0 million as of 31 December 2021. In addition, as described in "Note 25. Commitments and Contingencies" in the LivaNova consolidated financial statements in this UK Annual Report along with the aforementioned matter, we are currently in litigation with the government in Italy stemming from a civil action where the Court of Appeal in Milan (Court of Appeal) declared LivaNova (formed through a merger with Sorin) jointly liable with SNIA (a former parent company of Sorin) for environmental liabilities incurred by SNIA's other subsidiaries. In November 2021, the Court of Appeal delivered the remainder of the decision, demanding that LivaNova pay

damages of approximately €453.6 million (approximately $514.6 million as of 31 December 2021). LivaNova appealed both the liability and damages decisions, and they will be decided together at the Italian Supreme Court. In February 2022, the Court of Appeal notified the Company that it granted the Company a suspension with respect to the payment of damages until a decision has been reached on the appeal to the Italian Supreme Court. This suspension is subject to providing a first demand bank surety of €270.0 million (approximately $306.2 million as of 31 December 2021) within 30 calendar days. On 21 March 2022, LivaNova delivered a guarantee as required by the Court of Appeal, thereby satisfying the condition to obtain the suspension of the Court of Appeal's judgment for the payment of damages in connection with the SNIA litigation until review of such judgment by the Italian Supreme Court. For additional information, please refer to "Liquidity and Capital Resources" within the Business Review Section in this UK Annual Report. Our liquidity, business operations or results of operations could be adversely affected by a negative decision in the case of SNIA or increase in anticipated costs relating to transportation of hazardous waste in Saluggia.

It is also possible that a governmental authority may seek to hold us liable for successor liability violations committed by any companies in which we invest or that we acquire. Finally, private parties could bring personal injury or other claims due to the presence of, or exposure to, hazardous substances. The ultimate cost of site clean-up and timing or future cash outflows is difficult to predict, given the uncertainties regarding the extent of the required clean-up and the interpretation of applicable laws and regulations. The costs of complying with current or future environmental protection and health and safety laws and regulations, or liabilities arising from past or future releases of, or exposures to, hazardous substances, may exceed our estimates, or have a material adverse effect on our business, results of operations, financial condition and cash flows.

We are subject to the risks of conducting business internationally.

We develop, manufacture, distribute and sell our products globally and we intend to continue to pursue growth opportunities worldwide. Our international operations are subject to risks that are inherent in conducting business globally and under non-U.S. laws, regulations and customs. These risks include possible nationalization, invasions, wars, negative consequences associated with Brexit, expropriation, importation limitations, pricing restrictions, government shutdowns and violations of laws, and the resulting issues from any such risks. In February 2022, for example, Russia launched an invasion in Ukraine which caused us to assess our ability to sell in the market due to international sanctions, to consider the potential impact of raw material sourced from the region, and to determine whether we are able to transact in a compliant fashion. Although the region represented 1% of our total net sales for 2021, the Russian invasion of Ukraine has increased economic uncertainties, and a significant escalation and/or continuation of the conflict could have a material, global impact on our operating results. In addition, our Russian employees and local subsidiary are subject to evolving laws and regulations imposed by the Russian authorities in response to international sanctions. Our profitability and operations are, and will continue to be, subject to a number of risks and potential costs, including: local product preferences and product requirements; longer-term receivables than are typical in the EU or the U.S.; difficulty enforcing agreements; creditworthiness of customers; trade protection measures and import and export licensing requirements; imposition of sanctions; different labor regulations and workforce instability; higher danger of terrorist activity, war or civil unrest; selling our products through distributors and agents; political and economic instability; and the risks further described below in the section entitled "*The failure to comply with anti-bribery laws could materially adversely affect our business and result in civil and/or criminal sanctions.*" Any of the aforementioned risks could adversely affect our business, results of operations, financial conditions and cash flows.

From time to time, certain of our subsidiaries have limited business dealings in countries subject to comprehensive sanctions, including Iran, Sudan, Syria and now Russia. These business dealings represent an insignificant amount of our consolidated revenues and income, but expose us to a heightened risk of violating applicable sanctions regulations. Violations of these regulations are punishable by civil penalties including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts and revocations or restriction of licenses, as well as criminal fines and imprisonment. We have established policies and procedures designed to assist with our compliance with such laws and regulations, but there can be no assurance that our policies and procedures will prevent us from violating these regulations in every transaction in which we may engage, and such a violation could adversely affect our reputation, business, results of operations, financial conditions and cash flows.

Our functional currency is the U.S. dollar; however, a portion of the revenues earned and expenses incurred by certain of our subsidiaries are denominated in currencies other than the U.S. dollar. We determine the functional currency of our subsidiaries that exist and operate in different economic and currency environments based on the primary economic environment in which the subsidiary operates, that is, the currency of the environment in which an entity primarily generates and expends cash. For transactions denominated in currencies other than our functional currencies, fluctuations in the exchange rate will impact our results of operations and financial condition. Although we may elect to hedge certain foreign currency exposure, we cannot be certain that the hedging activity will eliminate our currency risk.

In addition, in many of the countries where we operate, employees are covered by various laws and/or collective bargaining agreements that endow them, through their local or national representatives, with the right to be consulted in relation to specific issues, including the downsizing or closing of departments and staff reductions. The laws and/or collective bargaining agreements that are applicable to these agreements could have an impact on our flexibility, as they apply to programs to redefine and/or

strategically reposition our activities. Our ability to implement staff downsizing programs or even temporary interruptions of employment relationships is predicated on the approval of government entities and the consent of labor unions. A negative response from a works council or union-organized work stoppages by employees could have a negative impact on our business.

COVID-19 has had, and we expect will continue to have, an adverse effect on our business, results of operations, financial condition and cash flows, the nature and extent of which are uncertain and unpredictable.

The continuing global spread of COVID-19 and its variants, including corresponding preventative and precautionary measures that we and other businesses, communities and governments are taking to mitigate the spread of the disease, has led to unprecedented restrictions on, disruptions in, and other related impacts on business. COVID-19 is affecting our employees, customers, facilities, communities and business operations, as well as the global economy and financial markets. As the COVID-19 crisis continues to evolve, the full extent to which the COVID-19 pandemic will impact our business, results of operations, financial condition and liquidity will depend on future developments that are highly uncertain and cannot be accurately predicted.

While certain conditions improved during 2021, we continue to experience COVID-19 related headwinds and are monitoring the potential for various strains of the virus to cause a resumption of high levels of infection and hospitalization, that in turn, may affect the demand for our products. In certain geographies, hospital systems continue to prioritize treatment of COVID-19 patients and otherwise comply with government guidelines, thereby resulting in the suspension or cancellation of elective medical procedures, which has caused a reduction in sales of these products. Further, some people have avoided seeking treatment for non-COVID-19 procedures and hospitals and clinics have experienced staffing shortages, which have negatively impacted the demand for our products. To the extent individuals and hospital systems continue to de-prioritize, delay or cancel these procedures, or if unemployment or loss of insurance coverage adversely impacts an individual's ability to pay for our products and services, our business, cash flows, financial condition and results of operations will continue to be negatively affected. Further, the COVID-19 pandemic is straining hospital systems around the world, resulting in adverse financial impacts to those systems that could result in reduced future expenditures for our products. While our clinical trials have resumed, there can be no assurance that there will not be delays or closures of sites in the future should COVID-19 or variants thereof strengthen or re-emerge.

Like many companies, we are experiencing supply chain delays, interruptions and inflationary pressures, but to date, our supply of raw materials and the production and distribution of finished products remain operational. Raw material, freight, and labor costs at our manufacturing facilities are all increasing in the wake of unprecedented inflation globally. There can be no assurance that any such negative impacts from supply chain, staffing shortages, inflation or logistics may not adversely affect our operating results.

All of our manufacturing plants have been able to remain open during COVID-19. Regardless, there can be no assurance that any of our facilities will not need to shut down in the future as a direct result of the COVID-19 pandemic.

In addition, COVID-19 has impacted and may further impact the global economy and capital markets, including by negatively impacting demand for our products and foreign currency exchange rates, each of which may adversely impact our business. Further, the COVID-19 pandemic, and the volatile global economic conditions stemming from the pandemic, could precipitate or amplify other risks and uncertainties identified in this section of the UK Annual Report. We could experience loss of sales and profits due to delayed payments or insolvency of healthcare professionals, hospitals and other customers, suppliers and vendors facing liquidity issues. As a result, we may be compelled to take additional measures to preserve our cash flow.

Finally, COVID-19 could adversely impact our ability to retain key employees and the continued service and availability of skilled personnel necessary to run our productions and operations, including our executive officers and other members of our management team, as well as the ability of our third-party suppliers, manufacturers, distributors and vendors to retain their key employees. To the extent our management or other personnel are impacted in significant numbers by COVID-19 and are not available to perform their job duties, we could experience delays in, or the suspension of, our manufacturing operations, research and product development activities, regulatory work streams, clinical development programs and other important commercial functions.

While the impact of COVID-19 has had, and we expect it to continue to have, an adverse effect on our business, results of operations, financial condition and cash flows, the nature and extent of such impact is uncertain and unpredictable. For more information on the impact of COVID-19 on the Company and LivaNova's mitigation measures, please refer to "Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies" of the LivaNova consolidated financial statements in this UK Annual Report.

The failure to comply with anti-bribery laws could materially adversely affect our business and result in civil and/or criminal sanctions.

Our operations are subject to anti-corruption laws, including the UK Bribery Act, FCPA and other anti-corruption laws that apply in countries where we do business, that generally prohibit us and our employees and intermediaries from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other

business advantage. Because of the predominance of government-administered healthcare systems in many parts of the world outside the U.S., many of our customer relationships are potentially subject to such laws.

We are, therefore, exposed to the risk that our employees, independent contractors, principal investigators, consultants, vendors, independent sales agents and distributors may engage in fraudulent or other illegal activity in violation of these laws and our Code of Conduct. It is not always possible to identify and deter misconduct by our employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations.

Global enforcement of anti-corruption laws has increased substantially in recent years, with more frequent voluntary self-disclosures by companies, aggressive investigations and enforcement proceedings by governmental agencies, and assessment of significant fines and penalties against companies and individuals. We cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted. Any alleged or actual violations of these regulations may subject us to government scrutiny, severe criminal or civil sanctions and other liabilities, including exclusion from government contracting or government healthcare programs, and could negatively affect our business, reputation, operating results and financial condition.

The impact of pending or existing climate change resulting from increased concentrations of carbon dioxide and other greenhouse gases in the atmosphere could present major risks to our future operations.

While we are not currently experiencing any material impact due to climate change, the physical impacts of natural disasters and extreme weather conditions, such as hurricanes, tornadoes, earthquakes, wildfires or flooding could pose physical risks to our facilities, disrupt our supply chain operations, and negatively impact operational costs. In addition, as new legal and regulatory requirements designed to mitigate the effects of climate change on the environment are increasing, they may impose legal or regulatory requirements which may increase our compliance burdens and costs to meet these obligations. Individually or in the aggregate, such risks could adversely affect our business, results of operations or financial condition.

Our inability to integrate recently acquired businesses or to successfully complete and integrate future acquisitions could limit our future growth or otherwise be disruptive to our ongoing business.

From time to time, we acquire businesses and may pursue acquisitions in support of our strategic goals. There can be no assurance that acquisition opportunities will be available on acceptable terms or at all, or that we will be able to obtain necessary financing or regulatory approvals to complete potential acquisitions. The success of any acquisition, investment or alliance may be affected by a number of factors, including our ability to properly assess and value the potential business opportunity or to successfully integrate any businesses we may acquire into our existing business. The integration of the operations of acquired businesses requires significant efforts, including the coordination of information technologies, human resources, R&D, sales and marketing, operations, manufacturing, legal, compliance and finance. These efforts result in additional expenses and involve significant amounts of management's time that cannot then be dedicated to other projects. Failure to manage and coordinate the growth of the combined company successfully could also have an adverse impact on our business. In addition, we cannot be certain that our investments, alliances and acquired businesses will become profitable or remain so. If our investments, alliances or acquisitions are not successful, we may incur costs in excess of what we anticipate.

We may incur impairments of intangible assets and goodwill, primarily acquired in acquisitions, that may adversely affect our financial results.

As of 31 December 2021, the carrying value of our net intangible assets and goodwill totalled $988.3 million, which represents 49.8% of our total assets. We review, when circumstances warrant, the carrying amounts of our intangible assets to determine whether those carrying amounts continue to be recoverable in accordance with U.S. Generally Accepted Accounting Principles. Significant negative industry or economic trends, disruptions to our businesses, significant unexpected or planned changes in the use of assets, divestitures and market capitalization declines, among other events, may result in impairments to goodwill and other intangible assets. Recent impairments have significantly affected our financial results and future impairments could significantly affect reported financial results.

The closing of the proposed sale of LSM in the context of the Heart Valves business divestment is subject to a number of conditions, satisfaction of which are beyond our control and there can be no assurance that such conditions will be satisfied or that the divestiture of LSM will be completed.

On 2 December 2020, we entered into a HV Purchase Agreement, amended and restated on 9 April 2021, with Mitral Holdco S.à r.l., a company incorporated under the laws of Luxembourg and wholly owned and controlled by funds advised by Gyrus Capital S.A., a Swiss private equity firm, which provides for the divestiture of LivaNova's Heart Valve business, as well as site management operations conducted by the Company's LSM subsidiary. The divestiture of the Company's Heart Valve business has been substantially completed. The divestiture of LSM remains subject to a number of closing conditions that are beyond our control, and there can be no assurance that such conditions will be satisfied or that such divestiture will be completed.

The success and continuing development of our products depend on maintaining strong relationships with physicians and healthcare professionals.

If we fail to maintain our working relationships with physicians and other healthcare professionals, our products may not be developed and marketed in line with the needs and expectations of the professionals who use and support our products. Physicians assist us as researchers, marketing consultants, product consultants, inventors and public speakers, and we rely on these professionals to provide us with considerable knowledge and experience. As a result of the pandemic, our access to these professionals has been limited at times, and travel restrictions, shutdowns and similar measures have impacted our ability to maintain these relationships, thereby affecting our ability to develop, market and sell new and improved products. If we are unable to maintain these strong relationships, the development and marketing of our products could suffer, which could have a material adverse effect on our consolidated financial condition and results of operations.

Inadequate funding for U.S. federal government agencies and government shutdowns could negatively affect our business, results of operations and financial condition.

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel, government shutdowns and statutory, regulatory and policy changes. In addition, a portion of our revenue is dependent on U.S. federal government healthcare program reimbursement. Any disruption in U.S. federal government operations, including government shutdowns, could have a material adverse effect on our business, results of operations and financial condition.

We may experience volatility in the trading price of our shares due to fluctuations in our quarterly operating results, COVID-19 or other factors.

We experienced volatility in the trading price of our shares during 2019, 2020 and 2021, including following the pre-release of our earnings for the first quarter in 2019 as well as during COVID-19 in 2020. In the future, our operating results may vary significantly from quarter to quarter due to many factors, including factors beyond our control, which may cause further volatility in the trading price of our shares. A number of other factors may also cause future volatility in our stock price, including the items discussed in this "Risk and Uncertainties" section of this UK Annual Report.

Shareholder activists could cause a disruption to our business.

In mid-October 2020, an activist investor indicated its concerns with, among other things, our capital allocation, reporting transparency within our sub-segments, and corporate governance and leadership. In the future, our business, operating results or financial condition could be adversely affected because activist proposals can be a significant distraction for our Board, management and employees and may require us to expend significant time and resources. Shareholder activists may create uncertainty for our employees, investors and customers, additional risk and uncertainties with respect to our financial position, operations, strategies and management, and may adversely affect our ability to attract and retain key employees. Any perceived uncertainties as to our future direction also may affect the market price and volatility of our securities.

Risks Related to our Indebtedness

Paying amounts due in cash in respect of our outstanding Notes on interest payment dates, at maturity and upon exchange thereof will require a cash payment. We may not have sufficient cash flow from our business to pay when due, or raise the funds necessary to pay when due, amounts owed in respect of the Notes or any amounts owed under our revolving credit facility or bridge loan facility, which could adversely affect our business and results of operations.

On 17 June 2020, our wholly-owned subsidiary, LivaNova USA, Inc., issued $287.5 million aggregate principal amount of 3.00% Cash Exchangeable Senior Notes due in 2025 (the "Notes"). The ability to make scheduled payments of interest on, and principal of, to satisfy exchanges for cash in respect of, and/or to refinance, our outstanding Notes or other indebtedness (including any indebtedness under our revolving credit agreements) depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. If we are unable to generate enough cash flow to make payments on the Notes or other indebtedness when due, we may be required to adopt one or more alternatives, such as selling assets or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. Our ability to refinance the Notes or other indebtedness, which we may need to do in order to satisfy our obligations thereunder, will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on the Notes.

The holders of the Notes have the right to require us to repurchase their Notes upon the occurrence of a fundamental change (as defined in the indenture governing the Notes (the "Indenture")) at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any. Upon repurchase of the Notes, we will be required to make cash payments as required by the Indenture. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of, or exchange of, the Notes for cash. Our failure to repurchase the Notes or exchange the Notes for

cash at a time when the repurchase or exchange is required by the Indenture governing the Notes would constitute a default under such Indenture.

In addition, our indebtedness including under the Notes, combined with our other financial obligations and contractual commitments including those under our revolving credit facility or bridge loan facility, could have other important consequences. For example, it could:

- Make us more vulnerable to adverse changes in government regulation and in the worldwide economic, industry and competitive environment;
- Limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- Place us at a disadvantage compared to our competitors who have less debt;
- Limit our ability to borrow additional amounts to fund acquisitions, for working capital and for other general corporate purposes; and
- Make an acquisition of the Company less attractive or more difficult.

Any of these factors could harm our business, results of operations and financial condition. In addition, if we incur additional indebtedness under the revolving credit facility or bridge loan facility, the risks related to our business and our ability to repay our indebtedness including under the Notes would increase. For additional information, please refer to "Note 17. Financial Liabilities" in the consolidated financial statements in this UK Annual Report.

The conditional exchange features of the Notes if triggered, may adversely affect our liquidity and operating results.

If the conditional exchange feature of the Notes is triggered, holders of Notes are entitled to exchange the Notes at any time during specified periods, at their option. Holders of the Notes for example, are entitled to exchange the Notes during any calendar quarter, if the last reported sale price of LivaNova's ordinary shares, with a nominal value of £1.00 per share for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the exchange price – the exchange price being $60.98 per share and the "conversion trigger" (subject to other conditions per the Indenture) being $79.27 per share – on each applicable trading day. If holders elect to exchange their Notes during future periods following the satisfaction of an exchange condition as laid out in the Indenture, we would be required to settle our exchange obligation through the payment of cash, which could adversely affect our liquidity.

Our debt instruments require us to comply with affirmative covenants and specified financial covenants and ratios and other obligations.

Certain restrictions and covenants in our debt instruments, including our revolving credit agreement and bridge loan facility, could affect our ability to operate and may limit our ability to react to market conditions or to take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control, such as prevailing economic, financial, regulatory and industry conditions. If any of these restrictions or covenants is breached, we could be in default under one or more of our debt instruments, which, if not cured or waived, could result in acceleration of the indebtedness under such agreements and cross defaults under our other debt instruments. (For more information on these debt instruments, please refer to "Note 17. Financial Liabilities" in the consolidated financial statements in this UK Annual Report.")

The accounting for the Notes will result in LivaNova having to recognize interest expense significantly greater than the stated interest rates of the Notes and may result in volatility to our reported financial results, which could adversely affect the price at which our ordinary shares trade.

We will settle exchanges of the Notes entirely in cash. Accordingly, the exchange feature that is part of the Notes is accounted for as a derivative pursuant to accounting standards relating to derivative instruments. This resulted in an initial valuation of the exchange feature, which was bifurcated from the debt component of the Notes, resulting in an original issue discount. The original issue discount is amortized and recognised as a component of interest expense over the term of the Notes, which results in an effective interest rate (EIR) reported in our consolidated statements of operations in excess of the stated interest rate of the Notes. Although this accounting treatment does not affect the amount of cash interest paid to holders of the Notes or our cash flows, it reduces our earnings and could adversely affect the price at which our ordinary shares trade.

Additionally, for each financial statement period after issuance of the Notes, a derivative gain or loss is and will be reported in our consolidated statements of income (loss) to the extent the valuation of the exchange feature changes from the previous period. The capped call transactions described below and elsewhere in this annual report are also accounted for as derivative instruments. The valuation of the exchange feature of the Notes and capped call transactions utilizes significant observable and unobservable market inputs, including stock price, stock price volatility, risk-free interest rate, and time to expiration of the Notes. The change

of inputs at period end from the previous period may result in a material change of the valuation and the gain or loss resulting from the exchange feature of the Notes and capped call transactions may not completely offset each other. As such, there may be a material net impact to our consolidated statements of operations, which could adversely affect the price at which our ordinary shares trade.

The arbitrage or hedging strategy by purchasers of the Notes and Option Counterparties in connection with our capped call transactions may affect the value of our ordinary shares.

We expect that many investors in, and potential purchasers of the Notes will employ, or seek to employ, an arbitrage strategy with respect to the Notes. Investors would typically implement such a strategy by selling short our ordinary shares underlying the Notes and dynamically adjusting their short position while continuing to hold the Notes. Investors may also implement this type of strategy by entering into swaps on our ordinary shares in lieu of or in addition to selling short our ordinary shares. This activity could decrease (or reduce the size of any increase in) the market price of our ordinary shares at that time.

In connection with the pricing of the Notes, we entered into privately negotiated capped call transactions with certain financial institutions (the "Option Counterparties"). The capped call transactions are expected generally to offset cash payments due upon exchange of the Notes in excess of the principal amount thereof in the event that the market value per ordinary share of the Company is at the time of exchange of the Notes greater than the strike price under the capped call transactions, with such offset subject to a cap based on the cap price. We understand the Option Counterparties, or their respective affiliates, in connection with establishing their initial hedges of the capped call transactions, purchased our ordinary shares and/or entered into various derivative transactions with respect to our ordinary shares concurrently with or shortly after the pricing of the Notes. The Option Counterparties or their respective affiliates may modify these initial hedge positions by entering into or unwinding various derivatives with respect to our ordinary shares and/or purchasing or selling our ordinary shares or other securities of ours in secondary market transactions prior to the maturity of the Notes (and are likely to do so during any observation period related to an exchange of the Notes or upon a repurchase or redemption of the Notes). This activity could cause or avoid an increase or decrease in the market price of our ordinary shares at that time.

We are subject to counterparty risk with respect to the capped call transactions.

The Option Counterparties are financial institutions, and we are subject to the risk that they might default under the capped call transactions. Our exposure to the credit risk of the Option Counterparties is not secured by any collateral.

If an Option Counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings, with a claim equal to our exposure at that time under the capped call transactions with that Option Counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price and in the volatility of our ordinary shares. In addition, upon a default by an Option Counterparty, we may suffer adverse tax consequences and may, on a net basis, have to pay more cash to settle exchanges of the Notes. We can provide no assurances as to the financial stability or viability of the Option Counterparties.

Risks Relating to Tax and our Jurisdiction of Incorporation

We are incorporated in England and Wales, and governed by their laws which may afford less protection to shareholders than under U.S. laws.

Being that we are a public limited company incorporated under the laws of England and Wales, our shareholders may have more difficulty protecting their interests than would shareholders of a corporation incorporated in a jurisdiction of the United States. It may be difficult to enforce any court judgments obtained in the U.S. against us in the UK based on the civil liability provisions of U.S. federal or state securities laws. In addition, there is also some uncertainty as to whether the courts of UK would recognize or enforce judgements of U.S. courts obtained against us or any of our directors or officers.

Changes in tax laws or exposure to additional income tax liabilities could have a material impact on our financial condition and results of operations.

We are subject to income taxes as well as non-income based taxes in the U.S., the UK, the EU and various other jurisdictions. No assurances can be given as to what our worldwide effective corporate tax rate will be because of, among other things, uncertainty regarding the tax regulations and laws, enactment and enforceability thereof and policies of the jurisdictions where we operate. Our actual effective tax rate may vary from our expectations or from historical trends and that variance may be material. Our effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities or changes in tax laws or their interpretation. We are also subject to ongoing tax audits in various non-U.S. jurisdictions. Tax authorities may disagree with certain positions we have taken and assess additional taxes. We believe that our accruals reflect the probable outcome of known contingencies. However, there can be no assurance that we will accurately predict the outcomes of ongoing audits, and the actual outcomes of these audits could have a material impact on our consolidated statements of income (loss) or financial condition.

The IRS may not agree with the conclusion that we should be treated as a foreign corporation for U.S. federal tax purposes, and we may be required to pay substantial U.S. federal income taxes.

Based on our management and organizational structure, we believe that we should be regarded as a resident exclusively in the UK for tax purposes and that we are appropriately treated as a foreign corporation for U.S. federal tax purposes. Although we are incorporated in the UK, the U.S. Internal Revenue Service (IRS) may assert that we should be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal tax purposes. If we were to be treated as a U.S. corporation for U.S. federal income tax purposes, we could be subject to substantially greater U.S. tax liability than currently contemplated as a non-U.S. corporation.

The IRS may limit Cyberonics' and its U.S. affiliates' ability to utilize their U.S. tax attributes as a result of the merger of Cyberonics and Sorin.

The merger of Cyberonics and Sorin is considered an inversion for tax purposes. The U.S. Internal Revenue Code (IRC) and regulations under the IRC impose a minimum level of tax on any "inversion gain" of a U.S. corporation (and any U.S. person related to the U.S. corporation) depending on the resulting percentage ownership by U.S. persons of the merged company. The effect of this provision in the IRC is to deny the use of certain U.S. tax attributes (including net operating losses and certain tax credits) to offset U.S. tax liability, if any, attributable to such inversion gain. In our case, we believe that the former stockholders of Cyberonics own less than the IRC's stated percentage of the Company. However, it cannot be assured that the IRS will agree with our position.

As an English public limited company, certain capital structure decisions require shareholder approval, which may limit our flexibility to manage our capital structure.

We are a public limited company incorporated under the laws of England and Wales. Under English law, our Board may only allot shares with the prior authorization of shareholders. English law also generally provides shareholders with pre-emptive rights when new shares are issued for cash, which rights may be excluded by shareholders. In addition, English law generally prohibits a public company from repurchasing its own shares without the prior approval of shareholders. At the 2020 AGM, our shareholders approved the amendment of our articles of association to authorize the allotment of additional shares of up to 20% of our outstanding share capital without pre-emptive rights for a period of five years, though prior to the 2020 AGM, the Company declared, based on discussions with stakeholders and advisors, that it would not utilize such authorities for more than 18 months in excess of an amount equal to 10% of our then share capital. As a result, at future Annual General Meetings (AGMs), we will be seeking shareholder approval to renew these authorities. If we do not receive shareholder approval of these matters, we may not be able to raise additional capital, in a timely manner or at all, if and as needed to fund our operations. In addition, we may not be able to continue to grant equity awards to employees, directors, officers and consultants under our incentive plans.

Transfers of our shares, other than ones effected by means of the transfer of book-entry interests in the Depository Trust Company ("DTC"), may be subject to UK stamp duty or UK stamp duty reserve tax ("SDRT").

Transfers of our shares effected by means of the transfer of book-entry interests in DTC are not subject to UK stamp duty or SDRT. However, if a shareholder holds our shares directly rather than through DTC, any transfer of shares could be subject to UK stamp duty or SDRT at a rate of 0.5% of the consideration paid for the transfer and certain issues or transfers of shares to depositories or into clearance services are charged at a rate of 1.5% of the consideration paid for the transfer, or 1.5% of the market value of the shares if there is no consideration. The transferee generally pays the UK stamp duty or SDRT. The potential for UK stamp duty or SDRT could adversely affect the trading price of our shares.

The facilities of DTC are a widely used mechanism that allow for rapid electronic transfers of securities between the participants in the DTC system, which include many large banks and brokerage firms. Our shares are at present, subject to certain conditions, generally eligible for deposit and clearing within the DTC system. However, DTC generally has discretion to cease to act as a depository and clearing agency for our shares. If DTC determines at any time that our shares are not eligible for continued deposit and clearance within its facilities, then we believe that our shares would not be eligible for continued listing on a U.S. securities exchange and trading in our shares would be disrupted. While we would pursue alternative arrangements to preserve the listing and maintain trading, any such disruption could have a material adverse effect on the trading price of our shares.

Our Approach to Stakeholders

Section 172 Statement

In accordance with section 172 of the Companies Act 2006 and the UK Corporate Governance Code 2018, the Board considers the Company's key stakeholders and takes their views and interests into account when making decisions. Clear communication and proactive engagement to understand the issues most relevant to our stakeholders is fundamental to the directors' responsibility to act in good faith to promote the success of the Company for the benefit of shareholders. The Board builds trust with those most important to the Company, and in doing so, ensures the Board is fully aware of the potential impacts of the decisions it makes for our stakeholders, the environment and the communities in which we operate, in both the short term and the long run.

Delegation of Authority

The Board believes governance of LivaNova is best achieved by delegation of its authority for the executive management of LivaNova to the CEO, subject to defined limits and monitoring. The Board routinely monitors the delegation of authority, ensuring that it is regularly updated, while retaining ultimate responsibility. At every Board meeting, the directors review the Company's progress against strategic priorities, and this collaborative approach helps to promote the long-term success of LivaNova and its stakeholders. Per the requirements of Section 172, the below articulates LivaNova's principal stakeholders, their concerns and our methods of engagement and impact.

Connecting with our Stakeholders

Patients

At LivaNova we unite to provide hope for patients and their families through innovative medical technologies. That is our mission. We are driven by our shared purpose to put patients first to improve the quality of their lives - for every patient, every day.

Their concerns. Our patients want LivaNova to manufacture safe, quality products that are responsive to their needs. They desire information that is fair and balanced, easy to understand, accessible and transparent. Our patients want LivaNova to take ownership in the face of product complaints, and they hope to impact and benefit from, next-generation devices incorporating their feedback.

How we engage and impact. Our Board is keenly aware of LivaNova's mission of providing hope for patients through our innovative medical technologies and as a result, is focused on how best to incorporate patient needs into our Company vision. Marketing clips, news stories, physician input, patient interviews and interactions, and surveys are all ways by which the Board regularly receive feedback from our patients. This past year, the Board was pleased to oversee the launch of Epsy, an unbranded epilepsy management application designed to provide a digital community for all epilepsy patients. These patient data points and digital tools inform the way in which the Board considers and opines on our Company strategy throughout the year, whether with respect to core growth, pipeline execution or operational excellence.

Employees

LivaNova’s workforce is crucial to its mission to provide hope to our patients and their families through delivering life-changing medical innovation for the head and the heart. Our employees help us maintain our strong reputation for high standards of business conduct and are fundamental in delivering our purpose. We, in turn, want them to be proud of working at LivaNova, and particularly in the midst of COVID-19, safe at work. This can only be done if we listen to their concerns and take appropriate action to keep them incentivized and motivated.

Their concerns. Employees want to know that the Board is considering employee well-being when making strategic decisions. They want opportunities and progression, and they want diversity and an inclusive workplace. The job market has become increasingly tight, brought on by an economic demand boom, labor shortage and increasing number of open positions offered remotely. Employees want to be valued and appropriately incentivized to do their job in an increasingly busier work environment.

How we engage and impact. The Board directly engages with the Company's employees by way of discussions during senior leadership forums and presentations during regular and ad hoc Board meetings. While the Board has not been able to meet in person due to COVID-19, approximately half the Board was able to convene in October 2021 and against in February 2022 in Houston, Texas at one of the Company’s manufacturing locations. The February meeting allowed for both an in-person plant tour and meet and greet with the R&D senior leadership team. Indirectly, the Board receives regular updates from Human Resources on employees during their quarterly and ad hoc meetings. Succession and development planning are recurrent topics of discussion, and talent, in particular, has been discussed with increasing frequency. Our LivaNova4You results in 2021 showed improvements

that directly correlate to the programs implemented over the course of 2020, and with Board support, we intend to scrutinize the 2021 results to make corresponding improvements as we move into 2022. For more information regarding employee engagement, please refer to the "Human Capital Management" section of the Strategic Report.

Physicians and Healthcare Professionals

Our physicians and healthcare professionals are our customers and positively influence our business to enhance the lives of patients. They are essential partners in clinical research, as advisers and study investigators. We strive to maintain excellent relationships with these stakeholders because they provide us with a detailed understanding of therapeutic and diagnostic developments, trends, and emerging opportunities, which allows us to respond quickly to the changing needs of providers and patients.

Their concerns. Our physicians and healthcare professionals want to know they are in receipt of quality, effective products, and they want LivaNova to be held accountable for its products. They want their patients to be heard and they want the Company to receive their feedback and respond to it in an ethical and transparent manner.

How we engage and impact. The Board is acutely aware of the importance of proper engagement with these key stakeholders. We engage by way of scientific dialogue to increase understanding of disease management and patient experience, and we ensure we provide high-quality, balanced information about our products and services. In early February 2021 for example, our directors heard from physicians in every one of our key product areas to better understand their thoughts on our products and next-generation devices and gain insights as to how best to position the Company moving forward. In addition, our Board supported our various healthcare professional educational events throughout 2021, including our educational series and Investor Day, where we invited physicians to speak. Finally we engage by collaborating on our clinical trials and research. In turn, our Directors impact these stakeholders by using those HCP insights on disease management and patient experience to inform their conversations and direction in relation to the Company's strategic plan. For further information regarding the importance of this relationship, please refer to the "Risk and Uncertainties" section under the heading entitled: *The success and continuing development of our products depend on maintaining strong relationships with physicians and healthcare professionals* in this Strategic Report.

Suppliers and Distributors

Our suppliers and distributors need to be nurtured in order for our business to grow and develop, even more so because of the nature of our products. Because we manufacture medical devices, we are reliant upon these third parties to provide and distribute safe, quality products, to comply with inspection and regulatory review, and importantly, during the global supply chain challenges caused by COVID-19, to maintain supply and distribution channels, especially in instances of sole suppliers for whom we have no alternatives.

Their concerns. Our suppliers and distributors are concerned with a collaborative, fair and ethical partnership. They desire prompt and fair payment and clear communication regarding specifications, needs, and quality and regulatory restrictions.

How we engage and impact. The Board receives regular updates from the management team and Audit Committee on relationships with our key suppliers and how these relationships are evolving as we respond to different market conditions and environments. Like many industries, we are experiencing supply chain and logistical issues in the wake of COVID-19. To date, the effects have been limited, without materially impacting our overall business. COVID-19 caused us to strictly scrutinize our relationships, and our Board actively engages in conversations regarding contingency planning and alternative source providers. For more information regarding the significance of our supplier relationships, please review the related "Risk and Uncertainties" section in the Strategic Report.

In addition, with full support from the Board, the ESG Task Force rolled out a Third Party Code of Conduct in 2020, which aligns with our own LivaNova Code of Conduct. We believe that our business can only succeed where the rights of all workers involved in the value chain of our businesses are protected and respected, and we aim to conduct business with third parties who share our commitment to operating in a responsible and ethical manner. In 2021, the Third Party Code of Conduct was updated to incorporate a training component whereby we request our third party partners complete an online training relating to our expectations around our ethical standards, further emphasizing our commitment to ESG, ethical partnerships and the rights of workers globally.

Government and Regulators

Government policy can impact the business operating environment. Product approvals, insurance coverage and clinical trials are all areas in which governmental bodies affect the economic value and availability of our products. In many countries, our principal customers are government-owned hospitals, who purchase our products for their national health systems. It is important that we maintain good relationships with governments and regulators so that we continue to develop cost efficient and effective solutions for our patients.

Their concerns. Governments and regulators seek comfort around LivaNova's product safety, compliance with local, legal regulatory requirements, competition issues, and social and economic concerns.

How we engage and impact. The medical device industry is heavily regulated and our worldwide businesses are overseen by many different authorities in various jurisdictions. The Board relies on the management team to effectively manage its relationships with governments and regulators and raise issues of importance as the landscape evolves. In addition, as a matter of normal course, the Board receives quarterly updates on product quality, regulatory matters and complaints. For more information regarding the intersection between Government, Regulators and LivaNova, please refer to the "Government Regulation and Other Considerations" section of the Strategic Report.

Investors and Shareholders

Investors and shareholders are the ultimate owners of our business, and it is important for us to understand their perspectives on capital allocation and how the Company is managed.

Their concerns. Our investors and shareholders are focused on LivaNova's strategy, performance and leadership. They want to know there is a succession plan and that the company is acting appropriately with respect to remuneration. They desire an understanding of our pipeline, business, culture and values, including but not limited to ESG matters. Ultimately, our investors and shareholders want to know that the Board is representing all shareholders' interests by ensuring the Company is best positioned to create value.

How we engage and impact. Per corporate governance best practices and our Articles of Association, the Board has committed to using and promoting, among other things, the following at LivaNova: annual Board, committee and individual director performance evaluations and skills gap surveys; annual elections for directors; separated roles for the Chair of the Board and the CEO; majority voting for directors in uncontested elections; supermajority voting to change or amend the Company's Articles of Association; and a prohibition on repricing of grants in equity compensation plans. The Board is continually considering corporate governance improvements, and in 2021, approved a change to the Insider Trading Policy to prohibit hedging and amended the NCG Committee Charter to ensure that every slate of individuals to be considered for a director must include at least one woman and at least one underrepresented minority.

The Board and in particular, the NCG Committee, have elevated ESG as a focal point in their agendas. In addition to hearing quarterly updates, the Board members have had discussions about strategy and shared experiences to further embed the importance of ESG and related initiatives into our Company culture. To that end, management coordinated an ESG panel discussion for the Board in December 2021 which consisted of a robust and insightful discussion among Cleary Gottlieb, a global law firm on the duty of the directors in relation to ESG, UBS, one of our institutional shareholders on what investors expect from LivaNova with respect to ESG and Joele Frank, an ESG consultant as to their findings in relation to a LivaNova ESG assessment and future thoughts based on their work with the Company.

In addition and in keeping with our standard practice, the Board is actively involved in the review of quarterly and full-year results and corresponding press releases that feed into the quarterly earnings calls and webcasts. The Investor Relations team reports at least quarterly to the Board on shareholder activity and any significant changes in holdings, and copies of analyst reports on the Company and its peers are circulated regularly to the directors. The AGM is perhaps the most important engagement mechanism allowing (1) the directors to present an annual report containing information about the Company's strategy and performance, and (2) the shareholders the opportunity to exercise their voting rights with respect to important company issues.

Also, with support and input from the Board, the Company hosted a series of educational events during the first half of 2021 for investors to hear directly from management and healthcare professionals on our key product areas and have an opportunity to ask questions. The year culminated with an Investor Day in December 2021 during which our executive management team shared and responded to questions regarding the Company’s long-range business plans to maximize growth and shareholder value. Senior leadership, accompanied by key opinion leader clinicians, provided overviews on the Company’s franchises and strategic pipeline initiatives.

The Board is available to meet and respond to investors throughout the year to understand the issues and factors that are significant for these stakeholders. The directors welcome the opportunity to engage in regular, fair and balanced dialogue with our investors to enable our investors to put a fair value on the Company and ensure continued access to capital if needed.

This Strategic Report is approved and signed on behalf of the Board

Damien McDonald
Chief Executive Officer & Director
27 April 2022

DIRECTORS' REPORT

Our Directors

The directors of the Company, who held office in the year ended 31 December 2021, were as follows:

Chair and Non-executive Director
Mr. William Kozy

Executive Director
Mr. Damien McDonald

Non-executive Directors

Mr. Francesco Bianchi

Mr. Hugh Morrison*

Mr. Daniel J. Moore

Mr. Alfred Novak

Dr. Sharon O'Kane

Dr. Arthur L. Rosenthal

Ms. Andrea Saia

Mr. Todd Schermerhorn

Ms. Stacy Enxing Seng

*Mr. Morrison did not stand for re-election at the 2021 Annual General Meeting.

Directors' Indemnities

Each director is covered by appropriate directors' and officers' liability insurance, and there are also Deeds of Indemnity in place between the Company and each director. These Deeds of Indemnity provide for the Company to indemnify the directors in respect of any proceedings brought by third parties against them personally in their capacity as directors of the Company. The Company would also fund on-going costs in defending a legal action as they are incurred rather than after judgement has been given. In the event of an unsuccessful defense in an action against them in a criminal or civil action, individual directors would be liable to repay defense costs to the extent funded by the Company. In respect of any investigations or actions taken by a regulatory authority, individual directors would be liable to repay defense costs to the extent funded by the Company if that regulatory authority has determined that the relevant director has acted fraudulently, been grossly negligent, or has engaged in wilful misconduct in relation to that claim.

There were no qualifying pension scheme indemnity provisions in force during the 2021 financial year for our directors.

Company Details and Branches Outside the UK

The Company is a public limited company incorporated in England and Wales with registered number 09451374. The Company's registered address is 20 Eastbourne Terrace, London, England W2 6LG.

The Company has one branch outside the UK: LivaNova Plc (Italian Branch) in Italy.

Political Donations

The Company has not made any political donations, or incurred any political expenditure, in the period under review. In addition, the Company has not made any contributions to a non-EU or non-UK political party during the period under review. Moreover, we have not sought shareholder approval in relation to political donations.

Dividends and Share Buybacks

No dividend has been proposed during, or in respect of, the course of the year under review and the Company has never declared a dividend. The Company has no immediate intention to declare and pay dividends.

The Company has not purchased or acquired any of its own shares pursuant to section 659 of the Companies Act 2006 during the course of the year under review. Please see section “Relative importance of spend on pay” in this UK Annual Report.

Financial Risk Management Objectives / Policies and Hedging Arrangements

Please refer to "Note 4. Financial Risk Management" in the consolidated financial statements for information on LivaNova’s financial risk management objectives/policies and hedging arrangements.

Post-Balance Sheet Events

Details regarding the Company’s entry on 24 February 2022, into an Incremental Facility Amendment No. 1 to the First Lien Credit Agreement with Goldman Sachs Bank USA, relating to a €200 million bridge loan facility are set out in the following section: Consolidated Financial Statements: Note 34. Subsequent Events.

Details regarding the Company’s delivery on 16 March 2022, of a borrowing notice for $220.0 million under the Credit Agreement dated 13 August 2021 in connection with the Bridge Loan Facility, which was funded on 17 March 2022, are set out in the following section: Consolidated Financial Statements: Note 34. Subsequent Events.

Details regarding the Company’s entry, on 18 March 2022, into an Indemnity Letter and an Account Pledge Agreement with Barclays, further to which Barclays issued a Euro 270.0 million first demand bank guarantee which was delivered to obtain the suspension of the SNIA Litigation Guarantee, are set out in the following section: Consolidated Financial Statements: Note 34. Subsequent Events.

Details regarding the Company’s delivery, on 21 March 2022, of the SNIA Litigation Guarantee, as required by the Court of Appeals of Milan, thereby satisfying the condition to obtain the suspension of the Court of Appeals judgment for the payment of damages in connection with the SNIA litigation until review of such judgment by the Italian Supreme Court, are set out in the following section: Consolidated Financial Statements: Note 34. Subsequent Events. Details regarding our entry into an Agreement and Plan of Merger on 5 April 2022 to acquire the remaining 97% equity interests in ALung Technologies, Inc., a privately held medical device company focused on creating advanced medical devices for treating respiratory failure, for a purchase price of up to $109.8 million, consisting of $9.8 million paid at closing, and contingent consideration of up to $100.0 million to be paid upon a sales-based earnout arrangement at milestone intervals, are set out in the following section: Consolidated Financial Statements: Note 34. Subsequent Events.

Future Developments / Research and Development

Details of the activities of the Company in the field of research and development and the likely future developments in the business of the Company are set out in the Business Overview of the Strategic Report.

Greenhouse Gas Reporting

We report on our Greenhouse Gas emission in our Strategic Report: 2021 Greenhouse Gas Report of this UK Annual Report.

Section 172 Statement

In accordance with section 172 of the Companies Act 2006 and the UK Corporate Governance Code 2018, the Board considers the Company's key stakeholders and takes their views and interests into account when making decisions. Please refer to the section: *Strategic Report, Our Approach to Stakeholders*.

Statement of Disclosure to the UK Statutory Auditor

In accordance with section 418 of the Companies Act 2006, each director at the date of this Directors’ Report confirms that:

- so far as he or she is aware, there is no relevant audit information of which the Auditor is unaware; and
- he or she has taken all the steps he or she ought to have taken as director to make himself or herself aware of any relevant audit information and to establish that the Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditors

PricewaterhouseCoopers LLP, the Company's Statutory Auditor (Auditor), has indicated its willingness to continue in office, and on the recommendation of the Audit Committee and in accordance with section 489 of the Companies Act 2006, a resolution to re-appoint it will be proposed at the 2022 AGM.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the 2021 UK Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This Directors’ Report is approved by order of the Board by

Keyna P. Skeffington
Company Secretary
27 April 2022

Remuneration Report

Dear Shareholder,

Despite the uncertainty associated with the pandemic in 2021, the Company stayed true to its strategic priorities, with full-year financial results meeting or exceeding the objectives we set for the organization. We are pleased with the progress made throughout the year and are focusing on our Strategic Triangle as we navigate the challenges reverberating throughout the globe as a result of COVID-19 and more recently, the war in Ukraine. Throughout, we remain appreciative of the efforts and hard work of our employees and management team. The unpredictability these past years has been trying, and we are pleased that our 2021 results will allow us to demonstrate our appreciation in a way that recognizes the performance of the Company while also taking into account the competitive positions of global pay arrangements.

Review of 2021 Performance

In 2021, our Cardiopulmonary sales increased 8.1% percent versus full-year 2020 primarily due to growth in oxygenator sales across all regions and growth in HLM sales in the U.S. region, offset by a reduction in capital equipment purchases in the Rest of World region.

Our Neuromodulation sales increased 28.7% percent versus 2020 driven by replacement implants as well as improving market dynamics across all regions resulting from increased hospital access and patient willingness to return to clinics.

Our ACS sales increased 31.0% percent compared to 2020 primarily due to increased disposable sales driven by the continued adoption of LifeSPARC in the U.S and new account acquisitions.

In addition to the above 2021 financial results, management achieved a number of strategic milestones that are expected to contribute to the Company's future success:

- In late December, we enrolled the 400th patient in Autonomic Regulation Therapy to Enhance Myocardial Function and Reduce Progression of Heart Failure with Reduced Ejection Fraction (ANTHEM-HFrEF) Pivotal Study, and in mid-January 2022, the 300th patient completed their nine-month follow-up visit;
- We received FDA 510(k) clearance for B-Capta®, the new in-line, blood-gas monitoring system integrated into the market-leading S5® HLM. The system is designed to easily and accurately monitor arterial and venous blood gas parameters even during long and complex pediatric and adult cardiopulmonary bypass procedures. B-Capta, which received CE Mark in May 2020 and completed a successful limited commercial release in Europe, will now be available globally;
- The first patient was enrolled in a collaborative study with Verily, a subsidiary of Alphabet focused on life sciences and healthcare, that leverages quantitative and credible research tools from Verily to provide assessment measures for depressive episodes;
- We successfully completed the closing of the divestiture of our Heart Valves business to Gyrus Capital, an investment firm dedicated to investments in the healthcare and sustainability sectors, for an enterprise value of €60 million (approximately U.S. $68.1 million); and
- We received approval from the FDA to proceed with our IDE clinical study, OSPREY. The OSPREY study seeks to demonstrate the safety and effectiveness of the aura6000® System, the implantable hypoglossal neurostimulator intended to treat adult patients with moderate to severe OSA.

2021 Compensation Review

As a result of the uncertainty associated with the pandemic, the Company's Compensation Committee (Compensation Committee) decided not to increase executive base salaries for the full year 2021. The 2021 Short-Term Incentive Plan (2021 STIP) included financial objectives and non-financial objectives. Both financials objectives targets were overachieved - Net Sales was achieved at 108.8% versus target and Adjusted Net Income was achieved at 139.1% versus target, leading to a payout percentage of 144% and 150%, respectively. Accordingly, the combination of the Non Financial Goals achievement led to a 97.5% multiplier and an overall 142.7% payout of the 2021 STIP.

The 2021 Long-Term Incentive Plan (2021 LTIP) for our Executive Director consists of $1.25M stock appreciation rights (SARs) with a four year vesting based on service, $1.5M restricted stock units (RSUs) with a four year vesting based on service and $3.0M performance stock units (PSUs), consisting of three separate performance metrics. The Compensation Committee introduced Return on Invested Capital (ROIC) as the third performance metric, in addition to relative Total Shareholder Return (TSR) and Adjusted Free Cash Flow (FCF) , which is designed to estimate core operating performance, excluding the impact of financing and capital structure decisions, and which encourages effective financial stewardship. As a result of the uncertainty regarding the pandemic at the time the 2021 LTIP awards were granted, the Compensation Committee decided upon a one-year

performance period for both ROIC and FCF PSUs, with earned PSUs subject to service-based vesting for an additional two years (for a total of a three-year cliff vesting period). In 2022, we returned to a 3-year performance period.

Remuneration Report / Say-on-Pay

We were pleased with the endorsement of LivaNova's compensation of its named executive officers (otherwise known as U.S. Say-on-Pay), which was approved by 90.6% of the votes cast by shareholders at our 2021 AGM. The advisory vote on the UK directors' remuneration report regarding executive and non-executive director remuneration also showed strong support with 96.6% approval of the votes cast. The Compensation Committee reviewed shareholder and other stakeholder feedback along with the results of each of these votes and incorporated all such information when making compensation decisions. The Compensation Committee will continue to ensure that performance outcomes and any consequent payments are aligned with business performance and the growth transformation that LivaNova is currently undertaking.

Review of Non-Executive Director and Committee Fees

The remuneration for the non-executive directors remained flat from 2015 through 2021. On the advice of its compensation consultant, Pearl Meyer, the Compensation Committee recommended to the Board an increase in the grant value of the annual service-based share awards for non-executive directors of $20,000 (to $130,000 for all non-executive directors other than the Chair of the Board, and to $205,000 for the Chair of the Board). On 20 April 2022, the Board approved this increase, which will go into effect after the 2022 AGM. In addition, in recognition of the additional work required by members of the NCG Committee and by its Chair to oversee the Company's ESG initiatives, on 20 April 2022, the Board approved a $2,000 increase in the NCG Committee fee other than for the Chair of the NCG Committee, and an increase of $5,000 for the Chair of the NCG Committee. The change will take effect after the 2022 AGM.

The Compensation Committee will continue to monitor the development of best practices relating to remuneration. We are committed to ensuring that our remuneration is strongly linked to our strategy so that we continue to deliver sustainable value for our shareholders.

I would like to thank my fellow Compensation Committee members for their support during the year, and we look forward to your support at our 2022 AGM.

As Chair of the Compensation Committee, I am committed to ensuring an open dialogue with our shareholders. If you have any questions about remuneration generally, or the presentation or the content of this report, please contact me via mail to c/o Company Secretary, LivaNova PLC, 20 Eastbourne Terrace, London W2 6LG, United Kingdom or via email at company.secretariat@livanova.com.

Stacy Enxing Seng
Chair of the Compensation Committee
27 April 2022

How We Establish Executive Compensation Levels

The Directors' 2019 Remuneration Policy (the 2019 Policy), which aims to encourage directors to perform in a consistent, responsible way with the focus on long-term value creation for our shareholders, became effective immediately after approval at the 2019 AGM. The Compensation Committee considers the Company's Remuneration Policy annually to ensure that it remains aligned with business needs and is appropriately positioned relative to the market. However, in the absence of exceptional or unexpected circumstances that may necessitate a change to the Remuneration Policy, there is no intention to revise it more frequently than every three years as required by the Companies Act 2006. Accordingly, the Company is submitting an updated Director's 2022 Remuneration Policy (the 2022 Policy) at the 2022 AGM for shareholder vote, to take effect from the conclusion of the 2022 AGM.

LivaNova strives to remain competitive in order to retain key talent, which is essential to our successful operation, and the Compensation Committee continues to monitor the development of best practice relating to remuneration. In keeping with our Policy in making executive compensation determinations, we rely on several factors to set compensation elements and compensation targets consistent with our executive compensation program objectives, which include:

- **Assessment of Individual Performance**

  Individual performance has a strong impact on compensation.

- **CEO**

  Following discussion with the CEO, the Compensation Committee sets the CEO's performance objectives for the year. The Compensation Committee and the Chair of the Board meet in executive session annually to assess the CEO's performance against his performance objectives, his contribution to our company's performance, his ethics and integrity and other leadership attributes.

- **Assessment of Company Performance**

  The Compensation Committee establishes specific, objectively measurable company performance objectives that the Board, the Compensation Committee and management believe will drive shareholder value. Achievement or not of the performance objectives determines substantially all of the payouts under the short term incentive plan (STIP) and the lapsing or not of forfeiture restrictions on performance-based equity incentive awards.

- **Benchmarking Analysis**

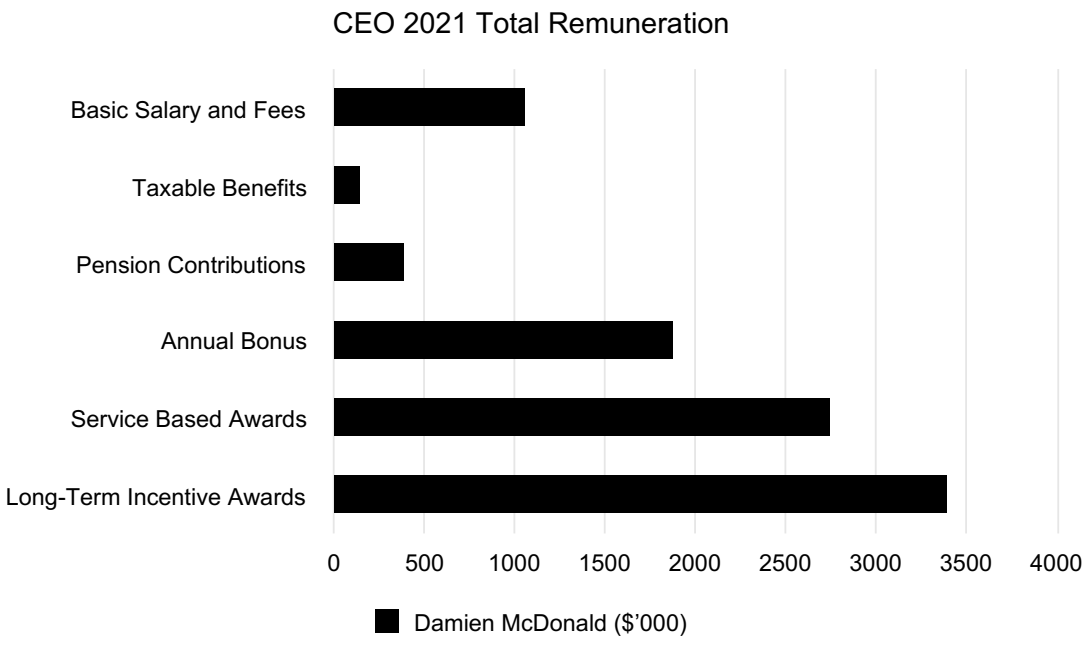
  The Compensation Committee reviews peer-group and broader market survey data as a market check for compensation decisions, but does not base compensation targets on peer-group or market survey data alone. The Compensation Committee compares the overall pay of individual executives to the most relevant benchmarking data available from its independent advisor, Pearl Meyer. The executive director's pay is driven primarily by individual and company performance, as well as internal pay equity.

- **Overall Competitiveness**

  The Compensation Committee uses aggregated market data as a reference point to ensure that executive compensation falls within the broad middle range of comparable pay at peer companies with which the Company competes for talent.

2021 Remuneration

Total 2021 remuneration for our sole Executive Director (audited)



	Basic Salary and Fees ($'000) [1]	***Taxable Benefits ($'000)*** [2]	***Pension Contributions ($'000)*** [3]	***Total Fixed ($'000)***	***Annual Bonus ($'000)*** [4]	***Service-Based Awards ($'000)*** [5]	***Long-Term Incentive Awards ("UK LTIP")($'000)*** [5]	***Total Variable ($'000)***	***Total ($'000)***
Damien McDonald - 2021	*1,056*	*155*	*386*	*1,597*	*1,884*	*2,750*	*3,396*	*8,030*	*9,627*
Damien McDonald - 2020	*974*	*182*	*130*	*1,286*	*—*	*2,750*	*558*	*3,308*	*4,594*

**The currency conversion rates used for 2021 are £/$ =1.37546 (average currency rate for the period 1 January 2021 to 31 December 2021) and for 2020 are £/$ =1.282939471 (average currency rate for the period 1 January 2020 to 31 December 2020).*

(1) In 2021, Damien McDonald was paid a base salary of £768,075 per annum ($1,056,456).

(2) In 2021, the taxable benefits column line includes: (i) an accommodation allowance of £30,000 ($41,264) and a car allowance of £17,750 ($24,414), (ii) a school allowance of £6,390 ($8,790), (iii) health insurance amounting to £29,406 ($40,447), and (iv) tax assistance amounting to £14,541 ($20,000) and immigration services amounting to £14,541 ($20,000).

(3) Mr. McDonald is entitled to an overall pension contribution or pension allowance of 15% of salary and bonus. As cash in lieu thereof entails a UK employer's national insurance charge in the amount of 13.8% until 5 April 2022 and of 15.05% from 6 April 2022, the cash paid is decreased by this amount so that the payment by the Company remains relatively cost-neutral.

(4) The annual bonus is explained in the "Short-Term Incentive Plan - executive director - audited information" below.

(5) Because of LivaNova's strong U.S. nexus (listing and shareholding base), its "Long-Term Incentive Plan" (the LivaNova LTIP) includes service-based awards which have no performance requirement and vest subject to continued service in tranches over one or more years or by cliff vesting. Due to the difference in design of the LivaNova LTIP and the typical UK LTIP and in order to provide optimal transparency, LivaNova has created a separate column for service-based awards. Amounts recorded in that column are equal to the full grant date value of the equity awards (Award Value) (whether

restricted stock units (RSUs) or stock appreciation rights (SARs)). In the event of SARs, because a SAR by definition has nil value at the moment of grant, LivaNova has recorded the grant value approved by the Compensation Committee (i.e. the Fair Market value of the SARs granted calculated using the Black-Scholes formula). The UK LTIP column refers to performance based awards.

Awards approved in 2020

- *On 30 March 2020, the Compensation Committee approved an award of service-based RSUs and SARs, with a value of $1,500,000 and $1,250,000, respectively. Because these awards were service-based, they were recorded in the year of grant (2020) in the Service-Based Award column, at their grant date value. LivaNova records the Compensation Committee-approved value ($1,250,000) for the SARs.*
- *A portion of the PSUs granted on 15 March 2018 vested in 2020 with respect to performance met in 2020. The Award Value granted on 15 March 2018 for these PSU awards were $1,125,000 for each PSU award:*
  - *FCF Performance Stock Units (FCF PSUs): Mr. McDonald received 12,729 FCF PSUs subject to achievement of a three-year cumulative adjusted FCF target, with Adjusted FCF defined as defined as the Company's reported cash flow from operating activities, minus the Company's reported capital expenditures, and excluding cash flows associated with restructuring, integration, acquisitions, divestitures, 3-T heater cooler product remediation and significant and unusual litigation. The Compensation Committee determined the number of PSUs awarded to each participant by dividing one-fourth of the Award Value by the closing price and rounding down to the nearest whole unit; the other portion of the award was granted in RSUs, SARs and PSUs (rTSR). At the end of 2020, cumulative adjusted FCF for the period 2018 through 2020 was compared to the full cash flow target. The achievement percent for the FCF PSUs was 78.58% which is a payout percent of 57.16%. The Compensation Committee agreed with management's determination that the Company's FCF for the years 2018-2020 was $374.5 million resulting in the achievement of 78.58% of the FCF Target for the FCF PSUs and vesting of 57.16% of the underlying RSUs of each FCF PSU. The number of shares vested were 7,275. The Fair Market Value for these vested PSUs was $558,283.50 using the stock price on the vest date of 1 March 2021 which was $76.74. Below are tables used to calculate the FCF PSU payout.*

FCF Achievement Relative to FCF Target	Percent funding of the award
≥150%	200%
125%	150%
100%	100%
60%	20%
<60%	0%

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Awards approved in 2021

- *On 30 March 2021, the Compensation Committee approved an award of service-based SARs with a value of $1,250,000 and an award of service-based RSUs with a value $1,500,000. Because these awards were service-based, they were recorded in the year of grant (2021) in the Service-Based Award column, at their grant date value. LivaNova records the Compensation Committee-approved value ($1,250,000) for the SARs.*
- *In addition, on 30 March 2021, the Compensation Committee approved an award of three types of PSUs as follows:*
  - *Relative Total Shareholder Return Performance Stock Units (rTSR PSUs): Mr. McDonald received 20,477 PSUs subject to a relative total shareholder return market condition. At the end of calendar year 2023, our rTSR for the three-year period 2021 through 2023 will be compared to the rTSR for a comparator group of 32 companies selected by the Compensation Committee with the advice of its compensation consultant. As the performance condition is informed by future data unknown to us at this time, this grant is not included in the compensation table.*
  - *FCF Performance Stock Units (FCF PSUs): Mr. McDonald received 10,238 FCF PSUs subject to achievement of a one-year cumulative adjusted FCF target and subject to an additional 2-year service condition, with adjusted FCF defined as net cash provided by operating activities minus net cash used in investing activities, plus significant litigation settlement payments as reported, minus CARES Act tax stimulus benefits, minus cash proceeds from the sale of the Heart Valve Business, as determined in accordance with the external definition provided in the LivaNova 4Q and full year 2020 performance presentation posted on the Company's website, and further adjusted as needed for other one-time, nonrecurring, unusual or infrequent*

charges, expenses or gains, including associated expenses, that may not be indicative of the Company's core business. The Compensation Committee determined the number of PSUs awarded to each participant by dividing the Award Value by the closing price and rounding down to the nearest whole unit. At the end of 2021, adjusted FCF for the period 2021 was compared to an adjusted cash flow target. The achievement percent for the FCF PSUs was 226.4% which is a payout percent of 200%. The Compensation Committee agreed with management's determination that the Company's FCF for the years 2021 was $80 million resulting in the achievement of 226.4% of the FCF Target for the FCF PSUs, thereby earning 200% of the underlying RSUs of each FCF PSU. The number of shares that will vest on March 2024 will be 20,476. The Fair Market Value for these PSUs has been calculated for purposes of the compensation table at $1,706,060 using the average stock price of the last quarter 2021 ($83.32). Below are tables used to calculate the FCF PSU payout.

FCF Achievement Relative to FCF Target	Percent funding of the award
≥150%	200%
125%	150%
100%	100%
60%	20%
<60%	0%

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	Total
Actual ($M)	80
Target ($M)	35.5
Achievement	226.4%
Award Funded	200%

◦ *Return on Invested Capital Performance Stock Units (ROIC PSUs): Mr. McDonald received 10,238 ROIC PSUs subject to achievement of a one-year ROIC target and subject to an additional 2-year service condition. ROIC is defined as the ratio between Net Operating Profits and Invested Capital. The numerator shows core operating performance and the denominator denotes the capital required to achieve that performance The Compensation Committee determined the number of PSUs awarded to each participant by dividing the Award Value by the closing price and rounding down to the nearest whole unit. At the end of 2021, ROIC for the period 2021 was compared to a ROIC target. The 2021 calculated ROIC was 4.68% resulting in a payout percent of 151.3%. The number of shares that will vest on March 2024 will be 15,490. The Fair Market Value for these PSUs has been calculated for purposes of the compensation table at $1,290,627, using the average stock price on the last quarter of 2021 ($83.32). Below are tables used to calculate the ROIC PSU payout.*

ROIC Achievement Relative to ROIC	Percent of Target PSUs
Target ≥ +250 bps	200%
Target +125 bps	150%
Target	100%
Target – 125 bps	50%
Target ≤ 250 bps	—%

	Total
Actual	4.68%
Target	3.4%
Award Funded	151.3%

- *A portion of the PSUs granted on 30 March 2019 vested in 2022 with respect to performance met in 2021. The Award Value granted on 30 March 2019 for these PSU awards were $1,500,000 for each PSU award:*
  - *FCF Performance Stock Units (FCF PSUs): Mr. McDonald received 15,424 FCF PSUs subject to achievement of a three-year cumulative adjusted FCF target, with adjusted FCF defined as the Company's reported cash flow from operating activities, minus the Company's reported capital expenditures, and excluding cash flows associated with restructuring, integration, 3-T heater cooler product remediation and significant and unusual litigation and cash paid or received for acquisitions, divestitures and settlements and judgments in significant and unusual litigation.. The Compensation Committee determined the number of PSUs awarded to each participant by dividing one-fourth of the Award Value by the closing price and rounding down to the nearest whole unit, the other portion of the award was granted in RSUs, SARs and PSUs (rTSR). At the end of 2021, cumulative adjusted FCF for the period 2019 through 2021 was compared to the full cash flow target. The achievement percent for the FCF PSUs was 66.8% which is a payout percent of 33.5%. The Compensation Committee agreed with management's determination that the Company's FCF for the years 2019-2021 was $361 million resulting in an achievement of 66.8% of the FCF Target for the FCF PSUs and vesting of 33.5% of the underlying RSUs for each FCF PSU. The number of shares vested were 5,167. The Fair Market Value for these vested PSUs was $399,822 using the stock price on the vest date of 1 March 2022 of $77.38. Below are tables used to calculate the FCF PSU payout.*

FCF Achievement Relative to FCF Target	Percent funding of the award
≥150%	200%
125%	150%
100%	100%
60%	20%
<60%	0%

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	Total
Actual ($M)	361
Target ($M)	541
Achievement	66.8%
Award Funded	33.5%

- *Relative Total Shareholder Return Performance Stock Units (rTSR PSUs): Mr. McDonald received 12,729 PSUs subject to a relative total shareholder return market condition. At the end of calendar year 2020, our rTSR for the three-year period 2018 through 2020 was compared to the rTSR for a comparator group of 27 companies selected by the Compensation Committee on the advice of its compensation consultant. The rTSR PSUs performance was not met. Therefore there was no payout for these PSUs.*

Short-term incentive plan - executive director (audited)

Our STIP is an annual cash-based incentive bonus plan, which is an important component of our total compensation program. It provides incentives that compensate our CEO for achieving objectives intended to enhance shareholder value.

Under English Company law, we are obliged to adopt a remuneration policy for our directors, including our CEO, who is also a director. Under that shareholder-approved Remuneration Policy, our CEO's maximum short-term incentive cannot exceed 200% of his base salary. The Compensation Committee approved a lower maximum of 160% for Mr. McDonald in 2021.

The table below shows the minimum and maximum achievement of the target short-term incentive payment under the 2021 STIP.

	2021 STIP Minimum (Percentage of Base Salary)	2021 STIP Target (Percentage of Base Salary)	2021 STIP Maximum (Percentage of Target)(1)
Damien McDonald	—%	125%	160%

(1) Per the Remuneration Policy, the maximum bonus opportunity is 200% of base salary.

The performance objectives selected by the Compensation Committee for the 2021 bonus plan were as follows:

Business Performance Factor	= (	60%	Net Sales Payout %	+ 40%	Adjusted Net Income Payout %	)	X	Non-Financial Goals Modifier %

Bonuses are based on performance over the calendar year, which is also our financial year, and are generally paid in April of the following year after completion of the audit of our annual financial statements. The Company's performance in 2021, as defined by the 2021 STIP, was as follows:

Financial Objectives:

Objectives	Target ($)	Achievement ($)	Achievement %	Payout %
Net Sales (1)	950M	1,033.5M	108.8%	144%
Adjusted Net Income (2)	76.7M	106.7M	139.1%	150%

(1) Adjusted net sales using 2021 budgeted currency rates.

(2) Adjusted non-GAAP operating income at 2021 budgeted currency rates. Results discussed in the press release on 23 February 2022

Non-Financial Objectives: Non-financial objectives are combined into a modifier of the payout under the STIP:

- **Clinical Study** projects that include enrollment objectives for two clinical studies (each valued at 25% for a total of 50%);
- **Regulatory Project** related to a regulatory submissions objective (valued at 20%);
- **Publication** goal related to publications in peer viewed journals (valued at 20%); and
- **Product Development** objective related to two key milestones for new product development (each valued at 5% for a total of 10%).

Objectives	Weight %	Achievement %	Weighted Achievement %	Payout %
Clinical Study Projects (1)	50%	50%	25%	
Regulatory Project	20%	0%	0%	
Publication Goal (2)	20%	75%	15%	
Product Development (1)	10%	50%	5%	
			45%	97.5%

(1) One Clinical Study objective and one of the two key milestones relating to the Product Development objective were achieved.

(2) The initial Publication goal referenced an H-index target and that target was not met. The Committee recognized that the number of published publications in peer reviewed journals within the timeline articulated was met and more importantly, that the purpose behind the Publication goal had been achieved, i.e., to increase clinical evidence in Neuromodulation and improve adoption among key opinion leaders, patients and payors. Upon reflection, the Committee determined that the H index target was not an integral part of the publication goal and accordingly, the Committee determined that the Publication goal was achieved. Nevertheless, because the goal as explicitly stated was not met, the Committee felt a 5% reduction was appropriate, and accordingly, awarded a value of 15% in relation to the Publication goal, as opposed to 20%, resulting in a total 45% achievement on the Non-Financial Goals and 97.5% Non-Financial Goals Modifier.

Business Performance Factor:

As a result of achievement on Financial and Non-Financial objectives, the Business Performance Factor (BPF) for 2021 resulted in a payout of 142.7%:

Percentage change in director remuneration compared to other employees

The table below reflects a comparison between the percentage change in remuneration of the directors between 2021 and 2020 in comparison with that of the employees in LivaNova UK PLC entity.

	Change in 2021 against 2020 (%)			Change in 2020 against 2019 (%)		
	Base salary change %	Benefits change %	Annual Cash Bonus change %	Base salary change %	Benefits change %	Annual Cash Bonus change %
Damien McDonald (1)	1 %	(21)%	Not calculable	5 %	(11)%	(100)%
Daniel J. Moore	— %	N/A	N/A	— %	N/A	N/A
Hugh Morrison	— %	N/A	N/A	— %	N/A	N/A
Alfred J. Novak	— %	N/A	N/A	— %	N/A	N/A
Dr. Arthur L. Rosenthal	— %	N/A	N/A	— %	N/A	N/A
Francesco Bianchi	— %	N/A	N/A	— %	N/A	N/A
Dr. Sharon O'Kane	— %	N/A	N/A	— %	N/A	N/A
Andrea Saia	— %	N/A	N/A	— %	N/A	N/A
William Kozy	— %	N/A	N/A	— %	N/A	N/A
Stacy Enxing Seng	— %	N/A	N/A	— %	N/A	N/A
Todd Schermerhorn	— %	N/A	N/A	— %	N/A	N/A
Average for all employees	3 %	10 %	223 %	3 %	2 %	(16)%

(1) The calculation of the base salary and benefits changes for Mr. McDonald has been made using the amount in GBP to avoid misrepresentation due to currency FX change.

The table above reflects a comparison of the director's remuneration in 2021 to their remuneration in 2020. As for Mr. McDonald, the change in salary is due to the annualization for the full year of the base salary approved in April 2020 (5% increase vs the base salary of the first three month of 2020) - Mr. McDonald did not receive any salary increase in 2021. The change in benefits reflects a decrease in school allowance and accommodation allowance as per Mr. McDonald's employment service agreement. The change in annual cash bonus is not mathematically calculable as Mr. McDonald received no payout in 2020. As for the directors, the table sake into account the annualized annual basic fee. There was no change in basic annual fees.

By comparison, the remaining employees in LivaNova UK PLC, other than the Executive Leadership Team, received an average base salary increase of 3% and an average taxable benefit increase of 10%. Employees in LivaNova received an average base salary increase of 3% and an average annual bonus payout increase of 223% versus 2020. The average annual cash bonus payout was 134% in 2021 vs 60% in 2020.

Single total figure on remuneration - Chair and non-executive directors (audited)

	Basic Annual Fee		Additional Fee		Benefits		Service-Based Share Awards		Total	
	($'000) [1] [7]		($'000) [1] [7]		($'000)[2]		($'000)[3]		($'000)	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
William Kozy	110	110	44	6	1	10	185	110	340	236
Daniel J. Moore	110	110	37	75	1	—	110	185	258	370
Alfred J. Novak	110	110	23	23	—	37	110	110	243	280
Dr. Arthur L. Rosenthal	110	110	13	20	—	7	110	110	233	247
Francesco Bianchi	110	110	23	23	—	—	110	110	243	243
Dr. Sharon O'Kane	110	110	15	15	—	4	110	110	235	239
Andrea Saia (4)	110	110	21	18	1	10	110	110	242	248
Stacy Enxing Seng	110	110	15	8	—	—	110	110	235	228
Todd Schermerhorn [5]	110	10	23	1	—	—	110	63	243	74
Hugh Morrison (6)	49	110	13	33	—	—	—	110	62	253

(1) Cash amounts paid in addition to the basic retainer: (i) Chair of the Board. A non-employee director serving as the Chair of the Board shall receive an additional annual retainer of $75,000 for such service.(ii) Audit Committee. A non-employee director serving as Chair of the Audit Committee shall receive an additional annual retainer of $30,000 for such service. A non-employee director serving as a member of the Audit Committee (other than the Chair) shall receive an additional annual retainer of $15,000 for such service. (ii) Compensation Committee. A non-employee director serving as Chair of the Compensation Committee shall receive an additional annual retainer of $20,000 for such service. A non-employee director serving as a member of the Compensation Committee (other than the Chair) shall receive an additional annual retainer of $8,000 for such service. (iii) NCG Committee. A non-employee director serving as Chair of the NCG Committee shall receive an additional annual retainer of $15,000 for such service. A non-employee director serving as a member of the NCG Committee (other than the Chair) shall receive an additional annual retainer of $6,000 for such service.

The amount of the Fees Earned in Cash for Mr. Kozy includes the fees earned until the 2021 AGM as a member of the Nominating and Corporate Governance Committee and as Chair of the Board after the 2021 AGM. The amount of the Fees Earned in Cash for Mr. Moore includes the fees earned until the 2021 AGM as Chair of the Board and as a member of the Nominating and Corporate Governance Committee after the 2021 AGM. The amount of the Fees Earned in Cash for Mr. Schermerhorn includes the fees earned after the 2021 AGM as Chair of the Audit Committee and prior to the 2021 AGM, as a member of the Audit Committee. The amount of the Fees Earned in Cash for Ms. Enxing Seng reflects the fees earned until the 2021 AGM as a member of the Compensation Committee and as Chair of the Compensation Committee after the 2021 AGM. The amount of the Fees Earned in Cash for Mr. Rosenthal reflects the fees earned until the 2021 AGM as Compensation Committee Chair until the 2021 AGM and as a member of the Compensation Committee after the 2021 AGM. The amount of the Fees Earned in Cash for Mr. Morrison reflects the fees earned until the 2021 AGM as Audit Committee Chair.

(2) The amounts refer to expenses reimbursement for the directors to exercise their role that are considered taxable under UK tax legislation.

(3) An annual award of RSUs, granted on 15 June 2021 and vesting on 15 June 2022, having a value of $110,000, plus an additional value of $75,000 for the Chair.

(4) Due to a clerical error, Ms. Saia's 2020 fees were understated by $3,033 in the 2020 Remuneration report. The amount included in the 2021 Remuneration report table has been correctly restated for 2020.

(5) Todd Schermerhorn was appointed to LivaNova's Board effective 3 December 2020. No fees were paid for him in 2020. He was granted equity on 15 December 2020 which vested on 15 December 2021, having a value of $62,684.93. Although Mr. Schermerhorn did not receive payment in 2020, $9,851 was prorated and paid in 2021 for fees related to December 2020.

(6) Due to a clerical error, Mr. Morrison's 2020 fees were overstated by $3,033 in the 2020 Remuneration report. The amount included in the 2021 Remuneration report table has been correctly restated for 2020.

(7) Payments are made quarterly to directors, and at the time of payment, the amounts are converted from USD to GBP. All amounts are paid in GBP. The amounts above are represented in USD.

2021 LTIP (audited)

The 2021 LTIP is comprised of both performance-based and service-based awards. The awards received by Mr. McDonald under the 2021 LTIP are explained below:

Service based awards

Service-Based Restricted Stock Units	***Service-Based Stock Appreciation Rights***
Mr. McDonald received 20,477 service-based RSUs vesting in equal or substantially equal amounts on each of the first four anniversaries of the grant date. The Compensation Committee determined the number of RSUs awarded by dividing the Award Value in RSU ($1,500,000) by the most recent closing price ($73.25) of an ordinary share of our stock on the NASDAQ Global Market (Nasdaq) as of the grant date and rounding down to the nearest whole unit.	Mr. McDonald received 42,186 SARs vesting in equal or substantially equal amounts on each of the first four anniversaries of the grant date. The Compensation Committee determined the number of SARs awarded to each participant by dividing the Award Value in SARs ($1,250,000) by the Black-Scholes value of a SAR ($29.63) based on the closing price ($73.25) and rounding down to the nearest whole unit.

Performance based awards:

Relative Total Shareholder Return Performance Stock Units

Mr. McDonald received 20,477 PSUs subject to a relative total shareholder return market condition. The Compensation Committee determined the number of PSUs awarded to each participant by dividing the Award Value in r-TSR PSU ($1,500,000) by the closing price ($73.25) and rounding down to the nearest whole unit. At the end of calendar year 2023, our rTSR for the three-year period 2021 through 2023 will be compared to the rTSR for a comparator group of 32 companies selected by the Compensation Committee on the advice of its compensation consultant, Pearl Meyer, and the number of shares of our stock actually delivered to the participants will be determined by the following chart, with linear interpolation applied between specified levels:

TSR Performance Percentile Rank	**Percent Payout**
≥90th	200%
80th	150%
50th	100%
30th	40%
<30th	0%

The 2021 rTSR Peer Group includes:

ABIOMED, Inc.	Invacare Corporation
Avanos Medical, Inc.	iRhythm Technologies, Inc.
Boston Scientific Corporation	Masimo Corporation
CONMED Corporation	Medtronic plc
DexCom, Inc.	Merit Medical Systems, Inc.
Edwards Lifesciences Corporation	Natus Medical Incorporated
Envista Holdings Corporation	Nevro Corp.
Globus Medical, Inc.	NuVasive, Inc.
Haemonetics Corporation	Penumbra Inc.
Hill-Rom Holdings, Inc.	ResMed Inc.
Hologic, Inc.	Smith & Nephew plc
ICU Medical, Inc.	STERIS plc
Insulet Corporation	Tandem Diabetes Care, Inc.
Integer Holdings Corporation	Teleflex Incorporated
Integra LifeSciences Holdings Corp.	The Cooper Companies, Inc.
Intuitive Surgical, Inc.	Zimmer Biomet Holdings, Inc.

The following parameters will be used to determine rTSR for the three-year period ending 31 December 2023:

- Stock Price: 30 trading-day average closing prices as of the beginning and end of the performance period;
- Dividend Treatment: Dividend reinvestment approach (using ex-dividend date);
- Relative Performance Measurement:
  - Calculate cumulative TSR for LivaNova and each of the benchmark companies,
  - Compute LivaNova's discrete percentile rank, which is inclusive of LivaNova's TSR (using Excel: *PERCENTRANK* function).
- Benchmark Group Governance:
  - Measured against benchmark group at the beginning of the performance period,
  - Companies acquired or delisted during the performance period are excluded.

Adjusted FCF Performance Stock Units

Mr. McDonald received 10,238 PSUs subject to achievement of a three-year cumulative adjusted FCF target. The Compensation Committee determined the number of PSUs awarded to each participant by dividing the Award Value in Adjusted FCF PSUs ($750,000) by the closing price ($73.25) and rounding down to the nearest whole unit. The PSUs are scheduled to vest or lapse on 30 March 2024 based on how the Company's adjusted FCF for fiscal year 2021 compares to target, and the number of shares of our stock actually delivered to the participants will be determined by the following chart, with linear interpolation applied between specified levels:

FCF Achievement Relative to FCF Target	Percent Payout
≥150%	200%
125%	150%
100%	100%
60%	20%
<60%	0%

For purpose of the plan, adjusted FCF is defined as net cash provided by operating activities minus net cash used in investing activities, plus significant litigation settlement payments as reported, minus CARES Act tax stimulus benefits, minus cash proceeds from the sale of the Heart Valve Business, as determined in accordance with the external definition provided in the LivaNova 4Q and full year 2020 performance presentation posted on the Company's website, and further adjusted as needed for other one-time, non-recurring, unusual or infrequent charges, expenses or gains, including associated expenses, that may not be indicative of the Company's core business.

In 2021, the Company's actual adjusted FCF performance was $80 million, 226.4% of the target. Accordingly, the FCF PSUs were earned at 200% of target, subject to the two additional years of service-based vesting requirement, scheduled to vest on 30 March 2024.

ROIC Performance Stock Units

Mr. McDonald received 10,238 PSUs subject to achievement of a three-year cumulative adjusted ROIC target. The Compensation Committee determined the number of PSUs awarded to each participant by dividing the Award Value in ROIC PSUsby the closing price ($73.25) and rounding down to the nearest whole unit. The PSUs are scheduled to vest or lapse on 30 March 2024 based on how the Company's ROIC for fiscal year 2021 compares to target, and the number of shares of our stock actually delivered to the participants will be determined by the following chart, with linear interpolation applied between specified levels:

2021 ROIC Relative to Target	Percent Vesting of Award
Target ≥+ 250 bps	200%
Target + 125 bps	150%
Target	100%
Target - 125 bps	50%
Target <-250 bps	0%

For the 2021 awards, target adjusted ROIC was 3.4% and the Company achieved actual ROIC performance of 4.68%. Accordingly, the ROIC PSUs were earned at 151.3% of target, subject to the two additional years of service-based vesting requirement, scheduled to vest on 30 March 2024.

2021 Schemes Interests Awarded (audited)

Director	Face Value of Award ($)[1]	No. of Shares Subject to the Award [2]	Percentage if minimum performance is met for Performance Awards[3]	Closing Share Price on Date of Award (For Face Value Calculation) ($)	Expiry of Performance Period	Performance Criteria
Damien McDonald	2,999,881	40,954	40 %	73.25	31 December 2023	rTSR PSUs (2)
Damien McDonald	1,499,867	20,476	20 %	73.25	31 December 2021	Adjusted FCF PSUs (2)
Damien McDonald	1,499,867	20,476	50 %	73.25	31 December 2021	ROIC PSU (2)
Damien McDonald	1,499,940	20,477		73.25	N/A	Time-Based Vesting (RSUs)
Damien McDonald	1,249,971	42,186		29.630	N/A	Time-Based Vesting (SARs)
Damien McDonald	Total Face Value 2021 Award					$8,749,526
William Kozy	184,991	2,264		81.71	N/A	Time-Based Vesting (RSUs)
Daniel J. Moore	109,982	1,346		81.71	N/A	Time-Based Vesting (RSUs)
Alfred J. Novak	109,982	1,346		81.71	N/A	Time-Based Vesting (RSUs)
Dr. Arthur L. Rosenthal	109,982	1,346		81.71	N/A	Time-Based Vesting (RSUs)
Francesco Bianchi	109,982	1,346		81.71	N/A	Time-Based Vesting (RSUs)
Dr. Sharon O'Kane	109,982	1,346		81.71	N/A	Time-Based Vesting (RSUs)
Andrea Saia	109,982	1,346		81.71	N/A	Time-Based Vesting (RSUs)
Stacy Enxing Seng	109,982	1,346		81.71	N/A	Time-Based Vesting (RSUs)
Todd Schermerhorn	109,982	1,346		81.71	N/A	Time-Based Vesting (RSUs)

(1) Face Value of RSUs award calculated using the closing market price of the LivaNova share on the Nasdaq at the date of grant. Face Value of PSUs award represent the maximum number of PSUs (200% of target) multiplied by the last available closing market price of the LivaNova share on the Nasdaq at the date of grant SARs awarded to Mr. McDonald are calculated by the Black-Scholes value based on the closing market price of an ordinary share of our stock on Nasdaq as of the grant date ($29.63). In the event of SARs, because a SAR by definition has nil value at the moment of grant, LivaNova has recorded the grant value approved by the Compensation Committee as the Fair Value.

(2) For PSU, this represents the maximum number of underlying shares (200% of the target).

(3) PSU details are found on section above titled, 2021 LTIP.

Payments made to past directors (audited)

The Company did not made any payments in 2021 to past directors.

Payments made for loss of office (audited)

There is no Company policy relating to loss of office or notice periods. When applicable, such terms are addressed on a case-by-case basis in, for example, the initial service agreement or in a separation agreement.

We currently have one executive director, Damien McDonald, and his employment is governed by a service agreement, dated 22 February 2017, with no anticipated termination date. The notice period thereunder is twelve months. Should the Company appoint further executive directors, it is expected that their relationship with the Company would also be documented in a service agreement.

A copy of Mr. McDonald's service agreement was filed with the SEC and is available on www.sec.gov. A copy may also be inspected at the Company's registered office by appointment.

Executive and Non-Executive Directors' Shareholdings (audited)

To align the interests of our executive and non-executive directors to those of our shareholders, the Company established stock ownership requirements detailing the minimum amount of equity expected to be held by certain individuals. Failure to maintain the minimum amount of equity ownership once attained may be a factor considered by the Compensation Committee in recommending and/or approving future awards. The directors believe that meaningful ownership of equity in the Company is an essential element in demonstrating the commitment of its leadership to its primary task of creating value for its shareholders. To further this belief, equity award programs have been established as part of the overall compensation plans for both officers and directors. Until the relevant stock ownership threshold (Stock Ownership Threshold) is achieved by the CEO and each non-executive director, each individual should retain a minimum of the value equal to 100% of the net shares received (i.e., following tax withholding) following each vesting until the relevant Stock Ownership Threshold has been achieved. Following achievement of the relevant Stock Ownership Threshold, shares in excess of such amount may be sold, subject to the Company's insider trading policy then in effect.

Shareholding Requirements

Level	Stock Ownership Threshold
Executive Director (CEO)	5 x base salary
Non Executive Directors	5 x yearly Board annual cash retainer

Equity ownership used to determine the market value includes all ordinary shares, all unvested restricted stock units of our ordinary shares and all in-the-money, vested, unexercised stock appreciation rights (calculated based on stock market value, minus exercise price, minus estimated tax expense at a 40% tax rate). The Company includes not only equity owned by the individual but also that held individually by or jointly with the individual's spouse or children.

Share Ownership as of 31 December 2021

Director	Ordinary Shares	Ordinary Shares Underlying Stock Options	Ordinary Shares Underlying SARs	Ordinary Shares Underlying RSUs	RSUs Subject to Performance Criteria
Damien McDonald [(1)]	75,353	—	332,242	55,905	140,655
William Kozy	6,320	—	—	2,264	—
Daniel J. Moore [(2)]	28,630	103,249	—	1,346	—
Alfred J. Novak	11,368	—	—	1,346	—
Dr. Arthur L. Rosenthal	22,383	—	—	1,346	—
Francesco Bianchi	5,292	—	—	1,346	—
Stacy Enxing Seng	3,796	—	—	1,346	—
Dr. Sharon O'Kane	6,261	—	—	1,346	—
Todd Schermerhorn	1,024	—	—	1,346	—
Andrea Saia	6,775	—	—	1,346	—
Hugh Morrison [(3)]	5,266	—	—	—	—

(1) The 140,655 RSUs subject to performance criteria represents the target number of PSU. Maximum number of units is 281,310.

(2) The 103,249 Ordinary Shares underlying Stock Options are 46,626 stock options with an exercise price of $51.90 and 56,623 Stock options with an exercise price of $57.39 granted respectively on 15 June 2013 and 15 June 2014 by Cyberonics and then converted in LivaNova Stock options on 19 October 2015, date of the Merger of Sorin and Cyberonics that resulted into LivaNova. Dan Moore is the only non-executive director who holds Options, which have already vested and are exercisable. However, none of the 103,249 Options were exercised during the 2021 financial year.

(3) The 5,266 Ordinary Shares represent the number of shares owned by Mr. Morrison at the date of the 2021 AGM.

As of 31 December 2021, based on a stock price of $87.43, seven of our Board members, William Kozy, Daniel J. Moore, Alfred J. Novak, Andrea Saia, Dr. Sharon O'Kane, Dr. Rosenthal, and our CEO, Damien McDonald have achieved the Stock Ownership Threshold.

Relative importance of spend on pay

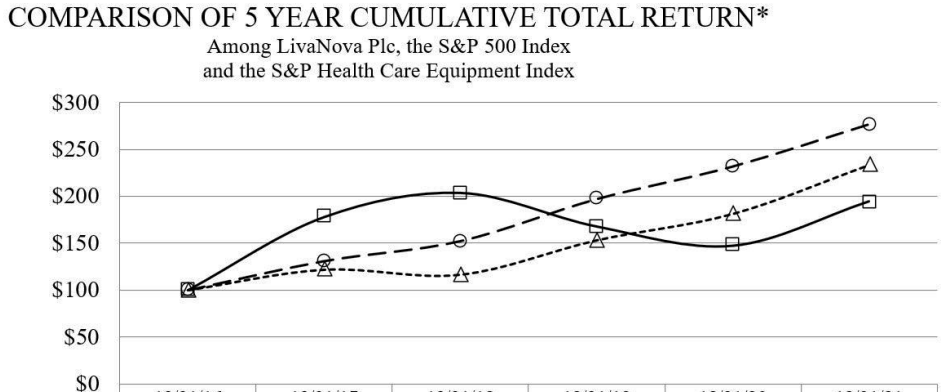
The following table sets out the total amounts spent in the year ended 31 December 2021 and the year ended 31 December 2020 on remuneration paid to employees and distributions to shareholders.

$ thousands	Year Ended 31 December 2021	Year Ended 31 December 2020	% change
Employee remuneration	476,560	433,829	10 %
Share buybacks	0	0	N/A
Dividend	0	0	— %

Total shareholder return

Performance graph

The graph below shows the Company's performance measured through TSR on a holding of $100 in the Company's shares between 19 October 2015 and 31 December 2021, compared to the S&P 500 Index and the S&P Healthcare Equipment Index. LivaNova selected these indices as it felt they provided both a broader market benchmark together with a more proximate industry benchmark.



	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21
LivaNova Plc	$100.00	177.72	203.40	167.73	147.23	194.42
S&P 500	100.00	121.83	116.49	153.17	181.35	233.41
S&P Health Care Equipment Index	100.00	130.90	152.15	196.77	231.46	276.26

*$100 invested on 12/31/16 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

CEO Total Compensation

	Year Ended 31 December 2021	Year Ended 31 December 2020	Year Ended 31 December 2019	Year Ended 31 December 2018	Year Ended 31 December 2017	Year Ended 31 December 2016 (3)
Total single-figure remuneration (thousands $)	9,627	4,594	4,077	9,499	4,065	1,968
Annual bonus award (as a % of maximum) (1)	89%	—	16%	66%	57%	53%
Vesting of long term performance awards (as a % of maximum) (2)	8%	14%	—	100%	—	25%

(1) In 2018, Damien McDonald received a pay-out of 105% which represents 60% of the maximum payable which was set at 160% of his base salary. In 2019, he received a payout of 25% which represents 16% of the maximum payable which was set at 160%. In 2020, Mr. McDonald did not receive a bonus payout. In 2021, he received a payout of 142.7% which represents 89% of the maximum payable which was set at 160%. Please see "Short-term incentive plan - executive director" section for more details.

(2) In 2018, 13,353 performance-based RSUs vested during the financial year ended 31 December 2018 which represents 100% of the maximum opportunity for vesting in the 2018 financial year. No performance awards vested in 2019. No performance awards vested in 2020. In 2021, 7,275 FCF PSUs vested. The achievement percent for the FCF PSUs was 78.58% which is a payout percent of 57.16% related to performance in 2020. No rTSR PSUs vested, which together with the FCF PSUs represented 14% of the maximum payable which was set at 400%. In 2022, 5,167 FCF PSUs vested - the achievement percent for the FCF PSUs was 66.8% which is a payout percent of 33.5% related to performance in 2021. No rTSR PSU vested, which together with the FCF PSUs represented 8% of the maximum payable which was set at 400%.

(3) The figures relating to the CEO total compensation for year ended 31 December 2016 reflect the compensation paid to former CEO, Andre-Michel Ballester, who resigned with effect from 31 December 2016.

2022 Base Salary and STIP

On 16 February 2022, the Compensation Committee agreed upon a base salary increase effective 1 April 2022. They also agreed that the 2022 STI % at target will remain the same as the previous year.

	2022 Base Salary (GBP)	2022 Base Salary ($) [1]	Increase from 2021	2021 STIP at Target	Change from 2020
Damien McDonald	791,117	1,088,149	3%	125%	—

	Target Bonus Percentage of Base Salary
Damien McDonald	125%

Payment of the target bonus amount is conditioned on achievement of certain financial and non-financial objectives, as described below:

Business Payout	=	Target Bonus	X	Business Performance Factor

The target bonus is calculated as weighted annual base salary multiplied by target bonus percentage.

The BPF is calculated according the formula below:

Business Performance Factor	= (	60%	Net Sales Payout %	+ 40%	Adjusted Net Income Payout %	)	X	Non-Financial Goals Modifier %

If the threshold for a financial objective is achieved, then the funding for that objective is scaled down or up for underachievement or overachievement, respectively, of the objective, as follows:

Net Sales Payout	
Achievement %	**Payout %**
<90%	0%
90%	25%
Linear Interpolation	
100%	100%
Linear Interpolation	
≥110%	150%

Adjusted Net Income Payout	
Achievement %	**Payout %**
<80%	0%
80%	25%
Linear Interpolation	
100%	100%
Linear Interpolation	
≥120%	150%

"Net Sales" is defined as our net sales for 2022 at budgeted currency exchange rates, excluding net sales from any acquisitions in 2022. "Adjusted Net Income" is defined as our non-GAAP net income at reported currency exchange rates, after adjustments for the effects of acquisitions, divestitures, restructuring, integration, product remediation, purchase price allocation and intangible

amortisation, significant litigation, equity compensation, significant non-cash adjustments and other infrequent, unusual or non-recurring items not incurred in the ordinary course of business.

Given that adjusted net sales and adjusted net profit are key measures of company value, the Board considers the actual target amounts of both objectives to be too commercially sensitive for disclosure. The Compensation Committee will disclose the target amounts after the publication of the Company's 2022 financial results.

Non-Financial Goals		
Clinical Study	Regulatory	Product Development
50%	35%	15%

The non-financial objectives comprise strategic milestones that will drive revenue generation beyond 2022. The Clinical Study projects include enrollment objectives for three clinical studies, one valued at 25% and a second and third valued at 10% each if achieved within defined timelines. The Regulatory Project is related to five regulatory submission objectives, two of which are valued at 10% each and three of which are valued at 5% each if achieved within defined timelines. The Product Development objective is related to three key milestones, valued at 5% each, related to new product development and are in total valued at 15% if achieved within defined timelines.

The sum of the weight of each achieved goal represents the achievement of the Non-Financial Goals Modifier.

The Board considers the non-financial goals to be too commercially sensitive for disclosure. The Compensation Committee will disclose the Non-Financial achievements after the publication of the Company's 2022 financial results.

If the threshold for a Non-financial Goal Modifier is achieved, then the funding pool is scaled down or up for underachievement or overachievement, respectively, as follows:

Non Financial Goal Modifier	
Achievement %	**Payout %**
—%	75%
Linear Interpolation	
Target	100%
Linear Interpolation	
100%	125%

The table below shows the minimum and maximum achievement of the target short-term incentive payment under the 2021 STIP.

	Minimum	Maximum (1)
Damien. McDonald [(1)]	0%	160%

(1) Per the Remuneration Policy, the maximum bonus opportunity is 200% of base salary.

2022 LivaNova Long-Term Incentive Plan (2022 LTIP)

On 28 March 2022, the Compensation Committee approved our 2022 LTIP for our CEO, Damien McDonald. Pursuant to the 2022 LTIP, the Compensation Committee approved an equity Award Value of five award vehicles for Mr. McDonald with an effective date of 30 March 2022, as follows:

	RSUs ($)	SARs ($)	rTSR PSUs ($)	FCF PSUs ($)	ROIC PSUs ($)
Damien McDonald	1,500,000	1,250,000	1,500,000	750,000	750,000

Service-Based Elements:

RSUs

Mr. McDonald received an award of service-based RSUs vesting in equal or substantially equal amounts on each of the first four anniversaries of the grant date. The Compensation Committee determined the number of RSUs awarded by dividing the Award Value by the most recent closing price of an ordinary share of our stock on Nasdaq as of the grant date and rounding down to the nearest whole unit.

SARs

Mr. McDonald received an award of SARs vesting in equal or substantially equal amounts on each of the first four anniversaries of the grant date. The Compensation Committee determined the number of SARs awarded by dividing the Award Value by the Black-Scholes value of a SAR based on the most recent closing price of an ordinary share of our stock on Nasdaq as of the grant date and rounding down to the nearest whole unit.

Performance-Based Elements:

rTSR PSUs

Mr. McDonald received an award of PSUs subject to a three-year rTSR market condition. At the end of calendar year 2023, our TSR for the three-year period 2021 through 2023 will be compared to the TSR for a group of 29 companies (the 2022 rTSR Comparator Group) selected by the Compensation Committee's compensation consultant, Pearl Meyer, and the number of shares of our stock actually delivered to Mr. McDonald will be determined by the following chart, with linear interpolation applied between specified levels.

TSR Performance Percentile Rank	Percent Funding for Objective
≥90th	200%
80th	150%
50th	100%
30th	40%
<30th	0%

The following companies comprise the 2022 rTSR Comparator Group:

ABIOMED, Inc.	iRhythm Technologies, Inc.
Avanos Medical, Inc.	Masimo Corporation
Boston Scientific Corporation	Medtronic plc
CONMED Corporation	Merit Medical Systems, Inc.
DexCom, Inc.	Natus Medical Incorporated
Edwards Lifesciences Corporation	Nevro Corp.
Globus Medical, Inc.	NuVasive, Inc.
Haemonetics Corporation	Orthofix Medical Inc.
Hologic, Inc.	Penumbra Inc.
ICU Medical, Inc.	ResMed Inc.
Insulet Corporation	Smith & Nephew plc
Integer Holdings Corporation	Tandem Diabetes Care, Inc.
Integra LifeSciences Holdings Corp.	Teleflex Incorporated
Intuitive Surgical, Inc.	Zimmer Biomet Holdings, Inc.
Invacare Corporation	

Adjusted FCF PSUs

Mr. McDonald received an award of PSUs subject to achievement of a three-year cumulative adjusted FCF Target. These FCF PSUs are subject to a three-year cliff vesting period. At the end of calendar year 2024, adjusted FCF measurement for the year will be compared to the adjusted FCF Target, and the number of shares of our stock actually delivered to Mr. McDonald will be determined by the following chart, with linear interpolation applied between specified levels.

FCF Achievement Relative to FCF Target	Percent Funding for Objective
≥150%	200%
125%	150%
100%	100%
60%	20%
<60%	0%

Adjusted FCF is defined as net cash provided by operating activities less cash used for the purchase of property, plant and equipment excluding the impact of 3T litigation settlement payments, CARES Act tax stimulus benefits and gains related to dividends received from investments, as determined in accordance with the external definition provided in the LivaNova 4Q and full year 2021 performance presentation posted on the Company's website, and further adjusted as needed for other one-time, nonrecurring, unusual or infrequent charges, expenses or gains, including associated expenses, that may not be indicative of the Company's core business. The Board considers the actual target amounts to be too commercially sensitive for disclosure. The Compensation Committee will disclose the target amounts after the publication of the Company's 2021 financial results.

Return on Invested Capital PSUs

Mr. McDonald received an award of PSUs subject to achievement of a three-year average minimum threshold ROIC Target. At the end of calendar year 2024, ROIC measurement for the year will be compared to the ROIC Target, and the number of shares of our stock actually delivered to Mr. McDonald will be determined by the following chart, with linear interpolation applied between specified levels.

ROIC Achievement Relative to ROIC Target	Percent Funding for Objective
Target ≥ + 250 bps	200%
Target + 125 bps	150%
Target	100%
Target - 125 bps	50%
Target <-250bps	0%

Definition of ROIC: The ROIC measure aims to estimate core operating performance, excluding the impact of financing / capital structure decisions. The metric can signal and encourage effective financial stewardship.

$$\text{ROIC} = \frac{\text{Net operating profit after taxes (NOPAT)}}{\text{Invested Capital (IC)}}$$

- The numerator is shorthand for core operating performance.
- The denominator denotes the capital required to achieve that performance.

The Board considers the actual target amounts to be too commercially sensitive for disclosure. The Compensation Committee will disclose the target amounts after the publication of the Company's 2022 financial results.

2022 Service-Based Share Awards and Committee Fees for Non-Executive Directors

On the advice of its compensation consultant, Pearl Meyer, the Compensation Committee recommended to the Board an increase in the grant value of the annual service-based share awards for non-executive directors of $20,000 (to $130,000 for all non-executive directors other than the Chair of the Board, and to $205,000 for the Chair of the Board). On 20 April 2022, the Board approved this increase, which will go into effect after the 2022 AGM.

In addition, in recognition of the additional work required by members of the NCG Committee and by its Chair to oversee the Company's ESG initiatives, on 20 April 2022, the Board approved a $2,000 increase in the NCG Committee fee other than for the Chair of the NCG Committee, and an increase of $5,000 for the Chair of the NCG Committee. The change will take effect after the 2022 AGM.

Role of the Compensation Committee

Members

The Chair of the Compensation Committee is Stacy Enxing Seng and the other members of the Compensation Committee are Dr. Arthur Rosenthal, Alfred Novak, and Francesco Bianchi, all of whom are non-executive directors that the Company considers to be independent. All have served on the Compensation Committee since 19 October 2015, with the exception of Ms. Enxing Seng who joined the Compensation Committee in 2019. The Compensation Committee's charter is available on the Company's website at *www.livanova.com*.

The Compensation Committee has authority to determine and approve the corporate goals and objectives applicable to the compensation of the CEO and to assess the CEO's performance annually in light of these goals and objectives and then to determine and approve the CEO's compensation level based on this evaluation. The CEO is not present during discussions about his own compensation. The Compensation Committee has authority to determine and approve the compensation of all other executive officers. While we have not carried out any direct consultations with employees in connection with the preparation of

our Remuneration Policy, we welcome employee feedback in this respect. The Compensation Committee is also entrusted with reviewing and approving incentive plans and equity-based plans that apply on a broader basis but which could also apply to the CEO and other executive officers.

Role of Compensation Consultant

The Compensation Committee has the sole authority to retain and terminate a compensation consultant to assist with its responsibilities, as well as the sole authority to approve the consultant's fees, which we then pay. Our executive officers do not discuss compensation matters with the Compensation Committee's consultant, except as needed to respond to questions from the consultant or to understand the data underlying the consultant's reports. The Compensation Committee's consultant does not provide other services for us or any of our executive officers or other employees. When making compensation decisions in 2021, our Compensation Committee considered advice and data provided by Pearl Meyer.

The Compensation Committee's consultant does not provide services for the Company or any of our officers. Since 2016, the Compensation Committee has engaged the services of Pearl Meyer, an experienced compensation consulting firm, to advise the Compensation Committee on executive compensation matters. The Compensation Committee selected Pearl Meyer based on its global expertise. The Compensation Committee considered the following factors and determined Pearl Meyer to be an independent and conflict-free advisor to the Company:

- the provision of other services to the Company by the advisor's employer;
- the amount of fees received from the Company by the advisor's employer, as a percentage of the total revenue of the advisor's employer;
- the policies and procedures of the advisor's employer that are designed to prevent conflicts of interest;
- any business or personal relationship of the advisor with a member of the Compensation Committee;
- any stock of the Company owned by the advisor; and
- any business or personal relationship of the advisor or the advisor's employer with an executive officer of the Company.

In 2021, Pearl Meyer provided support on the following projects:

- director compensation analysis and benchmarking;
- peer group analysis; and
- executive equity compensation analysis.

The Company paid Pearl Meyer a total of $56,047.50 for the services indicated above for 2021, computed on the basis of Pearl Meyer's hourly rates for services rendered, multiplied by the number of hours required to generate the reports and including administrative service fees.

Service Contracts

Our non-executive directors do not have service contracts; they are elected for a one-year term. Our one executive director does have a service contract but there is no anticipated termination date.

Statement of Voting at Prior Annual General Meetings

At the 2021 AGM held on 9 June 2021, votes on the advisory vote to approve the Remuneration Report were as follows:

To approve, on an advisory basis, the UK Directors' remuneration report in the form set out in the Company's UK Annual Report and Accounts (UK Annual Report) for the period ended 31 Dec 2020					
Votes	**For**		**Against**		**Abstentions**
	40,491,103		1,394,597		29,487
Percentages %	96.6		3.33		0.07

LivaNova's Remuneration Policy was last approved by shareholders at the 2019 AGM held on 18 June 2019. The results are below and the policy is available on the Investor Relations page of our website at *www.livanova.com.*

To approve the Directors' Remuneration Policy					
Votes	**For**		**Against**		**Abstentions**
	39,323,750		1,618,032		61,006
Percentages %	96		4		N/A

Under English law, an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes “for” or “against” the resolution.

This Remuneration Report was approved by the Board on

Stacy Enxing Seng
Chair of the Compensation Committee

27 April 2022

Directors' Remuneration Policy for Approval at the 2022 AGM

Directors' Remuneration Policy

This Directors' Remuneration Policy (the 2022 Policy) will take effect from the conclusion of the 2022 AGM, subject to shareholder approval being obtained at the 2022 AGM.

Implementation and Review of the Policy

Once the 2022 Policy is approved, the Company will make remuneration payments and payments for loss of office to current, former, or prospective directors only if the payment is consistent with the 2022 Policy, or if the shareholders approve an amendment to the 2022 Policy authorizing the Company to make such payment.

The Compensation Committee considers the 2022 Policy annually to ensure that it remains aligned with business needs and is appropriately positioned relative to the market. However, in the absence of exceptional or unexpected circumstances that may necessitate a change to the 2022 Policy, there is no intention to revise the 2022 Policy more frequently than every three years as required by the Companies Act 2006. Any change to the 2022 Policy prior to its next binding shareholder vote would require the approval of both the Board and its shareholders.

Determination of the 2022 Policy

The 2022 Policy was devised by the Compensation Committee of which all members are independent non-executive directors. The 2022 Policy was also approved by the full Board. The Compensation Committee determined the 2022 Policy with specific objectives in mind:

- Provide a competitive compensation package that attracts, motivates, and retains talented directors with the skills and experience to ensure our long-term success, and to enhance long-term shareholder value. In this regard, we have included multiple pay and reward vehicles that work together to achieve our overall compensation objectives. We believe these vehicles deliver a competitive package that focuses on rewarding performance and retaining talent, while maintaining alignment with shareholder interests;
- Reward individual performance of our executive director fairly, taking into account the performance of his/her duties, while ensuring a meaningful link to operational performance, shareholder interests, corporate governance, and total compensation received. A substantial portion of our executive director's compensation is based on the collective performance of our management team, as measured by the achievement of specific, key company objectives. The emphasis on overall performance is designed to focus our executive director on a common purpose, using shared performance standards aligned with shareholder interests and the highest levels of integrity, teamwork, and ethical standards within the Company;
- In respect of our executive director, balance the components of compensation so that short-term (annual) and long-term performance objectives are recognized. Our success depends on our executive director being focused on the critical strategic and tactical objectives, both short-term and long-term, that lead to our success as a company. The components of our compensation package, coupled with the performance objectives, align our executive compensation with our business objectives. The design of the relevant program, the selected performance objectives, and the timing of awards and pay-outs are all intended to drive business performance, take due account of good governance, and increase shareholder returns. In addition, increased equity ownership motivates directors, whether executive or non-executive, in the overall interests of the shareholders, the Company employees, and customers; and
- Consider, among other things, comparable pay levels and structures in the United States, the United Kingdom, and the international medical devices industry.

In seeking to achieve the above objectives, the Compensation Committee has been mindful of the views of a broad range of stakeholders in the business and accordingly takes account of a number of factors when setting remuneration, including market conditions, pay and benefits in relevant comparator organizations, terms and conditions of employment across the Company, the Company's risk appetite, the expectations of institutional shareholders, and any specific feedback received from shareholders and other stakeholders. In addition, the Compensation Committee has reviewed peer-group data and broader market survey as a market check for compensation decisions, though it has not based compensation targets on peer-group or market survey data alone.

Differences Between the 2022 Policy and the 2019 Policy

The 2022 Policy has not changed materially since the Directors' Remuneration Policy approved by shareholders at the 2019 Annual General Meeting (the "2019 Policy"). Modest changes are set out in the notes to the Remuneration Policy tables.

Legacy Arrangements

Any remuneration commitments or contractual arrangements made prior to the date on which the 2022 Policy becomes effective, such as historical share awards or the provision of equipment such as laptops, tablets, and mobile phones, will be honored in accordance with their original terms.

Executive Director Remuneration 2022 Policy Table

Our policy on the components of executive director remuneration, including how each component supports our strategic objectives and operates, and whether the component is new or has been changed in the 2022 Policy, is set out in the table and accompanying notes below:

Purpose and Link to Strategy	Operation	Maximum Opportunity	Performance Measure
Base Salary			
The annual base salary is an important part of the total compensation package, and is designed to reflect an executive director's position, duties and responsibilities. Base salary helps balance the incentive portions of the remuneration package, and thereby provide stability and reduce the incentive for excessive risk-taking.	● Factors considered by the Compensation Committee in determining base salary levels, and any subsequent increases, include: – the individual's role, experience, tenure, and performance responsibilities, including any recent changes in those responsibilities; – the strategic importance of the position; – independently sourced data for relevant comparator companies; – market conditions; – changes in size, value, or complexity of the Company; – compensation (and changes in compensation) for other members of senior management; and – external, independent advice relating to any of the foregoing. ● Salaries are normally reviewed annually by the Compensation Committee, with any change applying from April 1 of each year. ● Salaries are normally paid in the currency of an executive director's country of residence during his/her employment. ● Base salaries are not subject to recoupment under the LivaNova Compensation Recoupment Policy.	There is no maximum that may be paid in respect of base salary, to ensure the Company remains competitive.	No specific performance measures apply, but the overall performance of the Company is a key consideration when determining salary increases.
Benefits			
Designed to attract and retain executive directors with the capability of driving the Company's corporate strategy.	● Benefits may vary depending on the personal choices, country of residence, and situation of the executive director. ● Benefits that may be offered include, but are not limited to: – private medical insurance for the executive director and his/her family; – life insurance; – income protection (i.e., long-term incapacity/disability cover); – critical illness cover; – childcare vouchers; – company car and/or cash car allowance; – holiday and sick pay; – directors' and officers' insurance; – relocation benefits, which, based on individual circumstances, may include costs incurred such as travel, shipping, immigration and tax advice, temporary housing, transaction costs on home sale/purchase, home/school search and school fees, and, if in relation to a temporary assignment, tax equalization and a housing allowance; – hotel accommodation in London for the purposes of attending multi-day Board-related and/or executive leadership team meetings if the executive director lives >20 miles from such location; – tax and immigration assistance, as needed; – use of a mobile phone and tablet; – gym membership; and – reimbursement of other expenses properly incurred in the discharge of an executive director's duties. ● Tax on benefits is borne by the executive director except where an arrangement, such as a UK Pay-as-You-Earn settlement agreement (PSA) with the UK tax authority, HM Revenue & Customs, is in place with the Company. No tax gross-up is provided.	There is no formal maximum limit, as benefit costs can fluctuate depending on changes in provider costs and individual circumstances. However, the Company does not intend to exceed market levels. Details of current benefits and costs are set out in the remuneration report.	N/A

Purpose and Link to Strategy	Operation	Maximum Opportunity	Performance Measure
	Pension Contributions		
Designed to attract and retain executive directors with the capability of driving the Company's corporate strategy.	● Pension contributions paid by the Company are based on the aggregate of an executive director's base salary and short-term incentive. ● **United State**s: The Company maintains a qualified 401(k) plan and a non-qualified deferred compensation plan (NQDCP) that enables eligible U.S. employees, including any executive directors, to save for retirement through a tax-advantaged combination of employee and Company contributions. 401(k) and NQDCP contributions are matched by the employer within certain limits applicable to all eligible employees. ● **United Kingdo**m: The Company contributes a percentage of salary to a defined contribution plan. An executive director has the option to instead receive the Company contribution in cash, subject to normal income tax and National Insurance deductions and a deduction equivalent to the employer's National Insurance contribution. In light of statutory limits on tax-free pension contributions, any executive director who is a UK taxpayer also has the option to receive £4,000 of the Company's contribution in a supplemental pension plan, with the remainder either paid into an international pension plan or received in cash, subject to normal income tax and National Insurance deductions and a deduction equivalent to the employer's National Insurance contribution. ● **Other countrie**s: The Company provides appropriate equivalent arrangements in line with other executive-level employees.	Pension contributions or cash payment in lieu will be limited to 25% of the base salary and short-term incentive, subject to applicable law.	N/A
	Short-Term Incentives		
Designed to incentivize the delivery of short-term business targets based on the Company's business strategy, and generate a link between performance and reward, thereby driving the creation of further shareholder value.	● The Compensation Committee has ultimate discretion to determine the structure and settlement methods of any short-term incentive, including as to whether any incentive is paid in cash or in other forms such as shares or options. Achievement of financial and non-financial targets is also verified by the Compensation Committee, and the Compensation Committee may apply judgment in making appropriate adjustments to bonus outcomes to ensure they reflect underlying business performance. ● For 2022, achievement levels between threshold and target result in pay-outs from 23.4% to 125% of base salary, and achievement levels between target and maximum result in pay-outs from 125% to 200% of base salary. No more than 93.75% of base salary (75% of the target that is 125% of base salary) is payable where all non-financial targets are not met. ● Pursuant to the LivaNova Compensation Recoupment Policy, the Company may recoup short-term and long-term incentive and equity compensation, including by requiring reimbursement of cash incentive compensation previously paid, and offsetting the recouped amount from any compensation otherwise owed by the Company to the executive director, in the following circumstances: – achievement of financial results that are subsequently the subject of a restatement due to material noncompliance with any financial reporting requirement under either GAAP or the federal securities laws, other than as a result of changes to accounting rules and regulations, and regardless of individual fault; – a subsequent finding by the Compensation Committee that financial information or performance metrics used to determine the amount of the incentive compensation are materially inaccurate, regardless of individual fault; or – significant misconduct by the executive director or an employee under the supervision of the executive director, resulting in a violation of a significant Company policy, law, or regulation that causes material harm to the Company. ● No deferral period applies to short-term incentive awards or cash bonuses.	The maximum short-term incentive opportunity is 200% of base salary.	● Based on a combination of financial and/or non-financial targets, with the majority of the bonus assessed against financial measures. ● Financial and/or non-financial performance targets are set at the start of the annual performance period by the Compensation Committee, and bonus levels are determined by the Compensation Committee based on performance against those targets after the completion of the performance period. ● The selection of performance targets reflects the delivery of the Company's key strategic priorities in the shorter term. Such measures may include the following: – a growth measure (e.g., net earnings, net sales, net income, earnings per share); – an investment return measure (e.g., return on assets, return on invested capital, shareholder's equity, sales, or total shareholder return); – an efficiency measure (e.g., gross or net operating margin, costs, reductions in costs, and cost control measures);

Purpose and Link to Strategy	Operation	Maximum Opportunity	Performance Measure
			– a product development measure (e.g., product design, clinical study, regulatory, or commercialization milestones); and – other environmental, social or governance metrics (e.g., a company engagement index, customer satisfaction index, or diversity – any of which may be measured in absolute terms, or as compared to: (i) any incremental increase or decrease, (ii) results of a peer group; or ● The weighting between different performance measures will be determined each year according to business priorities.
	Long-Term Incentives		
Designed to promote the success of the Company by aligning the individual interests of executive directors to those of the Company's shareholders over a longer period.	Subject to shareholder approval of the LivaNova 2022 Incentive Award Plan (2022 Plan) being obtained at the 2022 AGM: ● Annual long-term incentive awards will be granted to executive directors under the 2022 Plan. Awards may be granted in the form of options, SARs, RSUs (including PSUs) and other share and cash-based awards. ● The number of RSUs/PSUs is determined by dividing the award value by the most recent closing price of an ordinary share of the Company's stock on Nasdaq, and rounding down to the nearest full unit. The number of SARs is calculated using the Black-Scholes model for the value of one SAR. ● The grant date of the award is established pursuant to a policy, which sets predetermined equity award grant dates and is published by the Company on a Form 8-K filed by the Company with the SEC. Awards are typically granted in March. ● Awards may be subject to either time-based and/or performance-based vesting over a period of three or more years, with either cliff or tranche vesting both as a retention tool and to align with long-term Company objectives. No separate deferral or holding period applies to awards, or to the shares acquired following the vesting and settlement of awards. ● Awards are subject to any malus or claw-back policy implemented by the Company, including the LivaNova Compensation Recoupment Policy, which provides for the cancellation of outstanding vested or unvested equity awards, and the recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards in the circumstances described above. ● The value of any equity award to be granted to an executive director will be reviewed on an annual basis in light of the factors considered by the Compensation Committee as set out above under "Base Salary." ● Stock ownership requirements provide for stock ownership in an amount equal to at least five times base salary (for any executive director who is the CEO, and at least three times base salary for any other Section 16 Officer (as defined below). ● Executive directors are subject to the Company's Insider Trading Policy, which prohibits hedging and pledging. ● Treatment of unvested awards on termination is governed by the terms of the 2022 Plan and individual award agreements, which may make provision, inter alia, for accelerated vesting upon death, disability, and a change-in-control, and for continued vesting on the normal timetable following retirement.	Under the 2022 Plan, the maximum aggregate number of shares with respect to one or more awards that may be granted to any one person during any calendar year is 1,250,000, and the maximum aggregate amount of cash that may be paid to any one person during any calendar year with respect to one or more awards payable in cash in cash is $12,500,000. Subject to the above, we do not have a fixed limit as to the size or value of equity-based compensation awards to executive directors in any one year, or in the aggregate over a period of years. However, we do seek to establish equity-based remuneration that is reasonably competitive to that offered by a set of comparable companies with whom we may compete for executive talent. Payout at threshold level of performance do not exceed 50% of target payout.	● Performance measures may include the following, typically excluding measures used for the short-term incentive: – a growth measure (e.g., net earnings, free cash flow, net sales, net income, earnings per share, etc.); – an investment return measure (e.g., return on assets, return on invested capital, shareholder's equity, sales, or total shareholder return; – an efficiency measure (e.g., gross or net operating margin, costs, reductions in costs, and cost control measures); – a product development measure (e.g., product design, clinical study, regulatory or commercialization milestone.); or – other environmental, social or governance metrics (e.g., a company engagement index, diversity indicators, customer satisfaction index, etc.). any of which may be measured in absolute terms or as compared to any incremental increase or decrease or as compared to results of a peer group or to market performance indices or indicators.

Purpose and Link to Strategy	Operation	Maximum Opportunity	Performance Measure
			● The Compensation Committee verifies the relevant achievement of performance and market conditions after the completion of the performance period, but before vesting of awards with performance or market-based condition ● Individual performance awards are not made subject to more than one performance measure, although the Company may make multiple grants and provide for each one to be subject to a different performance measure, based on the weight of each performance component. Of the total PSU value awarded, relative TSR PSUs represent 50%, adjusted FCF PSUs represent 25%, and ROIC PSUs represent 25%.
Share Purchase Plan ("ESPP")			
Designed to promote the success of the Company by aligning the individual interests of executive directors to those of the Company's shareholders over a longer period.	● Right to participate in a share purchase plan on the same basis as all other employees, including a UK share incentive plan (UK SIP) for executive directors who are UK taxpayers. ● The UK SIP grants matching shares at the time of purchase. The shares purchased outright are not subject to any holding period. However, there is a three-year holding period before an employee can sell the matching shares acquired. Similarly, in the event the Company issues free shares or dividend shares, a three-year holding period would also apply.	Up to plan maximum, on the same basis as other employees in the same jurisdiction. Sub-plan maxima vary by jurisdiction and may be subject to limits established by applicable law.	N/A

Notes to the Executive Director Remuneration 2022 Policy Table

1. Performance Measures and Targets

In line with market practice among our peers, time-vesting awards under the 2022 Plan have no performance conditions, but performance awards are subject to the achievement of specified performance targets articulated upon grant. The determination of performance measures applicable for non-time-vesting awards under the 2022 Plan reflects the delivery of the Company's key strategic priorities in the longer term. In particular, the performance measures:

- demonstrate the return on the Company's stock by way of a three-year relative TSR market condition, which is our TSR over the period as compared to the TSR of a group of comparator companies selected by the Compensation Committee on the advice of its independent advisor. The table below shows the Percent of Target PSUs earned in relation to the achievement level.

TSR Performance Percentile Rank	Percent of Target PSUs Earned
≥90th	200%
80th	150%
50th	100%
30th	40%
<30th	0%

- assess how efficient the Company is at generating cash by comparing a three-year cumulative adjusted FCF against a full cash flow target. The table below shows the Percent of Target PSUs earned in relation to the achievement level; and

FCF Achievement Relative to FCF Target	Percent of Target PSUs Earned
≥150%	200%
125%	150%
100%	100%
60%	20%
<60%	0%

- signal and encourage effective financial stewardship by utilizing ROIC which aims to estimate core operating performance, excluding the impact of financing / capital structure decisions. The table below shows the Percent of Target PSU earned in relation to the achievement level.

ROIC Achievement Relative to ROIC Target	Percent of Target PSUs Earned
Target ≥ +250 bps	200%
Target +125 bps	150%
Target	100%
Target – 125 bps	50%
Target < – 250 bps	0%

2. New and Amended Components

All of the components included in the executive director remuneration policy table above formed part of the 2019 Policy, with the following changes:

- For added clarity, we have noted that UK taxpaying executive directors have certain flexibility in how they receive their employer pension contributions, due to UK statutory limits on tax-free pension contributions;
- For added clarity, we have noted that the LivaNova Compensation Recoupment Policy applies to both short and long-term incentives, as well as equity awarded to executive directors, and have briefly summarized the implications of this;
- For added flexibility, we have noted that performance measures applicable to our short-term incentives may include environmental, social, or governance metrics;
- We have omitted details of the specific performance measures to which our executive director's short and long-term incentive awards are subject, because such measures relate to awards granted prior to the date the Policy takes effect, and the details of these awards, including the applicable performance measures (retrospectively, to the extent these are commercially sensitive), will be included in the Directors' Remuneration Report for the relevant period. We have, however, described in general terms the performance measures applicable to short and long-term incentives granted to executive directors after the Policy takes effect, as well as how specific performance measures are determined; and
- Subject to shareholder approval being obtained at the 2022 AGM, we will be implementing the 2022 Plan this year. The 2022 Plan applies only to employees, including executive directors, and is otherwise very similar to our 2015 Incentive Award Plan (the "2015 Plan"). However, the 2022 Plan and associated award agreements include the following notable differences:
  - the individual annual grant limit of 1,250,000 shares has been increased from 1,000,000, and the individual annual cash pay-out limit of $12,500,000 has been increased from $10,000,000;
  - accelerated vesting has been provided for RSUs upon death or disability, consistent with the treatment already provided for SARs, as well as increased discretion to accelerate PSUs or allow them to continue to vest, upon death or disability. Broad discretion to accelerate awards in the case of termination of service has otherwise been removed;
  - we have also extended the exercise period for SARs following death or disability from 3 months to 12 months;
  - broad discretion to determine vesting periods has been made subject to a 12-month minimum vesting period, subject to a small exception for awards capped at 5% of the overall plan limit;
  - the 2022 Plan provides that dividend equivalents are only paid out upon vesting, regardless of the award type; and
  - consistent with the treatment already provided for SARs (and any options), shares tendered by an award holder or withheld by LivaNova to satisfy a tax withholding obligation arising in respect of RSUs or PSUs, cannot be recycled under the 2022 Plan.

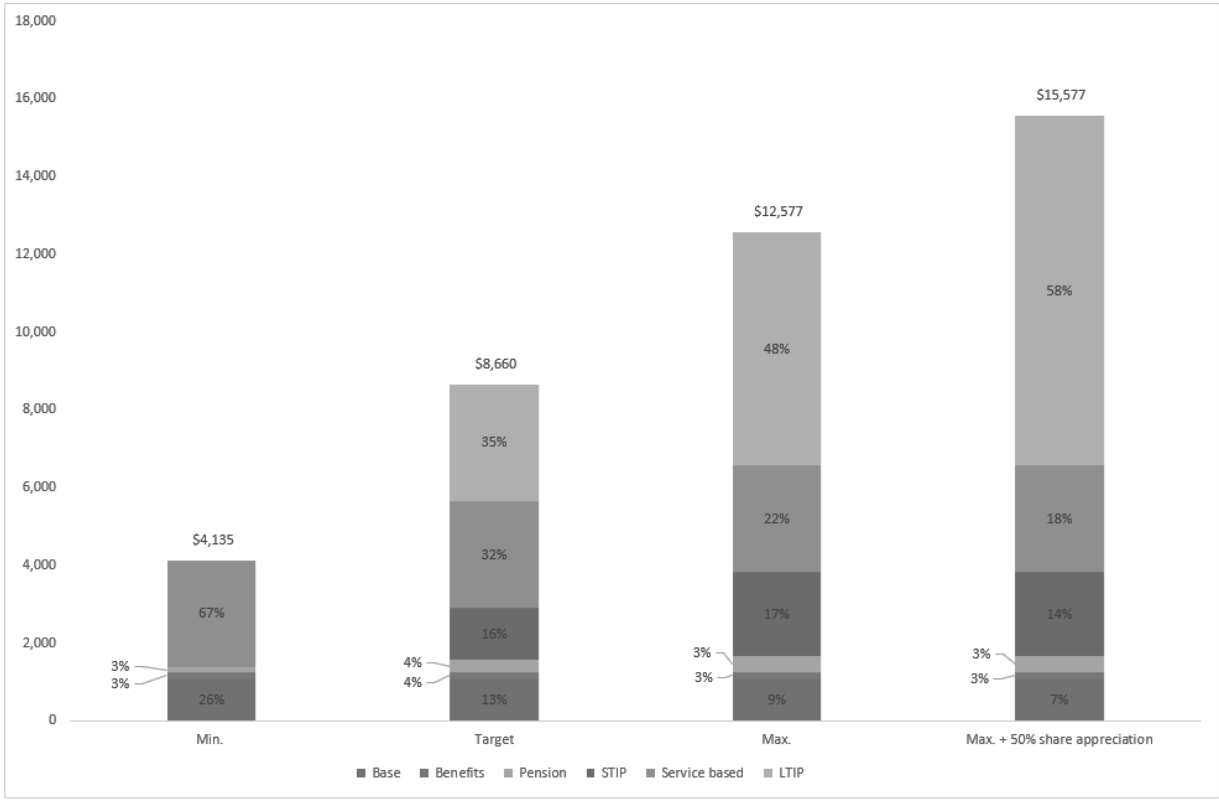
3. Differences in 2022 Policy between Executive Directors and other Employees

The Remuneration Policy for LivaNova employees is based on the same philosophy and principles that govern the 2022 Policy as it relates to executive directors, in that our overarching principles are to design a compensation structure that attracts and retains high caliber talent, all while supporting the delivery of the business strategy. For both executive directors and other employees, annual salary reviews consider Company and individual performance, local pay and market conditions, and salary levels for similar roles in relevant geographies. However, one key difference between the 2022 Policy as it relates to the remuneration of executive directors and our policy for other employees is that, overall, at the director level, remuneration is increasingly long-term and "at risk" with an emphasis on performance-related pay linked to business performance and share-based remuneration. This ensures that the remuneration of our executive directors will increase or decrease in line with business performance and provides alignment between the interests of executive directors and shareholders. For executive directors, there is also a greater focus on severance related benefits.

Illustration of the Application of the 2022 Policy for our Executive Director

The following chart indicates, in respect of our one executive director, the level of remuneration that would be received by him in accordance with the 2022 Policy, under four different performance scenarios (minimum, target, maximum not allowing for any share price appreciation on his PSU awards, and maximum allowing for 50% share price appreciation on his PSU awards) for the year ending 31 December 2022. The amounts (in thousands) are computed in accordance with the 2022 Policy, and by applying the following assumptions:

- the currency conversion rates used are for 2021: £/$ =1.37546 (average currency rate for the period 1 January 2021 to 31 December 2021);
- his current base salary is £791,117;
- the value of benefits included is £112,627, as reported as part of the single total figure of remuneration in the Company's remuneration report for the year ending 31 December 2021;
- the value of pension contributions included is 15% of base salary and bonus payout under the four different performance scenarios, assuming payment of the employer pension contribution up to £4,000 in a qualified pension plan and the remainder, paid as cash in lieu reduced by National Insurance employer contribution;
- as noted above, the target bonus for 2022 is 125% of the weighted base salary in 2022;
- the target value of the RSUs and PSUs is assumed to be the same as their grant date value ($1,500,000 for the RSUs and $3,000,000 for the PSUs). The target value of the SARs is assumed to be $1,250,000, as the fair market value calculated on the grant date using the Black-Scholes formula. This value is assumed the same in all the four performance scenarios; and
- share appreciation of 50% is based on an initial share price as at the grant date ($82.04, the last available price on 30 March 2022). A 50% increase results in a share price of $123.06. This calculation applies only to the PSUs, being the only award where performance targets or measures relate to more than one financial year.



Non-Executive Director Remuneration 2022 Policy Table

As of the effective date of the 2022 Policy, all of our directors, with the exception of our Chief Executive Officer, are non-executive directors. The Company believes that the following components and levels of remuneration are necessary to secure and retain the services of individuals possessing the skills, knowledge and experience to successfully support and oversee the Company as members of our Board.

Our non-executive directors are not remunerated by the Company for their service as directors other than as set forth below. Maximum opportunity figures specified below are provided to comply with law. However, they exceed current payment levels, and should not be construed as indicating an intent to make payments at those levels.

Director discretion will operate within the bounds set out below. No component of non-executive director remuneration is subject to the LivaNova Compensation Recoupment Policy.

Purpose and Link to Strategy	Operation	Maximum Opportunity	Performance Measures
	Cash Fees		
● Designed to attract and retain non-executive directors with a diverse and specialised set of skills, background and experience. ● Aligned with the market value of the role.	● Paid within five days of the end of each financial quarter, after deduction of all applicable withholding taxes and social security contributions. ● Individual amounts reflect time commitments and responsibilities: the Chair of the Board, and the chairs and members of each Board committee, receive additional cash fees. ● Reviewed periodically by the Compensation Committee, which provides recommendations to the Board. Recommendations are considered by the Board, which then determines the value of the cash fee. The Compensation Committee and the Board consider data at comparator companies, as provided by the Compensation Committee's independent advisor. ● Increases will typically align with the recommendations of the Compensation Committee's independent advisor and will typically take into account factors such as the time commitment of the role and market levels in companies of comparable size and complexity.	N/A	N/A

Purpose and Link to Strategy	Operation	Maximum Opportunity	Performance Measure
	● Proration of fees where non-executive director starts or leaves in the middle of a quarter, with such prorated portion determined by multiplying the cash fee by a fraction, the numerator of which is the number of days from the start date until the end of the applicable calendar quarter and the denominator of which is the number of days in the applicable calendar quarter.		
	Annual Equity Awards		
● As above. Also designed to attract and retain non-executive directors with experience in the US market where equity awards are a standard component of non-executive director remuneration. The U.S. market remains a key market in our strategy. ● Designed to align the interests of our non-executive directors with those of our shareholders.	Under the Amended 2015 Plan (as defined below): ● Annual awards of time-vesting RSUs granted under and subject to the terms and provisions of the 2015 Amended Plan. Non-executive directors do not receive performance-based awards. ● The number of RSUs is determined by dividing the award value by the most recent closing price of an ordinary share of the Company's stock on Nasdaq, and rounding down to the nearest full unit. ● The Board approves the annual awards with an effective date of June 15 of each year. The Board may meet on or prior to June 15 without regard as to the Company's possession or not of material non-public information and approve equity awards with an effective date on June 15. ● Equity award amounts are reviewed annually by the Compensation Committee which provides recommendations to the Board. Recommendations are considered by the Board, which then determines the value of awards. The Compensation Committee and the Board consider the following factors when reviewing the level of award: – data at comparator companies; – increased responsibilities and scope of the roles; and – advice from independent advisors in respect of the above. ● Increases will typically align with recommendations of the Compensation Committee's independent advisor, and the Compensation Committee will typically take into account the factors considered by the Compensation Committee in respect of cash fees. ● Proration of equity awards operate where a non-executive director starts or leaves prior to the end of their elected term with such prorated portion determined based on the most recent closing price of the Company's common stock on Nasdaq on the date of such award, equal to the product of (A) the amount of the annual award for the non-executive director and (B) a fraction, the numerator of which is (x) 365 minus (y) the number of days in the period beginning on the date of the last AGM to occur prior to such start date and ending on such Non-Employee Director's start date and the denominator of which is 365 (with the number of shares subject to such award subject to adjustment as provided in the 2015 Amended Plan). Such awards may be approved with an effective date of March 30, June 15, September 15, or December 15 of each year. The Board may meet on or prior to the quarterly grant dates without regard as to the Company's possession or not of material non-public information and approve equity awards with an effective date on the aforementioned quarterly grant dates. ● Stock ownership requirements provide for stock ownership in an amount equal to at least five times the cash Board retainer. ● Non-executive directors are subject to the Company's Insider Trading Policy which prohibits hedging and pledging. ● Vesting is typically one year, reflecting one year appointments (annual elections). No separate deferral or holding period applies to awards, or to the shares acquired following the vesting and settlement of awards. ● Treatment of unvested awards on termination is governed by the terms of the 2015 Amended Plan and the individual award agreements (which provide for prorated vesting, inter alia, on resignation of a director. ● **This section of the Policy constitutes the "Non-Employee Director Equity Compensation Policy" referred to in the 2015 Amended Plan.**	The sum of the grant date fair value of equity-based awards and the amount of any cash-based awards granted to any non-executive director during any calendar year shall not exceed $500,000.	N/A

Purpose and Link to Strategy	Operation	Maximum Opportunity	Performance Measure
	Tax Preparation		
● Designed to attract and retain non-executive directors with a diverse and specialized set of skills, background and experience regardless of tax situs of the individual. ● Designed to assure non-executive directors meet their personal UK tax compliance responsibilities.	● Reimbursement to non-executive director on production of receipts, or payment directly to their accountant or tax adviser on production of invoices: – up to £5,000 annually inclusive of VAT for personal income tax return preparation for non-UK resident non-executive directors; and – although not relevant to date, up to £5,000 annually inclusive of VAT for U.S. (or another jurisdiction) personal income tax returns for non-U.S. (or non-resident of jurisdiction at issue) resident non-executive directors, if the number of Company business days in the U.S. (or other jurisdiction) requires a U.S. (or other jurisdiction) tax filing or provision of advice related thereto.	Fees will not exceed £5,000 annually.	N/A
	Other Benefits		
● Designed to promote attendance in person at meetings and on-site visits and other company- related matters (travel). ● Designed to contribute to the continuous improvement of non-executive directors, and to enable them to best discharge their duties under the Companies Act 2006 (continuing education; other expenses.	● Benefits that are offered include, but are not limited to: – directors' and officers' insurance coverage; – travel expenses, which are reimbursed to the non-executive director pursuant to the Company's Director Expense Reimbursement Policy, which may be amended from time to time; – reimbursement of reasonable expenses incurred in attending continuing professional development courses; – some directors were provided with cell phones, laptops, or tablets in the past. It is not the Company's intention to continue this practice, but given the obsolescence, equipment previously furnished will not be recalled. ● Tax on taxable benefits is borne by the director, except in the case of items which are the object of a PSA. No tax gross-up is provided.	Benefits will not exceed market practice.	N/A

Notes to the Non-Executive Director Remuneration 2022 Policy Table

1. New and amended components

All of the components included in the non-executive director remuneration policy table above formed part of the 2019 Policy, with the following changes:

- For increased administrative ease, we will pay cash fees to our non-executive directors within five days of the end of each financial quarter, rather than at the beginning of each quarter;
- For increased flexibility, we have provided for tax preparation payments to be made directly to a non-executive director's accountant or tax adviser, and for this support to extend to any non-executive director who is not resident in the jurisdiction at issue; and
- For increased administrative ease and subject to shareholder approval of the 2022 Plan (an employee-only equity plan) being obtained at the 2022 AGM, we will modify the 2015 Plan to be purely for non-executive directors (as amended, the "2015 Amended Plan").

Approach to Recruitment Remuneration

Executive Directors

The compensation package for any new executive director would, so far as practicable, be consistent with the executive director remuneration policy table set forth above, taking account of the experience and skills of the individual, market conditions, and the executive director's country of residence.

The Compensation Committee retains the discretion to offer a compensation package necessary to meet the individual circumstances of the recruited executive director and enable the hiring of a high-caliber individual with the necessary skills and expertise.

The Company also recognizes that, in many cases, an external appointee may forfeit significant cash bonuses and/or share awards from a prior employer. The Company is mindful of the sensitivity relating to recruitment packages and, in particular, the "buying out" of rights relating to previous employment. It will therefore seek to minimize such arrangements. However, in certain circumstances, to enable the recruitment of exceptional talent, the Compensation Committee may determine that such arrangements promote the success of the Company taken as a whole, having regard also to various stakeholders, including employees. The Compensation Committee will use its discretion in settling any such compensation, which will be decided on a case-by-case basis; provided that in no event shall such compensation exceed the value of compensation forfeited by the external appointee, as confirmed by the appointee. The Company also recognizes that, if it requires a new executive director to relocate in connection with accepting a position with the Company, the Company will also pay relocation and related costs as described in the policy table.

In no event, however, will any:

- short-term incentive exceed 200% of base salary;
- long-term incentive award exceed 1,250,000 underlying shares in any calendar year;
- pay-out pursuant to any long-term incentive award exceed $12,500,000 in cash; or
- pension contribution or cash payment in lieu thereof exceed 25% of base salary and short-term incentive.

If the Company appoints an existing employee as an executive director of the Company, or if an executive director joins as a result of a transfer of an undertaking, merger, reconstruction, or similar reorganization of the Company, pre-existing obligations with respect to remuneration, such as pension, benefits, and legacy equity awards, will be honored. Should these differ materially from current arrangements, these will be disclosed in the subsequent remuneration implementation report.

Non-Executive Directors

Any new non-executive directors will be paid in accordance with the current fee levels on appointment, in line with the non-executive director remuneration policy table set out above.

Service Agreements/Letters of Appointment

Executive Directors

There is no Company policy relating to loss of office or notice periods. When applicable, such terms are addressed on a case-by-case basis in, for example, the initial service agreement or in a separation agreement.

We currently have one executive director, Damien McDonald, and his employment is governed by a service agreement, dated 22 February 2017, with no anticipated termination date. The notice period thereunder is twelve months. Should the Company appoint further executive directors, it is expected that their relationship with the Company would also be documented in a service agreement.

A copy of Mr. McDonald's service agreement was filed with the SEC and is available on www.sec.gov. A copy may also be inspected at the Company's registered office by appointment.

Non-Executive Directors

The Chair and other non-executive directors have letters of appointment. They do not have service agreements with the Company or any of its subsidiaries.

The letters of appointment provide for the non-executive directors' date of commencement of appointment and the termination of appointment at the conclusion of the Company's following year's AGM, subject to the earlier termination by the Company:

- for disqualification for any of the grounds set out in Article 30.1 of the Company's articles of association ("Articles"), as amended from time to time; and/or
- on the grounds of the commission by the director of any serious or repeated breach or non-observance of their obligations to the Company (which includes an obligation not to breach statutory, fiduciary, or common-law duties).

The current form letter of appointment for non-executive directors may be found on the website of the SEC at www.sec.gov. Copies may also be inspected at the Company's registered office by appointment. It is the Company's intention to file any material amendments to this letter.

Payments for Loss of Office

There are no contractual provisions agreed before 27 June 2012 that could impact the quantum of any payment for loss of office.

Executive Directors

There is no Company policy relating to loss of office. When applicable, such terms are addressed on a case-by-case basis in, for example, individual service agreements or separation agreements.

The Compensation Committee's charter requires it to review and approve severance arrangements, and change-in-control agreements. The service agreement with our only executive director provides for severance payments and benefits in amounts that have been deemed appropriate by the Compensation Committee. The severance amounts take into account the time it is expected to take a separated employee to find alternative employment, as well as market practice for global executives.

Under the 2022 Plan and associated award agreements:

- upon death or disability, all outstanding SARs immediately become fully vested and exercisable, all outstanding RSUs immediately become fully vested, and the Compensation Committee has discretion to allow PSUs to become fully vested, or to continue vesting on the date(s) set out in the applicable grant notice, taking into account such factors as it considers appropriate including, but not limited to, the extent to which the performance period has elapsed, and the performance measures have been achieved or are expected to be achieved. Vested SARs expire 12 months following a termination of service due to death or disability;
- in the event of a change in control that occurs following the grant date, SARs, RSUs and PSUs become fully vested and exercisable immediately prior to, but subject to the consummation of, such change in control, subject to the executive director's continuous employment with the Company or a subsidiary of the Company through such change in control;
- the Compensation Committee has the discretion to designate a termination of service as an "approved retirement," which allows SARs, RSUs, and PSUs to continue to vest on the date(s) set out in the applicable grant notice; provided all other terms which apply are met, including the terms regarding restricted activities set forth in the award agreements.

At times, as circumstances dictate, we also enter into additional separation arrangements with departing executive directors. The following table quantifies the potential payments that would be made to Mr. McDonald assuming a termination of employment had occurred on 31 December 2021, under different scenarios:

Type of Payment or Benefit	Termination without cause [1][6]	Termination without cause due to Change in Control[2]	Termination due to Disability[3]	Termination due to Death[4]	Termination due to Retirement[5]
Cash severance payment	$ 1,289,391	—	—	$ 4,225,823	—
Short-term incentive	—	—	—	—	—
Long-term incentive	—	$ 8,068,755	$ 3,180,981	$ 3,180,981	—
Benefits	—	—	—	—	—
TOTAL	**$ 1,289,391**	**$ 8,068,755**	**$ 3,180,981**	**$ 7,406,804**	**—**

(1) The cash severance amount includes twelve months of base salary ($1,056,456) and the value of the following benefits for a period of twelve months: pension ($158,468), accommodation ($41,264), school allowance ($8,789), and car allowance ($24,414). The Company may elect to pay this severance amount in installments, and in this case, if Mr. McDonald secures alternative employment, then the gross installments payable after the date when alternative employment commences will be reduced by a sum equal to the gross amount of his income from the alternative employment.

As to pension, this amount reflects 15% of Mr. McDonald's base salary.

(2) The potential payment in case of termination of employment without cause following a change in control is calculated adding (i) the amount resulting from multiplying the 55,905 RSUs subject to accelerated vesting by the closing market price at 31 December 2021 ($87.43) and (ii) the amount resulting from multiplying each SAR award subject to accelerated vesting by the difference between the closing market price at 31 December 2021 ($87.43) and the exercise price for each SAR, as follows (58,887 SARs with an exercise price of $43.57 and 42,186 SARs with an exercise price of $73.25). This does not include SARs where the exercise price exceeds the market price.

(3) The potential payment amount in case of termination of employment due to disability represents LTIP payments calculated by multiplying each SAR award subject to accelerated vesting in case of a disability by the difference between the closing market price at 31 December 2021 ($87.43) and the exercise price for each SAR, as follows (58887 SARs with an exercise price of $43.57 and 42186 SARs with an exercise price of $73.25). This does not include SARs where the exercise price exceeds the market price.

(4) The payment amount in case of termination of employment due to death represents four times the base salary. Any benefit that exceeds £2M will require specific medical underwriting in order for benefit in excess of £2M to be agreed. The benefit is insured by a third party (which can change from time to time) under a policy held by the Company on behalf of its employees. The benefit is written under Trust and therefore payments made as a result of this insurance to the nominated beneficiary

would not be subject to Inheritance Tax or Income Tax. In addition LTIP potential payments in case of termination of employment due to death calculated by multiplying each SARs award subject to accelerated vesting by the difference between the closing market price at 31 December 2021 ($87.43) and the exercise price for each SAR, as follows (58,887 SARs with an exercise price of $43.57 and 42,186 SARs with an exercise price of $73.25). This does not include SARs where the exercise price exceeds the market price.

(5) The currency conversion rates used are for 2021: £/$ = 1.37546 (average currency rate for the period 1 January 2021 to 31 December 2021).

Non-Executive Directors

Non-executive directors do not receive payments for loss of office, although any non-executive director resigning can expect a proration of their annual equity award, calculated by multiplying the number of RSUs and dividend equivalents by a fraction, the numerator of which is the number of days elapsed between the grant date and the date of termination of office, and the denominator of which is 365 days. Pursuant to the Articles, directors stand for election annually.

Statement of Consideration of Employment Conditions Elsewhere in the Group

When reviewing and determining pay for executive directors, the Compensation Committee considered the level and structure of remuneration, employment conditions, and salary budgets for other employees in the Company, and the wider LivaNova group. More specifically, the Compensation Committee reviewed annual salary increase budgets for the general employee population in the United Kingdom, Europe, and North America, as well as the remuneration structure and policy for the global senior management population.

LivaNova employs approximately 3,000 employees and operates in more than 100 countries around the world. Given the Company's global scale and complexity, the Compensation Committee has not consulted directly with employees when designing the 2022 Policy. However, the Company conducts regular employee surveys that cover a wide range of issues relating to local employment conditions, and an understanding of group-wide strategic matters.

Statement of Consideration of Shareholder Views

Both the Board and the Compensation Committee are committed to considering shareholder views. The Compensation Committee and the Board have considered the following in devising and approving the 2022 Policy (which, as noted above, does not differ materially from the 2019 Policy):

- the significant level of support for the Company's inaugural Remuneration Policy in 2016 (87.84%), and for the 2019 Policy (95.90%);
- the significant level of support for the Company's remuneration reports in each of 2019, 2020, and 2021 (95.46%; 95.60%; 96.60%); and
- the significant level of support for the Company's compensation of its "named executive officers" (which includes its one executive director) ("US Say-on-Pay") on its vote in 2021 (90.59%).

The Board is committed to dialogue with shareholders and intends to engage directly with them, and their representative bodies, when considering any significant changes to our remuneration arrangements. The Compensation Committee will consider shareholder feedback received following the 2022 AGM, as well as any additional feedback and guidance received from time to time. This feedback will be considered by the Compensation Committee as it develops the Company's remuneration framework and practices going forward.

Assisted by its independent adviser, the Compensation Committee also actively monitors developments in the expectations of institutional investors and their representative bodies.

Discretion

The Compensation Committee maintains discretion in the implementation of the 2022 Policy, so that the 2022 Policy can be applied in unforeseen circumstances. The Compensation Committee takes seriously the trust the Company's shareholders place in the Compensation Committee in exercising this discretion. Discretion is typically applied in the following contexts:

- In respect of specific amounts paid or provided to directors pursuant to the 2022 Policy, the Compensation Committee, under powers bestowed by its charter, reviews both non-executive director remuneration and the remuneration of all officers and directors covered by Section 16 of the U.S. Securities Exchange Act of 1934, as amended ("Section 16 Officers"), which includes the Company's only executive director. The Compensation Committee has final authority to determine the remuneration of its Section 16 Officers within the ranges set out in the maximum opportunity sections of the Remuneration Policy tables, but with respect to the Company's non-executive directors, the Compensation Committee makes recommendations to the Board, which then makes the final decision on non-executive director remuneration.

- The Compensation Committee may also exercise discretion in respect of various areas of operation and administration of the Company's short term incentive plans from time to time, including in the setting of performance criteria each year, dealing with leavers, and dealing with exceptional circumstances. The Compensation Committee, for example, may exercise its discretion when determining amounts that should be paid to leavers (other than in respect of the relevant leaver's contractual entitlements which will be respected), taking into account the facts and circumstances of each case.
- In respect of the 2022 Plan and the 2015 Amended Plan, the Compensation Committee may exercise discretion in various areas. These include the timing of awards (subject to the Company's predetermined equity award grant dates), the setting of performance criteria each year, making objectively determinable adjustments to performance goals, adjudicating as to when a termination of service has occurred, determinations as to whether terminations have been for cause, determining the vesting schedule of awards, and the exercise of certain other discretionary powers as set out in the 2022 Plan and the 2015 Amended Plan.
- However it is the Board, rather than the Compensation Committee, with the authority to conduct the general administration of the 2015 Amended Plan with respect to awards granted to non-executive directors, although awards to non-executive directors are recommended by the Compensation Committee.

Independent auditors' report to the members of LivaNova PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- LivaNova PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's and Company's loss and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the 2021 UK Annual Report (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2021; the Consolidated Statement of (Loss) Income and Company Statement of (Loss) Income, the Consolidated Statement of Comprehensive Income and Company Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated Statement of Changes in Equity and Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Context

The Group operates its three primary business units through a legal entity structure with distribution to over 100 countries, which are managed as a number of components. Our audit focuses on six components, over which we performed either a full scope audit or audit procedures on certain balances or transactions.

Overview

Audit scope

- The components where we conducted audit procedures, together with work performed at corporate functions and over consolidation adjustments, accounted for approximately 67% of the Group's net sales and 90% of the Group's loss from continuing operations before tax on an absolute basis.

Key audit matters

- Carrying value of Cardiopulmonary and Advanced Circulatory Support goodwill (Group)
- Carrying value of investments in subsidiaries (Company)

Materiality

- Overall Group materiality: $6 million (2020: $5 million) based on 0.6% of the total net sales.
- Overall Company materiality: $37.15 million (2020: $35 million) based on 1% of the total assets.
- Performance materiality: $4.5 million (2020: $3.75 million) (Group) and $27.8 million (2020: $26 million) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Impact of COVID-19, which was a key audit matter last year, is no longer included because of the improved performance of the Group and the Company since the pandemic began and the passage of time. Accordingly the inherent risk is no longer considered to be high. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Carrying value of Cardiopulmonary and Advanced Circulatory Support goodwill (Group) *Refer to Notes 2 and 10 in the Group financial statements* The Group holds goodwill of $579.8 million (2020: $591.6 million) in the Consolidated Balance Sheet as at 31 December 2021. There is a risk that these assets are materially overstated. Goodwill must be tested for impairment on at least an annual basis. Goodwill is also tested for impairment between annual assessments if an event occurs or circumstances change that would indicate the carrying amount may be impaired. The recoverable amount is based on subjective estimates about the future performance of the underlying cash generating units ("CGUs"). The extent of risk and estimation involved is increased where the carrying value is larger and headroom is lower; the CGUs most at risk of impairment and which required the greatest degree of estimation were the Cardiopulmonary and Advanced Circulatory Support CGUs with goodwill balances of $62.9 and $118.1 million respectively. Future cash flows included an estimate of the impact of COVID-19. Key assumptions include the expected revenue growth rates, and discount rate.	For the Cardiopulmonary ("CP") and Advanced Circulatory Support ("ACS") CGUs, our audit procedures included evaluating and challenging the appropriateness of the impairment models and reasonableness of the assumptions used. We evaluated future cash flow forecasts and the process by which they were prepared. This included: ● Comparing the future cash flow forecasts used to the latest Board approved forecasts; ● Evaluating the potential future impact of COVID-19 used in the future cash flow forecasts; ● Testing the mechanics and mathematical integrity of the directors' impairment models; and ● Performing look back assessments to consider the historical growth trends and the accuracy of the Board approved forecast. We tested key assumptions utilised in the impairment assessments, namely the expected revenue growth rates and discount rate. This testing included: ● Considering the current and past performance of the CGUs, consistency with third-party industry data, and whether the assumptions were consistent with evidence obtained in other areas of the audit (both CGUs); and ● Utilising experts with specialised skills and knowledge to assist in evaluating the appropriateness of the valuation methodology and the reasonableness of the discount rate assumption (ACS CGU). The directors determined that it was appropriate not to recognise an impairment charge in the year for the Cardiopulmonary and Advanced Circulatory Support CGUs. Based on our work performed we agreed with their conclusion. We also assessed the appropriateness of the related disclosures in Notes 2 and 10 of the Group financial statements, including the sensitivities provided in respect of the Cardiopulmonary and Advanced Circulatory Support CGUs. This included evaluating and reperforming the directors' sensitivity analysis to understand the impact of reasonably possible changes to key assumptions. We considered the disclosures to be reasonable. We noted no material exceptions through performing these procedures.

Carrying value of investments in subsidiaries (Company) *Refer to Notes 2 and 5 in the Company financial statements* Investments in subsidiaries of $2,979 million (2020: $2,939 million) are accounted for at cost less impairment in the Company's Balance Sheet at 31 December 2021. There is a risk that these assets are materially overstated. Investments in subsidiaries are assessed for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the Company Statement of (Loss) Income. There is estimation involved in the determination of the recoverable amounts of the investments in subsidiaries. The directors assessed each investment individually for impairment. An impairment indicator was determined to be present if the carrying value of the investment exceeded the subsidiary's net assets. Where an indicator was identified, the directors determined whether the carrying value of the investment can be supported by the recoverable amount, being the higher of fair value less cost of disposal or value in use where the net present value of future cash flows are estimated based on the continued use of the asset in the business. The assessment utilised the discounted cash flow analyses developed as part of the Group goodwill impairment assessment. Future cash flows included an estimate of the impact of COVID-19. The key assumptions included in those estimates were the cash flow projections, expected revenue growth rates and discount rate.	For each investment in the subsidiary, we evaluated the directors' assessment of whether any indicators of impairment existed. Where an investment's carrying value was greater than the net assets of the subsidiary, which was determined to be an impairment indicator, we reviewed the detailed estimates prepared by the directors to support the carrying value of the investment held. The substantive audit procedures we performed included: ● verifying the mathematical integrity of the impairment model; and ● evaluating the appropriateness of key assumptions used in the model, including the cash flow projections, expected revenue growth rates, and discount rate, in conjunction with our goodwill impairment testing. The directors concluded that it was appropriate not to recognize any impairment charges on the basis that the carrying values of the investments in subsidiaries held by the Company are supportable. Based on our work performed we agreed with their conclusion. We have also assessed the directors' disclosures within the Company financial statements in Note 2 and 5 and consider them to be appropriate. We noted no material exceptions through performing these procedures.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

We conducted full scope audits at two financially significant components: the U.S. and Italy. In addition, in order to achieve the required coverage, we performed audit and/or specified procedures over key financial statement line items at an additional two material and two other components, including net sales, cost of sales, selling, general and administrative expenses, research and development expenses, merger and integration expenses, inventory, trade receivables, trade payables, financial liabilities, income tax (expense) benefit, deferred taxes, and cash and cash equivalents. In addition, audit procedures were performed centrally in relation to various Group functions, including goodwill and in process research and development (IPR&D) intangible assets, share-based compensation plans, contingent considerations, investments, leases, litigation matters, and consolidation.

As a result of COVID-19, we were unable to visit any component teams in conducting the 2021 audit. As such, our oversight procedures included the issuance of formal written instructions to component auditors setting out the work to be performed at each location and regular communication throughout the audit cycle including regular component video conferences and calls, and review of component auditor work papers for financially significant and material components.

The components where we conducted audit procedures, together with work performed at corporate functions and over consolidation adjustments, accounted for 67% of the Group's net sales and 90% of the Group's loss from continuing operations before tax on an absolute basis.

The Company is incorporated in the UK, with a branch in Italy. We ensured that sufficient coverage was obtained through our testing of the UK entity and Italy branch. Certain balances were in scope for the Group audit, including cash and cash equivalents, taxation, and operating expenses, and were audited centrally to Group materiality. The remainder of the balances were audited to Company materiality.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements - Company
Overall materiality	$6 million (2020: $5 million).	$37.15 million (2020: $35 million).
How we determined it	Based on approximately 0.6% of the total net sales	Based on approximately 1% of the total assets
Rationale for benchmark applied	As the Group has never paid a dividend and the Group has no immediate intention to declare and pay dividends and adjusted net sales is the most heavily weighted metric in the determination of directors' remuneration, we consider total net sales to be an appropriate benchmark.	As the Company's principal activity is to hold investments in subsidiaries, the Company is not profit-oriented. Therefore, total assets are used as the benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $4 million and $5.25 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to $4.5 million (2020: $3.75 million) for the Group financial statements and $27.8 million (2020: $26 million) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above $0.6 million (Group audit) (2020: $0.4 million) and $1.85 million (Company audit) (2020: $1.7 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- agreeing the underlying cash flow projections to the Board approved forecasts, assessing how these forecasts are compiled, and evaluating the accuracy of the Board approved forecasts;
- evaluating the key assumptions within the Board approved forecasts;
- considering liquidity and available financial resources, including the probability of the exercise of the Cash Exchangeable Senior Notes' exchange feature by the holders;
- performing a breakeven assessment for forecast revenue, in order to assess the extent of headroom in comparison to the principal risks facing the business, including those in relation to COVID-19; and
- reviewing the covenants applicable to the Group's borrowings and assessing whether the forecasts supported ongoing compliance with the covenants.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the

other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors’ Remuneration

In our opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group’s and the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to product safety (including but not limited to environmental laws and regulations and the U.S. Food and Drug Administration regulation), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. The Group engagement

team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- discussions with management, legal counsel and internal audit, including inquiry regarding known or suspected instances of non-compliance with laws and regulations and fraud, and review of the reports made by internal audit;
- reviewing relevant meeting minutes, including those of the Board of directors and the Audit and Compliance Committee;
- challenging assumptions made by the directors in its significant accounting estimates, in particular in relation to the impairment assessments for the Group's goodwill and Company's investments in subsidiaries (see related key audit matters below);
- identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations, journals posted with unusual description, journals posted by senior management and consolidation journals; and
- assessment of matters reported on the Group's whistleblowing helpline.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Nigel Comello (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 April 2022

LIVANOVA PLC AND SUBSIDIARIES

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LIVANOVA PLC AND SUBSIDIARIES

Consolidated Statement of (Loss) Income
(In thousands, except per share amounts)

	Note	Year Ended 31 December 2021	Year Ended 31 December 2020 Restated [1]
Net sales	27	$ 1,035,365	$ 934,241
Costs and expenses:			
Cost of sales	29	329,184	338,307
Selling, general and administrative	29	477,260	445,920
Research and development		183,485	151,895
Exceptional items	31	71,850	168,004
Operating loss from continuing operations		(26,414)	(169,885)
Finance income		435	131
Finance expense		(77,308)	(59,827)
Loss on debt extinguishment	17	(60,238)	(1,407)
Foreign exchange and other gains/(losses)		13,202	(12,660)
Share of loss from equity accounted investments		(148)	(264)
Loss from continuing operations before tax		(150,471)	(243,912)
Income tax benefit	24	13,032	61,046
Loss from continuing operations		(137,439)	(182,866)
Loss from discontinued operations, net of tax		—	(1,493)
Loss attributable to owners of the parent		$ (137,439)	$ (184,359)
Basic loss per share:			
Continuing operations	26	$ (2.71)	$ (3.76)
Discontinued operations	26	—	(0.04)
		$ (2.71)	$ (3.80)
Diluted loss per share:			
Continuing operations	26	$ (2.71)	$ (3.76)
Discontinued operations	26	—	(0.04)
		$ (2.71)	$ (3.80)
Shares used in computing basic loss per share	26	50,633	48,592
Shares used in computing diluted loss per share	26	50,633	48,592

(1) The consolidated statement of (loss) income for the year ended 31 December 2020 has been restated and reclassified. For further details refer to "Note 1. Nature of Operations" and "Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies," respectively, in our consolidated financial statements and accompanying notes, beginning on page 101 of this Annual Report.

See accompanying notes to the consolidated financial statements

LIVANOVA PLC AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income
(In thousands)

	Note	Year Ended 31 December 2021	2020 Restated [1]
Loss attributable to owners of the parent		$ (137,439)	$ (184,359)
Items of other comprehensive income / (loss) that will be subsequently reclassified to profit or loss:			
Cash flow hedges for interest rate fluctuations	15	—	113
Tax impact		—	(27)
Cash flow hedges for exchange rate fluctuations	15	(3,997)	2,266
Tax impact		733	(546)
Foreign currency translation differences		(5,965)	23,780
Total items of other comprehensive (loss) income that will be subsequently reclassified to profit or loss		(9,229)	25,586
Items of other comprehensive loss that will not be subsequently reclassified to profit or loss:			
Remeasurement of net assets for defined benefits	23	1,095	(1,321)
Tax impact		(163)	339
Total items of other comprehensive income (loss) that will not be subsequently reclassified to profit or loss		932	(982)
Total other comprehensive (loss) income, net of taxes		(8,297)	24,604
Total comprehensive loss for the year, net of taxes attributable to owners of the parent		$ (145,736)	$ (159,755)
Total comprehensive loss from discontinued operations for the year, net of taxes attributable to owners of the parent		—	(1,493)
Total comprehensive loss from continuing operations for the year, net of taxes attributable to owners of the parent		$ (145,736)	$ (158,262)

(1) The consolidated statement of comprehensive income for the year ended 31 December 2020 has been restated. For further details refer to "Note 1. Nature of Operations" in our consolidated financial statements and accompanying notes, beginning on page 101 of this Annual Report.

See accompanying notes to the consolidated financial statements

LIVANOVA PLC AND SUBSIDIARIES

Consolidated Balance Sheet
(In thousands)

	Note	31 December 2021	31 December 2020 Restated [1]	1 January 2020 Restated [1]
ASSETS				
Non-current assets				
Property, plant and equipment	9	$ 141,100	$ 156,275	$ 168,921
Intangible assets	10	408,523	445,166	537,764
Goodwill	10	579,762	591,639	582,324
Right-of-use assets	18	40,120	50,378	55,194
Equity investments in associates		787	393	451
Financial assets	12	24,640	38,284	31,281
Derivative financial instruments	15	—	72,302	—
Deferred tax assets	24	107,869	82,551	76,151
Other assets		4,274	3,664	2,881
Total non-current assets		1,307,075	1,440,652	1,454,967
Current assets				
Inventories	13	105,840	115,285	156,799
Trade receivables	14	185,354	184,356	257,769
Other receivables	14	30,240	19,218	25,253
Derivative financial instruments	15	106,629	2,053	115
Other financial assets	12	5,503	3,522	3,236
Tax receivable		37,621	60,240	35,608
Cash and cash equivalents		207,993	252,832	61,137
Total current assets		679,180	637,506	539,917
Assets held for sale	7	—	79,973	—
Total assets		$ 1,986,255	$ 2,158,131	$ 1,994,884
LIABILITIES AND EQUITY				
Equity				
Share capital		$ 82,295	$ 76,300	$ 76,257
Group reconstruction reserve	16	2,046,497	1,729,764	1,729,764
Share premium		33,257	27,361	23,243
Treasury shares		(650)	(1,034)	(1,263)
Accumulated other comprehensive (loss) income	16	(5,284)	3,013	(21,591)
Accumulated deficit		(1,091,312)	(986,413)	(830,164)
Total equity		$ 1,064,803	$ 848,991	$ 976,246
Non-current liabilities				
Derivative financial instruments	15	$ —	$ 121,940	$ 61
Financial liabilities	17	9,786	642,298	260,103
Contingent consideration	20	86,830	89,850	114,396
Litigation provision liability	20	6,625	7,878	24,378
Other liabilities	19	9,337	9,365	9,212
Provisions	20	45,480	53,779	10,584
Long-term lease liabilities	18	36,083	42,230	46,218
Provision for employee severance indemnities and other employee benefit provisions	23	21,538	19,748	23,261
Deferred taxes liabilities	24	7,551	9,358	16,580
Total non-current liabilities		223,230	996,446	504,793

LIVANOVA PLC AND SUBSIDIARIES
Consolidated Balance Sheet

	Note	31 December 2021	31 December 2020 Restated [1]	1 January 2020 Restated [1]
Current liabilities				
Trade payables		66,754	73,099	85,038
Other payables	21	139,140	102,527	140,427
Derivative financial instruments	15	183,109	7,372	3,173
Other financial liabilities	17	229,637	13,343	77,326
Current litigation provision liability	20	32,845	31,625	146,026
Provisions	20	20,316	28,079	37,820
Current lease liabilities	18	11,281	11,271	11,316
Tax payable		15,140	16,456	12,719
Total current liabilities		698,222	283,772	513,845
Liabilities held for sale	7	—	28,922	—
Total liabilities and equity		$ 1,986,255	$ 2,158,131	$ 1,994,884

(1) The consolidated balance sheet as of 31 December 2020 and 1 January 2020 have been restated. For further details refer to "Note 1. Nature of Operations" in our consolidated financial statements and accompanying notes, beginning on page 101 of this Annual Report.

See accompanying notes to the consolidated financial statements

The financial statements on pages 94 to 167 were approved by the Board and were signed on its behalf on 27 April 2022 by:

DAMIEN MCDONALD
CHIEF EXECUTIVE OFFICER & DIRECTOR

Company Number: 09451374

LIVANOVA PLC AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
(In thousands)

	Note	Ordinary Number of Shares	Ordinary Share Capital	Group Reconstruction Reserve	Share Premium	Treasury Shares	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit [1]	Total Equity [1]
Balance at 1 January 2020		49,411	$ 76,257	$ 1,729,764	$ 23,243	$ (1,263)	$ (21,591)	$ (824,411)	$ 981,999
Correction of error (net of tax)		—	—	—	—	—	—	(5,753)	(5,753)
Restated total equity at the beginning of the financial year		49,411	76,257	1,729,764	23,243	(1,263)	(21,591)	(830,164)	976,246
Share-based compensation plans	22	109	140	—	4,021	229	—	28,110	32,500
Balance at Cancellation of shares		(73)	(97)	—	97	—	—	—	—
Total transactions with owners recognised directly in shareholders' equity		36	43	—	4,118	229	—	28,110	32,500
Net loss [1]		—	—	—	—	—	—	(184,359)	(184,359)
Other comprehensive income	16	—	—	—	—	—	24,604	—	24,604
Total comprehensive income (loss) for the year [1]		—	—	—	—	—	24,604	(184,359)	(159,755)
Balance at 31 December 2020 [1]		49,447	76,300	1,729,764	27,361	(1,034)	3,013	(986,413)	848,991
Share issuances		4,182	5,808	316,733	—	—	—	—	322,541
Share-based compensation plans	22	133	187	—	5,896	384	—	32,540	39,007
Total transactions with owners recognised directly in shareholders' equity		4,315	5,995	316,733	5,896	384	—	32,540	361,548
Net loss		—	—	—	—	—	—	(137,439)	(137,439)
Other comprehensive loss	16	—	—	—	—	—	(8,297)	—	(8,297)
Total comprehensive loss for the year		—	—	—	—	—	(8,297)	(137,439)	(145,736)
Balance at 31 December 2021		53,762	$ 82,295	$ 2,046,497	$ 33,257	$ (650)	$ (5,284)	$ (1,091,312)	$ 1,064,803

(1) Accumulated deficit and total equity as of 31 December 2020 and 1 January 2020, and net loss for the year ended 31 December 2020 have been restated. For further details refer to "Note 1. Nature of Operations" in our consolidated financial statements and accompanying notes, beginning on page 101 of this Annual Report.

See accompanying notes to the consolidated financial statements

LIVANOVA PLC AND SUBSIDIARIES

Consolidated Statement of Cash Flows

(In thousands)

	Note	Year Ended 31 December 2021	2020 Restated [1]
Cash Flows From Operating Activities:			
Loss for the year		$ (137,439)	$ (184,359)
Non-cash items included in loss:			
Loss on debt extinguishment		60,238	1,407
Depreciation and amortisation	9, 10	51,053	62,447
Depreciation of lease assets	18	15,919	14,429
Remeasurement of contingent consideration to fair value	20	564	(20,463)
Remeasurement of derivative instruments		17,618	22,085
Loss on sale of Heart Valve business	7	26,345	—
Share-based compensation	22	41,380	36,323
Impairment of long-lived assets	7, 9,10	—	96,632
Amortisation on income taxes payable on intercompany transfers		—	2,171
Net finance expense		76,873	59,696
Income tax benefit		(13,032)	(61,046)
Amortisation of debt issuance costs		16,657	9,710
Other non-cash items		(354)	(1,029)
Changes in operating assets and liabilities:			
Accounts receivable, net		(15,745)	58,796
Inventories		4,484	5,438
Other current and non-current assets		24,127	(39,642)
Litigation provision liability	20	247	(131,258)
Tax payable		(21,827)	49,114
Current and non-current liabilities		(12,395)	(8,764)
Cash provided by (used in) operations		134,713	(28,313)
Interest paid		(34,121)	(29,971)
Income taxes received / (paid)		13,583	(7,493)
Net cash provided by (used in) operating activities		114,175	(65,777)
Cash Flow From Investing Activities:			
Proceeds from sale of Heart Valves, net of cash disposed		42,945	—
Proceeds from sale of Respicardia investment and loan	12	23,057	—
Purchase of property, plant, equipment		(23,300)	(30,461)
Acquisitions, net of cash acquired		(1,694)	(1,719)
Payment of contingent consideration		(5,249)	(12,018)
Purchase of intangible assets		—	(4,563)
Proceeds from asset sales		—	1,433
Purchases of investments		(3,653)	(3,184)
Loans to investees		—	(2,691)
Other		(451)	(659)
Net cash provided by (used in) investing activities		31,655	(53,862)
Cash Flows From Financing Activities:			
Proceeds from issuance of ordinary shares, net	16	322,541	—
Payment of make-whole premium on long-term debt obligations		(35,594)	—
Proceeds from short-term borrowing (maturities greater than 90 days)		—	47,053
Repayments of short-term borrowing (maturities greater than 90 days)		—	(44,838)
Proceeds from long-term debt obligations	17	—	886,899
Repayment of long-term debt obligations	17	(452,256)	(482,065)
Purchase of capped call	17	—	(43,096)
Principal payments of lease liabilities	18	(11,630)	(13,645)
Shares repurchased from employees for minimum tax withholding		(12,942)	(5,601)
Debt issuance costs		(2,450)	(23,736)
Closing adjustment payment for sale of CRM business		—	(14,891)
Other financial assets and liabilities		4,467	3,049
Net cash (used in) provided by financing activities		(187,864)	309,129
Effect of exchange rate changes on cash and cash equivalents		(2,805)	2,205
Net (decrease) increase in cash and cash equivalents		(44,839)	191,695
Cash and cash equivalents at beginning of year		252,832	61,137
Cash and cash equivalents at end of year		$ 207,993	$ 252,832

(1) The consolidated statement of cash flows for the year ended 31 December 2020 has been restated. For further details refer to "Note 1. Nature of Operations" in our consolidated financial statements and accompanying notes, beginning on page 101 of this Annual Report.

See accompanying notes to the consolidated financial statements

LIVANOVA PLC AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 1. Nature of Operations

Company information. LivaNova PLC (collectively with its subsidiaries, the "Company," "LivaNova," "Group," "we" or "our") is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (Registration number 09451374). The Company is domiciled in England and Wales in the United Kingdom and its registered address is 20 Eastbourne Terrace, London, W2 6LG, United Kingdom.

Background. LivaNova PLC was organized under the laws of England and Wales on 20 February 2015 for the purpose of facilitating the business combination of Cyberonics, Inc., a Delaware corporation and Sorin S.p.A., a joint stock company organized under the laws of Italy. As a result of the business combination, LivaNova, headquartered in London, became the holding company of the combined businesses of Cyberonics and Sorin. This business combination became effective on 19 October 2015, at which time LivaNova's Ordinary Shares were listed for trading on Nasdaq and on the London Stock Exchange (LSE) as a standard listing under the trading symbol "LIVN." Upon the consummation of the business combination of Cyberonics and Sorin, the historical financial statements of Cyberonics became the Company's historical financial statements. On 23 February 2017, we announced our voluntary cancellation of our standard listing of our shares with the LSE due to the low trading volume of our shares and trading ceased at the close of business on 4 April 2017. We continue to serve our shareholders through our listing on the Nasdaq.

Description of the business. LivaNova is a global medical device company focused on the development and delivery of important therapeutic solutions for the benefit of patients, healthcare professionals and healthcare systems throughout the world. We design, develop, manufacture and sell innovative products and therapies that are consistent with our mission to provide hope to patients through innovative medical technologies, delivering life-changing improvements for both the Head and Heart.

Business segments. LivaNova is comprised of three reportable segments: Cardiopulmonary, Neuromodulation and Advanced Circulatory Support, corresponding to our primary business units. Other includes the results of our Heart Valves business, which was disposed of on 1 June 2021, and corporate shared service expenses for finance, legal, human resources, information technology and corporate business development.

Effective in the fourth quarter of 2021, LivaNova changed its reportable segments corresponding to changes in how the Company's chief operating decision maker regularly reviews information, allocates resources and assesses performance. The segment financial information presented herein reflects these changes for all periods presented. The Company's changes to its reportable segments are summarised as follows:

- The Company's Advanced Circulatory Support business is no longer assessed as part of the Company's previously reported Cardiovascular reportable segment and is evaluated independently as its own reportable segment.
- The Company's Cardiopulmonary business is no longer assessed as part of the Company's previously reported Cardiovascular reportable segment and is evaluated independently as its own reportable segment.
- The Company's Heart Valves business, which was disposed of on 1 June 2021, is now included within Other.

Revision of Previously Issued Financial Statements

During 2021, the Company identified and corrected an error related to foreign currency exchange rates utilized to calculate inventory and cost of sales for the years ended 31 December 2017 through 2020. We evaluated whether our previously issued consolidated financial statements were materially misstated due to these errors. Accordingly, we have restated our financial statements for the year ended 31 December 2020, as shown below (in thousands):

Consolidated Statement of (Loss) Income

	Year Ended 31 December 2020		
	As Previously Reported	Adjustments	As Restated [1]
Cost of sales	$ 309,777	$ 4,035	$ 313,812
Operating loss from continuing operations	(165,850)	(4,035)	(169,885)
Loss from continuing operations before tax	(239,877)	(4,035)	(243,912)
Income tax benefit	60,822	224	61,046
Loss from continuing operations	(179,055)	(3,811)	(182,866)
Loss attributable to owners of the parent	(180,548)	(3,811)	(184,359)
Basic and diluted loss per share:			
Continuing operations	$ (3.68)	$ (0.08)	$ (3.76)
Discontinued operations	(0.04)	—	(0.04)
	$ (3.72)	$ (0.08)	$ (3.80)

(1) As Restated amounts are prior to reclassifications, which are described in "Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies."

Consolidated Statement of Comprehensive Income

	Year Ended 31 December 2020		
	As Previously Reported	Adjustments	As Restated
Loss attributable to owners of the parent	$ (180,548)	$ (3,811)	$ (184,359)
Total comprehensive loss from continuing operations for the year, net of taxes attributable to owners of the parent	(154,451)	(3,811)	(158,262)

Consolidated Balance Sheet

	31 December 2020			1 January 2020		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
Inventories	$ 126,675	$ (11,390)	$ 115,285	$ 164,154	$ (7,355)	$ 156,799
Total current assets	648,896	(11,390)	637,506	547,272	(7,355)	539,917
Total assets	2,169,521	(11,390)	2,158,131	2,002,239	(7,355)	1,994,884
Deferred tax liabilities	11,184	(1,826)	9,358	18,182	(1,602)	16,580
Total non-current liabilities	998,272	(1,826)	996,446	506,395	(1,602)	504,793
Accumulated deficit	(976,849)	(9,564)	(986,413)	(824,411)	(5,753)	(830,164)
Total equity	858,555	(9,564)	848,991	981,999	(5,753)	976,246
Total liabilities and equity	2,169,521	(11,390)	2,158,131	2,002,239	(7,355)	1,994,884

Consolidated Statement of Changes in Equity

	As Previously Reported		Adjustments		As Restated	
	Accumulated Deficit	Total Stockholders' Equity	Accumulated Deficit	Total Stockholders' Equity	Accumulated Deficit	Total Stockholders' Equity
31 December 2019	$ (824,411)	$ 981,999	$ (5,753)	$ (5,753)	$ (830,164)	$ 976,246
Total comprehensive income (loss) for the year	(180,548)	(180,548)	(3,811)	(3,811)	(184,359)	(184,359)
31 December 2020	(976,849)	858,555	(9,564)	(9,564)	(986,413)	848,991

Consolidated Statement of Cash Flows

	Year Ended 31 December 2020		
	As Previously Reported	Adjustments	As Restated
Loss for the year	$ (180,548)	$ (3,811)	$ (184,359)
Income tax benefit	(60,822)	(224)	(61,046)
Changes in operating assets and liabilities:			
Inventories	1,403	4,035	5,438
Net cash provided by (used in) operating activities	(65,777)	—	(65,777)

Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies

Basis of Preparation. The consolidated financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards, and have been prepared on a going concern basis.

On 31 December 2020, the EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. The consolidated financial statements transitioned to UK-adopted international accounting standards on 1 January 2021.

Accounting policies have been applied consistently, other than where new policies have been adopted, and are presented on a historical cost basis, except for investments in equity instruments in privately-held companies, derivative financial instruments, contingent consideration liabilities, pension obligations, assets and liabilities held for sale and share awards that have been measured at fair value. The consolidated financial statements are presented in U. S. dollars and all values are rounded to the nearest thousands, except where otherwise indicated.

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

- Product remediation has been reclassified to cost of sales in order to conform to the Group's presentation of the consolidated statement of (loss) income for the year ended 31 December 2021, as product remediation expense is deemed insufficient for discrete presentation,
- Amortisation of intangible assets have been reclassified from selling, general and administrative and research and development to cost of sales in order to conform to the Group's revised U.S. GAAP presentation of the consolidated statement of income (loss) where amortization of intangible assets are classified based on the nature of the underlying intangible assets, and
- Loss on debt extinguishment has been reclassified from foreign exchange and other gains/(losses) to loss on debt extinguishment in order to conform to the Group's presentation of the consolidated statement of (loss) income for the year ended 31 December 2021, as loss on on debt extinguishment is deemed sufficient for discrete presentation.

	Year Ended 31 December 2020		
	As Restated	Reclassifications	Current Presentation
Net sales	$ 934,241	$ —	$ 934,241
Costs and expenses:			
Cost of sales	313,812	24,495	338,307
Product remediation	7,860	(7,860)	—
Selling, general and administrative	447,759	(1,839)	445,920
Research and development	166,691	(14,796)	151,895
Exceptional items	168,004	—	168,004
Operating loss from continuing operations	(169,885)	—	(169,885)
Finance income	131	—	131
Finance expense	(59,827)	—	(59,827)
Loss on debt extinguishment	—	(1,407)	(1,407)
Foreign exchange and other gains/(losses)	(14,067)	1,407	(12,660)
Share of loss from equity accounted investments	(264)	—	(264)
Loss from continuing operations before tax	$ (243,912)	$ —	$ (243,912)

Going Concern. As of 31 March 2022, the Group had cash and cash equivalents of $128.7 million. Based on our current business plan, we believe that our existing cash and cash equivalents and future cash generated from operations will be sufficient to fund our expected operating needs, working capital requirements, R&D opportunities, capital expenditures and debt service requirements over the next twelve months from the issuance date of these consolidated financial statements. We regularly review our capital needs and consider various investing and financing alternatives to support our requirements. Additionally, as of 31 March 2022, we are in compliance with the financial covenants associated with our debt facilities, and the Group's forecasts support ongoing compliance with the covenants. Therefore, it is appropriate to adopt the going concern basis in preparing these consolidated financial statements.

Since early 2020, COVID-19 has caused and may continue to cause unpredictable demand for our products. Throughout the pandemic, healthcare customers have diverted medical resources and priorities towards the treatment of COVID-19, and public health bodies have delayed elective procedures, which has negatively impacted the usage of our products. Further, some people have avoided seeking treatment for non-COVID-19 procedures and hospitals and clinics have experienced staffing shortages, which have negatively impacted the demand for our products. While we have seen improvement during 2021, we continue to experience ongoing COVID-19 related headwinds and are monitoring the potential for various strains of the virus to cause a resumption of high levels of infection and hospitalization, that in turn, may affect the demand for our products. The extent to which the COVID-19 pandemic continues to impact the Company's results of operations and financial condition will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity and longevity of COVID-19 and its variants, the resurgence of COVID-19 in regions that have begun to recover from the initial impact of the pandemic, the impact of COVID-19 on economic activity and the actions to contain its impact on public health and the global economy.

In February 2022, Russia launched an invasion in Ukraine which caused us to assess our ability to sell in the market due to international sanctions, to consider the potential impact of raw material sourced from the region, and to determine whether we are able to transact in a compliant fashion. Although the region represented 1% of our total net sales for 2021, the Russian invasion of

Ukraine has increased economic uncertainties, and a significant and/or continuation of the conflict could have a material, global impact on our operating results. In addition, our Russian employees and local subsidiary are subject to evolving laws and regulations imposed by the Russian authorities in response to international sanctions.

On 17 June 2020, our wholly-owned subsidiary, LivaNova USA, Inc., issued $287.5 million aggregate principal amount of 3.00% Cash Exchangeable Senior Notes due in 2025 (the "Notes"). Holders of the Notes are entitled to exchange the Notes at any time during specified periods, at their option. This includes the right to exchange the Notes during any calendar quarter, if the last reported sale price of LivaNova's ordinary shares, with a nominal value of £1.00 per share, is greater than or equal to 130% of the exchange price, or $79.27 per share for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter. The exchange condition was satisfied on 20 December 2021, which allowed the holders of the Notes to request to exchange the Notes through 31 March 2022. As a result, we reclassified our obligations from the Notes and the associated embedded exchange feature derivative as a current liability on the consolidated balance sheet as of 31 December 2021. However, no holders elected to exchange the Notes. The exchange condition was not satisfied during the quarterly period ending 31 March 2022. As such, the Notes are not currently exchangeable. The Notes are exchangeable solely into cash and are not exchangeable into ordinary shares of LivaNova or any other security under any circumstances. The initial exchange rate for the Notes is 16.3980 ordinary shares per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $60.98 per share). The exchange rate is subject to adjustment in certain circumstances, as set forth in the indenture governing the Notes. If holders elect to exchange their Notes in any future periods in the event an exchange condition is met, we would be required to settle our exchange obligation through the payment of cash, which could adversely affect our liquidity. Refer to "Note 17. Financial Liabilities" for further information.

On 21 February 2022, the Court of Appeal notified the Company that it granted the Company a suspension with respect to the payment of damages in the amount of €453.6 million (approximately U.S. $514.6 million at 31 December 2021) in the SNIA litigation until a decision has been reached on our appeal to the Italian Supreme Court. This suspension is subject to providing a first demand bank surety of €270.0 million (approximately U.S. $306.2 million) within 30 calendar days.

On 24 February 2022, LivaNova PLC and its wholly-owned subsidiary, LivaNova USA, Inc. entered into the $220.0 million Bridge Loan Facility, which was funded on 17 March 2022. The proceeds of the Bridge Loan Facility were used by LivaNova to post a portion of the cash collateral supporting the SNIA Litigation Guarantee.

On 18 March 2022, LivaNova PLC, acting through its Italian branch, entered into an Indemnity Letter and an Account Pledge Agreement with Barclays, further to which Barclays issued a Euro 270.0 million first demand bank guarantee which was delivered to obtain the suspension of the SNIA Litigation Guarantee. As security for the SNIA Litigation Guarantee, LivaNova is required to grant cash collateral to Barclays in U.S. Dollars in an amount equal to the USD equivalent of 105% of the amount of the SNIA Litigation Guarantee.

On 21 March 2022, LivaNova delivered the SNIA Litigation Guarantee as required by the Court of Appeals of Milan, thereby satisfying the condition to obtain the suspension of the Court of Appeals judgment for the payment of damages in connection with the SNIA litigation until review of such judgment by the Italian Supreme Court.

Fiscal Year-End. LivaNova's fiscal year ends 31 December.

Consolidation. The accompanying consolidated financial statements include LivaNova, our wholly owned subsidiaries *and associates* and the LivaNova PLC Employee Benefit Trust. All significant intercompany accounts and transactions have been eliminated.

Equity Method. Under the equity method of accounting, the investments in associates and joint ventures are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income (OCI) (loss) of the investee in OCI (loss). Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Goodwill. We allocate the amounts we pay for an acquisition to the assets we acquire and liabilities we assume based on their fair values at the date of acquisition, including property, plant and equipment, inventories, accounts receivable, long-term debt, and identifiable intangible assets which either arise from a contractual or legal right or are separable from goodwill. We base the fair value of identifiable intangible assets acquired in a business combination, including in-process research and development, on detailed valuations that use information and assumptions provided by management, which consider management's best estimates of inputs and assumptions that a market participant would use. We allocate any excess purchase price over the fair value of the net tangible and identifiable intangible assets acquired to goodwill. Transaction costs associated with these acquisitions are expensed as incurred and are reported as selling, general and administrative on the consolidated statement of (loss) income. We recognise adjustments to the provisional amounts identified during the measurement period with a corresponding adjustment to goodwill in the reporting year in which the adjustment amounts are determined. The effect on earnings of changes in depreciation,

amortisation or other income effects, if any, as a result of the change to the provisional amounts are recorded in the same year's consolidated financial statements, calculated as if the accounting had been completed at the acquisition date.

Intangible Assets, Other than Goodwill. Intangible assets shown on the consolidated balance sheet consist of finite-lived and indefinite-lived assets expected to generate future economic benefits and are recorded at their respective fair values as of their acquisition date. Finite-lived intangible assets consist primarily of developed technology and technical capabilities, including patents, related know-how and licensed patent rights, trade names, customer relationships and favourable leases acquired in acquisitions. Customer relationships consist of relationships with hospitals and cardiac surgeons in the countries where we operate. Indefinite-lived intangible assets other than goodwill are composed of IPR&D assets acquired in acquisitions. We estimate the useful lives of our intangible assets, which requires management judgement. We amortise our finite-lived intangible assets over their useful lives using the straight-line method.

We evaluate our finite-lived and indefinite-lived intangible assets each reporting year to determine whether events and circumstances indicate either a different useful life or impairment, respectively. For finite-lived intangible assets, if we change our estimate of the useful life of an asset, we amortise the carrying amount over the revised remaining useful life.

Foreign Currency. We determine the functional currency of our subsidiaries that exist and operate in different economic and currency environments based on the primary economic environment in which the subsidiary operates, that is, the currency of the environment in which an entity primarily generates and expends cash. Our significant foreign subsidiaries are located in Europe and the U.S. The functional currency of our significant European subsidiaries is the Euro, and the functional currency of our significant U.S. subsidiaries is the U.S. dollar.

Assets and liabilities of subsidiaries whose functional currency is not the U.S. dollar are translated into U.S. dollars based on a combination of both current and historical exchange rates, while their revenues earned and expenses incurred are translated into U.S. dollars at average period exchange rates. Translation adjustments are included as accumulated other comprehensive income (AOCI) on the consolidated balance sheet. Gains and losses arising from transactions denominated in a currency different from an entity's functional currency are included in FX and other losses on our consolidated statement of (loss) income. Taxes are not provided on cumulative translation adjustments, as substantially all translation adjustments are related to earnings which are intended to be indefinitely reinvested in the countries where earned. Foreign exchange and other losses on the consolidated statement of (loss) income consists primarily of gains and losses arising from transactions denominated in a currency different from an entity's functional currency and foreign currency exchange rate and other derivative gains and losses.

Foreign currency differences arising from translation are recognised in the consolidated statement of (loss) income.

The Euro and GBP exchange rate to the USD used in preparing the Company financial statements was as follows:

	Weighted Average Rate Euro	Closing Rate Euro	Weighted Average Rate GBP	Closing Rate GBP
Year ended 31 December 2021	0.845433	0.881410	0.726888	0.739740
Year ended 31 December 2020	0.877417	0.815100	0.779623	0.732120

Financial Instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are offset with the net amount reported in the consolidated balance sheet only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(a) *Financial Assets*

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, investments, financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date on which the Company commits to purchase or sell the asset.

The subsequent measurement and impairment of financial assets depends on their classification as described below:

Financial Assets at Fair Value Through Profit or Loss. Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for trading if they are acquired for the purpose of selling or re-purchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. We use freestanding derivative forward contracts to offset exposure to the variability of the value associated with assets and liabilities denominated in a foreign currency. These derivatives are not designated as hedges, and

therefore changes in the value of these forward contracts are recognised in income statement, thereby offsetting the current net income (loss) effect of the related change in value of foreign currency denominated assets and liabilities.

Changes in the fair value of our investments in equity instruments held at fair value are recognised through profit or loss.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The receivable balance consists of trade receivables from direct customers and distributors and loans issued. We maintain an expected credit loss provision for expected credit losses based on our estimates of the ability of customers to make required payments, historical credit experience, existing economic conditions and expected future trends. We write off uncollectable accounts against the provision when all reasonable collection efforts have been exhausted. Loans, together with the associated provision are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. The losses arising from impairment are recognised in the consolidated statement of (loss) income in cost of sales or other operating expenses for receivables.

Collection periods for trade receivables vary significantly due to the nature of a customer (e.g. government or private) and its geographic location. LivaNova may utilize non-recourse and with-recourse factoring arrangements as a part of its funding policy; however, as at 31 December 2021 and 31 December 2020, there are no factoring arrangements outstanding.

Refer to "Note 14. Trade Receivables and Other Receivables" for further information.

Financial Asset Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement, and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(b) *Financial Liabilities*

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings (bank debt), payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and bank debt including bank overdrafts, and derivative financial instruments.

The measurement of financial liabilities depends on their classification, as follows:

Financial Liabilities at Fair Value Through Profit or Loss. Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9, which the Company has elected to apply. Gains or losses on liabilities held-for-trading are recognised in the consolidated statement of (loss) income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Changes in the fair value of our contingent consideration liability are recognised through profit or loss.

Loans and Borrowings (bank debt). After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of (loss) income when the liabilities are de-recognised, as well as through the EIR method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of (loss) income.

Financial Guarantee Contracts. Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs, because the specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, and then adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured through profit or loss at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Financial Liability Derecognition. A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different

terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of (loss) income.

Derivative Financial Instruments and Hedge Accounting. We use currency exchange rate derivative contracts and interest rate derivative instruments to manage the impact of currency exchange and interest rate changes on the consolidated statement of (loss) income and the consolidated statement of cash flows. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. We evaluate hedge effectiveness at inception and on an ongoing basis, based upon a comparison between the actual amounts and the forecasted amounts of the hedged items, for each currency included in the hedge accounting model. If a derivative is no longer expected to be highly effective, hedge accounting is discontinued. Hedge ineffectiveness, if any, is recorded in the consolidated statement of (loss) income. Cash flows from derivative contracts are reported as operating activities in the consolidated statement of cash flows.

When a hedging instrument expires, is sold or is terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of (loss) income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

In order to minimise income statement and cash flow volatility resulting from currency exchange rate changes, we enter into derivative instruments, principally forward currency exchange rate contracts. These contracts are designed to hedge anticipated foreign currency transactions and changes in the value of specific assets and liabilities and of some revenue. At inception of the forward contract, the derivative is designated as either a freestanding derivative or a cash flow hedge. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of AOCI (loss) and reclassified to the consolidated statement of (loss) income to offset exchange differences originated by the hedged item or to adjust the value of net income (loss) from continuing operations. We do not enter into currency exchange rate derivative contracts for speculative purposes.

Cash and Cash Equivalents. We consider all highly liquid investments with an original maturity of three months or less, consisting of demand deposit accounts and money market mutual funds, to be cash equivalents. Cash equivalents are carried on the consolidated balance sheet at cost, which approximated their fair value.

Non-monetary Assets. Property, Plant and Equipment. Property, Plant & Equipment (PP&E) is carried at cost, less accumulated depreciation and any accumulated impairment losses. Maintenance and repairs, and minor replacements are charged to expense as incurred, while significant renewals and improvements are capitalised. We compute depreciation using the straight-line method over estimated useful lives. Where an item of PP&E comprises several parts with different useful lives, each part is recognised as a separate item and depreciated over its useful life. Useful life and residual value of PP&E are reviewed at each year-end. As necessary, the occurrence of changes to the useful life or residual value is recognised prospectively as a change in accounting estimates.

Leasehold improvements are depreciated over the shorter of the useful life of an asset or the lease term. Capital improvements to the building are added as building components and depreciated over the useful life of the improvement or the building, whichever is less.

The estimated useful lives for all classes of depreciable PP&E, except for land and capital investment in process which are not depreciated, as at 31 December 2021 were as follow:

	Lives in Years
Building and building improvements	3 to 39
Equipment, other, furniture, fixtures	3 to 18

The estimated useful lives for all classes of depreciable PP&E, except for land and capital investment in process which are not depreciated, as at 31 December 2020 were as follow:

	Lives in Years
Building and building improvements	3 to 39
Equipment, other, furniture, fixtures	3 to 20

Where there are any internal or external indications that the value of an item of PP&E may be impaired, the recoverable amount of the group of cash generating unit(s) (CGU(s)) to which it belongs is calculated. If the recoverable amount is less than the carrying amount of the group of CGUs, a provision for impairment is recorded. PP&E is reviewed for impairment annually on 31st of December.

Impairment of Goodwill and Long-lived Assets. The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The methodology applied to our CGUs value in use calculations, reflecting past experience and external sources of information, includes Board approved five-year budgets based on pre-tax cash flows which are extended to trend the expected revenue growth rate at the end of the budgeted period down to the estimated long-term growth rate in a linear manner. The methodology applied to our value in use calculations is based on projected periods and includes a discounted cash flow model test, utilizing discount rates and a long-term growth rate. Goodwill impairment evaluations are highly subjective. They involve expectations of future cash flows that reflect our judgements and assumptions regarding future industry conditions and operations. The estimates, and assumptions used in the application of our goodwill impairment policies reflect both historical experience and an assessment of current operational, industry, market, economic and political environments. Quantitative factors used to determine the fair value of the CGU reflect our best estimates, and we believe they are reasonable. Future declines in the CGU's operating performance or our anticipated business outlook may reduce the estimated fair value of our CGU and result in additional impairment. Factors that could have a negative impact on the fair value of the reporting units include, but are not limited to:

- Decreases in revenue as a result of the inability of our sales force to effectively market and promote our products;
- Increased competition, patent expirations or new technologies or treatments;
- Declines in anticipated growth rates;
- The outcome of litigation, legal proceedings, investigations or other claims resulting in significant cash outflows; and
- Increases in the market-participant risk-adjusted weighted average cost of capital (WACC)

Refer to "Note 10. Goodwill and Intangible Assets" for a discussion of the sensitivity analyses performed for the discount rate and expected revenue growth rate.

Generally, for intangible assets with a definite useful life, the Company uses cash flow projections for the whole useful life of these assets with a terminal value based on cash flow projections usually in line with or lower than inflation rates for later years.

Discount rates used are based on the Company's estimated WACC adjusted for specific country and currency risks associated with cash flow projections as an approximation of the weighted average cost of capital of a comparable market participant. Due to the above factors, actual cash flows and values could vary significantly from forecasted future cash flows and related values derived using discounting techniques.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future years.

We conduct impairment testing of our indefinite-lived intangible assets on 31 December each year. We test indefinite-lived intangible assets for impairment between annual tests if an event occurs or circumstances change that would indicate the carrying amount may be impaired. An impairment loss is recognised when the asset's carrying value exceeds its fair value.

Research and Development. Research costs are recognised as an expense for the year in which they are incurred. R&D includes costs of basic research activities as well as engineering and technical effort required to develop a new product or make significant improvement to an existing product or manufacturing process. R&D costs also include regulatory and clinical study expenses, including post-market clinical studies.

Inventories. We state our inventories at the lower of cost, using the first-in first-out (FIFO), and net realizable value. Our calculation of cost includes the acquisition cost of raw materials and components, direct labour and overhead. We reduce the carrying value of inventories for those items that are potentially excess, obsolete or slow moving based on changes in customer demand, technology developments or other economic factors.

Assets Held for Sale. We classify long-lived assets as held for sale in the period in which we commit to a plan to sell the asset, the asset is available for immediate sale, the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale of the asset is probable within the next twelve months and when actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. A long-lived asset classified as held for sale is measured at the lower of its carrying amount or fair value less cost to sell and depreciation is discontinued. We recognise an impairment for any excess of carrying value over the fair value less cost to sell.

Revenue Recognition. Refer to "Note 3. Revenue Recognition."

Defined Benefit Pension Plans and Other Post-Employment Benefits. The Company sponsors various retirement benefit plans, including defined benefit pension plans (pension benefits), defined contribution savings plans and termination indemnity plans, covering substantially all U.S. employees and employees outside the U.S. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated balance sheet with a corresponding debit or credit to retained earnings through OCI in the year in which they occur. Re-measurements are not reclassified to profit or loss in subsequent years.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date on which the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under cost of sales and selling, general and administrative expenses in the consolidated statement of (loss) income (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailment and non-routine settlements
- Net interest expense or income

Provision for severance indemnity is mandatory for Italian companies and is considered:

- a defined benefit plan with respect to amounts vested up to 31 December 2006 and amounts vesting from 1 January 2007 for employees who have chosen to maintain the Trattamento di Fine Rapporto (TFR) at the company, for companies with 50 or fewer employees;
- a defined contribution plan with respect to amounts vesting as from 1 January 2007 for employees who have opted for supplementary pensions or who have chosen to maintain the TFR at the company, for companies with more than 50 employees.

As a defined benefit plan, the TFR is measured using the unit credit projection method based on actuarial assumptions (demographic assumptions: mortality, turnover, disability of the population included in the above plan; financial assumptions: discount rate, benefit growth rate, capitalisation rate). The increase in the present value of the TFR is included in personnel expense, with the exception of the revaluation of the net liability, which is recorded among items of OCI. The cost of TFR accrued through 31 December 2006 no longer includes the component related to future salary increases. Payments of TFR, as a defined contribution plan, are also included in personnel expense, and until they are settled financially, they have a balancing entry in the statement of financial position in the form of current payables.

Share-Based Compensation. We grant share-based incentive awards to directors, officers, key employees and consultants during each fiscal year. We measure the cost of employee services received in exchange for an award of equity instruments based on the grant date fair market value of the award. The cost of equity-settled transactions is recognised in employee benefits expense, together with a corresponding increase in Retained earnings over the period in which the service and the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. We issue new shares upon stock option exercises, otherwise issuance of stock for vesting of restricted stock, restricted stock units, market performance-based restricted share units, operating performance-based restricted share units or exercises of stock appreciation rights are issued from treasury shares. We have the right to elect to pay the cash value of vested restricted stock units in lieu of the issuance of new shares. The social security contributions on employee share-based payment awards are accrued over the service period.

The following share-based incentive awards are offered by the Company:

- *Share Appreciation Rights (SAR).* A SAR confers upon an employee the contractual right to receive an amount of cash, share, or a combination of both that equals the appreciation in the Company's common share from an award's grant date to the exercise date. SARs may be exercised at the employee's discretion during the exercise period and do not give the employee an ownership right in the underlying share. The SARs may be settled in LivaNova shares and/or cash, as determined by LivaNova and as set forth in the individual award agreements. SARs do not involve payment of an exercise price. We use the Black-Scholes option pricing methodology to calculate the grant date fair market value of SARs. We determine the expected volatility on historical volatility.
- *Restricted Share (RS) and Restricted Share Units (RSU).* We may grant RS and RSUs at no purchase cost to the grantee. The grantees of unvested RSUs have no voting rights or rights to dividends. Sale or transfer of the stock and stock units is

restricted until they are vested. The fair market value of service-based RS and RSUs is determined using the market closing price on the grant date, and compensation is expensed ratably over the vesting period. Calculation of compensation for stock awards requires estimation of employee turnover and forfeiture rates. We have the right to elect to pay the cash value of vested restricted share units in lieu of the issuance of new shares. Under our share-based compensation plans we re-purchase a portion of these shares from our employees to permit our employees to meet their minimum statutory tax withholding requirements on vesting of their restricted share.

- *Market Performance-Based Restricted Share Units.* We may grant market performance-based RSUs at no purchase cost to the grantee. The grantees of the units have no voting rights or rights to dividends. Sale or transfer of the units is restricted until they are vested. The number of shares that are ultimately transferred to the grantee is dependent upon the Company's percentile rank of TSR relative to a peer group. The fair market value of market performance-based RSUs is determined utilizing a Monte Carlo simulation on the grant date and compensation is expensed ratably over the service period. Calculation of compensation for market performance-based stock awards requires estimation of employee turnover, historical volatility and forfeiture rates.
- *Operating Performance-Based Restricted Share Units.* We may grant operating performance-based RSUs at no purchase cost to the grantee. The grantees of the units have no voting rights or rights to dividends. Sale or transfer of the units is restricted until they are vested. The number of shares that are ultimately transferred to the grantee is dependent upon the Company's achievement of certain thresholds for cumulative adjusted FCF and return on invested capital. The fair market value of operating performance-based RSUs is determined using the market closing price on the grant date. Compensation is expensed ratably over the service period and adjusted based upon the percent achievement of cumulative adjusted FCF. Calculation of compensation for operating performance-based stock awards requires estimation of employee turnover, adjusted FCF, return on invested capital and forfeiture rates.

Income Taxes. The tax expense for the year comprises current and deferred tax. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the company's subsidiaries and associates operate and generate taxable income. The Company is subject to taxation on earnings in several countries under various tax regulations. Calculation of taxes on a global scale requires the use of estimates and assumptions developed based on the information available at the balance sheet date. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes are recognised by the liability method for temporary differences between the carrying amount of assets and liabilities in the consolidated balance sheet and their tax base. They are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Adjustments to deferred taxes resulting from changes in tax rates are recognised in profit or loss. A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. At each year-end, the Company reviews the recoverable value of deferred tax assets of tax entities holding significant loss carryforwards. This value is based, by tax entity, on the strategy for recoverability of the tax loss carryforwards. Deferred taxes are charged or credited directly to equity when the tax relates to items that are recognised directly in equity, such as gains and losses on cash flow hedges and actuarial gains and losses on defined benefit plan obligations. Deferred tax assets and liabilities are set off when they are levied on the same taxable entity (legal entity or tax group) by the same taxation authority and the entity has a legally enforceable right of set off. Deferred taxes are recognised for all temporary differences associated with investments in subsidiaries and associates, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax balances are not discounted.

Leases. We have leases primarily for (i) real estate, including office space and manufacturing, warehouse and research and development facilities and (ii) vehicles. We determine if an arrangement is or contains a lease at inception or when the terms and conditions of a contract are significantly changed. ROU assets and lease liabilities are recognised based on the present value of the future minimum lease payments over the lease term at the latter of our lease standard effective date for adoption or the lease commencement date. Variable lease payments that do not depend on an index or rate, such as variable common area rent maintenance charges and utility fees not known upon lease commencement, are not included in determination of the minimum lease payments and will be expensed in the period in which the obligation for those payments is incurred. Variable lease payments that depend on an index or rate are initially measured using the index or rate as of the commencement date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement in determining the present value of future payments. The incremental borrowing rate is determined using a risk-free rate adjusted for

factors such as credit rating and borrowing currency, and represents an estimate of the interest rate we would incur at lease commencement to borrow the funds necessary to obtain an asset of similar value to the ROU asset over the term of a lease. The ROU lease asset also includes any lease payments made in advance and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. ROU assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Lease payments are allocated between the liability and finance costs. Finance costs are recorded as an expense in the Company statement of (loss) income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Certain of our leases provide for tenant improvement allowances that have been recorded as ROU assets and amortised, using the straight-line method, over the life of the lease.

We apply certain practical expedients on an ongoing basis, including the practical expedient for short-term leases and leases of low-value assets pursuant to which a lessee is permitted to make an accounting policy election by class of underlying asset not to recognise a lease liability and lease asset. A short-term lease is defined as a lease with a term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. In exception to vehicles as it relates to the low-value lease asset policy, we have applied these accounting policies to all asset classes in our portfolio and will recognise the lease payments for such short-term leases and leases of low-value assets within profit or loss on a straight-line basis over the lease term.

Accounting for leases has no impact on the actual cash flows. However, lease accounting requires the capitalisation, and subsequent depreciation, of costs that were previously expenses as paid, which impacts disclosures of cash flows within the cash flow statement.

From a lessor perspective, certain of our agreements that allow the customer to use, rather than purchase, our medical devices meet the criteria of being a lease.

For additional information refer to “Note 18. Leases.”

Equity. Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company’s equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of LivaNova as treasury shares until the shares are cancelled or reissued. Where such Ordinary Shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of LivaNova.

Provisions and Warranties. Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance expense.

The Company offers a product warranty on various products. The Company estimates the costs that may be incurred under warranties and records a liability in the amount of such costs at the time the product is sold. The amount of the reserve recorded is equal to the net costs to repair or otherwise satisfy the claim. The warranty obligation is included in current provisions on the consolidated balance sheet. Warranty expense is recorded in cost of sales in the consolidated statement of (loss) income.

Contingent Consideration. Contingent consideration is recognised at fair value at the date of acquisition based on the consideration expected to be transferred and estimated as the probability of future cash flows, discounted to present value in accordance with accepted valuation methodologies. The discount rate used is a benchmark yield curve for U.S. healthcare companies, determined at the time of measurement. Contingent consideration is remeasured each reporting year with the change in fair value, including accretion for the passage of time, recorded in the consolidated statement of (loss) income. The change in fair value of contingent consideration based on the achievement of regulatory milestones is recorded as research and development expense while the change in fair value of sales-based earnout contingent consideration is recorded as cost of sales.

Product Liability Accruals. Accruals for product liability claims are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. Accruals for product liability claims are adjusted periodically as additional information becomes available. The Company accrues an estimate of the legal defense costs needed to defend each matter when those costs are probable and can be reasonably estimated.

Contingencies. The Company is subject to product liability claims, government investigations and other legal proceedings in the ordinary course of business. Legal fees and other expenses related to litigation are expensed as incurred and included in selling, general and administrative expenses in the consolidated statement of (loss) income. Contingent accruals are recorded when the Company determines that a loss is both probable and reasonably estimable. Due to the fact that legal proceedings and other contingencies are inherently unpredictable, our assessments involve significant judgement regarding future events.

Earnings Per Share. Basic (loss) EPS is calculated by dividing the (loss) income for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year. Diluted EPS is calculated by dividing the income (loss) attributable to equity holders of the parent by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into shares. However, for the calculation of diluted EPS for the years ended 31 December 2021 and 2020 there is no dilution because to do so would be antidilutive due to the Company being in a net loss position during these years. Refer to "Note 26. Earnings Per Share" for additional information.

Critical Estimates and Judgements. The preparation of our consolidated financial statements in conformity with IFRS requires management to make estimates and judgements that affect the amounts reported in such financial statements and accompanying notes. These estimates and judgements are based on management's best knowledge of current events and actions we may undertake in the future. Actual results could differ materially from those estimates. Application of the following accounting policies requires certain judgements and estimates that have the potential for the most significant impact on our consolidated financial statements:

Critical Estimates

- *3T Litigation and Saluggia Site Hazardous Substances Provisions.* Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Estimates are used in assessing the likelihood of a loss being incurred and when determining a reasonable estimate of the loss for each claim. Final settlement amounts may be materially different from the provision recorded. For the 3T litigation provision, given the nature of the estimate, no sensitivities are applicable. For further discussions on our 3T Litigation and Saluggia Site Hazardous Substances Provisions, please refer to "Note 25. Commitments and Contingencies, including the sensitivity to discount rates and the range of outcomes for the Saluggia site hazardous substances provision."

- *Goodwill and Intangible Assets - In-process research and development.* Goodwill and in-process R&D were recognised as part of our past merger and acquisition activities based on detailed valuations that use information and assumptions provided by management. These valuations consider management's best estimates of inputs and assumptions that a market participant would use. The key estimates in the valuations include the discount rate as well as the expected revenue growth rate. For a discussion of impairments recognised and sensitivity analyses performed, refer to "Note 10. Goodwill and Intangible Assets."

- *Embedded Exchange Feature and Capped Call Derivatives*. In June 2020, the Company issued cash exchangeable senior notes and entered into related capped call transactions. The cash exchangeable senior notes include an embedded exchange feature that is bifurcated from the cash exchangeable senior notes. The embedded exchange feature derivative is measured at fair value using a binomial lattice model and discounted cash flows that utilize observable and unobservable market data. The capped call derivative is measured at fair value using the Black-Scholes model utilizing observable and unobservable market data, including stock price, remaining contractual term, expected volatility, risk-free interest rate and expected dividend yield, as applicable. The Company uses historical volatility and implied volatility from options traded to determine expected stock price volatility which is an unobservable input that is significant to the valuation. For additional information, please refer to "Note 4. Financial Risk Management" for a sensitivity analysis of expected stock price volatility and "Note 17. Financial Liabilities."

- *Deferred Tax Recoverability*. Management has made estimates regarding the recoverability of deductible temporary differences and tax losses carried forward to be utilized from future taxable profits. The Group has decided not to recognise UK deferred tax assets relating to losses where UK group relief is not permitted, and other timing differences due to the uncertainty involved in determining the future profitability of the Group. We performed a sensitivity analysis concerning the recoverability of our deferred tax assets as of 31 December 2021, utilizing the discounted cash flow models used in the assessment of our group CGUs for impairment. We determined that a decrease of 0.5% in the expected revenue growth rate used, which we consider to be a reasonably possible change, would not impact the expected timing of deferred tax asset utilization. For additional information, please refer to "Note 24. Income Taxes."

Critical Judgements

- *Commitments and Contingencies.* A number of LivaNova subsidiaries are involved in various government investigations and legal proceedings (product liability, commercial, employment, environmental claims, etc.) arising out of the normal conduct of their businesses. The outcome of these matters is not certain and judgement is required in determining whether these matters require the recognition of a liability. The most significant matters considered relate to our 3T device, the SNIA litigation and our Saluggia site. For more information, see "Note 25. Commitments and Contingencies."
- *Exceptional Items.* Exceptional items are expense or income items which have been determined by management as being material by their size or incidence and are presented separately within the results of the group. The determination of which items are disclosed as exceptional items will affect the presentation of profit measures and requires a degree of judgement. Details relating to exceptional items reported during the year are set out in "Note 31. Exceptional Items."

Note 3. Revenue Recognition

We generate our revenue through contracts with customers that primarily consist of hospitals, healthcare institutions, distributors and other organizations. Revenue is measured based on consideration specified in a contract with a customer, and excludes amounts collected on behalf of third parties. We measure the consideration based upon the estimated amount to be received. The amount of consideration we ultimately receive varies depending upon the return terms, sales rebates, discounts, and other incentives that we may offer, which are accounted for as variable consideration when estimating the amount of revenue to recognise. The recognition of variable consideration associated with product returns and sales discounts requires estimation. We estimate expected sales returns based on historical data. Sales discounts and rebates are applied to customer purchases based on anticipated sales during the discount period.

We have historically experienced a low rate of product returns and the total dollar value of product returns has not been significant to our consolidated financial statements.

We recognise revenue when a performance obligation is satisfied by transferring the control of a product or providing service to a customer. Some of our contracts include the purchase of multiple products and/or services. In such cases, we allocate the transaction price based upon the relative estimated stand-alone price of each product and/or service sold. We record state and local sales taxes net: that is, we exclude sales tax from revenue. Typically, our contracts do not have a significant financing component. We did not apply the practical expedient under IFRS 15 which provides that an entity is not required to adjust the transaction price for the effects of a significant financing component if, at contract inception, it expects the period between customer payment and the transfer of goods or services to be one year or less.

We incur incremental commission fees paid to the sales force associated with the sale of products. We apply the practical expedient within IFRS 15 and have elected to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset the entity would otherwise recognise is one year or less. As a result, no commissions have been capitalised as contract costs since adoption of IFRS 15.

The following is a description of the principal activities (separated by reportable segments) from which we generate our revenue. For more detailed information about our reportable segments including disaggregated revenue results by operating segment, major product line and primary geographic market, see "Note 27. Segment and Geographic Information."

Cardiopulmonary Products and Services

Cardiopulmonary products include oxygenators, HLMs, autotransfusion systems, perfusion tubing systems, cannulae and other related accessories.

Cardiopulmonary products may include performance obligations associated with assembly and installation of equipment. Accordingly, we allocate a portion of the sales prices to installation obligations and recognise that revenue when the service is provided. We recognise revenue for equipment and accessory product sales when control of the equipment or product passes to the customer.

Technical services include installation, repair and maintenance of cardiopulmonary equipment under service contracts or upon customer request. Technical service agreements generally provide for upfront payments in advance of rendering services or periodic billing over the contract term. Amounts billed in advance are deferred and recognised as revenue when the performance obligation is satisfied. Technical services are not a significant component of Cardiopulmonary revenue and have been presented with the related equipment and accessories revenue.

Neuromodulation Products

Neuromodulation segment products are comprised of Neuromodulation therapy systems for the treatment of drug-resistant epilepsy, DTD and OSA. Our Neuromodulation product line includes the VNS Therapy System, which consists of an implantable pulse generator, a lead that connects the generator to the vagus nerve, and other accessories. Our Neuromodulation product line

also includes an implantable device for the treatment of OSA that stimulates multiple tongue muscles via the hypoglossal nerve, which in turn, engages certain muscles in the tongue in order to open the airway while a patient is sleeping. We recognise revenue for Neuromodulation product sales when control passes to the customer.

Advanced Circulatory Support Products

Advanced Circulatory Support includes temporary life support product kits that can include a combination of pumps, oxygenators, and cannulae. Advanced Circulatory Support revenue is recognised when control passes to the customer, usually at the point of shipment.

Contract Balances

Due to the nature of our products and services, revenue producing activities may result in the recognition of contract assets and contract liabilities. These activities relate primarily to Cardiopulmonary technical services contracts for short-term and multi-year service agreements. Contract assets are primarily comprised of unbilled revenues, which occur when a performance obligation has been completed, but not billed to the customer. Contract liabilities are made up of deferred revenue, which occurs when a customer pays for a service, before a performance obligation has been completed. Contract assets are included within prepaid expenses and other current assets on the consolidated balance sheet and were insignificant at 31 December 2021 and 31 December 2020. At 31 December 2021 and 31 December 2020, contract liabilities of $9.8 million and $8.6 million, respectively, were included within other payables and other and other long-term liabilities on the consolidated balance sheet.

Note 4. Financial Risk Management

Management of Financial Risk

Increasing market fluctuations may result in significant earnings and cash flow volatility risk for LivaNova. The Company’s operating business as well as its investment and financing activities are affected particularly by changes in foreign exchange rates, interest rates and concentration of procurement suppliers and customers. In order to optimize the allocation of the financial resources across LivaNova's segments and entities, as well as to achieve its aims, LivaNova identifies, analyses and manages the associated market risks. The Company seeks to manage and control these risks primarily through its regular operating and financing activities, and uses derivative financial instruments when deemed appropriate.

The Company’s CFO oversees the management of these risks. The CFO is supported by a senior financial management team that advises on financial risks and the appropriate financial risk governance framework for the Company. The senior financial management team provides assurance to the Company’s senior management that the Company’s financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with policies and risk appetite. All derivative activities for risk management purposes are carried out by teams that have the appropriate skills, experience and supervision. It is the Company’s policy that no trading in derivatives for speculative purposes may be undertaken. Intercompany financing or investments of operating units are preferably carried out in their functional currency or on a hedged basis. The Board reviews and agrees to policies for managing each of these risks.

Liquidity Risk

Liquidity risk results from the Company’s inability to meet its financial liabilities. LivaNova follows a financing policy that is aimed towards a balanced financing portfolio, a diversified maturity profile and a comfortable liquidity cushion. LivaNova mitigates liquidity risk by the implementation of an effective working capital and centralized cash management and arranged credit facilities with highly rated financial institutions. In addition, LivaNova constantly monitors funding options available in the capital markets, as well as trends in the availability and costs of such funding, with a view to maintaining financial flexibility and limiting repayment risks.

The following tables reflect the undiscounted cash outflows related to settlement and repayments, of the Company’s financial liabilities at a balance sheet date. The disclosed expected undiscounted net cash outflows from derivative financial liabilities are determined based on each particular settlement date of an instrument and based on the earliest date on which LivaNova could be required to pay. Cash outflows for financial liabilities without fixed amount or timing are based on the conditions existing at the respective balance sheet date.

Contractual undiscounted cash outflows were as follows (in thousands):

	31 December 2021				
	Due Within 1 Year	1-2 Years	2-5 Years	Over 5 Years	Total
Non-derivative financial instruments					
Trade payables	$ 66,754	$ —	$ —	$ —	$ 66,754
Financial liabilities	4,493	9,395	287,620	331	301,839
Total	$ 71,247	$ 9,395	$ 287,620	$ 331	$ 368,593
Financial derivative liabilities					
- on exchange rate risk	$ 1,409	$ —	$ —	$ —	$ 1,409
- on equity price risk (1)	—	—	181,700	—	181,700
Total	$ 1,409	$ —	$ 181,700	$ —	$ 183,109

(1) Refer to the section titled "Equity Price Risk" below.

	31 December 2020				
	Due Within 1 Year	1-2 Years	2-5 Years	Over 5 Years	Total
Non-derivative financial instruments					
Trade payables	$ 73,099	$ —	$ —	$ —	$ 73,099
Financial liabilities	13,343	1,913	741,561	360	757,177
Total	$ 86,442	$ 1,913	$ 741,561	$ 360	$ 830,276
Financial derivative liabilities					
- on exchange rate risk	$ 3,192	$ —	$ —	$ —	$ 3,192
- on interest rate risk	74	—	—	—	74
- on equity price risk (1)	—	—	121,756	—	121,756
Total	$ 3,266	$ —	$ 121,756	$ —	$ 125,022

(1) Refer to the section titled "Equity Price Risk" below.

Equity Price Risk

In June 2020, the Company issued $287.5 million in cash exchangeable senior notes and entered into related capped call transactions. The cash exchangeable senior notes include an embedded exchange feature that is bifurcated from the cash exchangeable senior notes. Please refer to "Note 17. Financial Liabilities" for further details. The embedded exchange feature derivative is measured at fair value using a binomial lattice model and discounted cash flows that utilize observable and unobservable market data. The capped call derivative is measured at fair value using the Black-Scholes model utilizing observable and unobservable market data, including stock price, remaining contractual term, expected volatility, risk-free interest rate and expected dividend yield, as applicable.

In general, an increase in our stock price or stock price volatility would increase the fair value of the embedded exchange feature and capped call derivatives which would result in an increase in expense. As time to the expiration of the derivatives decreases with passage of time, the fair value of the derivatives would decrease. The future impact on net income depends on how significant inputs such as stock price, stock price volatility and time to the expiration of the derivatives change in relation to other inputs.

The stock price volatility as at 31 December 2021 was 33%. As of 31 December 2021, a 10% lower volatility, holding other inputs constant, would result in approximate fair value for the embedded exchange feature derivative of $166.1 million and a 10% higher volatility, holding other inputs constant, would result in approximate fair value of $200.0 million. As at 31 December 2021, a 10% lower volatility, holding other inputs constant would result in approximate fair value for the capped call derivatives of $119.6 million and a 10% higher volatility, holding other inputs constant, would result in approximate fair value of $95.8 million.

Foreign Currency Exchange Rate Risk

FX risk is the risk that reported financial performance of the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. LivaNova operates in many countries and currencies and therefore currency fluctuations may impact LivaNova's financial results. In the ordinary course of business, LivaNova is exposed to foreign currency exchange rate fluctuations, particularly between the USD, Euro, Canadian Dollar, GBP and Japanese Yen. LivaNova is exposed to currency risk in the following areas:

- Transaction exposures, related to anticipated sales and purchases and on-balance-sheet receivables/payables resulting from such transactions
- Translation exposure of foreign-currency intercompany and external debt
- Translation exposure of net income in foreign entities
- Translation exposure of foreign-currency denominated equity invested in consolidated companies

It is LivaNova's policy to reduce the potential year on year volatility caused by foreign-currency movements on its net earnings by hedging the anticipated net exposure of foreign currencies resulting from foreign-currency sales and purchases. Intercompany financing or investments of operating units are preferably carried out in their functional currency or on a hedged basis. Additionally, foreign currency exchange rate exposure is partly balanced by purchasing of goods, commodities and services in the respective currencies, as well as production activities in the local markets. LivaNova's operating units are prohibited from borrowing or investing in foreign currencies on a speculative basis. On average, the target is to hedge approximately 80% of consolidated EBITDA denominated in material currencies, hedged against USD, LivaNova's reporting currency. At 31 December 2021, designated cash flow hedges carried out for FX net risk positions are denominated in Euro, GBP and Japanese Yen.

Based on our exposure to foreign currency exchange rate risk, a sensitivity analysis indicates that if the USD had uniformly strengthened by 10% against the GBP, EUR and the Japanese Yen, in the year ended 31 December 2021, the effect on our unrealised income, for our derivatives outstanding at 31 December 2021, would have been approximately $(5.6) million; if the USD had uniformly weakened by 10% against the same currencies, the effect on our unrealised expenses for our derivatives outstanding at 31 December 2021 would have been approximately $6.8 million.

Any gains and losses on the fair value of derivative contracts would generally be offset by gains and losses on the underlying transactions. These offsetting gains and losses are not reflected in the above analysis.

With regard to financial instruments denominated in currencies other than the currency of account of the companies holding them, the currencies involving the greatest exposure are the USD, Euro, GBP and Japanese Yen as indicated below (in thousands):

	31 December 2021					
	EUR	USD	JPY	GBP	Other	Total
Assets						
Cash and cash equivalents denominated in foreign currency	$ —	$ 92,161	$ 9,755	$ 2,037	$ 13,359	$ 117,312
Trade receivables denominated in foreign currency	1,140	28,864	—	—	5,682	35,686
Other assets denominated in foreign currency	10,808	458	—	215	178	11,659
Total assets	11,948	121,483	9,755	2,252	19,219	164,657
Liabilities						
Trade payables denominated in foreign currency	12	2,262	277	40	368	2,959
Financial liabilities denominated in foreign currency	—	229	—	3,835	220	4,284
Other liabilities denominated in foreign currency	7	1,536	—	8,990	226	10,759
Total liabilities	19	4,027	277	12,865	814	18,002
Net exposure	$ 11,929	$ 117,456	$ 9,478	$ (10,613)	$ 18,405	$ 146,655
Financial derivative assets						
- for hedging	$ —	$ —	$ —	$ —	$ —	$ —
Total assets	—	—	—	—	—	—
Financial derivative liabilities						
- not for hedging [(1)]	138	271	(174)	(101)	232	366
- for hedging	1,197	—	(243)	88	—	1,042
Total liabilities	1,335	271	(417)	(13)	232	1,408
Net exposure	$ (1,335)	$ (271)	$ 417	$ 13	$ (232)	$ (1,408)

(1) For hedging transactions that do not meet the requirements for hedge accounting.

	31 December 2020					
	EUR	USD	JPY	GBP	Other	Total
Assets						
Cash and cash equivalents denominated in foreign currency	$ —	$ 96,484	$ 6,668	$ 6,854	$ 15,045	$ 125,051
Trade receivables denominated in foreign currency	368	33,868	—	—	5,481	39,717
Other assets denominated in foreign currency	104	453	—	244	—	801
Total assets	472	130,805	6,668	7,098	20,526	165,569
Liabilities						
Trade payables denominated in foreign currency	435	2,190	18	3,581	345	6,569
Financial liabilities denominated in foreign currency	—	—	—	708	12	720
Other liabilities denominated in foreign currency	66	177	—	1,840	778	2,861
Total liabilities	501	2,367	18	6,129	1,135	10,150
Net exposure	$ (29)	$ 128,438	$ 6,650	$ 969	$ 19,391	$ 155,419
Financial derivative assets						
- for hedging	$ 2,687	$ —	$ (517)	$ 709	$ —	$ 2,879
Total assets	2,687	—	(517)	709	—	2,879
Financial derivative liabilities						
- not for hedging [1]	—	2,747	80	31	1,161	4,019
Total liabilities	—	2,747	80	31	1,161	4,019
Net exposure	$ 2,687	$ (2,747)	$ (597)	$ 678	$ (1,161)	$ (1,140)

(1) For hedging transactions that do not meet the requirements for hedge accounting.

Interest Rate Risk

The Company's main interest rate risk arises from long-term debt with variable rates, which expose the Company to cash flow interest rate risk. LivaNova's policy is to hedge, case by case, medium-long term loans from a floating to a fixed rate, to avoid the impact on net earnings of any potential increase of interest rates. During the years ended 31 December 2021, the Company's debt at variable rates was denominated both in EUR and in USD.

As at 31 December 2021, LivaNova Group had the following variable rate financing denominated in USD:

- a local credit facility in favour of LivaNova Colombia Sas for an amount of $1.5 million.

As at 31 December 2021, LivaNova Group had the following variable rate financing denominated in Euro:

- medium-long term loan from Mediocredito Italiano to Sorin Group Italia S.r.l. of $0.7 million.

As at 31 December 2021, non-US Dollar-denominated floating rate debt was immaterial.

As at 31 December 2020, LivaNova Group had the following variable rate financing denominated in USD:

- a $450.0 million Senior Secured Term Loan, and
- a local credit facility in favour of LivaNova Colombia Sas for an amount of $2.0 million.

As at 31 December 2020, LivaNova Group had the following variable rate financing denominated in Euro:

- medium-long term loan from Mediocredito Italiano to Sorin Group Italia S.r.l. of $1.1 million.

As at 31 December 2020, non-US Dollar-denominated floating rate debt was immaterial.

Credit Risk

Our trade receivables represent potential concentrations of credit risk. This risk is limited due to the large number of customers and their dispersion across a number of geographic areas, as well as our efforts to control our exposure to credit risk by monitoring our receivables, the use of credit approvals and credit limits. Refer to "Note 14. Trade Receivables and Other Receivables" for more details. In addition, we have historically had strong collections and minimal write-offs. While we believe that our reserves for credit losses are adequate, essentially all of our trade receivables are concentrated in the hospital and healthcare sectors worldwide, and accordingly, we are exposed to their respective business, economic and country-specific variables. Although we do not currently foresee a concentrated credit risk associated with these receivables, repayment is dependent on the financial stability of these industry sectors and the respective countries' national economies and healthcare systems.

The maximum theoretical credit risk exposure for LivaNova is an aggregate carrying amount of financial assets at each reporting year date (in thousands):

	31 December 2021	31 December 2020
Financial assets	$ 24,640	$ 38,284
Other assets	4,274	3,664
Trade receivables	185,354	184,356
Other receivables	30,240	19,218
Financial derivative assets	106,629	74,355
Other financial assets	5,503	3,522
Cash and cash equivalents	207,993	252,832
Guarantees	35,072	36,416
Total	$ 599,705	$ 612,647

The risk related to cash and cash equivalents, financial assets and financial derivatives assets is limited since all bank and financial counter-parties have a high rating.

The guarantees issued by LivaNova are primarily due to unconditional bank guarantees, irrevocable letters of credit, bid bonds, guarantees to the governmental tax authorities and tenancy guarantees, and thus, the related credit risk is remote and has been remote as viewed on a historical basis.

Since LivaNova operates in the medical technology sector, there is not a significant risk of customer insolvency, a significant portion of which is related to government agencies, but they are subject to the risk related to cash requirements due to the high level of trade receivables owing to average collection periods (days of sales outstanding) and the ageing of these receivables.

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum investment grade credit rating are accepted.

For customers, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external information in accordance with limits set by the Company's Treasury Group. The compliance with and authorization of credit limits by customers is regularly monitored by line management. Additionally, the Company established a policy for expected credit loss provisions based on lifetime expected credit losses, which provides the methodology to be used to calculate an addition to the provision for uncollectible receivables for past-due receivables for each LivaNova entity and the ageing of each receivable.

Changes in provisions for uncollectible receivables are explained in "Note 14. Trade Receivables and Other Receivables."

For the purposes of disclosing the credit risk to which LivaNova is exposed, below is a breakdown of trade receivables by due dates (in thousands):

	Expected Loss Rate [1]	31 December 2021	31 December 2020
Trade receivables			
Performing	0.04% - 6.0%	$ 150,071	$ 161,244
Less than 30 days past due	0.38% - 12.0%	13,245	14,662
31-120 days past due	0.38% - 30.0%	13,708	11,591
121-365 days past due	0.38% - 30.0%	8,330	10,561
366-730 days past due	20.0% - 50.0%	—	5,590
Over 730 days past due	30.0% - 100%	—	767
		185,354	204,415
Less: Trade receivables reclassified to assets held for sale		—	(20,059)
Total		$ 185,354	$ 184,356

(1) Expected loss rates are applied based upon risk-ranked groupings of countries where the underlying sales are made.

Trade receivables that are past due were $35.3 million and $43.2 million at 31 December 2021 and 31 December 2020, respectively. Of this amount, 25.0% and 24.6% at 31 December 2021 and 31 December 2020, respectively, were receivables from certain government hospitals that pay their suppliers in 1-2 years on average, and the remaining are receivables from private customers, clinics and distributors, some of which have agreed to repayment plans through the renegotiation of payment terms.

At 31 December 2021 and 31 December 2020, the amount of performing receivables that were from government (public) hospitals were 11.0% and 10.8% of total performing receivables, respectively, as indicated in the following table (in thousands):

	31 December 2021			31 December 2020		
	Total	Performing	Past Due	Total	Performing	Past Due
By Sector						
Public	$ 25,316	$ 16,491	$ 8,825	$ 28,005	$ 17,372	$ 10,633
Private	160,038	133,580	26,458	176,410	143,872	32,538
Total	$ 185,354	$ 150,071	$ 35,283	$ 204,415	$ 161,244	$ 43,171

Concentrations of risk by region are provided below to further assess the risk related to the trade receivables (in thousands except days of sales outstanding D.S.O.):

	31 December 2021				31 December 2020			
	D.S.O.	Total	Performing	Past Due	D.S.O.	Total	Performing	Past Due
By Region								
Italy	123	$ 8,180	$ 6,308	$ 1,872	140	$ 9,633	$ 8,896	$ 737
Spain	77	3,498	2,680	818	104	5,071	3,828	1,243
France	47	4,320	3,882	438	60	6,262	5,561	701
Germany	16	1,590	1,859	(269)	25	2,606	2,938	(332)
Rest of Europe	46	15,576	14,285	1,291	42	11,324	9,957	1,367
North America	46	73,486	61,194	12,292	52	70,160	57,112	13,048
Japan	88	8,804	8,838	(34)	99	13,117	13,153	(36)
Rest of World	148	69,900	51,025	18,875	147	86,242	59,799	26,443
Total	66	$ 185,354	$ 150,071	$ 35,283	77	$ 204,415	$ 161,244	$ 43,171

Revenues are derived from a large number of customers with no customers being individually material.

The average collection period decreased from 77 days at 31 December 2020 to 66 at 31 December 2021. The D.S.O., or average collection period, is calculated as the ratio of total receivables at the end of the year to revenues generated in the 12 preceding months. D.S.O. = (Trade receivables/Revenues) * 365.

For comparability, the revenue amounts include VAT.

For the purposes of the disclosure of credit risk, there were no past-due balances of a significant amount related to other assets, other receivables and financial assets.

Capital management

LivaNova maintains a sufficient amount of capital to meet its development needs, fund the business units' operations and ensure the Company continues to be a going concern. The equilibrium of sources of funding, which is also aimed at minimising overall capital costs, is achieved by balancing risk capital contributed on a permanent basis by shareholders, and debt capital, which is in turn diversified and structured with several due dates and in other currencies. To this end, changes in debt levels in relation to both equity and operating profit, and the generation of cash by the business units are constantly kept under control. Please refer to the sections above titled "*Management of Financial Risk*," "*Liquidity Risk*," "*Foreign Currency Exchange Rate Risk*," "*Interest Rate Risk,*" "*Credit Risk"* and "Note 17. Financial Liabilities."

Note 5. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The guidance also establishes a hierarchy for inputs used in measuring fair value that maximises the use of observable inputs and minimises the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability, based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect our assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. The categorisation of financial assets and financial liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy is broken down into three levels defined as follows:

- Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly
- Level 3 – Inputs are unobservable for the asset or liability

No assets or liabilities are classified as Level 1. Financial assets and liabilities that are classified as Level 2 include derivative instruments, primarily forward and option currency contracts, which are valued using standard calculations and models that use readily observable market data as their basis. At 31 December 2021, Level 3 assets include investments in private companies, the capped call derivatives associated with our 2020 cash exchangeable senior notes and convertible notes receivable primarily associated with our investment in ALung Technologies, Inc.. At 31 December 2021, level 3 liabilities include the embedded exchange feature of our cash exchangeable senior notes and contingent consideration recognised as a result of the acquisitions of ImThera and TandemLife.

Assets and Liabilities That Are Measured at Fair Value on a Recurring Basis

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

	Fair Value as at 31 December 2021	Fair Value Measurements Using Inputs Considered as:		
		Level 1	Level 2	Level 3
Assets:				
Financial assets at fair value	$ 15,811	$ —	$ —	$ 15,811
Derivative Assets – for hedging (exchange rates)	243	—	243	—
Derivative Assets – not for hedging (exchange rates)	61	—	61	—
Derivative Assets – capped call derivatives	106,629	—	—	106,629
Convertible notes receivable	2,767	—	—	2,767
Total assets	$ 125,511	$ —	$ 304	$ 125,207
Liabilities:				
Derivative Liabilities – for hedging (exchange rates)	$ 1,286	$ —	$ 1,286	$ —
Derivative Liabilities – not for hedging (exchange rates)	427	—	427	—
Derivative Liabilities – embedded exchange feature	181,700	—	—	181,700
Earnout for contingent payments	98,382	—	—	98,382
Total Liabilities	$ 281,795	$ —	$ 1,713	$ 280,082

	Fair Value as at 31 December 2020	Fair Value Measurements Using Inputs Considered as:		
		Level 1	Level 2	Level 3
Assets:				
Financial assets at fair value	$ 30,701	$ —	$ —	$ 30,701
Derivative Assets – for hedging (exchange rates)	2,893	—	2,893	—
Derivative Assets – not for hedging (exchange rates)	55	—	55	—
Derivative Assets – capped call derivatives	72,302	—	—	72,302
Convertible notes receivable	2,775	—	—	2,775
Total assets	$ 108,726	$ —	$ 2,948	$ 105,778
Liabilities:				
Derivative Liabilities – for hedging (exchange rates)	$ 14	$ —	$ 14	$ —
Derivative Liabilities – for hedging (interest rates)	74	—	74	—
Derivative Liabilities – not for hedging (exchange rates)	4,073	—	4,073	—
Derivative Liabilities – embedded exchange feature	121,756	—	—	121,756
Derivative Liabilities – other	4,290	—	—	4,290
Earnout for contingent payments	103,818	—	—	103,818
Total Liabilities	$ 234,025	$ —	$ 4,161	$ 229,864

Level 2

To measure the fair value of its derivative transactions (transactions to hedge exchange risk), we calculate the mark-to-market of each transaction using prices quoted in active markets (e.g. the spot exchange rate of a currency for forward exchange transactions) and observable market inputs processed for the measurement (e.g. the fair value of an interest rate swap using the interest rate curve), or the measurement of an exchange rate option (with the processing of listed prices and observable variables such as volatility).

For all level 2 valuations, we use the information provided by a third-party as a source for obtaining quoted observable prices and to process market variables. In particular, for forward exchange rate transactions, fair value is calculated using the forward market exchange rate on the reporting date for each contract. The difference calculated between this amount and the contractual forward rate is discounted (present value) to the same reporting date.

The derivative valuation models incorporate the credit quality of counterparts, adjustments for counterparts' credit risk and the Company's own non-performance risk.

Level 3

Financial assets at fair value consist of investments in equity shares, convertible preferred shares and convertible notes receivable of privately held companies for which there are no quoted market prices. These investments fall within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs to determine fair value as the investments are privately held entities without quoted market prices. To determine the fair value of these investments management used all pertinent financial information available related to the entities including valuation reports prepared by third parties. Refer to "Note 12. Financial Assets" for a further discussion of our investments.

The embedded exchange feature and capped call derivatives are classified as Level 3 as the Company uses historical volatility and implied volatility from options traded to determine expected stock price volatility which is an unobservable input that is significant to the valuation.

Earnout for contingent payments related to our acquisitions of ImThera and TandemLife represents our contingent consideration liability as of 31 December 2021. This liability falls within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs to determine fair value as the liability is estimated as the probability of future cash flows, discounted to present value in accordance with accepted valuation methodologies. The discount rate used is determined at the time of measurement. Refer to "Note 20. Contingent Consideration, Litigation Provision Liability and Other Provisions" for a reconciliation of the changes in the fair value of our contingent consideration liability.

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

	31 December 2021	31 December 2020
ImThera	$ 86,830	$ 89,436
TandemLife	11,552	8,809
Miami Instruments	—	5,573
	$ 98,382	$ 103,818

The ImThera business combination involved contingent consideration arrangements composed of potential cash payments upon the achievement of a certain regulatory milestone and a sales-based earnout associated with sales of products. The sales-based earnout is valued using projected sales from our internal strategic plan. Both arrangements are Level 3 fair value measurements and include the following significant unobservable inputs as of 31 December 2021:

ImThera Acquisition	Valuation Technique	Unobservable Input	Ranges
Regulatory milestone-based payment	Discounted cash flow	Discount rate	3.6%
		Probability of payment	85%
		Projected payment year	2024
Sales-based earnout	Monte Carlo simulation	Risk-adjusted discount rate	12.4% - 12.8%
		Credit risk discount rate	3.9% - 4.6%
		Revenue volatility	32.5%
		Probability of payment	85%
		Projected years of earnout	2025 - 2028

The TandemLife business combination involved a contingent consideration arrangement composed of potential cash payments upon the achievement of certain regulatory milestones. The arrangement is a Level 3 fair value measurement and includes the following significant unobservable inputs as of 31 December 2021:

TandemLife Acquisition	Valuation Technique	Unobservable Input	Ranges
Regulatory milestone-based payment	Discounted cash flow	Discount rate	2.4%
		Probability of payments	90%
		Projected payment years	2022

Transfers

We review the fair value hierarchy classification on a quarterly basis. Changes in the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. Our policy is to recognise transfers into and out of levels within the fair value hierarchy at the end of the fiscal quarter in which the actual event or change in circumstances that caused the transfer occurs. There were no transfers between Level 1, Level 2 or Level 3 during the years ended 31 December 2021 and 31 December 2020. When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value.

Assets and Liabilities that are Measured at Fair Value on a Non-recurring Basis

Non-financial assets such as goodwill, intangible assets and property, plant and equipment are measured at fair value computed using the value in use method when there is an indicator of impairment and recorded at fair value only when impairment is recognised. Financial assets such as investments in shares are held at cost, which we believe it is an appropriate estimate of fair value unless more recent information is available sufficient to measure fair value. The fair values of these non-financial assets are based on our own judgements about the assumptions that market participants would use in pricing the asset and on observable market data, when available. We classify these measurements as Level 3 within the fair value hierarchy.

Financial Instruments Not Measured at Fair Value

The carrying values of our cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short-term nature of these items.

The carrying value of our long and short-term debt as of 31 December 2021 and 31 December 2020 was $239.4 million and $655.6 million, respectively, which we believe approximates fair value.

Note 6. Financial Instruments

The Group uses several instruments to fund its operating activities including short and long-term debt from credit institutions and other lenders and short-term bank loans. The Group's other financial instruments consist of trade payables and receivables resulting from operating activities, investments in other companies, assets and liabilities for financial derivatives (primarily interest rate swaps and forward foreign currency contracts) and other receivables and payables other than those related to staff, tax authorities and welfare agencies.

Classification of financial instruments

The classification of financial instruments measured at fair value changed from being measured through OCI to being measured in the profit or loss. With regard to classification of financial instruments on the basis of the types as specified in IFRS 9, the following should be noted:

- Assets and liabilities for financial derivatives related to contracts entered into to mitigate exchange risk on imports and exports are classified under "Financial assets/liabilities at fair value through OCI" when they meet the requirements for being recognised as hedge accounting instruments, and under "Financial assets/liabilities at fair value through profit or loss" when these requirements are not met.

Classification of Financial Instruments at 31 December 2021

	Classification					Carrying Amount			
(in thousands)	Financial Assets/ Liabilities at Fair Value Through Profit or Loss	Receivables and Loans Measured at Amortised Cost	Financial Assets Measured at Amortised Cost	Financial Liabilities at Amortised Cost	Financial Assets/ Liabilities at Fair Value Through OCI	Total	Current Portion	Non-Current Portion	Fair Value
Assets									
Financial assets	$ 15,811	$ 2,167	$ 6,662	$ —	$ —	$ 24,640	$ —	$ 24,640	$ 24,640
Other assets	—	4,274	—	—	—	4,274	—	4,274	4,274
Trade receivables	—	185,354	—	—	—	185,354	185,354	—	185,354
Other receivables	—	—	—	—	—	—	—	—	—
Financial derivative assets	106,629	—	—	—	—	106,629	106,629	—	106,629
Other financial assets	—	5,503	—	—	—	5,503	5,503	—	5,503
Cash and cash equivalents	—	207,993	—	—	—	207,993	207,993	—	207,993
Total financial assets	$ 122,440	$ 405,291	$ 6,662	$ —	$ —	$ 534,393	$ 505,479	$ 28,914	$ 534,393
Liabilities									
Financial liabilities	$ —	$ —	$ —	$ 236,732	$ —	$ 236,732	$ 226,946	$ 9,786	$ 299,148
Lease liabilities	—	—	—	47,364	—	47,364	11,281	36,083	47,364
Other liabilities	—	—	—	2,472	—	2,472	—	2,472	2,472
Trade payables	—	—	—	66,754	—	66,754	66,754	—	66,754
Other payables	—	—	—	59,876	—	59,876	59,876	—	59,876
Financial derivative liabilities	182,066	—	—	—	1,043	183,109	183,109	—	183,109
Other financial liabilities	—	—	—	2,727	—	2,727	2,727	—	2,727
Total financial liabilities	$ 182,066	$ —	$ —	$ 415,925	$ 1,043	$ 599,034	$ 550,693	$ 48,341	$ 661,450

	Classification of Financial Instruments at 31 December 2020								
	Classification					Carrying Amount			
(in thousands)	Financial Assets/ Liabilities at Fair Value Through Profit or Loss	Receivables and Loans Measured at Amortised Cost	Financial Assets Measured at Amortised Cost	Financial Liabilities at Amortised Cost	Financial Assets/ Liabilities at Fair Value Through OCI	Total	Current Portion	Non-Current Portion	Fair Value
Assets									
Financial assets	$ 30,701	$ 2,051	$ 5,532	$ —	$ —	$ 38,284	$ —	$ 38,284	$ 38,284
Other assets	—	3,664	—	—	—	3,664	—	3,664	3,664
Trade receivables	—	184,356	—	—	—	184,356	184,356	—	184,356
Other receivables	—	18,485	—	—	—	18,485	18,485	—	18,485
Financial derivative assets	72,357	—	—	—	1,998	74,355	2,053	72,302	74,355
Other financial assets	—	3,522	—	—	—	3,522	3,522	—	3,522
Cash and cash equivalents	—	252,832	—	—	—	252,832	252,832	—	252,832
Total financial assets	$ 103,058	$ 464,910	$ 5,532	$ —	$ 1,998	$ 575,498	$ 461,248	$ 114,250	$ 575,498
Liabilities									
Financial liabilities	$ —	$ —	$ —	$ 650,675	$ —	$ 650,675	$ 8,377	$ 642,298	$ 752,211
Lease liabilities	—	—	—	53,501	—	53,501	11,271	42,230	53,501
Other liabilities	—	—	—	3,357	—	3,357	—	3,357	3,357
Trade payables	—	—	—	73,099	—	73,099	73,099	—	73,099
Other payables	—	—	—	50,647	—	50,647	50,647	—	50,647
Financial derivative liabilities	130,193	—	—	—	(881)	129,312	7,372	121,940	129,312
Other financial liabilities	—	—	—	4,966	—	4,966	4,966	—	4,966
Total financial liabilities	$ 130,193	$ —	$ —	$ 836,245	$ (881)	$ 965,557	$ 155,732	$ 809,825	$ 1,067,093

Note 7. Divestiture of Heart Valve Business

Heart Valves

On 2 December 2020, LivaNova entered into a HV Purchase Agreement with Mitral Holdco S.à r.l. (Mitral), a company incorporated under the laws of Luxembourg and wholly owned and controlled by funds advised by Gyrus Capital S.A., a Swiss private equity firm. The Purchase Agreement provides for the divestiture of certain of LivaNova's subsidiaries as well as certain other assets and liabilities relating to the Company's Heart Valve business and site management operations conducted by the Company's subsidiary LSM at the Company's Saluggia campus for €60.0 million (approximately $68.1 million as of 31 December 2021). On 9 April 2021, LivaNova and the Purchaser entered into an A&R Purchase Agreement which amends and restates the original Purchase Agreement to, among other things, defer the closing of the sale and purchase of LSM by up to two years and include or amend certain additional terms relating to such deferral, including certain amendments relating to the potential hazardous substances liabilities of LSM and the related expense reimbursement provisions.

As a result of entering into the HV Purchase Agreement, during the fourth quarter of 2020 the Company concluded that the assets and liabilities of the Heart Valve business being sold meet the criteria to be classified as held for sale. As a result, we recognised an impairment of $89.9 million during the fourth quarter of 2020 to record the Heart Valves disposal group at fair value less estimated cost to sell, which is included within exceptional items on the consolidated statements of income (loss).

The initial closing of the sale of the Heart Valve business occurred on 1 June 2021 and we received €34.8 million (approximately $42.5 million as of 1 June 2021), subject to customary trade working capital and net indebtedness adjustments, as set forth in the Purchase Agreement. We also received $3.0 million on 17 December 2021. An additional €9.3 million (approximately $10.6 million as of 31 December 2021) is payable to LivaNova in 2022. During the year ended 31 December 2021, we recognised a loss from the sale of the Heart Valve business of $26.3 million, which is included within exceptional items on the consolidated statements of income (loss).

In conjunction with the sale, we entered into a transition services agreement to provide certain support services generally for up to twelve months from the closing date of the sale. These services include, among others, accounting, information technology, human resources, quality assurance, regulatory affairs, supply chain, clinical affairs and customer support. During the year ended 31 December 2021, we recognised income of $1.9 million for providing these services. Income recognised related to the transition services agreements is recorded as a reduction to the related expenses in the associated expense line items in the consolidated statements of income (loss).

The major classes of assets and liabilities of the Heart Valves business held for sale on the consolidated balance sheet as at 31 December 2020 were as follows (in thousands):

	During the Year Ended 31 December 2020		Assets and Liabilities Held for Sale as at 31 December 2020
	Reclassified from Held and Used	Impairment of Long-Lived Assets	
Property, plant and equipment	$ 24,691	$ (22,476)	$ 2,215
Intangible assets	72,331	(65,847)	6,484
Right-of-use assets	1,698	(1,546)	152
Deferred tax assets	2,968	—	2,968
Inventories	45,082	—	45,082
Trade receivables	20,059	—	20,059
Other receivables	2,436	—	2,436
Tax receivables	577	—	577
Total assets held for sale	$ 169,842	$ (89,869)	$ 79,973
Long-term lease liabilities	$ 841	$ —	$ 841
Provisions	1,981	—	1,981
Other liabilities	323	—	323
Provision for employee severance and other employee benefit provisions	4,990	—	4,990
Trade payables	9,389	—	9,389
Other payables	10,055	—	10,055
Tax payable	363	—	363
Current lease liabilities	980	—	980
Total liabilities held for sale	$ 28,922	$ —	$ 28,922

Note 8. Restructuring

We initiate restructuring plans to leverage economies of scale, streamline distribution and logistics and strengthen operational and administrative effectiveness in order to reduce overall costs. A restructuring provision is recorded when a plan is approved and communicated to employees.

During 2020, we initiated a reorganization plan (the "2020 Plan") to reduce our cost structure. We incurred restructuring expenses of $5.3 million during the year ended 31 December 2020, primarily associated with severance costs for approximately 54 employees, and $9.7 million during 2021, primarily associated with severance costs for 27 additional employees during 2021 under the 2020 Plan and lease abandonment costs.

In November 2019, we initiated a reorganization plan (the "2019 Plan") to streamline our organizational structure in order to address new regulatory requirements, create efficiencies, improve profitability and ensure business continuity. As a result, we incurred restructuring expenses $1.9 million during the year 31 December 2020, primarily associated with severance costs for approximately 35 impacted employees. The 2019 Plan was completed during 2020.

Additionally, we ended our Caisson TMVR program effective 31 December 2019 after determining that it was no longer viable to continue to invest in the program. As a result, we recognised restructuring expenses of $0.3 million and $3.5 million during the years ended 31 December 2020 and 31 December 2019, respectively, primarily associated with severance costs for approximately 50 impacted employees. The Caisson TMVR restructuring plan was completed during 2020.

Note 8. Restructuring

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

	Employee Severance and Other Termination Costs	Other	Total
Balance 31 December 2019	$ 4,097	$ 1,400	$ 5,497
Charges	7,571	—	7,571
Cash payments	(5,919)	(854)	(6,773)
Balance 31 December 2020	5,749	546	6,295 (1)
Charges	7,963	1,750	9,713
Cash payments	(12,876)	(2,296)	(15,172)
Balance 31 December 2021	$ 836	$ —	$ 836 (2)

(1) The restructuring plans' liabilities are recorded in the Consolidated Balance Sheet as $4.9 million within provisions and $1.4 million within other payables as of 31 December 2020.

(2) The restructuring plans' liabilities are recorded in the Consolidated Balance Sheet as $0.4 million within provisions and $0.4 million within other payables as of 31 December 2021.

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

	Year Ended 31 December	
	2021	2020 (1)
Cardiopulmonary	$ 2,844	$ 1,040
Neuromodulation	1,531	3,223
Other	5,338	3,308
Total	$ 9,713	$ 7,571

(1) Amounts for the year ended 31 December 2020 reflect the change in the Group's reportable segments, as discussed in "Note 1. Nature of Operations."

Note 9. Property, Plant and Equipment

(in thousands)	Land	Buildings and Building Improvements	Equipment, Other, Furniture, Fixtures	Capital Investment in Process	Total
At 31 December 2021					
Gross amount	$ 15,099	$ 79,475	$ 170,814	$ 10,203	$ 275,591
Accumulated depreciation and impairment	—	(23,107)	(111,384)	—	(134,491)
Net amount	$ 15,099	$ 56,368	$ 59,430	$ 10,203	$ 141,100
At 31 December 2020					
Gross amount	$ 15,750	$ 77,061	$ 177,482	$ 19,531	$ 289,824
Accumulated depreciation and impairment	—	(20,348)	(113,201)	—	(133,549)
Net amount	$ 15,750	$ 56,713	$ 64,281	$ 19,531	$ 156,275

Note 9. Property, Plant and Equipment

Changes during the year in the net amount of each category of property, plant and equipment are indicated below (in thousands):

	Land	Buildings and Building Improvements	Equipment, Other, Furniture, Fixtures	Capital Investment in Process	Total
Net Amount at 31 December 2019	$ 15,165	$ 68,146	$ 69,850	$ 15,760	$ 168,921
Additions	—	1,225	11,738	16,921	29,884
Disposals	—	(23)	(503)	(355)	(881)
Impairment	—	—	(20)	3	(17)
Depreciation	—	(5,378)	(18,271)	—	(23,649)
Currency translation loss	753	3,724	3,067	791	8,335
Assets held for sale	(168)	(13,470)	(10,118)	(935)	(24,691)
Reclassifications [1]	—	2,489	8,538	(12,654)	(1,627)
Net Amount at 31 December 2020	15,750	56,713	64,281	19,531	156,275
Additions	—	1,329	9,234	9,218	19,781
Disposals	—	(607)	(2,037)	(815)	(3,459)
Depreciation	—	(4,819)	(15,867)	—	(20,686)
Currency translation gain	(651)	(2,330)	(4,925)	1,321	(6,585)
Reclassifications [2]	—	6,082	8,744	(19,052)	(4,226)
Net Amount at 31 December 2021	$ 15,099	$ 56,368	$ 59,430	$ 10,203	$ 141,100

(1) Total reclassifications of capital investment in process during the year ended 31 December 2020 represents reclassification of $1.6 million to intangible assets as assets were placed into service.

(2) Total reclassifications of capital investment in process during the year ended 31 December 2021 represents reclassification of $4.2 million to intangible assets as assets were placed into service as well as the remaining balance of software included in capital investment in process.

Note 10. Goodwill and Intangible Assets

(in thousands)	Goodwill	Developed Technology	Customer Relationships	Trade Names	In-Process R&D	Other Intangible Assets	Software	Total
At 31 December 2021								
Gross amount	$ 579,762	$ 219,706	$ 192,800	$ 25,154	$ 112,000	$ 623	$ 35,951	$ 586,234
Accumulated amortisation and impairment	—	(68,488)	(65,106)	(16,500)	—	(505)	(27,112)	(177,711)
Net amount	$ 579,762	$ 151,218	$ 127,694	$ 8,654	$ 112,000	$ 118	$ 8,839	$ 408,523
At 31 December 2020								
Gross amount	$ 591,639	$ 227,247	$ 202,546	$ 26,261	$ 112,000	$ 1,041	$ 32,527	$ 601,622
Accumulated amortisation and impairment	—	(56,933)	(56,787)	(16,837)	—	(903)	(24,996)	(156,456)
Net amount	$ 591,639	$ 170,314	$ 145,759	$ 9,424	$ 112,000	$ 138	$ 7,531	$ 445,166

The changes in the net carrying value of each class of intangible assets during the year are indicated below (in thousands):

	Goodwill	Developed Technology	Customer Relationships	Trade Names	In-Process R&D	Other Intangible Assets	Software	Total
Net Amount at 31 December 2019	$ 582,324	$ 206,192	$ 193,174	$ 10,193	$ 115,800	$ 263	$ 12,142	$ 537,764
Additions	—	—	3,366	—	—	36	6,021	9,423
Amortisation	—	(18,186)	(14,292)	(769)	—	(167)	(5,384)	(38,798)
Impairment [1]	—	—	—	—	—	—	(6,745)	(6,745)
Currency translation gains	9,315	7,047	6,951	—	—	2	226	14,226
Assets held for sale	—	(24,739)	(43,440)	—	(3,800)	—	(352)	(72,331)
Reclassifications	—	—	—	—	—	4	1,623	1,627
Net Amount at 31 December 2020	591,639	170,314	145,759	9,424	112,000	138	7,531	445,166
Additions	—	—	—	—	—	11	1,037	1,048
Amortisation	—	(14,201)	(11,512)	(770)	—	(33)	(3,765)	(30,281)
Currency translation (losses) gains	(11,877)	(4,895)	(6,553)	—	—	2	(190)	(11,636)
Reclassifications	—	—	—	—	—	—	4,226	4,226
Net Amount at 31 December 2021	$ 579,762	$ 151,218	$ 127,694	$ 8,654	$ 112,000	$ 118	$ 8,839	$ 408,523

(1) During the fourth quarter of 2020, the Company recorded an impairment of $6.7 million associated with certain capitalised software development costs in the Neuromodulation reportable segment, which is included within exceptional items on the consolidated statements of income (loss).

Amortisation of intangible assets charged to the consolidated statement of (loss) income totalled $30.3 million and $38.8 million for the year ended 31 December 2021 and 31 December 2020, respectively, and is included within cost of sales, selling, general and administrative and research and development.

The amortisation periods for our finite-lived intangible assets as at 31 December 2021 were as follows:

	Minimum Life in Years	Maximum Life in Years
Developed technology [1]	14	17
Customer relationships [1]	8	18
Trade names	15	15
Software	3	10

(1) As at 31 December 2021, developed technology from the Merger had a remaining useful life of 9 to 12 years, customer relationships from the Merger had a remaining useful life of 12 years and developed technology from the TandemLife acquisition had a remaining useful life of 12 years.

The amortisation periods for our finite-lived intangible assets as at 31 December 2020 were as follows:

	Minimum Life in Years	Maximum Life in Years
Developed technology [1]	14	17
Customer relationships [1]	10	18
Trade names	15	15
Software	3	10

(1) As at 31 December 2020, developed technology from the Merger had a remaining useful life of 12 years to 13 years, customer relationships from the Merger had a remaining useful life of 10 years and developed technology from the TandemLife acquisition had a remaining useful life of 9 years.

Impairment of Goodwill and Intangible Assets

Our CGUs consist of Cardiopulmonary, Advanced Circulatory Support, Obstructive Sleep Apnea, and Neuromodulation. The carrying amount of goodwill by CGU (in thousands):

	31 December 2021	31 December 2020
Cardiopulmonary [1]	$ 62,888	$ 74,765
Advanced Circulatory Support	118,120	118,120
Obstructive Sleep Apnea	82,595	82,595
Neuromodulation	316,159	316,159
Total	$ 579,762	$ 591,639

(1) Cardiopulmonary goodwill is primarily denominated in foreign currencies and is therefore subject to foreign exchange fluctuations.

We performed quantitative assessments of our CGUs as of 31 December 2021 in accordance with IAS 36 "Impairment of Assets." The methodology applied to our CGUs value in use calculations, reflecting past experience and external sources of information, including Board approved budgets based on pre-tax cash flows with discount rates between 10% and 19% derived from the Company's benchmarked WACC and an expected revenue growth rate for all CGUs. The discount rates utilized in the assessments of our Cardiopulmonary, Neuromodulation, Advanced Circulatory Support and Obstructive Sleep CGUs as of 31 December 2021 were 10.0%, 10.5%, 16.5% and 19.0%, respectively. The discount rates utilized in the assessments of our Cardiopulmonary, Neuromodulation, Advanced Circulatory Support and Obstructive Sleep Apnea CGUs as of 31 December 2020 were 9.0%, 10.0%, 17.5% and 19.0%, respectively. The goodwill associated with all our CGU's was determined not to be impaired.

Additionally, as of 31 December 2021, we performed a quantitative assessment of the IPR&D recognised in conjunction with the acquisition of ImThera. The value in use calculation was based on a projection period of 22 years. The assessment included a discounted cash flow model test that included a discount rate of 18% and an expected revenue growth rate. Based on the assessment performed, we determined that the IPR&D asset was not impaired. The fair value of the IPR&D asset recognised in conjunction with the acquisition of ImThera exceeded its carrying value by approximately 65% or $73.3 million as of 31 December 2021.

The value in use models used for calculating the recoverable amount is most sensitive to the discount rate as well as the expected revenue growth rate. We performed a sensitivity analysis, as at 31 December 2021, for each of these assumptions for each CGU and determined that an increase of 0.5% in the discount rate used, or a decrease of 0.5% in the expected revenue growth rate, which we consider to be reasonably possible changes, resulted in a reduction of headroom for our Neuromodulation, Cardiopulmonary, Advanced Circulatory Support and Obstructive Sleep Apnea CGU's of approximately $220 million, $80 million, $35 million and $22 million, respectively, and would not result in an impairment of goodwill associated with any of our CGU's.

Note 11. Investments in Subsidiaries

Subsidiaries. The Company had the following subsidiaries as at 31 December 2021:

	Registered Office	Country of Incorporation	% Consolidated Group Ownership
LivaNova PLC (Italian Branch)	Via Benigno Crespi 17 20159 Milan, Italy	Italy	100
Caisson Interventional, LLC	6500 Wedgwood Rd., Maple Grove, MN 55311	U.S.	100
CardiacAssist, Inc. Dba TandemLife	620 Alpha Drive, Ste 200, Pittsburgh, PA 15238	U.S.	100
Cyberonics Holdings LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
Cyberonics Netherlands CV	100 Cyberonics Boulevard, Houston, TX 77058 USA	Netherlands	100
Cyberonics Spain SL [1]	100 Cyberonics Boulevard, Houston, TX 77058 USA	Spain	100
ImThera Medical, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
LivaNova Australia PTY Limited	Tower 2, 123 St Georges Terrace Perth, WA 6000	Australia	100
LivaNova Austria GmbH	Millennium Tower, Handelskai 94-96, 1200 Wien	Austria	100
LivaNova Belgium NV	Ikaroslaan 83, 1930 Zaventem, Belgium	Belgium	100
LivaNova Brasil Comércio e Distribuição de Equipamentos Médico-hospitalares Ltda	Rua Liege, 54 – Vila Vermelha, 04298-070 – São Paulo - SP - Brasil	Brazil	100
LivaNova Canada Inc.	8-280 Hillmount Road Markham, ON L6C 3A1	Canada	100
LivaNova Cayman Limited	Cannon Place, Grand Cayman, Cayman Islands	Cayman Islands	100
LivaNova Chile SpA	Santiago, Chile	Chile	100
LivaNova Colombia Sas	Avenida Calle 80 No. 69-70 Bodega 37, Bogotá, Colombia	Colombia	100

	Registered Office	Country of Incorporation	% Consolidated Group Ownership
LivaNova Deutschland GmbH	Lindberghstrasse 25, D - 80939 München, Germany	Germany	100
LivaNova España, S.L.	Avenida Diagonal 123, planta 10, 08005, Barcelona, Spain	Spain	100
LivaNova Finland OY	c/o Kalliolaw Asianajotoimisto Oy, Södra kajen 12, 00130 Helsinki, Finland	Finland	100
LivaNova Holding S.r.l.	Via Benigno Crespi, 17 - 20159 Milano, Italy	Italy	100
LivaNova Hong Kong Limited	9/F, Wah Yuen Bldg, 149 Queen's Road, Central, Hong Kong, Hong Kong	Hong Kong	100
LivaNova Hungary Limited Liability Company	H-1062 Budapest, Váci út 1-3, A épület, 6. em.	Hungary	100
LivaNova, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
LivaNova India Private Limited	603-A, Copia Corporate Suites, Building #09, Jasola District Centre, New Delhi, India 110025	India	100
LivaNova IP Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100
LivaNova Japan K.K.	11-1 Nagatacho 2 chome, Chiyoda-ku, Tokyo, 100-6110 Japan	Japan	100
LivaNova (Thailand) Ltd	4,4/5 Zen World Tower Level 12, Rajdamri Road, Pathumwan, Pathumwan, Bangkok, 10330, Thailand	Thailand	100
LivaNova (China) Medical Technology Co. Ltd	Room 3006, 30F, C Building, SML Centre, No. 610 Xujiahui Road, Huangpu District, Shanghai, 200025, China	China	100
LivaNova Malaysia Sdn. Bhd.	Unit A-3-6, TTDI Plaza, Jalan Wan Kadir 3, Taman Tun Dr Ismail, 60000 Kuala Lumpur, Malaysia	Malaysia	100
LivaNova Nederland N.V.	Westerdoksdijk 423, 1013 BX, Amsterdam, Netherlands	Netherlands	100
LivaNova Norway AS	c/o AmestoAccounthouse AS, Smeltedigelen 1, 0195 Oslo, Norway	Norway	100
LivaNova Poland Sp. Z o.o.	Park Postepu Bud A Ul. Postepu 21 PL-02 676 Warszawa, Poland	Poland	100
LivaNova SAS	Issy-les-Moulineaux (92130), 24 rue du Gouverneur Général Éboué, France	France	100
LivaNova Scandinavia AB	Djupdalsvägen 16, 192 51 Sollentuna, Sweden	Sweden	100
LivaNova Singapore Pte Ltd	11 North Buona Vista Drive #13-09, The Metropolis, Singapore 138589	Singapore	100
LivaNova Site Management S.r.l.	Via Benigno Crespi 17 20159 Milan, Italy	Italy	100
LivaNova Switzerland SA	Rue du Grand-Pont 12, 1003 Lausanne	Switzerland	100
LivaNova Taiwan Co. Ltd	2F., No. 101, Songren Rd., Xinyi Dist., Taipei City, 11073, Taiwan (R.O.C.)	Taiwan	100
LivaNova Turkey Medikal Limited Sirketi	Nart E-office, Pol Center Ecza Sok. No.4 Levent Istanbul	Turkey	100
LivaNova UK Limited	1370 Montpellier Court, Gloucester Business Park, Gloucester, Gloucestershire, GL3 4AH, United Kingdom	United Kingdom	100
LivaNova USA, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
LIVN Irishco 2 UC	Deloitte, 6 Lapps Quay, Cork, T12 TA48, Ireland	Ireland	100
LIVN Irishco Unlimited Company [1]	Deloitte, 6 Lapps Quay, Cork, T12 TA48, Ireland	Ireland	100
LIVN Luxco 2 sarl	15 Rue Edward Steichen L-2540 Luxembourg	Luxembourg	100
LIVN UK 2 Co Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100
LIVN UK Holdco Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100
LIVN US 3, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
LIVN US 5, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
Sorin Group Czech Republic s.r.o	Na poriçi 1079/3a Nové Mesto Praha 110 00 Praha 1, Czech Republic	Czech Republic	100
Sorin Group Italia S.r.l.	Via Benigno Crespi, 17 - 20159 Milano, Italy	Italy	100
Sorin Group Rus LLC	Marshal Proshlyakov str. 30 office 304 123458 Moscow, Russia	Russia	100

(1) As of 31 December 2021 the following subsidiaries were in liquidation: LIVN Irishco Unlimited Company and Cyberonics Spain SL (Liquidated in March 2022)

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of Ordinary Shares held.

Operating performance of the main group companies - 5% and greater of external net sales:

Sorin Group Italia S.r.l.	For the Year Ended 31 December	
(thousands of Euros)	2021	2020
Net sales, including intercompany sales	213,864	254,154
Earnings before interest and taxes	(82,337)	(30,763)
Net loss	(86,316)	(28,324)

LivaNova Deutschland GmbH [1]	For the Year Ended 31 December	
(thousands of Euros)	2021	2020
Net sales, including intercompany sales	90,520	94,805
Earnings before interest and taxes	(7,380)	(10,898)
Net loss	(4,671)	(7,909)

(1) LivaNova Deutschland GmbH is a 100% consolidated LivaNova group company that is formally exempt for FS 2021 from GERMAN GAAP auditing and publishing.

CardiacAssist, Inc. Dba TandemLife	For the Year Ended 31 December	
(thousands of USD)	2021	2020
Net sales, including intercompany sales	55,160	42,232
Earnings before interest and taxes	(3,696)	(6,309)
Net profit	(3,863)	9,080

LivaNova USA, Inc.	For the Year Ended 31 December	
(thousands of USD)	2021	2020
Net sales, including intercompany sales	672,792	547,366
Earnings before interest and taxes	(165,985)	(10,922)
Net loss	(332,813)	(95,013)

LivaNova Canada Corp. was disposed in 2021 and is no longer disclosed.

Note 12. Financial Assets

Non-Current Financial Assets

(in thousands)	31 December 2021	31 December 2020
Investments in equity instruments in privately-held companies	$ 15,811	$ 30,701
Corporate owned life insurance policies	6,662	5,532
Prepaid finance costs	1,895	1,791
Financial receivable due from equity investment	272	260
Total non-current financial assets	$ 24,640	$ 38,284

The table below lists our non-current financial assets of investments in equity instruments in privately-held companies held at cost, which we believe it is an appropriate estimate of fair value unless more recent information is available sufficient to measure fair value, in the consolidated balance sheet (in thousands):

	Percent Ownership 31 December 2021	Percent Ownership 31 December 2020	Security	Address	Fair Value 31 December 2021	Fair Value 31 December 2020
ShiraTronics, Inc.	14.9%	13.4%	Series A Preferred Shares	9210 Wyoming Ave. N., Suite 275, Brooklyn Center, MN 55445	$ 3,331	$ 2,045
Noctrix Health, Inc.	10.5%	12.0%	Series A Preferred Shares	724 Brannan St., San Francisco, CA 94103	3,159	1,359
ALung Technologies, Inc. [1]	3.0%	3.0%	Series C Preferred Shares	2500 Jane St., Pittsburgh, PA 15203	3,000	3,000
Ceribell, Inc.	3.0%	3.0%	Series B Preferred Shares	2483 Old Middlefield Way #120, Mountain View, CA 94043	3,000	3,000
MD Start II [2]	9.3%	9.3%	Series A Shares	7-11 bd Haussmann, 75009 Paris, France	1,135	1,227
Rainbow Medical Ltd.	1.6%	1.6%	Ordinary Shares	85 Medinat Hayehudim St., Business Park, G Building, Herzeliya Pituach, Israel	1,111	1,201
Highlife SAS	7.0%	7.0%	Series A Preferred Shares	168 rue de Grenelle, 75007 Paris, France	1,075	1,163
Respicardia, Inc.[3]	0.0%	19.5%	Series D Preferred Shares	12400 Whitewater Dr #150, Minnetonka, MN 55343	—	17,706
					$ 15,811	$ 30,701

(1) ALung Technologies, Inc. (ALung) is a privately held medical device company focused on creating advanced medical devices for treating respiratory failure. We had a loan outstanding to ALung with a carrying amount of $2.5 million and $2.5 million as of 31 December 2021 and 2020, respectively, which is included in other financial assets and other current assets on the

consolidated balance sheet. On 5 April 2022, we entered into an Agreement and Plan of Merger to acquire the remaining 97% equity interests in ALung Technologies, Inc. For more information, please refer to "Note 34. Subsequent Events."

(2) During the second quarter of 2021 the Company received a cash dividend from its investment in MD Start II of $3.1 million, which is included in foreign exchange and other gains/(losses) on the consolidated statements of income (loss) for the year ended 31 December 2021.

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

The table below lists our non-current equity investments in associates as at 31 December 2021:

	Percent Ownership 31 December 2021	Percent Ownership 31 December 2020	Address
MD Start I K.G.	23.4%	23.4%	7-11 bd Haussmann, 75009 Paris, France
Enopace Biomedical Ltd.	34.5%	34.5%	15 Alon ha-Tavor Street, Caesarea, Haifa District, Israel
Cardiosolutions, Inc.	35.3%	35.3%	375 West Street, West Bridgewater, MA 02379
La Bouscarre S.C.I.	50.0%	50.0%	Route de Revel, 31450 Fourquevaux, France
MD Start III [(1)]	10.4%	10.4%	7-11 bd Haussmann, 75009 Paris, France

(1) We are required to fund up to a total of approximately €5.0 million (approximately $5.7 million as of 31 December 2021) based on cash calls. There were no outstanding cash calls as at 31 December 2021 and 2020.

Current Financial Assets:

(in thousands)	31 December 2021	31 December 2020
Financial receivables due from equity investments	$ 2,495	$ 3,306
Other receivables	3,008	216
Total current financial assets	$ 5,503	$ 3,522

Note 13. Inventories

Inventories consisted of the following (in thousands):

	31 December 2021	31 December 2020 Restated [(1)]
Raw materials	$ 43,958	$ 43,257
Work-in-process	14,161	8,055
Finished goods	47,721	63,973
Total	$ 105,840	$ 115,285

(1) Finished goods and total inventories as of 31 December 2020 have been restated. For further details refer to "Note 1. Nature of Operations."

Inventory charged to cost of sales for the years ended 31 December 2021 and 2020 totalled $246.1 million and $249.6 million, respectively. Inventories are reported net of the provision for obsolescence which totalled $8.9 million and $6.6 million as at 31 December 2021 and 31 December 2020, respectively. The provisions for obsolescence at 31 December 2021 and 2020 reflect normal obsolescence and includes components that are phased out or expired.

Note 14. Trade Receivables and Other Receivables

Trade receivables, net, consisted of the following (in thousands):

	31 December 2021	31 December 2020
Trade receivables from third parties	$ 198,865	$ 194,666
Expected credit loss provision	(13,511)	(10,310)
Total	$ 185,354	$ 184,356

Our customers consist of hospitals, other healthcare institutions, distributors, organized purchase groups and government and private entities. Actual collection periods for trade receivables vary significantly as a function of the nature of the customer (e.g. government or private) and its geographic location.

Trade receivables are reported net of the expected credit loss provision, the changes in which are provided below (in thousands):

	31 December 2021	31 December 2020
Beginning of year	$ (10,310)	$ (13,105)
Additions to provision	(5,206)	(6,421)
Utilisation	1,204	1,103
Reclassified to assets held for sale	—	8,913
Currency translation gains (losses)	801	(800)
End of year	$ (13,511)	$ (10,310)

Below is a summary of other receivables (in thousands):

	31 December 2021	31 December 2020
Prepaid assets	$ 27,541	$ 15,972
Deposit and advances to suppliers	1,978	2,366
Guarantee deposits	721	880
Total	$ 30,240	$ 19,218

Note 15. Derivative Financial Instruments

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

We measure all outstanding derivatives each period end at fair value and report the fair value as either financial assets or liabilities on the consolidated balance sheets. We do not enter into derivative contracts for speculative purposes. At inception of the contract, the derivative is designated as either a freestanding derivative or a hedge. Derivatives that are not designated as hedging instruments are referred to as freestanding derivatives with changes in fair value included in earnings.

If the derivative qualifies for hedge accounting, changes in the fair value of the derivative will be recorded in AOCI until the hedged item is recognised in earnings upon settlement/termination. FX derivative gains and losses in AOCI are reclassified to our consolidated statements of (loss) income as shown in the tables below. We evaluate hedge effectiveness at inception. Cash flows from derivative contracts are reported as operating activities on our consolidated statements of cash flows.

Freestanding FX Derivative Contracts

The gross notional amount of FX derivative contracts not designated as hedging instruments, outstanding at 31 December 2021 and 31 December 2020, was $136.7 million and $352.6 million, respectively. These derivative contracts are designed to offset the FX effects in earnings of various intercompany loans and trade receivables. We recorded net gains/(losses) for these freestanding derivatives of $10.9 million and $(16.6) million for the years ended 31 December 2021 and 2020, respectively. These gains and (losses) are included in FX and other losses on our consolidated statements of (loss) income.

Counterparty Credit Risk

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

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

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

Cash Flow Hedges

Foreign Currency Risk

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

There was no hedge ineffectiveness or component of the FX derivative contracts excluded in the measurement of hedge effectiveness during the years ended 31 December 2021 and 31 December 2020.

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

Description of Derivative Contract	31 December 2021	31 December 2020
FX derivative contracts to be exchanged for British Pounds	$ 11,160	$ 9,545
FX derivative contracts to be exchanged for Japanese Yen	6,648	18,637
FX derivative contracts to be exchanged for Euros	58,224	47,444
	$ 76,032	$ 75,626

After-tax net gain associated with derivatives designated as cash flow hedges recorded in the ending balance of AOCI and the amount expected to be reclassified to earnings over the next 12 months as at 31 December 2021 and 2020 were as follows (in thousands):

Description of Derivative Contract	After-Tax Net Loss in AOCI as at 31 December 2021	Amount Expected to be Reclassified to Earnings Over the Next 12 Months
FX derivative contracts	$ (945)	$ (945)

Description of Derivative Contract	After-Tax Net Gain in AOCI as at 31 December 2020	Amount Expected to be Reclassified to Earnings Over the Next 12 Months
FX derivative contracts	$ 2,319	$ 2,319

Presentation in Financial Statements

Pre-tax gains (losses) for derivative contracts designated as cash flow hedges recognised in OCI and the amount reclassified to earnings from AOCI were as follows (in thousands):

		Year Ended 31 December 2021	
Description of Derivative Contract	Location in Earnings of Reclassified Gain or Loss	Losses Recognised in OCI	(Losses) Gains Reclassified from AOCI to Earnings:
FX derivative contracts	Foreign exchange and other losses	$ (3,922)	$ (2,333)
FX derivative contracts	SG&A	—	2,408
Total		$ (3,922)	$ 75

		Year Ended 31 December 2020	
Description of Derivative Contract	Location in Earnings of Reclassified Gain or Loss	Gains Recognised in OCI	(Losses) Gains Reclassified from AOCI to Earnings:
FX derivative contracts	Foreign exchange and other losses	$ 1,724	$ (1,522)
FX derivative contracts	SG&A	—	980
Interest rate swap contracts	Finance expense	—	(113)
Total		$ 1,724	$ (655)

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

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

31 December 2021	Asset Derivatives		Liability Derivatives	
Derivatives Designated as Hedging Instruments	**Balance Sheet Location**	**Fair Value [1]**	**Balance Sheet Location**	**Fair Value [1]**
FX derivative contracts	Current financial derivative liabilities	$ 243	Current financial derivative liabilities	$ 1,286
Total derivatives designated as hedging instruments		243		1,286
Derivatives Not Designated as Hedging Instruments				
FX derivative contracts	Current financial derivative liabilities	61	Current financial derivative liabilities	427
Capped call derivatives	Current financial derivative assets	106,629		
Embedded exchange feature			Current financial derivative liabilities	181,700
Total derivatives not designated as hedging instruments		106,690		182,127
Total derivatives		$ 106,933		$ 183,413

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

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

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

Note 16. Shareholders' Equity

LivaNova is incorporated in England and Wales as a public company limited by shares. The principal legislation under which LivaNova operates is the Companies Act 2006, and regulations made thereunder. LivaNova Ordinary Shares were registered under the U.S. Securities Act, pursuant to the Registration Statement on Form S-4 (File No. 333-203510), as amended, filed with the SEC by LivaNova and declared effective on 19 August 2015. LivaNova's Ordinary Shares are listed on Nasdaq under the ticker symbol "LIVN."

The Company's authorised share capital is as follows:

(in number of shares)	31 December 2021	31 December 2020
Authorised share capital, Ordinary Shares of £1 each, unlimited shares authorised		
Issued [(1)]	53,761,510	49,447,473
Outstanding	53,263,297	48,655,863

(1) Allotted, fully paid and issued.

Preferred shares. LivaNova may issue preferred shares by special resolution or by determination by the Board of LivaNova.

Treasury shares. Shares held by the Employee Benefit Trust (EBT) are issued to employees and directors at exercise of stock-based compensation grants. The balance of shares in the EBT are reported as treasury shares. We did not issue any additional shares to our EBT during the years ended 31 December 2021 or 31 December 2020.

Group reconstruction reserve. The 'Group reconstruction reserve' represents the excess of value attributed to shares and share appreciation rights issued during the acquisition of Sorin S.p.A on 19 October 2015 over the nominal value of those shares and share rights. Additionally, on 6 August 2021, the Company closed an offering and issued 4,181,818 ordinary shares, par value £1.00 per share, at an offering price of $82.50 per share. Net proceeds from the offering were approximately $322.5 million, after deducting underwriting discounts, commissions and offering expenses, of which $316.7 million was recognised as group reconstruction reserve.

Comprehensive income (loss). The table below presents the change in each component of AOCI (loss), net of tax and the reclassifications out of AOCI (loss) into retained deficit.

Taxes were not provided for foreign currency translation adjustments for the years ended 31 December 2021 and 2020 as translation adjustment related to earnings are intended to be reinvested in the countries where earned.

(in thousands)	Change in Unrealised Gain (Loss) on Derivatives	Foreign Currency Translation Adjustments	Revaluation of Net Liability (Asset) for Defined Benefits	Total
Beginning Balance - 31 December 2019	$ 513	$ (20,021)	$ (2,083)	$ (21,591)
Other comprehensive income (loss) before reclassifications, before tax	1,724	23,780	(1,321)	24,183
Tax (expense) benefit	(415)	—	339	(76)
Other comprehensive income (loss) before reclassifications, net of tax	1,309	23,780	(982)	24,107
Reclassification of loss from accumulated other comprehensive income, before tax	655	—	—	655
Tax effect	(158)	—	—	(158)
Reclassification of loss from accumulated other comprehensive income, after tax	497	—	—	497
Net other comprehensive income (loss), net of tax	1,806	23,780	(982)	24,604
Ending Balance - 31 December 2020	2,319	3,759	(3,065)	3,013
Other comprehensive (loss) income before reclassifications, before tax	(3,922)	(5,965)	1,095	(8,792)
Tax benefit (expense)	719	—	(163)	556
Other comprehensive (loss) income before reclassifications, net of tax	(3,203)	(5,965)	932	(8,236)
Reclassification of gain from accumulated other comprehensive loss, before tax	(75)	—	—	(75)
Tax effect	14	—	—	14
Reclassification of gain from accumulated other comprehensive loss, after tax	(61)	—	—	(61)
Net other comprehensive loss, net of tax	(3,264)	(5,965)	932	(8,297)
Ending Balance - 31 December 2021	**$ (945)**	**$ (2,206)**	**$ (2,133)**	**$ (5,284)**

Note 17. Financial Liabilities

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

	31 December 2021	31 December 2020	Maturity	Interest Rate
2020 Cash Exchangeable Senior Notes	$ 225,140	$ 212,073	December 2025	3.00%
Bank of America Merrill Lynch Banco Múltiplo S.A.	6,113	6,515	July 2023	7.24%
Mediocredito Italiano	3,379	5,406	December 2023	0.50% – 2.74%
Bank of America, U.S. (1)	1,500	2,019	January 2023	2.66%
2020 Senior Secured Term Loan	—	424,002		
Other	600	660		
Total long-term facilities	236,732	650,675		
Less current portion of long-term debt	226,946	8,377		
Total long-term debt	$ 9,786	$ 642,298		

(1) Represents borrowings with a LIBOR-based variable interest rate that has not yet transitioned to SOFR or an alternative interest rate benchmark.

Movements associated with the outstanding principal amounts of our long-term debt for the year ended 31 December 2021 included the following (in thousands):

	Beginning of Fiscal Year 2021	Scheduled Principal Reductions	Early Extinguishment	Amortisation of Prepaid Loan Fees	FX - Translation and Other	End of Fiscal Year 2021
2020 Senior Secured Term Loan	$ 424,002	$ —	$ (426,951)	$ 2,949	$ —	$ —
2020 Cash Exchangeable Senior Notes	212,073	—	—	13,067	—	225,140
Bank of America Merrill Lynch Banco Múltiplo S.A.	6,515	—	—	—	(402)	6,113
Mediocredito Italiano	5,406	(1,680)	—	—	(347)	3,379
Bank of America, U.S.	2,019	—	(519)	—	—	1,500
Other	660	(57)	—	—	(3)	600
Totals	$ 650,675	$ (1,737)	$ (427,470)	$ 16,016	$ (752)	$ 236,732

Movements associated with the outstanding principal amounts of our long-term debt for the year ended 31 December 2020 included the following (in thousands):

	Beginning of Fiscal Year 2020	Borrowing	Scheduled Principal Reductions	Early Extinguishment	Amortisation of Prepaid Loan Fees	FX - Translation and Other	End of Fiscal Year 2020
2020 Senior Secured Term Loan	$ —	$ 421,542	$ —	$ —	$ 2,460	$ —	$ 424,002
2020 Cash Exchangeable Senior Notes	—	205,509	—	—	6,564	—	212,073
Bank of America Merrill Lynch Banco Múltiplo S.A.	8,422	—	(5)	—	—	(1,902)	6,515
Mediocredito Italiano	6,222	—	(1,457)	—	61	580	5,406
Bank of America, U.S.	2,004	—		—	—	15	2,019
2019 Debt Facility	184,275	162,899	—	(348,924)	1,623	127	—
2017 European Investment Bank	103,570	—	—	(103,570)	—	—	—
2014 European Investment Bank	28,053	—	—	(28,049)	—	(4)	—
Other	669	—	(60)	—	—	51	660
Totals	$ 333,215	$ 789,950	$ (1,522)	$ (480,543)	$ 10,708	$ (1,133)	$ 650,675

Revolving Credit

The outstanding principal amount of our short-term unsecured revolving credit agreements and other agreements with various banks was $2.7 million and $5.0 million at 31 December 2021 and 31 December 2020, respectively, with interest rates ranging from 2.85% to 7.24% and loan terms ranging from overnight to 364 days.

On 13 August 2021, LivaNova PLC and its wholly-owned subsidiary, LivaNova USA, Inc. (the "Borrower") entered into a First Lien Credit Agreement with the lenders and issuing banks party thereto and Goldman Sachs Bank USA, as First Lien Administrative Agent and First Lien Collateral Agent, and Goldman Sachs Bank USA, Barclays Bank PLC and UBS AG, Stamford Branch as lenders, relating to a $125 million senior secured multi-currency revolving credit facility to be made available to the Borrower (the "2021 Revolving Credit Facility"). The 2021 Revolving Credit Facility, as amended on 16 March 2022, expires on 13 August 2026 and bears interest at a rate equal to, for U.S. dollar-denominated loans, an adjusted Secured Overnight Financing Rate ("SOFR") with a floor of 0.00%, or a Base Rate, plus, in each case, a variable margin based on the Company's senior secured net leverage ratio. As of 31 December 2021, the applicable margin for Eurodollar loans was 3.00% per annum. Interest is paid monthly or quarterly, as selected by the Borrower, with any outstanding principal due at maturity. The 2021 Revolving Credit Facility also contemplates the payment of commitment fees on the unused portion of the commitments, at a variable percentage based on the Company's senior secured net leverage ratio. At 31 December 2021, the applicable commitment fee percentage was 0.25% per annum. The 2021 Revolving Credit Facility is available for working capital and other general corporate purposes and, if drawn, can be repaid at any time without premium or penalty. The 2021 Revolving Credit Facility contains customary representations, warranties and covenants, including the requirement to maintain a senior secured first lien net leverage ratio of less than 4.50 to 1.00 for as long as there are any revolving loans outstanding under the 2021 Revolving Credit Facility, as well as in order for the Company to borrow additional revolving loans.

There were no outstanding borrowings under the 2021 Revolving Credit Facility as of 31 December 2021.

On 12 August 2021, the Company terminated its previous $50.0 million revolving credit facility agreement with ACF FINCO I LP, which was undrawn, resulting in a loss on debt extinguishment of $1.6 million recognised during the year ended 31 December 2021 primarily associated with the write-off of unamortised debt issuance costs, and is included within loss on debt extinguishment on the consolidated statements of income (loss).

2020 Cash Exchangeable Senior Notes

On 17 June 2020, our wholly-owned subsidiary, LivaNova USA, Inc., issued $287.5 million aggregate principal amount of 3.00% cash exchangeable senior notes (the Notes) by private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The sale of the Notes resulted in approximately $278.0 million in net proceeds to the Company after deducting issuance costs. Interest is payable semiannually in arrears on 15 June and 15 December of each year, beginning on 15 December 2020. The EIR of the Notes at 31 December 2021 was 9.95%. The Notes mature on 15 December 2025 unless earlier exchanged, repurchased, or redeemed.

Debt discounts and issuance costs related to the Notes were approximately $82.0 million and included $75.0 million of discount attributable to the embedded exchange feature, discussed below, and $7.0 million of allocated issuance costs to the Notes related to legal, bank and accounting fees. Amortisation of debt discount and issuance costs was $13.1 million for the year ended 31 December 2021 and is included in finance expense on the consolidated statement of income (loss). The unamortised discount related to the Notes as of 31 December 2021 was $62.4 million.

Holders of the Notes are entitled to exchange the Notes at any time during specified periods, at their option. This includes the right to exchange the Notes during any calendar quarter, if the last reported sale price of LivaNova's Ordinary Shares, with a nominal value of £1.00 per share, is greater than or equal to 130% of the exchange price, or $79.27 per share for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter. The exchange condition was satisfied on 20 December 2021, which allowed the holders of the Notes to request to exchange the Notes through 31 March 2022. As a result, we have reclassified our obligations from the Notes and the associated embedded exchange feature derivative as a current liability on the consolidated balance sheet as of 31 December 2021. However, no holders elected to exchange the Notes. The exchange condition was not satisfied during the quarterly period ending 31 March 2022. As such, the Notes are not currently exchangeable. The Notes are exchangeable solely into cash and are not exchangeable into ordinary shares of LivaNova or any other security under any circumstances. The initial exchange rate for the Notes is 16.3980 ordinary shares per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $60.98 per share). The exchange rate is subject to adjustment in certain circumstances, as set forth in the indenture governing the Notes.

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

Embedded Exchange Feature

The embedded exchange feature of the Notes requires bifurcation from the Notes and is accounted for as a derivative liability. The fair value of the Notes' embedded exchange feature derivative at the time of issuance was $75.0 million and was recorded as debt discount on the Notes. This discount is amortised as finance expense using the effective interest method over the term of the Notes. The Notes' embedded exchange feature derivative is carried on the consolidated balance sheets at its estimated fair value and is adjusted at the end of each reporting period, with unrealized gain or loss reflected in the consolidated statements of income (loss). The fair value of the embedded exchange feature derivative liability was $181.7 million as of 31 December 2021.

Capped Call Transactions

In connection with the pricing of the Notes, the Company entered into privately negotiated capped call transactions with certain of the initial purchasers of the Notes or their respective affiliates. The capped call transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the Notes, the number of LivaNova's Ordinary Shares underlying the Notes and are expected generally to offset any cash payments the Company is required to make upon exchange of the Notes in excess of the principal amount thereof in the event that the market value per ordinary share, as measured under the capped call transactions, is greater than the strike price of the capped call transactions, with such offset being subject to an initial cap price of $100.00 per share. The capped call transactions expire on 15 December 2025 and must be settled in cash. If the capped call transactions are converted or redeemed early, settlement occurs at their termination value, which is equal to their fair value at the time of the redemption. The capped call transactions are carried on the consolidated balance sheets as a derivative asset at their estimated fair value and are adjusted at the end of each reporting period, with unrealised gain or loss reflected within foreign exchange and other gains/(losses) in the consolidated statement of income (loss). The fair value of the capped call derivative assets was $106.6 million as of 31 December 2021. As of 31 December 2021, the capped call derivative assets are classified as current.

2020 Senior Secured Term Loan

The Company used the net proceeds from the 2020 senior secured term loan, together with a portion of the net proceeds of the Notes, after fees, discounts, commissions and other expenses, to repay outstanding indebtedness under the Company's 2017 European Investment Bank loan, 2014 European Investment Bank loan, Banca Nazionale del Lavoro S.p.A loan, and 2019 Debt Facility and related expenses. The Company repaid approximately $528.0 million in aggregate outstanding principal, accrued interest and associated fees, including breakage fees and legal fees. The Company recognised a loss on debt extinguishment of $1.4 million during the year ended 31 December 2020. The loss on debt extinguishment was recognised in foreign exchange and other gains/(losses) in the consolidated statements of income (loss). The remainder of the proceeds from the concurrent financing transactions were used to pay the cost of capped call transactions and for general corporate purposes.

On 12 August 2021, the Company repaid in full and terminated its previously outstanding $450 million 2020 senior secured term loan, resulting in a loss on debt extinguishment of $58.6 million recognised during the year ended 31 December 2021, which is comprised of a $35.6 million make-whole premium and $23.0 million associated with the write-off of unamortised debt issuance costs, and is included within loss on debt extinguishment on the consolidated statements of income (loss). For additional information, please refer to "Note 16. Shareholders' Equity."

Note 18. Leases

We have leases primarily for (i) office space, (ii) manufacturing, warehouse and research and development facilities and (iii) vehicles. Our leases have remaining lease terms up to 11 years, some of which include options to extend the leases, and some of which include options to terminate the leases at our sole discretion.

Right-of-Use Assets and Lease Liabilities

The movement in the ROU assets and lease liabilities by class of assets is as follows (in thousands):

	Real Estate	Vehicles	Others	Total ROU Assets	Lease Liabilities
Balance as of 1 January 2020	$ 50,255	$ 4,993	$ (54)	$ 55,194	$ 57,534
Additions	5,277	2,387	1,069	8,733	8,719
Depreciation expense [1]	(11,462)	(2,753)	(214)	(14,429)	—
Disposals, modifications and other	(273)	(108)	(416)	(797)	(783)
Assets held for sale	(1,049)	(649)	—	(1,698)	(1,821)
Finance expense	—	—	—	—	1,398
Lease payments	—	—	—	—	(15,043)
Currency translation adjustments	3,106	269	—	3,375	3,497
Balance as of 31 December 2020	45,854	4,139	385	50,378	53,501
Additions	6,668	2,610	190	9,468	9,457
Depreciation expense [1]	(13,678)	(2,011)	(230)	(15,919)	—
Disposals, modifications and other	(370)	(932)	(141)	(1,443)	(1,425)
Finance expense	—	—	—	—	1,552
Lease payments	—	—	—	—	(13,182)
Currency translation adjustments	(2,069)	(287)	(8)	(2,364)	(2,539)
Balance as of 31 December 2021	$ 36,405	$ 3,519	$ 196	$ 40,120	$ 47,364

(1) Depreciation expense is included in the consolidated statement of (loss) income in cost of sales or other operating expenses.

Contractual maturities of our lease liabilities as of 31 December 2021 were as follows (in thousands):

2022	$ 12,635
2023	10,146
2024	7,861
2025	5,011
2026	3,803
Thereafter	13,023
Total lease payments	52,479
Less: Amount representing finance charges	(5,115)
Net present value of lease liabilities	$ 47,364

Contractual maturities of our lease liabilities as of 31 December 2020 were as follows (in thousands):

2021	$ 13,414
2022	12,051
2023	8,901
2024	6,902
2025	4,343
Thereafter	14,037
Total lease payments	59,648
Less: Amount representing finance charges	(6,147)
Net present value of lease liabilities	$ 53,501

Lease Payments not Recognised as a Liability

We have elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments (i.e., variable maintenance and utility expenses) are not permitted to be recognised as lease liabilities and are expensed as incurred. Expenses recognised during 2021 and 2020 relating to payments not included in the measurement of lease liabilities is as follows (in thousands):

	31 December 2021	31 December 2020
Short-term leases	$ 1,084	$ 415
Lease of low value	422	396
Variable lease payments	1,200	1,097
	$ 2,706	$ 1,908

At 31 December 2021 and 2020, we were committed to future lease payments of approximately $2.8 million and $2.0 million, respectively, relating to short-term leases and leases of low value assets that are not reflected in the measurement of lease liabilities. These payments will generally be made ratably over the next 3 to 5 years.

Furthermore, lessor lease revenue constituted less than 0.5% and less than 0.6% of total net sales for the year ended 31 December 2021 and 2020, respectively.

Note 19. Other Non-Current Liabilities

(in thousands)	31 December 2021	31 December 2020
Amounts due to employees	$ 6,865	$ 6,008
Contract liabilities	1,403	1,701
Other	1,069	1,656
Total	$ 9,337	$ 9,365

Note 20. Contingent Consideration, Litigation Provision Liability and Other Provisions

Current Provisions

(in thousands)	31 December 2021	31 December 2020
Litigation provision liability	$ 32,845	$ 31,625
Contingent consideration	11,552	13,968
Product remediation	807	1,056
Restructuring reserve	365	4,856
Contractual warranty reserve	767	879
Decommissioning provision	496	539
Other [(1)]	6,329	6,781
Total	$ 53,161	$ 59,704

(1) Other includes an Italian tax provision and other individually immaterial items.

Non-Current Provisions

(in thousands)	31 December 2021	31 December 2020
Litigation provision liability	$ 6,625	$ 7,878
Decommissioning provision	43,460	49,871
Contingent consideration	86,830	89,850
Liability for uncertain tax provisions (inclusive of penalties and interest)	1,983	3,871
Restructuring reserve	37	37
Total	$ 138,935	$ 151,507

Product Remediation and Litigation Provision Liability.

On 29 December 2015, we received an FDA Warning Letter (the Warning Letter) alleging certain violations of FDA regulations applicable to medical device manufacturing at our Munich, Germany and Arvada, Colorado facilities. On 13 October 2016, the Centers for Diseases Control and Prevention (CDC) and FDA separately released safety notifications regarding 3T devices in

response to which we issued a Field Safety Notice Update for U.S. users of our 3T devices to proactively and voluntarily contact facilities to facilitate implementation of the CDC and FDA recommendations.

On 31 December 2016, we recognised a liability for a product remediation plan related to our 3T device. The remediation plan consisted primarily of a modification of the 3T device design to include internal sealing and the addition of a vacuum system to new and existing devices to address regulatory actions and to reduce further the risk of possible dispersion of aerosols from 3T devices in the operating room. We concluded that it was probable that a liability had been incurred upon management's approval of the plan and the commitments made by management to various regulatory authorities globally in November and December 2016, and furthermore, the cost associated with the plan was reasonably estimable.

In April 2017, we obtained CE Mark in Europe for the design change of the 3T device, and in October 2018, the FDA concluded that we could commence the vacuum canister and internal sealing upgrade program in the U.S. On 25 February 2020, LivaNova received clearance for K191402, a 510(k) for the 3T devices that addressed issues contained in the 2015 Warning Letter along with design changes that further mitigate the potential risk of aerosolization. Concurrent with this clearance, (1) 3T devices manufactured in accordance with K191402 will not be subjected to the import alert and (2) LivaNova initiated a correction to distribute the updated Operating Instructions cleared under K191402. We are in the process of completing and closing out all recall activities with the FDA. While our vacuum canister and internal sealing upgrade program and deep cleaning service in the U.S. are substantially complete, these services will continue as a servicing option outside of the U.S.

We recognised product remediation expenses during the years ended 31 December 2021 and 2020 of $0.8 million and $7.9 million, respectively. In addition to changes to the estimated product remediation liability, product remediation expenses include internal labour costs, costs to remediate certain inspectional observations made by the FDA at our Munich facility and costs associated with the incorporation of the modification of the 3T device design into the next generation 3T device. These costs and related legal costs are expensed as incurred and are not included within the product remediation liability presented above. During the fourth quarter of 2018, we recognised a $294.1 million liability related to the litigation involving the 3T device. As of 31 December 2021 and 2020, the liability was $39.5 million. Our related legal costs are expensed as incurred. For further information, please refer to "Note 25. Commitments and Contingencies."

Restructuring reserve. Refer to "Note 8. Restructuring" for more details.

Decommissioning Provision. Refer to "Note 25. Commitments and Contingencies" for more details.

The changes in the carrying value of current provisions during the year are indicated below (in thousands):

	Litigation Provision Liability[1]	Contingent Consideration [2]	Product Remediation	Restructuring Reserve	Contractual Warranty Reserve	Decommissioning Provision [1]	Other Reserves	Total
31 December 2019	$146,026	$ 22,953	$ 3,251	$ 2,542	$ 1,004	$ —	$ 8,070	$183,846
Change in fair value	—	3,635	—	—	—	—	—	3,635
Additions to provision	6,919	—	3,199	2,325	(77)	—	1,371	13,737
Utilisation	(138,178)	(12,868)	(5,743)	—	(109)	—	(939)	(157,837)
Release of provisions	—	—	—	(122)	—	—	—	(122)
Reclassification	—	—	—	—	—	491	(491)	—
Reclassifications from non-current	16,500	448	—	(37)	—	48	—	16,959
Reclassified to liabilities held for sale	—	—	—	—	—	—	(1,981)	(1,981)
Currency translation gains (losses)	358	(200)	349	148	61	—	751	1,467
31 December 2020	31,625	13,968	1,056	4,856	879	539	6,781	59,704
Change in fair value	—	3,163	—	—	—	—	—	3,163
Additions to provision	35,055	—	712	4,363	53	—	1,251	41,434
Utilisation	(34,808)	(6,000)	(880)	(7,869)	(119)	(488)	(985)	(51,149)
Release of provision	—	—	—	(115)	—	—	(496)	(611)
Reclassification	—	—	—	(664)	—	—	—	(664)
Reclassifications from non-current	1,013	421	—	—	—	486	—	1,920
Currency translation gains (losses)	(40)	—	(81)	(206)	(46)	(41)	(222)	(636)
31 December 2021	$ 32,845	$ 11,552	$ 807	$ 365	$ 767	$ 496	$ 6,329	$ 53,161

(1) For additional information refer to "Note 25. Commitments and Contingencies."

(2) For utilization during 2021, we paid $6.0 million under the contingent consideration arrangement for the acquisition of Miami Instruments, LLC ("Miami Instruments"). For utilization during 2020, we paid $11.8 million under the contingent consideration arrangement for the acquisition of TandemLife. Additionally, we made final payments under contingent consideration arrangements resulting from the acquisitions of two distributors.

The changes in the carrying value of non-current provisions during the year are indicated below (in thousands):

	Litigation Provision Liability [1]	Decommissioning Provision [1]	Contingent Consideration	Liability for Uncertain Tax Provisions	Restructuring Reserve	Other Reserves	Total
31 December 2019	$ 24,378	$ —	$ 114,396	$ 10,332	$ —	$ 252	$ 149,358
Change in fair value [2]	—	—	(24,098)	—	—	—	(24,098)
Additions to provision	—	49,549	—	—	—	—	49,549
Release of provisions	—	—	—	(7,348)	—	(247)	(7,595)
Reclassifications (to) from current	(16,500)	(48)	(448)	—	37	—	(16,959)
Currency translation losses	—	370	—	887	—	(5)	1,252
31 December 2020	7,878	49,871	89,850	3,871	37	—	151,507
Change in fair value	—	(2,169)	(2,599)	—	—	—	(4,768)
Additions to provision	—	—	—	—	—	—	—
Release of provisions	—	—	—	(1,594)	—	—	(1,594)
Reclassifications (to) from current	(1,013)	(486)	(421)	—	—	—	(1,920)
Currency translation losses	(240)	(3,756)	—	(294)	—	—	(4,290)
31 December 2021	$ 6,625	$ 43,460	$ 86,830	$ 1,983	$ 37	$ —	$ 138,935

(1) For additional information refer to "Note 25. Commitments and Contingencies."

(2) The contingent consideration change in fair value during the year ended 31 December 2020 is primarily due to a one-year delay in the projected achievement of a certain regulatory milestone and timing of sales-based earnout payments for ImThera, and the impact of an increase in discount rates utilized in the valuation of contingent consideration.

Note 21. Other Payables

(in thousands)	31 December 2021	31 December 2020
Accrued expenses- employee-related charges [1]	$ 58,901	$ 30,036
Other accrued expenses	19,026	19,250
Amounts due to employees	16,388	17,155
Payable to Gyrus Capital S.A. [2]	11,418	—
Legal and administrative expenses	8,997	10,076
Contract liabilities	8,419	6,929
R&D costs	5,329	3,861
Other current liabilities	4,350	9,182
Other amounts due to health and social security institution	3,975	4,689
Current advances from customers	1,246	569
Provisions for agents, returns and other	1,091	780
Total	$ 139,140	$ 102,527

(1) The increase from 31 December 2020 to 31 December 2021 primarily represents an increase in the Group's short term incentive plan.

(2) The amount payable to Gyrus Capital S.A. as of 31 December 2021 primarily represents the purchase price adjustment liability from the sale of our Heart Valves business. For additional information refer to "Note 7. Divestiture of Heart Valve Business."

Note 22. Share-Based Incentive Plans

Share-Based Incentive Plans

On 16 October 2015, we approved the adoption of the Company's 2015 Incentive Award Plan (2015 Plan), which was previously approved by the Board of the Company on 14 September 2015 subject to such shareholder approval. The 2015 Plan was adopted in order to facilitate the grant of cash and equity incentives to non-employee directors, employees (including our named executive officers) and consultants of the Company and certain of our affiliates and to enable the Company and certain of our affiliates to obtain and retain services of these individuals. The Plan became effective as of 19 October 2015. Incentive awards may be granted under the 2015 Plan in the form of share options, share appreciation rights, restricted share, restricted share units, other share and cash-based awards and dividend equivalents.

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

As of 31 December 2021 and 2020, there were approximately 3,098,419 and 3,575,752 shares available for future grants under the 2015 Plan, respectively.

On 1 January 2019, we initiated the LivaNova Global Employee Share Purchase Plan (ESPP). Compensation expense related to the ESPP for the years ended 31 December 2021 and 2020 was $1.5 million and $1.2 million, respectively.

Share-Based Compensation

Amounts of share-based compensation recognised in the consolidated statement of (loss) income, by expense category are as follows (in thousands):

	Year Ended 31 December	
	2021	2020
Cost of sales	$ 2,499	$ 1,964
Selling, general and administrative	30,043	30,705
Research and development	8,838	3,654
Total share-based compensation	$ 41,380	$ 36,323

Amounts of share-based compensation expense recognised in the consolidated statement of (loss) income, by type of arrangement are as follows (in thousands):

	Year Ended 31 December	
	2021	2020
Service-based stock appreciation rights	$ 12,806	$ 13,220
Service-based restricted stock units	20,113	19,049
Market performance-based restricted stock units	3,522	3,200
Operating performance-based restricted stock units	3,434	(370)
ESPP	1,505	1,224
Total share-based compensation expense from continuing operations	$ 41,380	$ 36,323

The expense for the years ended 31 December 2021 and 31 December 2020 related to awards that were accounted for as equity settled.

Share Appreciation Rights and Share Options

We use the Black-Scholes option pricing methodology to calculate the grant date fair market value of SARs. The following table lists the assumptions we utilised as inputs to the Black-Scholes model:

	Year Ended 31 December	
	2021	2020
Weighted average share price	$73.25	$43.63
Exercise price	$73.25	$43.57
Dividend yield [(1)]	—	—
Risk-free interest rate - based on grant date [(2)]	1.0%	0.4%
Expected option term - in years per group of employees/consultants [(3)]	5.6	5.4
Expected volatility at grant date [(4)]	42.1%	39.5%

(1) We have not paid dividends and no future dividends have been approved.
(2) We use yield rates on U.S. Treasury securities for a period that approximated the expected term of the award to estimate the risk-free interest rate.

(3) We estimated the expected term of the awards granted using historic data of actual time elapsed between the date of grant and the exercise or forfeiture of options or SARs for employees. For consultants, the expected term is the remaining time until expiration of the option or SAR.

(4) Refer to "Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies - Share-Based Compensation" for further information regarding expected volatility.

The following tables detail the activity for service-based SARs and stock option awards:

	Year Ended 31 December			
	2021		2020	
SARs and Stock Options	**Number of Optioned Shares**	**Wtd. Avg. Exercise Price**	**Number of Optioned Shares**	**Wtd. Avg. Exercise Price**
Outstanding – at beginning of year	2,884,020	$ 63.20	2,215,056	$ 74.41
Granted	594,617	$ 73.25	1,132,742	$ 43.63
Exercised	(424,122)	$ 52.95	(58,768)	$ 48.65
Forfeited	(291,534)	$ 62.36	(173,923)	$ 73.05
Expired	(128,608)	$ 88.67	(231,087)	$ 70.99
Outstanding – end of year	2,634,373	$ 65.94	2,884,020	$ 63.20
Fully vested and exercisable – end of year	1,154,459	$ 68.18	1,131,868	$ 66.28
Fully vested and expected to vest – end of year [(1)]	2,579,659	$ 66.01	2,815,269	$ 63.39

(1) Includes the impact of expected future forfeitures.

The weighted average remaining contractual life for the share options and SARs outstanding at 31 December 2021 and 31 December 2020 is 7.16 years and 7.45 years, respectively.

The aggregate intrinsic value of the options and SARs outstanding at 31 December 2021 and 31 December 2020 is $61.7 million and $34.8 million, respectively. The aggregate intrinsic value of options and SARs is based on the difference between the fair market value of the underlying share at the end of the year using the market closing share price, and exercise price for in-the-money awards.

The range of exercise prices for stock options and SARs outstanding year end are categorised in exercise price ranges as follows:

Outstanding Options	**31 December 2021**	**31 December 2020**
$10–30	—	3,334
$31–50	955,163	1,230,945
$51–70	376,676	701,881
$71–90	868,723	409,027
$91–110	430,084	531,004
$111–130	3,727	7,829
Total	2,634,373	2,884,020

	Year Ended 31 December	
	2021	2020
Weighted average grant date fair value of SARs granted during the year (per share)	$ 29.22	$ 15.73
Aggregate intrinsic value of SARs and stock options exercised during the year (in thousands)	$ 12,223	$ 773

Restricted Share and Restricted Share Units Awards

The following tables detail the activity for service-based RSU awards:

	Year Ended 31 December			
	2021		2020	
	Number of Shares	Wtd. Avg. Grant Date Fair Value	Number of Shares	Wtd. Avg. Grant Date Fair Value
Non-vested shares at beginning of year	848,459	$ 58.00	523,833	$ 84.98
Granted	363,372	$ 74.17	609,076	$ 44.28
Vested	(279,064)	$ 61.82	(221,314)	$ 75.51
Forfeited	(141,610)	$ 55.85	(63,136)	$ 75.46
Non-vested shares at end of year	791,157	$ 64.53	848,459	$ 58.00

	Year Ended 31 December	
	2021	2020
Weighted average grant date fair value of service-based RSUs issued during the year (per share)	$ 74.17	$ 44.28
Aggregate fair value of RSUs that vested during the year (in thousands)	$ 21,501	$ 13,674

Market and Performance-Based Restricted Share and Performance-Based Restricted Share Units Awards

The following tables detail the activity for performance-based and market-based RSU awards:

	Year Ended 31 December			
	2021		2020	
	Number of Shares	Wtd. Avg. Grant Date Fair Value	Number of Shares	Wtd. Avg. Grant Date Fair Value
Non-vested shares at beginning of year	380,799	$ 56.55	285,669	$ 71.02
Granted	123,956	$ 89.29	185,940	$ 41.70
Vested	(107,455)	$ 67.09	(63,305)	$ 41.79
Forfeited	(51,356)	$ 28.42	(27,505)	$ 64.35
Non-vested shares at end of year	345,944	$ 68.36	380,799	$ 56.55

	Year Ended 31 December	
	2021	2020
Weighted average grant date fair value of performance and market-based restricted share units granted during the year (per share)	$ 89.29	$ 41.70
Aggregate fair value of performance and market-based restricted share units that vested during the year (in thousands)	$ 8,268	$ 4,106

Note 23. Employee Retirement Plans

We sponsor several defined benefit pension plans, which include plans in the U.S., Italy, Germany, Japan and France. We maintain a frozen cash balance retirement plan in the U.S. that is a contributory, defined benefit plan designed to provide the benefit in terms of a stated account balance dependent on the employer's promised interest-crediting rate. In Italy and France we maintain a severance pay defined benefit plan that obligates the employer to pay a severance payment in case of resignation, dismissal or retirement. In other jurisdictions we sponsor non-contributory, defined benefit plans designated to provide a guaranteed minimum retirement benefits to eligible employees. Certain members of our key management participate in the Company's defined benefit pension plans. Please refer to “Note 28. Related Parties”

As at 31 December 2021 and 2020, the net underfunded status of our U.S. and non-U.S. defined benefit pension plans was $12.2 million and $14.6 million, respectively.

Risks Related to Defined-benefit Plans

The defined benefit plans expose the Group to various demographic and economic risks such as longevity risk, investment risks, currency and interest rate risk and in some cases inflation risk. The latter plays a role in the assumed wage increase and in some smaller plans where indexation is mandatory. Pension fund Trustees are responsible for and have full discretion over the investment strategy of the plan assets. In general Trustees manage pension fund risks by diversifying the investments of plan assets and by (partially) matching interest rate risk of liabilities.

The Company has an active de-risking strategy in which it constantly looks for opportunities to reduce the risks associated with its defined benefit plans. The plans are governed by Trustees who have a legal obligation to evenly balance the interests of all stakeholders and operate under the local regulatory framework.

The change in benefit obligations and funded status of our U.S. and non-U.S. pension benefits are as follows (in thousands):

	U.S. Pension Benefits					
	2021			2020		
	Present Value of Benefit Obligation	Fair Value of Plan Assets	Net Liability	Present Value of Benefit Obligation	Fair Value of Plan Assets	Net Liability
Accumulated benefit obligation at end of year	$ 12,578			$ 13,085		
Beginning of year	$ 13,085	$ (8,688)	$ 4,397	$ 11,232	$ (7,574)	$ 3,658
Interest cost	224	—	224	290	—	290
Total amount recognised in the statement of (loss) income	224	—	224	290	—	290
Actuarial loss	527	—	527	2,225	—	2,225
Actual return on plan assets	—	(189)	(189)	—	(646)	(646)
Total amount recognised in other comprehensive income	527	(189)	338	2,225	(646)	1,579
Employer contributions	—	(401)	(401)	—	(1,130)	(1,130)
Payments from plan:						
Plan settlements	(972)	972	—	(384)	384	—
Benefits paid	(286)	286	—	(278)	278	—
End of year	$ 12,578	$ (8,020)	$ 4,558	$ 13,085	$ (8,688)	$ 4,397

	Non-U.S. Pension Benefits [1]					
	2021			2020		
	Value of Benefit Obligation	Fair Value of Plan Assets	Net Liability	Value of Benefit Obligation	Fair Value of Plan Assets	Net Liability
Accumulated benefit obligation at end of year	$ 10,522			$ 12,091		
Beginning of year	$ 13,039	$ (2,816)	$ 10,223	$ 18,087	$ (3,423)	$ 14,664
Current service cost	354	—	354	691	—	691
Interest cost	56	—	56	121	—	121
Total amount recognised in the statement of (loss) income	410	—	410	812	—	812
Actuarial gain	(1,372)	—	(1,372)	(208)	—	(208)
Actual return on plan assets	—	(61)	(61)	—	(50)	(50)
Total amount recognised in other comprehensive income	(1,372)	(61)	(1,433)	(208)	(50)	(258)
Foreign currency exchange rate changes and other	(966)	(41)	(1,007)	1,605	(197)	1,408
Employer contributions	—	(302)	(302)	—	(454)	(454)
Benefits paid	(294)	78	(216)	(1,245)	286	(959)
Reclassified to liabilities held for sale [2]	—	—	—	(6,012)	1,022	(4,990)
End of year [3]	$ 10,817	$ (3,142)	$ 7,675	$ 13,039	$ (2,816)	$ 10,223

(1) In certain non-U.S. countries, fully funding pension plans is not a common practice. Consequently, certain pension plans have been partially funded.

(2) Refer to "Note 7. Divestiture of Heart Valve Business."
(3) These amounts are included within provision for employee severance indemnities and other employee benefit provisions on the consolidated balance sheet as well as social security taxes payable associated with our share-based incentive plans.

Major actuarial assumptions used in determining the benefit obligations and net periodic benefit (income) cost for our significant benefit plans are presented in the following table as weighted averages:

	Year Ended 31 December			
	2021		2020	
	U.S. Pension Benefits	Non-U.S. Pension Benefits	U.S. Pension Benefits	Non-U.S. Pension Benefits
Actuarial assumptions used to determine benefit obligation:				
Discount rate	2.41%	0.15% – 1.00%	1.91%	0.23% – 0.35%
Rate of compensation increase	N/A	2.50% – 3.00%	N/A	2.50% – 3.00%
Actuarial assumptions used to determine net periodic benefit cost:				
Discount rate	1.91%	0.15% – 1.00%	2.88%	0.23% – 0.35%
Rate of compensation increase	N/A	2.50% – 3.00%	N/A	2.50% – 3.00%
Expected return on plan assets	5.00%	N/A	5.00%	N/A

To determine the discount rate for our U.S. benefit plan, we used the FTSE Above Median Pension Discount Curve. For the discount rate used for the other non-U.S. benefit plans we consider local market expectations of long-term returns, primarily utilizing the Iboxx Corporate Index Bond rating AA, duration higher than 10 years. The resulting discount rates are consistent with the duration of plan liabilities.

The expected long-term rate of return on plan assets assumption for our U.S. benefit plan was derived from a study conducted by our investment managers. The study includes a review of anticipated future long-term performance of individual asset classes and consideration of the appropriate asset allocation strategy given the anticipated requirements of the plan to determine the average rate of earnings expected on the funds invested to provide for the pension plan benefits.

Retirement Benefit Plan Investment Strategy

In the U.S., we have an account that holds the defined benefit frozen balance pension plan assets. The Qualified Plan Committee (Plan Committee) sets investment guidelines for U.S. pension plans with the assistance of an external consultant. The plan assets in the U.S. are invested in accordance with sound investment practices that emphasize long-term fundamentals. The investment objectives for the plan assets in the U.S. are to achieve a positive rate of return that would be expected to close the current funding deficit and so enable us to terminate the frozen pension plan at a reasonable cost. These guidelines are established based on market conditions, risk tolerance, funding requirements and expected benefit payments. The Plan Committee also oversees the investment allocation process, selects the investment managers, and monitors asset performance. The investment portfolio contains a diversified portfolio of fixed income and equity index funds. Securities are also diversified in terms of domestic and international securities, short- and long-term securities, growth and value styles, large cap and small cap stocks.

Outside the U.S., pension plan assets are typically managed by decentralized fiduciary committees. There is a significant variation in policy asset allocation from country to country. Local regulations, local funding rules, and local financial and tax considerations are part of the funding and investment allocation process in each country.

Our U.S. and Non-U.S. pension plans target allocations as of 31 December 2021 and 31 December 2020, by asset category, are as follows:

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Equity Securities	29%	29%	1%	1%
Debt Securities	70%	70%	84%	84%
Other	1%	1%	15%	15%

Retirement Benefit Fair Values

The following is a description of the valuation methodologies used for retirement benefit plan assets measured at fair value:

Equity Mutual Funds: Valued based on the year-end net asset values of the investment vehicles. The net asset values of the investment vehicles are based on the fair values of the underlying investments of the partnerships valued at the closing price

reported in the active markets in which the individual security is traded. Equity mutual funds have a daily reported net asset value and we classify these investments as Level 2.

Fixed Income Mutual Funds: Valued based on the year-end net asset values of the investment vehicles. The net asset values of the investment vehicles are based on the fair values of the underlying investments of the partnerships valued based on inputs other than quoted prices that are observable.

Money Markets: Valued based on quoted prices in active markets for identical assets.

The following tables provide information by level for the retirement benefit plan assets that are measured at fair value, as defined by IFRS (in thousands). Refer to "Note 5. Fair Value Measurements" for discussion of the fair value measurement terms of Levels 1, 2, and 3.

(in thousands)	Fair Value as at 31 December 2021	Fair Value Measurement Using Inputs Considered as		
		Level 1	Level 2	Level 3
Equity mutual funds	$ 2,341	$ —	$ 2,341	$ —
Fixed income mutual funds	5,587	—	5,587	—
Money market funds	82	82	—	—
Total	$ 8,010	$ 82	$ 7,928	$ —

(in thousands)	Fair Value as at 31 December 2020	Fair Value Measurement Using Inputs Considered as		
		Level 1	Level 2	Level 3
Equity mutual funds	$ 2,405	$ —	$ 2,405	$ —
Fixed income mutual funds	5,788	—	5,788	—
Money market funds	94	94	—	—
Total	$ 8,287	$ 94	$ 8,193	$ —

Retirement Benefit Funding Plan

We have the policy to make the minimum required contribution to fund the U.S. pension plan as determined by MAP – 21 and the Highway and Transportation Funding Act of 2014.

We contributed $0.7 million and $1.6 million to the pension plans (U.S. and non-U.S.) during the years ended 31 December 2021 and 2020, respectively. We anticipate that we will make contributions to the U.S. pension plan of approximately $0.4 million during fiscal year 2022. Contributions to the non-U.S. pension plans in fiscal year 2021 are not expected to be material. The weighted average duration of the defined benefit plans is approximately 8 years and 10 years for U.S. plan and Non-U.S. plans respectively.

Benefit payments, including amounts to be paid from our assets, and reflecting expected future service, as appropriate, as of 31 December 2021, were expected to be paid as follows (in thousands):

(in thousands)	U.S. Plan	Non-U.S. Plans
2022	$ 4,487	$ 476
2023	744	738
2024	764	526
2025	928	572
2026	941	786
2027 - 2031	2,633	4,981
Above 2031	2,081	2,738
Total	$ 12,578	$ 10,817

Benefit payments, including amounts to be paid from our assets, and reflecting expected future service, as appropriate, as of 31 December 2020, were expected to be paid as follows (in thousands):

(in thousands)	U.S. Plan	Non-U.S. Plans
2021	$ 4,003	$ 600
2022	1,175	881
2023	680	1,129
2024	774	837
2025	940	898
2026 - 2030	3,159	6,205
Above 2030	2,354	2,489
Total	$ 13,085	$ 13,039

Sensitivity Analysis

The sensitivity of the defined benefit obligation as of 31 December 2021 and 31 December 2020 to significant changes in actuarial assumptions are as follows (in thousands):

	31 December 2021		31 December 2020	
	Increase +0.50%	Decrease –0.50%	Increase +0.50%	Decrease –0.50%
Discount rate	$(1,167)	$503	$309	$2,859

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected until credit method at the end of the reporting year) has been applied as when calculating the defined benefit liability recognised in the consolidated balance sheet.

Defined Contribution Plans. We sponsor defined contribution plans, including the Cyberonics, Inc. Employee Retirement Savings Plan, which qualifies under Section 401(k) of the IRC, covering U.S. employees, the Cyberonics, Inc. Non-Qualified Deferred Compensation Plan, covering certain U.S. middle and senior management and the Belgium Defined Contribution Pension Plan for Cyberonics's Belgium employees. We incurred expenses for our defined contribution plans of $10.2 million and $11.8 million for the years ended 31 December 2021 and 31 December 2020, respectively.

Note 24. Income Taxes

Income tax benefit consists of the following (in thousands):

	Year Ended 31 December	
	2021	2020 Restated [1]
Current tax	$ (8,289)	$ 38,108
Deferred tax	21,321	22,938
Income tax benefit	$ 13,032	$ 61,046

(1) Deferred tax as of 31 December 2020 has been restated. For further details refer to "Note 1. Nature of Operations."

The following is a reconciliation of the statutory income tax rate to our effective income tax rate expressed as a percentage of income before income taxes:

	Year Ended 31 December	
	2021	2020 Restated [1]
Statutory tax rate at UK rate	19.0 %	19.0 %
Effect of changes in tax rate	17.3	4.7
Change in unrecognised deferred tax assets	(23.6)	(5.7)
U.S. state and local tax provision, net of federal benefit	(0.2)	2.1
Foreign tax rate differential	1.9	5.2
U.S. tax on non U.S. operations	—	(1.5)
Research and development tax credits	0.2	1.3
Reserve for uncertain tax positions	—	1.2
Base erosion anti-abuse tax	(2.6)	(1.0)
Impairment of goodwill and intangible assets	(1.5)	(0.3)
Other, net	(1.8)	—
Effective tax rate	8.7 %	25.0 %

(1) The effective tax rate for the year ended 31 December 2020 has been restated. For further details refer to "Note 1. Nature of Operations."

Due to the change in law effective 1 April 2023, which received royal assent in July 2021, and provided for the UK tax rate to increase to 25%, there was a revaluation to increase deferred taxes of $25.0 million in 2021. Similarly, the UK unrecognised deferred tax assets was also increased by the revaluation $1.7 million, while U.S. unrecognised deferred tax asset increased by $35.3 million.

Deferred Tax Assets and Liabilities

The change in net deferred tax assets (liabilities) as recognised in the balance sheet can be analysed as follows (in thousands):

	Year Ended 31 December	
	2021	2020 Restated [1]
At the beginning of the year	$ 73,193	$ 57,969
Deferred tax benefit for the year, net	21,321	16,037
Deferred tax recorded in equity	1,352	(3,774)
Changes from divestitures	4,452	2,961
At the end of the year	$ 100,318	$ 73,193

(1) Deferred tax benefit for the year ended 31 December 2020 has been restated. For further details refer to "Note 1. Nature of Operations."

The following table provides the net deferred tax assets expected to be recognised within the next 12 months and after the next 12 months as of 31 December 2021 and 31 December 2020 (in thousands):

	31 December 2021	31 December 2020
Within the next 12 months	$ 15,059	$ 22,888
After the next 12 months	85,259	50,305
Net deferred tax assets	$ 100,318	$ 73,193

(2) Deferred tax assets and liabilities on a gross basis are summarised as follows (in thousands):

		Activity During the Year Ended 31 December 2021			
	31 December 2021	Consolidated Statement of Loss) Income	Tax Rate Change [1]	Shareholders' Equity	31 December 2020 Restated [3]
Deferred tax assets					
Net operating loss carryforwards (NOLs)	$ 73,482	$ 6,202	$ 6,715	$ (46,420)	$ 106,985
Tax credit carryforwards	825	(3,233)	55	(177)	4,180
Deferred compensation	22,875	1,182	2,411	8,203	11,079
Accruals and reserves	73,514	(536)	1,268	13,321	59,461
Inventory	8,844	(1,243)	(47)	6,385	3,749
Investments	—	—	—	(512)	512
Other	17,929	3,677	81	(2,066)	16,237
Gross deferred tax assets [2]	197,469	6,049	10,483	(21,266)	202,203
Deferred tax liabilities					
Gain on sale of intellectual property	(26,597)	13,263	1,205	3	(41,068)
Property, equipment & intangible assets	(70,554)	(14,613)	4,935	27,066	(87,942)
Gross deferred tax liabilities	(97,151)	(1,350)	6,140	27,069	(129,010)
Deferred tax assets (liabilities), net	$ 100,318	$ 4,699	$ 16,623	$ 5,803	$ 73,193
Reported in the consolidated balance sheet (after jurisdictional netting)					
Net deferred tax assets	$ 107,869				$ 82,551
Deferred tax liabilities	(7,551)				(9,358)
Deferred tax assets, net [2]	$ 100,318				$ 73,193

(1) *UK received royal assent in July 2021, and provided for the UK tax rate to increase to 25%, effective 1 April 2023, there was a revaluation to increase deferred taxes in 2021.*

(2) During the year ended 31 December 2021, the net deferred tax assets increased from net operation losses in the UK, Germany, and other jurisdictions, offset by increased unrecognised deferred tax assets in U.S. and Italy.

(3) Inventory deferred tax assets as of 31 December 2020 has been restated. For further details refer to "Note 1. Nature of Operations."

	31 December 2020 Restated [1]	Activity During the Year Ended 31 December 2020			31 December 2019
		Consolidated Statement of (Loss) Income	Tax Rate Change [1]	Shareholders' Equity	
Deferred tax assets					
Net operating loss carryforwards (NOLs)	$ 106,985	$ 31,287	$ 2,401	$ —	$ 73,297
Tax credit carryforwards	4,180	(361)	—	—	4,541
Deferred compensation	11,079	1,110	340	(1,845)	11,474
Accruals and reserves	59,461	(10,102)	—	1	69,562
Depreciation and amortisation	—	(273)	—	273	—
Inventory	3,749	(9,684)	—	1,826	11,607
Investments	512	44	—	—	468
Other	16,237	7,235	390	(3,214)	11,826
Gross deferred tax assets	202,203	19,256	3,131	(2,959)	182,775
Deferred tax liabilities					
Gain on sale of intellectual property	(41,068)	12,023	—	—	(53,091)
Property, equipment & intangible assets	(87,942)	(21,337)	4,099	1,011	(71,715)
Gross deferred tax liabilities	(129,010)	(9,314)	4,099	1,011	(124,806)
Deferred tax assets (liabilities), net	$ 73,193	$ 9,942	$ 7,230	$ (1,948)	$ 57,969
Reported in the consolidated balance sheet (after jurisdictional netting)					
Net deferred tax assets	$ 82,551				$ 76,151
Deferred tax liabilities	(9,358)				(18,182)
Deferred tax assets, net	$ 73,193				$ 57,969

(1) Inventory deferred tax assets as of 31 December 2020 has been restated. For further details refer to "Note 1. Nature of Operations."

We remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future.

We periodically assess the recoverability of our deferred tax assets by considering whether it is probable that some or all of the actual benefit of those assets will be realized. To the extent that realization does not meet the "probable" criterion, we do not recognise a deferred tax asset. We periodically review the adequacy and necessity of unrecognised deferred tax assets by considering significant positive and negative evidence relative to our ability to recover deferred tax assets and to determine the timing and amount of the unrecognised deferred tax assets that should be released. This evidence includes: profitability in the most recent quarters; internal forecast profitability and expected utilization period; size of deferred tax asset relative to estimated profitability; the potential effects on future profitability from increasing competition, healthcare reforms and overall economic conditions; limitations and potential limitations on the use of our NOLs due to ownership changes; and the implementation of prudent and feasible tax planning strategies, if any.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Net Operating Loss Carryforwards

We had the following NOL carryforwards as of 31 December 2021 which can be used to reduce our income tax payable in future years (in thousands):

Region	Gross Amount	Tax Effected Amount Without Expiration	Tax Effected Amount With Expiration	Starting Expiration Year
Europe	$ 395,360	$ 94,613	$ 60	2026
U.S. Federal	$ 169,127	$ 4,456	$ 31,061	2023
U.S. State	$ 275,780	$ 2,673	$ 12,761	2022
Rest of World	$ 21,204	$ 6,187 `	$ 674	2025

Included in the table above are deferred tax assets that have not been recognised with respect of the following items (in thousands):

	31 December 2021	31 December 2020
Tax loss carryforwards	$ 79,001	$ 26,288
U.S. tax credits	38,974	35,210
Rest of World tax credits	1,133	1,321
Total	$ 119,108	$ 62,819

As a result of the business combination during the transitional period to 31 December 2015, the historic NOL's of Sorin U.S. are limited by IRC section 382. The annual limitation is approximately $18.3 million, which is sufficient to absorb the U.S. NOLs prior to their expiration. As a result of the April 2018 acquisition of TandemLife, there is an IRC section 382 annual limitation of approximately $17.2 million, which is sufficient to absorb the U.S. NOLs prior to their expiration.

For losses incurred after April 2017 in the UK, the Company anticipates a recoverability of these operating loss carryforwards beginning in 2027 as the Company expects an increase in taxable income due to the full amortisation of certain intangible assets. The Company is relying on estimated future income projections and judgement on the growth of the projected income for the recoverability of the deferred tax assets corresponding the NOLs. The Company estimates it will be able to recover its tax loss in less than 12 years through UK Group relief, as the UK Group will realize substantially an increase of taxable income as a result of increased revenues from royalty income and decreased amortisation of intangible assets beginning in 2027.

A significant portion of our worldwide net deferred tax liability relates to the tax effect of the step-up in value of the assets acquired with the acquisition of Sorin S.p.A. on 19 October 2015.

No provision has been made for income taxes on undistributed earnings of foreign subsidiaries as of 31 December 2021 because it is our intention to indefinitely reinvest undistributed earnings of our foreign subsidiaries. In the event of the distribution of those earnings in the form of dividends, a sale of the subsidiaries, or certain other transactions, we may be liable for income taxes. There should be no material tax liability on future distributions as most jurisdictions with undistributed earnings have various participation exemptions / no withholding tax. As of 31 December 2021, it was not practicable to determine the amount of the deferred income tax liability related to those investments.

Uncertain Tax Positions

Tax authorities may disagree with certain positions we have taken and assess additional taxes. We regularly assess the likely outcomes of our tax positions in order to determine the appropriateness of our reserves for uncertain tax positions. However, there can be no assurance that we will accurately predict the outcome of these audits and the actual outcome of an audit could have a material impact on our consolidated results of income, financial position or cash flows. If all of our unrecognised tax benefits as of 31 December 2021 were recognised, $1.7 million would impact our effective tax rate. We believe it is reasonably possible that, within the next twelve months, due to the settlement of uncertain tax positions with various tax authorities and the expiration of statutes of limitations, unrecognised tax benefits could decrease by up to approximately $0.6 million

Accrued interest and penalties related to uncertain tax positions totalled $0.2 million and $0.4 million as of 31 December 2021 and 31 December 2020, respectively, and were included in non-current provisions on our consolidated balance sheet.

Other Matters

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

The major jurisdictions where we are subject to income tax examinations are as follows:

Jurisdiction	Earliest Year Open
U.S. - federal and state	2015
Italy	2015
Germany	2019
England and Wales	2020
Canada	2017

Note 25. Commitments and Contingencies

FDA Warning Letter

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

The FDA inspected the Munich facility from 24 August 2015 to 27 August 2015 and the Arvada facility from 24 August 2015 to 1 September 2015. On 27 August 2015, the FDA issued a Form 483 identifying two observed non-conformities with certain regulatory requirements at the Munich facility. We did not receive a Form 483 in connection with the FDA's inspection of the Arvada facility. Following receipt of the Form 483, we provided written responses to the FDA describing corrective and preventive actions that were underway or to be taken to address the FDA's observations at the Munich facility. The Warning Letter responded in part to our responses and identified other alleged violations related to the manufacture of our 3T Heater-Cooler device that were not previously included in the Form 483.

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

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

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

CDC and FDA Safety Communications and Company Field Safety Notice Update

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

Also on 13 October 2016, concurrent with the CDC's HAN and FDA's Safety Communication, we issued a Field Safety Notice Update for U.S. users of 3T devices to proactively and voluntarily contact facilities to aid in implementation of the CDC and FDA recommendations. In the fourth quarter of 2016, we initiated a program to provide existing 3T device users with a new loaner 3T device at no charge pending regulatory approval and implementation of additional risk mitigation strategies worldwide, including a vacuum canister and internal sealing upgrade program and a deep disinfection service. In April 2017, we obtained CE Mark in Europe for the design change of the 3T device, and in October 2018, the FDA concluded that we could commence the vacuum canister and internal sealing upgrade program in the U.S. On 25 February 2020, LivaNova received clearance for K191402, a 510(k) for the 3T devices that addressed issues contained in the 2015 Warning Letter along with design changes that further mitigate the potential risk of aerosolization. Concurrent with this clearance, (1) 3T devices manufactured in accordance with K191402 will not be subjected to the import alert and (2) LivaNova initiated a correction to distribute the updated Operating Instructions cleared under K191402. We are in the process of completing and closing out all recall activities with the FDA. While our vacuum canister and internal sealing upgrade program and deep cleaning service in the U.S. are substantially complete, these services will continue as a servicing option outside of the U.S.

On 31 December 2016, we recognised a liability for our product remediation plan related to our 3T device. We concluded that it was probable that a liability had been incurred upon management's approval of the plan and the commitments made by management to various regulatory authorities globally in November and December 2016, and furthermore, the cost associated with the plan was reasonably estimable. At 31 December 2021 and 2020, the product remediation liability was $0.8 million and $1.1 million, respectively. Since clearance for K191402 was received, the liability associated with 3T remediation efforts has declined over time such that the Company has concluded that, at this point in time, the current/future liability is immaterial, and we do not intend to provide further disclosure on this matter. Refer to "Note 20. Contingent Consideration, Litigation Provision Liability and Other Provisions" for additional information.

Saluggia Site Hazardous Substances

LSM, formerly a subsidiary of Sorin, one of the companies that merged into LivaNova PLC in 2015, manages site services for the campus in Saluggia, Italy. The Saluggia campus is the location of manufacturing facilities of third parties, including those who acquired our Cardiac Rhythm Management and Heart Valve businesses, a cafeteria for workers, and storage facilities for hazardous substances and equipment used between 1960s and the late 1990s by a nuclear research centre that evolved into a nuclear medicine business. Pursuant to authorization from the Italian government, LSM has, and continues to, perform ordinary maintenance, secure the facilities, monitor air and water quality and file applicable reports with the competent environmental authorities.

During 2020, LSM received correspondence from ISIN (a sub-body of the Italian Ministry of Economic Development) requesting that within five years, LSM demonstrate the financial capacity to meet its obligations under Italian law to clean and dismantle any contaminated buildings and equipment as well as to deliver hazardous substances to a national repository. This repository will be built by the Italian government at a location and time yet to be determined. ISIN subsequently published Technical Guide n. 30, which identifies the technical criteria, and general safety and protection requirements for the design, construction, operation and dismantling of temporary storage facilities for the hazardous substances. In January 2021, a list of 67 potential sites for the national repository was published.

Although there is no legal obligation to being any work or deliver the hazardous substances, as the performance of these obligations is contingent on the construction of the as-yet unbuilt national repository, based on the aforementioned factors, the Company concluded its obligation to clean, dismantle, and deliver any hazardous substances to a national repository, is probable and reasonably estimable as of 31 December 2020. Accordingly, in the fourth quarter of 2020, we recognised a $49.5 million provision for this matter, which is included within exceptional items on the consolidated statements of income (loss). The liability as of 31 December 2020 was $50.4 million which was determined utilizing the middle of the estimated range of loss of $43.0 million to $55.0 million. At 31 December 2021 the liability was $44.0 million. The decrease in the liability from 31 December 2020 was primarily due to an increase in the discount rate applied to the liability, as well as the effects of foreign currency changes during the year ended 31 December 2021. A 0.5% increase or decrease in the discount rate applied would not have a material impact on the provision. The timing of any cash outflows associated with this provision is uncertain given the factors noted above, however we do not currently expect to incur significant cash outflows associated with this matter in the next three years. Refer to "Note 20. Contingent Consideration, Litigation Provision Liability and Other Provisions" for additional information.

Litigation

Product Liability

The Company is currently involved in litigation involving our 3T device. The litigation includes federal multi-district litigation in the U.S. District Court for the Middle District of Pennsylvania, various U.S. state court cases and cases in jurisdictions outside the U.S. A class action, filed in February 2016 in the U.S District Court for the Middle District of Pennsylvania, consisting of all Pennsylvania residents who underwent open heart surgery at WellSpan York Hospital and Penn State Milton S. Hershey Medical Center between 2011 and 2015 and who currently are asymptomatic for NTM infection, was dismissed on 16 July 2021.

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

Cases in state and federal courts in the U.S. and in jurisdictions outside the U.S. continue to progress. As of 27 April 2022, including the cases encompassed in the settlement framework described above that have not yet been dismissed, we are aware of approximately 90 filed and unfiled claims worldwide, with the majority of the claims in various federal or state courts throughout the U.S. This number includes five cases that have settled but have not yet been dismissed. The complaints generally seek damages and other relief based on theories of strict liability, negligence, breach of express and implied warranties, failure to warn,

design and manufacturing defect, fraudulent and negligent misrepresentation or concealment, unjust enrichment, and violations of various state consumer protection statutes.

During the years ended 31 December 2021 and 2020 we recognised additional litigation provisions of $35.1 million and $6.9 million, respectively, due to new information received about the nature of certain claims. At 31 December 2021, the provision for these matters was $39.5 million. While the amount accrued represents our best estimate for those filed and unfiled claims that we believe are both probable and estimable at this time, and which are a subset of the filed and unfiled claims worldwide of which we are currently aware, the actual liability for resolution of these matters may vary from our estimate. The remaining claims for which a provision has not been recorded are remote or the potential loss is not estimable at this time.

Environmental Liability

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

In September 2011 and July 2014, the Bankruptcy Court of Udine and the Bankruptcy Court of Milan held (in proceedings to which we are not parties) that the Italian Ministry of the Environment and other Italian government agencies (the Public Administrations) were not creditors of either SNIA or its subsidiaries in connection with their claims in the Italian insolvency proceedings. The Public Administrations appealed and in January 2016, the Court of Udine rejected the appeal. The Public Administrations have also appealed that decision to the Supreme Court. In addition, the Bankruptcy Court of Milan's decision has been appealed.

In January 2012, SNIA filed a civil action against Sorin in the Civil Court of Milan asserting joint liability of a parent and a spun-off company; the Public Administrations entered voluntarily into the proceeding, asking Sorin, as jointly liable with SNIA, to pay compensation for SNIA's environmental damages. On 1 April 2016, the Court of Milan dismissed all legal actions of SNIA and of the Public Administrations further requiring the Public Administrations to pay Sorin approximately €292,000 (approximately $331,000 as of 31 December 2021) for legal fees. The Public Administrations appealed the 2016 Decision to the Court of Appeal of Milan (the Court of Appeal). On 5 March 2019, the Court of Appeal issued a partial decision on the merits declaring Sorin/ LivaNova jointly liable with SNIA for SNIA's environmental liabilities in an amount up to the fair value of the net worth received by Sorin because of the Sorin spin-off, an estimated €572.1 million (approximately $649.1 million as of 31 December 2021). We appealed the partial decision on liability to the Italian Supreme Court in August 2019.

In November 2021, the Court of Appeal delivered the remainder of its decision, ordering LivaNova to pay damages of approximately €453.6 million (approximately $514.6 million as of 31 December 2021). We appealed the decision on damages in December 2021, and in early 2022, the Italian Supreme Court agreed to combine the appeals on liability and damages. On 21 February 2022, the Court of Appeal notified the Company that it granted the Company a suspension with respect to the payment of damages until a decision has been reached on the appeal to the Italian Supreme Court. This suspension was subject to providing a first demand bank surety of €270.0 million (approximately U.S. $306.2 million) within 30 calendar days. On 21 March 2022 LivaNova delivered the guarantee as required by the Court of Appeal, thereby satisfying the condition to obtain the suspension of the Court of Appeal's judgment for the payment of damages in connection with the SNIA litigation until review of such judgment by the Italian Supreme Court. Refer to "Note 34. Subsequent Events" for additional information on the financing of the guarantee.

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

We have not recognised a liability in connection with these related matters matter because any potential loss is not currently probable.

Patent Litigation

On 11 May 2018, Neuro and Cardiac Technologies LLC (NCT), a non-practicing entity, filed a complaint in the U.S. District Court for the Southern District of Texas asserting that the VNS Therapy System, when used with the SenTiva Model 1000 generator, infringes the claims of U.S. Patent No. 7,076,307 owned by NCT. The complaint requested damages that include a

royalty, costs, interest, and attorneys' fees. On 13 September 2018, we petitioned the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office (the Patent Office) for an *inter partes review* ("IPR") of the validity of the '307 patent, and on 18 May 2020, the Patent Office issued a Final Written Decision determining that all challenged claims are unpatentable. On 16 November 2021, the district court dismissed NCT's compliant with prejudice, which concluded the litigation.

Contract Litigation

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

Other Matters

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

Note 26. Earnings Per Share

Basic EPS is calculated by dividing the profit for the year attributable to owners of the parent by the weighted average number of Ordinary Shares outstanding during the year. Diluted EPS is calculated by dividing the net profit attributable to attributable to owners of the parent by the weighted average number of Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on conversion of all the dilutive potential Ordinary Shares into Ordinary Shares.

The following table sets forth the basic and diluted weighted-average shares outstanding used in the computation of basic and diluted EPS (in thousands of shares):

	Year Ended 31 December	
	2021	2020 Restated [1]
Numerator:		
Loss from continuing operations	$ (137,439)	$ (182,866)
Loss from discontinued operations	—	(1,493)
Loss attributable to owners of the parent	$ (137,439)	$ (184,359)
Denominator:		
Basic weighted average shares outstanding	50,633	48,592
Add effects of stock-based compensation instruments[2]	—	—
Diluted weighted average shares outstanding.	50,633	48,592
Basic loss per share:		
Continuing operations	$ (2.71)	$ (3.76)
Discontinued operations	—	(0.04)
	$ (2.71)	$ (3.80)
Diluted loss per share:		
Continuing operations	$ (2.71)	$ (3.76)
Discontinued operations	—	(0.04)
	$ (2.71)	$ (3.80)

(1) Loss from continuing operations, loss from discontinued operations and loss attributable to owners of the parent for the year ended 31 December 2020 have been restated. For further details refer to "Note 1. Nature of Operations."

(2) Excluded from the computation of diluted EPS for the years ended 31 December 2021 and 31 December 2020 were stock options, SARs and RSUs totalling 3.9 million and 4.1 million because to include them would have been anti-dilutive.

Note 27. Segment and Geographic Information

Segment Information

We identify operating segments based on the way we manage, evaluate and internally report our business activities to our chief operating decision maker (CODM), who is the CEO of LivaNova, for purposes of allocating resources and assessing performance. We have three operating segments: Cardiopulmonary, Neuromodulation and Advances Circulatory Support.

Effective in the fourth quarter of 2021, LivaNova changed its reportable segments corresponding to changes in how the Company's chief operating decision maker regularly reviews information, allocates resources and assesses performance. The segment financial information presented herein reflects these changes for all periods presented. For further details, refer to "Note 1. Nature of Operations."

Our Cardiopulmonary segment is engaged in the development, production and sale of cardiopulmonary products, including oxygenators, HLMs, autotransfusion systems, perfusion tubing systems, cannulae and other related accessories.

Our Neuromodulation segment generates its revenue from the design, development and marketing of devices that deliver neuromodulation therapy to treat DRE, DTD and OSA. Neuromodulation products include the VNS Therapy System, which consists of an implantable pulse generator, a lead that connects the generator to the vagus nerve, and other accessories.

Our Advanced Circulatory Support segment is engaged in the development, production and sale of leading-edge temporary life support products. These products include cardiopulmonary and respiratory support solutions consisting of temporary life support controllers and product kits that can include a combination of pumps, oxygenators, and cannulae.

"Other" includes the results of our Heart Valves business, which was disposed of on 1 June 2021, and corporate shared service expenses for finance, legal, human resources, information technology and corporate business development.

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

Geographic Information

We operate under three geographic regions: United States, Europe, and Rest of World. The table below presents revenue disaggregated by operating segment, major product line and primary geographic market (in thousands):

	Year Ended 31 December	
	2021	2020 [1]
Cardiopulmonary		
United States	$ 154,073	$ 132,543
Europe	134,562	122,062
Rest of World	194,344	192,127
	482,979	446,732
Neuromodulation		
United States	358,476	282,509
Europe	51,435	39,019
Rest of World	46,261	32,916
	456,172	354,444
Advanced Circulatory Support		
United States	53,821	41,094
Europe	1,120	1,027
Rest of World	518	200
	55,459	42,321
Other [2]		
United States	4,929	12,488
Europe	14,407	31,259
Rest of World	21,419	46,997
	40,755	90,744
Totals		
United States	571,299	468,634
Europe [3]	201,524	193,367
Rest of World	262,542	272,240
Total [4] [5]	$ 1,035,365	$ 934,241

(1) Amounts for the year ended 31 December 2020 reflect the change in the Group's reportable segments, as discussed above and in "Note 1. Nature of Operations."

(2) Other primarily includes the net sales of the Company's Heart Valves business, which was disposed of on 1 June 2021.

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

(4) Revenue with external customers includes $35.8 million and $29.7 million in the United Kingdom, our country of domicile, for the years ended 31 December 2021 and 2020, respectively.

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

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

	Year Ended 31 December	
	2021	2020 Restated [1] [2]
Operating profit (loss) before exceptional items		
Cardiopulmonary [3]	$ 14,341	$ 22,411
Neuromodulation	168,524	115,069
Advanced Circulatory Support	(5,724)	(9,294)
Other	(131,705)	(130,067)
Total operating income (loss) before exceptional items	45,436	(1,881)
Exceptional items	71,850	168,004
Operating loss from continuing operations	$ (26,414)	$ (169,885)

(1) Amounts for the year ended 31 December 2020 reflect the change in the Group's reportable segments, as discussed above and in "Note 1. Nature of Operations."

(2) Operating profit (loss) before exceptional items by segment and in total for the year ended 31 December 2020 have been restated. For further details refer to "Note 1. Nature of Operations."

(3) Cardiopulmonary operating profit before exceptional items decreased largely due to an increase in sales and marketing expenses due to lower 2020 commercial related variable and discretionary spending as a result of COVID-19 during the year ended 31 December 2020 and an increase in research and development expenses due to the upcoming launch of our next-generation HLM. These increases in expenses were partially offset by an increase in sales.

The following table presents capital expenditures by operating segment (in thousands):

	Year Ended 31 December	
	2021	2020 [1]
Capital expenditures		
Cardiopulmonary	$ 14,824	$ 20,975
Neuromodulation	179	7,318
Advanced Circulatory Support	1,326	733
Other [2]	5,984	6,890
Total	$ 22,313	$ 35,916

(1) Amounts for the year ended 31 December 2020 reflect the change in the Group's reportable segments, as discussed above and in "Note 1. Nature of Operations."

(2) Other includes corporate capital expenditures as well as capital expenditures for the Company's Heart Valves business, which was disposed of on 1 June 2021.

The following table presents non-current assets, net of accumulated depreciation, amortisation and impairment, by primary geographic market. Non-current assets for this purpose consist of property, plant and equipment, intangible assets, goodwill and ROU assets (in thousands):

	31 December 2021	31 December 2020
United States	$ 774,096	$ 770,687
Europe	362,602	421,390
Rest of World	32,807	51,381
Total	$ 1,169,505	$ 1,243,458

Note 28. Related Parties

Interests in subsidiaries are set out in "Note 11. Investments in Subsidiaries." Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The following receivable balance arose from financing transactions with equity investments (in thousands):

Consolidated Balance Sheet	31 December 2021	31 December 2020
Financial assets - non-current		
Noctrix	$ 272	$ 260
Other financial assets - current		
ALung	$ 2,495	$ 2,515
Respicardia, Inc.	—	791
	$ 2,495	$ 3,306

The following financing transaction was entered into with an equity investment during the years as follows (in thousands):

	Year Ended 31 December	
Consolidated Statement of (Loss) Income	2021	2020
Finance income		
ALung	$ (20)	$ 74
Noctrix	12	10
Respicardia, Inc.	(79)	149
	$ (87)	$ 233

Total compensation in respect of key management, who are defined as the Board and certain members of senior management, is considered to be a related party transaction.

The total compensation in respect of key management was as follows (in thousands):

	Year Ended 31 December	
	2021	2020
Salaries and short term benefits	$ 9,527	$ 6,313
Post-employment long-term benefits	857	547
Termination benefits	—	594
Share-based compensation	10,272	8,380
Total	$ 20,656	$ 15,834

Amounts received or receivable under share-based payment arrangements were $6.6 million and $4.8 million during the years ended 31 December 2021 and 2020.

There were no other material related party transactions in the year.

Details of directors' remuneration are included in pages 49 to 73 of the Directors' Remuneration Report, which forms part of these financial statements.

Note 29. Consolidated Statement of (Loss) Income - Expenses by Nature

(in thousands)	Year Ended 31 December 2021	2020 Restated [1]
Net sales	$ 1,035,365	$ 934,241
Cost of materials, service used and change in inventory	(440,047)	(422,505)
Personnel expense	(476,560)	(433,829)
Litigation provision, net	(35,055)	(6,919)
Other operating costs	(11,065)	(12,168)
Amortisation of intangibles and other assets	(30,281)	(38,798)
Depreciation of property, plant and equipment	(20,686)	(23,649)
Impairment of property, plant and equipment	—	(17)
Depreciation of right-of-use assets	(15,919)	(14,429)
Additions to provisions	(5,821)	(55,180)
Loss on sale of Heart Valve business	(26,345)	—
Impairment of long-lived assets	—	(96,632)
Operating loss from continuing operations	**(26,414)**	**(169,885)**
Finance expense	(77,308)	(59,827)
Finance income	435	131
Loss on debt extinguishment	(60,238)	(1,407)
Foreign exchange and other gains/(losses)	13,202	(12,660)
Share of loss from equity accounted investments	(148)	(264)
Loss from continuing operations before tax	(150,471)	(243,912)
Income tax benefit	13,032	61,046
Loss from continuing operations	**(137,439)**	**(182,866)**
Loss from discontinued operations, net of tax	—	(1,493)
Loss attributable to owners of the parent	**$ (137,439)**	**$ (184,359)**

(1) Cost of materials, services used and changes in inventory, as well as operating loss from continuing operations, loss from continuing operations before tax, loss from continuing operations and loss attributable to owners of the parent for the year ended 31 December 2020 have been restated. For further details refer to "Note 1. Nature of Operations."

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

Foreign exchange and other gains/(losses)	Year Ended 31 December 2021	2020
Investment revaluation [1]	$ 4,642	$ —
Other derivative liabilities fair value adjustment [2]	4,290	(4,290)
Dividend income [1]	3,415	—
Foreign exchange rate fluctuations	(1,243)	(4,851)
Exchangeable Notes issuance costs	—	(2,482)
Other	2,098	(1,037)
	$ 13,202	$ (12,660)

(1) Refer to "Note 12. Financial Assets."
(2) Refer to "Note 5. Fair Value Measurements."

Note 30. Employee and Key Management Compensation Costs

(in thousands)	Year Ended 31 December 2021	2020
Wages and salaries	$ 354,831	$ 338,197
Share-based payments [1]	41,380	36,323
Other employee costs	80,349	59,309
	$ 476,560	$ 433,829

(1) Represents share-based payments included in personnel expense. Refer to "Note 22. Share-Based Incentive Plans" for total share-based compensation expense.

Employee numbers

The monthly average number of employees by geographic region during the years ended 31 December 2021 and 31 December 2020 are as follows (in thousands):

	Year Ended 31 December 2021 [1]	2020
U.S.	1,121	1,179
Europe	1,754	2,136
Rest of World	439	581
Total	3,314	3,896

(1) The 2021 monthly average number of employees includes the employees of LivaNova's Heart Valve business through 1 June 2021, the date on which the business was disposed.

Note 31. Exceptional Items

The following exceptional items are included within operating loss (in thousands):

	Year Ended 31 December	
Exceptional items:	2021	2020
Litigation provision, net	$ 35,055	$ 6,919
Loss on sale of Heart Valve business [1]	26,345	—
Restructuring expenses	9,713	7,571
Merger and integration expenses	737	7,333
Impairment of long-lived assets	—	96,632
Decommissioning provision	—	49,549
Total exceptional items	$ 71,850	$ 168,004

(1) For further details refer to "Note 7. Divestiture of Heart Valve Business."

Merger and integration expenses. Merger and integration expenses consist of costs associated with our Merger and business combinations. Such costs primarily include computer systems integration efforts, organizational structure integration, synergy and tax planning. LivaNova expects these costs to continue to decline further over time.

Restructuring expenses. We have initiated several restructuring plans to leverage economies of scale, streamline distribution and logistics and strengthen operational and administrative effectiveness in order to reduce overall costs. We identify costs incurred and liabilities assumed for the restructuring plans. Refer to "Note 8. Restructuring" for more details.

Impairment of long-lived assets. Refer to "Note 7. Divestiture of Heart Valve Business" and "Note 10. Goodwill and Intangible Assets" for more details.

Decommissioning provision. Refer to "Note 25. Commitments and Contingencies" for more details.

Litigation provision, net. Refer to "Note 25. Commitments and Contingencies" for more details.

Note 32. Auditors' Remuneration

	Year Ended 31 December	
(in thousands)	2021	2020
Total audit fees payable to the Company's Auditor	$ 4,650	$ 6,250
Audit-related services	325	260
Tax advisory and compliance services	538	448
Other non-audit services	1	1
Total fees payable to the Company's Auditor	$ 5,514	$ 6,959

Note 33. New Accounting Pronouncement

The following provides a description of future adoptions of new accounting standards that may have an impact on our financial statements when adopted:

Amendment to IAS 1 Presentation of Financial Statements. An Amendment to IAS 1 'Presentation of Financial Statements' was issued in May 2020, with the objective of clarifying that liabilities are classified as current or non-current, depending on the rights that exist at the end of the period. The classification is not affected by the entity's expectations or events after the reporting date. The amendments also clarify what "settlement" of a liability refers to under IAS 1. The amendments to IAS 1 are effective as of 1 January 2023. The group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies. An Amendment to IAS 1 and IFRS Practice Statement 2 - 'Disclosure of Accounting Policies' was issued in February 2021 the IASB issued a new amendment to IAS 1 on disclosure of "material" accounting policies rather than "significant" accounting policies. The amendments define what "material accounting policy information" is and explain how to identify it. It also clarifies that immaterial accounting policy information does not need to be disclosed, but if so, it should not obscure the relevant accounting information. To support this change, the IASB also amended the "IFRS Practice Statement 2 Making Materiality Judgments" to provide guidance on how to apply the concept of materiality to accounting policy disclosures. This amendment is effective as of 1 January 2023. The group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 8 - Accounting Policies, Change in Estimate and Error Rectification. An Amendment to IAS 8 - 'Accounting Policies, Change in Estimate and Error Rectification' was issued in February 2021 clarifies how entities must distinguish changes in accounting policies from changes in accounting estimates, as changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past

transactions and other past events, as well as to the current period. This amendment is effective as of 1 January 2023. The group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 12 - Income Taxes. An Amendment to IAS 12 - 'Income Taxes' was issued in May 2021 and requires entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This typically applies to lease transactions (right-of-use assets and lease liabilities) and decommissioning and restoration obligations, as an example, and will require the recognition of additional deferred tax assets and liabilities. This amendment is effective as of 1 January 2023. The group is currently assessing the impact of the new amendment to its results of operations.

Note 34. Subsequent Events

On 24 February 2022, LivaNova PLC and its wholly-owned subsidiary, LivaNova USA, Inc., entered into an Incremental Facility Amendment No. 1 to the First Lien Credit Agreement with Goldman Sachs Bank USA, relating to a €200 million bridge loan facility (the "Bridge Loan Facility"). On 16 March 2022, LivaNova entered into Amendment No. 2 of the Bridge Loan Facility, which converted the available borrowings under the Bridge Loan Facility from €200 million to $220.0 million and converted the EURIBOR rate to the SOFR. LivaNova delivered a borrowing notice for $220.0 million in connection with the Bridge Loan Facility, which was funded on 17 March 2022. The proceeds of the Bridge Loan Facility were used by LivaNova to post a portion of the cash collateral supporting a first demand bank guarantee of €270.0 million to obtain the suspension of the Court of Appeal judgment for the payment of damages in connection with the SNIA litigation until review of such judgment by the Italian Supreme Court (the "SNIA Litigation Guarantee") and can be used towards payment of court ordered damages or settlements (including interest, expenses and charges in connection therewith) in the event of a negative decision by the Italian Supreme Court. The Bridge Loan Facility bears interest at an adjusted term SOFR, with a floor of 0.5%, plus 3.5% increasing by 0.25% 15 days after drawing and by an additional 0.5% 90 days after drawing and every 90 days thereafter, with a maximum margin of 5.25% over adjusted SOFR. The Bridge Loan Facility matures on 16 June 2023 and is subject to mandatory prepayment in connection with certain asset dispositions, equity or debt issuance as well as in the event that collateral securing the SNIA Litigation Guarantee is released.

On 18 March 2022, LivaNova PLC, acting through its Italian branch, entered into an Indemnity Letter and an Account Pledge Agreement with Barclays, further to which Barclays issued the SNIA Litigation Guarantee. As security for the SNIA Litigation Guarantee, LivaNova is required to grant cash collateral to Barclays in U.S. dollars in an amount equal to the USD equivalent of 105% of the amount of the SNIA Litigation Guarantee calibrated on a biweekly basis.

On 21 March 2022, LivaNova delivered the SNIA Litigation Guarantee as required by the Court of Appeals of Milan, thereby satisfying the condition to obtain the suspension of the Court of Appeals judgment for the payment of damages in connection with the SNIA litigation until review of such judgment by the Italian Supreme Court.

For additional information regarding the SNIA litigation, please refer to "Note 25. Commitments and Contingencies."

On 5 April 2022, we entered into an Agreement and Plan of Merger to acquire the remaining 97% equity interests in ALung Technologies, Inc., a privately held medical device company focused on creating advanced medical devices for treating respiratory failure, for a purchase price of up to $110.0 million, consisting of $10.0 million paid at closing, and contingent consideration of up to $100.0 million to be paid upon a sales-based earnout arrangement at milestone intervals beginning in 2023 and ending in 2027.

LIVANOVA PLC

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LIVANOVA PLC

Company Statement of (Loss) Income
(In thousands)

	Note	Year Ended 31 December 2021	Year Ended 31 December 2020
Revenue		$ 27,663	$ 34,909
Costs and expenses:			
Operating expenses		(97,236)	(89,824)
Exceptional items	19	(5,211)	(140,684)
Operating loss		(74,784)	(195,599)
Income from subsidiary undertakings		47,722	47,606
Finance income		6,109	8,419
Finance expense	10	(25,819)	(15,042)
Losses on disposal of investments, net		(13,963)	(609)
Foreign exchange and other gains/(losses)		(1,918)	3,067
Loss before tax		(62,653)	(152,158)
Income tax benefit	14	29,672	17,781
Loss for the financial year		$ (32,981)	$ (134,377)

See accompanying notes to the parent company financial statements

LIVANOVA PLC

Company Statement of Comprehensive Income
(In thousands)

	Note	Year Ended 31 December 2021	Year Ended 31 December 2020
Loss for the financial year		$ (32,981)	$ (134,377)
Items of other comprehensive (loss) income that will subsequently be reclassified under profit:			
Cash flow hedges for interest rate fluctuations	8	—	113
Tax impact		—	(27)
Foreign currency translation differences		(38,615)	43,267
Total items of other comprehensive (loss) income that will subsequently be reclassified under profit		(38,615)	43,353
Items of other comprehensive income (loss) that will not subsequently be reclassified under profit:			
Remeasurements of net assets for defined benefits		5	(4)
Tax impact		—	—
Total items of other comprehensive income (loss) that will not subsequently be reclassified under profit		5	(4)
Total other comprehensive (loss) income, net of taxes		(38,610)	43,349
Total comprehensive loss for the year, net of taxes		$ (71,591)	$ (91,028)

See accompanying notes to the parent company financial statements

LIVANOVA PLC

Company Balance Sheet
(In thousands)

	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	3	$ 604	$ 1,085
Intangible assets	4	1,053	857
Right-of-use assets	11	2,498	6,001
Investments in subsidiaries	5	2,978,918	2,939,233
Other financial assets	6	—	17,706
Deferred tax assets	14	77,436	45,356
Other assets	16	38,365	35,771
Total non-current assets		3,098,874	3,046,009
Trade receivables	7	6,859	4,439
Other receivables	7	16,516	9,447
Derivative financial instruments	8	—	2,053
Other financial assets	6	399,024	169,136
Tax receivable		5,468	13,799
Cash and cash equivalents		167,489	228,229
Total current assets		595,356	427,103
Total assets		$ 3,694,230	$ 3,473,112
LIABILITIES AND EQUITY			
Equity			
Share capital	9	$ 82,295	$ 76,300
Merger relief reserve	9	383,179	66,446
Share premium	9	33,257	27,361
Capital redemption reserve	9	1,897	1,897
Treasury shares	9	(650)	(1,034)
Accumulated other comprehensive income	9	10,262	48,872
Retained earnings		2,323,106	2,320,553
Total equity		$ 2,833,346	$ 2,540,395
Non-current liabilities			
Financial liabilities	10	$ 509,849	$ 595,077
Provision for employee severance indemnities and other employee benefit provisions		4,166	2,470
Lease liabilities	11	2,759	4,313
Other liabilities		943	1,601
Deferred tax liabilities	14	113	1,176
Total non-current liabilities		517,830	604,637
Current liabilities			
Trade payables		13,117	10,741
Other payables	12	23,608	10,824
Derivative financial instruments	8	1,409	3,266
Lease liabilities	11	1,415	1,806
Other financial liabilities	10	302,768	299,213
Tax payable		737	2,230

LIVANOVA PLC
Company Balance Sheet

	Note	31 December 2021	31 December 2020
Total current liabilities		343,054	328,080
Total liabilities and equity		$ 3,694,230	$ 3,473,112

Registration number 09451374

See accompanying notes to the parent company financial statements

The financial statements on pages 168 to 195 were approved by the Board and were signed on its behalf on 27 April 2022 by:

DAMIEN MCDONALD
CHIEF EXECUTIVE OFFICER & DIRECTOR

LIVANOVA PLC

Company Statement of Changes in Equity
(In thousands)

	Note	Ordinary Shares: Number of Shares	Ordinary Shares: Share Capital	Merger Relief Reserve	Share Premium	Capital Redemption Reserve	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
Balance at 31 December 2019		49,411	$ 76,257	$ 66,446	$ 23,243	$ 1,897	$ (1,263)	$ 5,523	$ 2,436,130	$ 2,608,233
Share-based compensation plans	13	109	140	—	4,021	—	229	—	18,800	23,190
Cancellation of shares		(73)	(97)	—	97	—	—	—	—	—
Total transactions with owners, recognised directly in shareholders' equity		36	43	—	4,118	—	229	—	18,800	23,190
Loss for the year		—	—	—	—	—	—	—	(134,377)	(134,377)
Other comprehensive income		—	—	—	—	—	—	43,349	—	43,349
Total comprehensive income (loss) for the year		—	—	—	—	—	—	43,349	(134,377)	(91,028)
Balance at 31 December 2020		49,447	76,300	66,446	27,361	1,897	(1,034)	48,872	2,320,553	2,540,395
Share-based compensation plans	13	133	187	—	5,896	—	384	—	35,534	42,001
Issuance of shares		4,182	5,808	316,733	—	—	—	—	—	322,541
Total transactions with owners, recognised directly in shareholders' equity		4,315	5,995	316,733	5,896	—	384	—	35,534	364,542
Loss for the year		—	—	—	—	—	—	—	(32,981)	(32,981)
Other comprehensive loss		—	—	—	—	—	—	(38,610)	—	(38,610)
Total comprehensive loss for the year		—	—	—	—	—	—	(38,610)	(32,981)	(71,591)
Balance at 31 December 2021		53,762	$ 82,295	$ 383,179	$ 33,257	$ 1,897	$ (650)	$ 10,262	$ 2,323,106	$ 2,833,346

See accompanying notes to the parent company financial statements

LIVANOVA PLC

Notes to the Financial Statements

Note 1. Nature of Operations

Company information. LivaNova PLC (LivaNova PLC, the Company, Group, we or our) is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (Registration number 09451374). The Company is domiciled in the England and Wales and its registered address is 20 Eastbourne Terrace, London, W2 6LG, United Kingdom.

Background. LivaNova PLC was organized under the laws of England and Wales on 20 February 2015 for the purpose of facilitating the business combination of Cyberonics, Inc., a Delaware corporation and Sorin S.p.A., a joint stock company organized under the laws of Italy. As a result of the business combination, LivaNova PLC, headquartered in London, became the holding company of the combined businesses of Cyberonics and Sorin. The business combination became effective in October 2015. LivaNova's Ordinary Shares are listed for trading on Nasdaq under the symbol "LIVN." As part of the Mergers, Sorin undertook a cross-border legal entity merger with LivaNova (the Sorin merger) under which LivaNova was the surviving ultimate holding company.

Description of the business. LivaNova PLC, headquartered in London, is a global medical device company focused on the development and delivery of important products and therapies for the benefit of patients, healthcare professionals and healthcare systems throughout the world. We design, develop, manufacture and sell innovative products and therapies that are consistent with our mission to provide hope to patients through innovative medical technologies, delivering life-changing improvements for both the Head and Heart. LivaNova is comprised of three reportable segments: Cardiopulmonary, Neuromodulation and Advanced Circulatory Support, corresponding to our primary business units. Other includes the results of our Heart Valves business, which was disposed of on 1 June 2021, and corporate shared service expenses for finance, legal, human resources, information technology and corporate business development.

Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies

Basis of Preparation. The separate financial statements of LivaNova PLC have been prepared on a going concern basis under the historical cost convention, except for derivative financial instruments and share based payments awards that have been measured at fair value in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The financial statements are presented in U.S. dollars and all values are rounded to the nearest thousands, except when otherwise indicated. Our accounting policies have been applied consistently in 2021 as compared to 2020, other than where new policies have been adopted.

Going Concern. Based on our current business plan, we believe that our existing cash and cash equivalents and future cash generated from operations will be sufficient to fund our expected operating needs, working capital requirements, capital expenditures and debt service requirements over the next twelve months from the issuance date of these consolidated financial statements. We regularly review our capital needs and consider various investing and financing alternatives to support our requirements. Therefore, it is appropriate to adopt the going concern basis in preparing these consolidated financial statements. In addition, the LivaNova PLC Consolidated Group (Consolidated Group) conditions may impact the value of the Company's investments in its subsidiaries and the Company's ability to recover amounts due from subsidiaries. As such, please refer to the Consolidated Group's going concern assessment included with "Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies" to the Consolidated Group financial statements in this UK Annual Report.

The financial statements for the years ended 31 December 2021 and 31 December 2020 of LivaNova have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

Standard Disclosure	Exemption
The following paragraphs of IAS 1, 'Presentation of financial statements'	10(d) – statement of cash flows; 16 – statement of compliance with all IFRS; 38A – requirement for minimum of two primary statements, including cash flow statements; 38B-D – additional comparative information; 111 – statement of cash flow information; and 134 to136 – capital management disclosures.
IFRS 7, 'Financial Instruments: Disclosures'	Full exemption.
The following paragraphs of IFRS 13, 'Fair Value Measurement'	91 to 99 – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities.
IAS 7, 'Statement of Cash Flows'	Full exemption.
The following paragraphs of IFRS 2, 'Share-based Payment'	45(b) and 46 to 52 – details of the number and weighted average exercise prices of share options, and the fair value of services received is determined.
The following paragraphs of IAS 8, 'Accounting policies, changes in accounting estimates and errors'	30 and 31 – requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective.
The following paragraphs of IAS 24, 'Related Party Disclosures'	17 – key management compensation; 18A – key management services provided by a separate management entity; and the requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

New Accounting Pronouncements.

The following provides a description of future adoptions of new accounting standards that may have an impact on our financial statements when adopted:

Amendment to IAS 1 Presentation of Financial Statements. An Amendment to IAS 1 'Presentation of Financial Statements' was issued in May 2020, with the objective of clarifying that liabilities are classified as current or non-current, depending on the rights that exist at the end of the period. The classification is not affected by the entity's expectations or events after the reporting date. The amendments also clarify what "settlement" of a liability refers to under IAS 1. The amendments to IAS 1 are effective as of 1 January 2023. The Company does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies. An Amendment to IAS 1 and IFRS Practice Statement 2 - 'Disclosure of Accounting Policies' was issued in February 2021 the IASB issued a new amendment to IAS 1 on disclosure of "material" accounting policies rather than "significant" accounting policies. The amendments define what "material accounting policy information" is and explain how to identify it. It also clarifies that immaterial accounting policy information does not need to be disclosed, but if so, it should not obscure the relevant accounting information. To support this change, the IASB also amended the "IFRS Practice Statement 2 Making Materiality Judgments" to provide guidance on how to apply the concept of materiality to accounting policy disclosures. This amendment is effective as of 1 January 2023. The Company does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 8 - Accounting Policies, Change in Estimate and Error Rectification. An Amendment to IAS 8 - 'Accounting Policies, Change in Estimate and Error Rectification' was issued in February 2021 clarifies how entities must distinguish changes in accounting policies from changes in accounting estimates, as changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events, as well as to the current period. This amendment is effective as of 1 January 2023. The Company does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 12 - Income Taxes. An Amendment to IAS 12 - 'Income Taxes' was issued in May 2021 and requires entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This typically applies to lease transactions (right-of-use assets and lease liabilities) and decommissioning and restoration obligations, as an example, and will require the recognition of additional deferred tax assets and liabilities. This amendment is effective as of 1 January 2023. The Company is currently assessing the impact of the new amendment to its results of operations.

Investments in Subsidiaries. Investments in subsidiaries are accounted for at cost less any provision for impairment. We assess at each reporting date, whether there is an indication that an investment may be impaired. If any indication exists, we estimate the

investment's recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

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

The Euro is the functional currency of LivaNova PLC - Italian Branch, a branch of LivaNova PLC, and the assets, liabilities and equity of this branch are translated into U.S. dollars based on a combination of both current and historical exchange rates, while their revenues earned and expenses incurred are translated into U.S. dollars at average period exchange rates. Translation adjustments are included as AOCI on the Company balance sheet. Gains and losses arising from transactions denominated in a currency different from an entity's functional currency are included in FX and other losses on our Company statement of (loss) income. Taxes are not provided on cumulative translation adjustments, as substantially all translation adjustments are related to earnings which are intended to be indefinitely reinvested in the countries where earned.

The Euro exchange rate to the USD used in preparing the Company financial statements was as follows:

	Weighted Average Rate Euro	Closing Rate Euro
Year ended 31 December 2021	0.845433	0.881410
Year ended 31 December 2020	0.877417	0.815100

Financial Instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are offset with the net amount reported in the Company balance sheet only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(a) *Financial Assets*

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, investments, financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date on which the Company commits to purchase or sell the asset.

The subsequent measurement and impairment of financial assets depends on their classification as described below:

Financial Assets at Fair Value through Profit or Loss. Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for trading if they are acquired for the purpose of selling or re-purchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. We use freestanding derivative forward contracts to offset exposure to the variability of the value associated with assets and liabilities denominated in a foreign currency. These derivatives are not designated as hedges, and therefore changes in the value of these forward contracts are recognised in the Company statement of (loss) income, thereby offsetting the current net income (loss) effect of the related change in value of foreign currency denominated assets and liabilities. Changes in the fair value of our derivatives designated as hedges are recognised through OCI.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Company statement of (loss) income. The receivable balance consists primarily of trade receivables from our subsidiaries as a result of intercompany re-charges, services and management fees. We maintain an expected credit loss provision for expected credit losses based on our estimates of the ability of our subsidiaries and third-party customers to make required payments, historical credit experience, existing economic conditions and expected future trends. We write off uncollectable accounts against the provision when all reasonable collection efforts have been exhausted. Loans, together with the associated provision are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. The losses arising from impairment are recognised in the Company statement of (loss) income in cost of sales or other operating expenses. Refer to "Note 7. Trade and Other Receivables and Expected Credit Loss Provision" for further information.

Financial Asset Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement, and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(b) *Financial Liabilities*

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings (bank debt), payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and bank debt including bank overdrafts, and derivative financial instruments.

The measurement of financial liabilities depends on their classification, as follows:

Financial Liabilities at Fair Value through Profit or Loss. Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39, which the Company has elected to apply. Gains or losses on liabilities held-for-trading are recognised in the Company statement of (loss) income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Company has not designated any financial liabilities as at fair value through profit or loss.

Loans and Borrowings. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Company statement of (loss) income when the liabilities are de-recognised as well as through the EIR method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance expense in the Company statement of (loss) income.

Financial Guarantee Contracts. Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, and then adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured through profit or loss at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Financial Liability Derecognition. A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Company statement of (loss) income.

Derivative financial instruments and hedge accounting. We use currency exchange rate derivative contracts to manage the impact of currency exchange rate changes on the Company statement of (loss) income and cash flows. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. We evaluate hedge effectiveness at inception and on an ongoing basis. If a derivative is no longer expected to be highly effective, hedge accounting is discontinued. Hedge ineffectiveness, if any, is recorded in the Company statement of (loss) income. Cash flows from derivative contracts are reported as operating activities in the consolidated statement of cash flows.

When a hedging instrument expires, sold or is terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Company statement of (loss) income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

In order to minimise income statement and cash flow volatility resulting from currency exchange rate changes, we enter into derivative instruments, principally forward currency exchange rate contracts. These contracts are designed to hedge anticipated foreign currency transactions and changes in the value of specific assets and liabilities and of some revenue. At inception of the forward contract, the derivative is designated as either a freestanding derivative or a cash flow hedge. For derivative instruments

that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of AOCI and reclassified to the Company statement of (loss) income to offset exchange differences originated by the hedged item or to adjust the value of loss from continuing operations. We do not enter into currency exchange rate derivative contracts for speculative purposes.

Cash and Cash Equivalents. We consider all highly liquid investments with an original maturity of three months or less, consisting of demand deposit accounts and money market mutual funds, to be cash equivalents. Cash equivalents are carried on the Company balance sheet at cost, which approximated their fair value.

Non-monetary Assets. Property, Plant and Equipment. PP&E is carried at cost, less accumulated depreciation and any accumulated impairment losses. Maintenance and repairs, and minor replacements are charged to expense as incurred, while significant renewals and improvements are capitalised. We compute depreciation using the straight-line method over estimated useful lives. Where an item of PP&E comprises several parts with different useful lives, each part is recognised as a separate item and depreciated over its useful life. Useful life and residual value of PP&E are reviewed at each year-end. As necessary, the occurrence of changes to the useful life or residual value is recognised prospectively as a change in accounting estimates.

Leasehold improvements are depreciated over the shorter of the useful life of an asset or the lease term.

The estimated useful lives for all classes of depreciable PP&E, as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Leasehold improvements	up to 10	up to 10
Equipment, furniture, fixtures	up to 3	up to 3

Where there are any internal or external indications that the value of an item of PP&E may be impaired, the recoverable amount of the group of CGUs to which it belongs is calculated. If the recoverable amount is less than the carrying amount of the group of CGUs, a provision for impairment is recorded. PP&E is reviewed for impairment annually on 31st of December.

Impairment of Long-Lived Assets. The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Revenue. Revenue largely consists of intercompany re-charges, services and management fees. Revenue is measured at the fair value of the consideration received or receivable. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met.

Leases. We have leases primarily for (i) real estate, including office space and manufacturing, warehouse and research and development facilities and (ii) vehicles. We determine if an arrangement is or contains a lease at inception or when the terms and conditions of a contract are significantly changed. ROU assets and lease liabilities are recognised based on the present value of the future minimum lease payments over the lease term at the latter of our lease standard effective date for adoption or the lease commencement date. Variable lease payments that do not depend on an index or rate, such as variable common area rent maintenance charges and utility fees not known upon lease commencement, are not included in determination of the minimum lease payments and will be expensed in the period in which the obligation for those payments is incurred. Variable lease payments that depend on an index or rate are initially measured using the index or rate as of the commencement date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement in determining the present value of future payments. The incremental borrowing rate is determined using a risk-free rate adjusted for factors such as credit rating and borrowing currency, and represents an estimate of the interest rate we would incur at lease commencement to borrow the funds necessary to obtain an asset of similar value to the ROU asset over the term of a lease. The ROU lease asset also includes any lease payments made in advance and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. ROU assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Lease payments are allocated between the liability and finance costs. Finance costs are recorded as an expense in the Company statement of (loss) income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Certain of our leases provide for tenant improvement allowances that have been recorded as ROU assets and amortised, using the straight-line method, over the life of the lease.

We apply certain practical expedients on an ongoing basis, including the practical expedient for short-term leases and leases of low-value assets pursuant to which a lessee is permitted to make an accounting policy election by class of underlying asset not to recognise a lease liability and lease asset. A short-term lease is defined as a lease with a term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. In exception to vehicles as it

relates to the low-value lease asset policy, we have applied these accounting policies to all asset classes in our portfolio and will recognise the lease payments for such short-term leases and leases of low-value assets within profit or loss on a straight-line basis over the lease term.

Accounting for leases has no impact on the actual cash flows. However, lease accounting requires the capitalisation, and subsequent depreciation, of costs that were previously expenses as paid, which impacts disclosures of cash flows within the cash flow statement.

From a lessor perspective, certain of our agreements that allow the customer to use, rather than purchase, our medical devices meet the criteria of being a lease.

For additional information refer to "Note 11. Leases."

Share-Based Compensation. We grant share-based incentive awards to directors, officers, key employees and consultants during each fiscal year. We measure the cost of employee services received in exchange for an award of equity instruments based on the grant date fair market value of the award. The cost of equity-settled transactions is recognised in employee benefits expense, together with a corresponding increase in equity over the period in which the service and the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. We issue new shares upon stock option exercises, otherwise issuance of stock for vesting of restricted stock, restricted stock units, market performance-based restricted share units, operating performance-based restricted share units or exercises of stock appreciation rights are issued from treasury shares. We have the right to elect to pay the cash value of vested restricted stock units in lieu of the issuance of new shares. The social security contributions on employee share-based payment awards are accrued over the service period.

The following share-based incentive awards are offered by the Company:

- *Share Appreciation Rights (SAR).* A SAR confers upon an employee the contractual right to receive an amount of cash, share, or a combination of both that equals the appreciation in the Company's common share from an award's grant date to the exercise date. SARs may be exercised at the employee's discretion during the exercise period and do not give the employee an ownership right in the underlying share. The SARs may be settled in LivaNova shares and/or cash, as determined by LivaNova and as set forth in the individual award agreements. SARs do not involve payment of an exercise price. We use the Black-Scholes option pricing methodology to calculate the grant date fair market value of SARs. We determine the expected volatility on historical volatility.
- *Restricted Share (RS) and Restricted Share Units (RSU).* We may grant RS and RSUs at no purchase cost to the grantee. The grantees of unvested RSUs have no voting rights or rights to dividends. Sale or transfer of the stock and stock units is restricted until they are vested. The fair market value of service-based RS and RSUs is determined using the market closing price on the grant date, and compensation is expensed ratably over the vesting period. Calculation of compensation for stock awards requires estimation of employee turnover and forfeiture rates. We have the right to elect to pay the cash value of vested restricted share units in lieu of the issuance of new shares. Under our share-based compensation plans we re-purchase a portion of these shares from our employees to permit our employees to meet their minimum statutory tax withholding requirements on vesting of their restricted share.
- *Market Performance-Based Restricted Share Units.* We may grant market performance-based RSUs at no purchase cost to the grantee. The grantees of the units have no voting rights or rights to dividends. Sale or transfer of the units is restricted until they are vested. The number of shares that are ultimately transferred to the grantee is dependent upon the Company's percentile rank of TSR relative to a peer group. The fair market value of market performance-based RSUs is determined utilizing a Monte Carlo simulation on the grant date and compensation is expensed ratably over the service period. Calculation of compensation for market performance-based stock awards requires estimation of employee turnover, historical volatility and forfeiture rates.
- *Operating Performance-Based Restricted Share Units.* We may grant operating performance-based RSUs at no purchase cost to the grantee. The grantees of the units have no voting rights or rights to dividends. Sale or transfer of the units is restricted until they are vested. The number of shares that are ultimately transferred to the grantee is dependent upon the Company's achievement of certain thresholds for cumulative adjusted FCF and return on invested capital. The fair market value of operating performance-based RSUs is determined using the market closing price on the grant date. Compensation is expensed ratably over the service period and adjusted based upon the percent achievement of cumulative adjusted FCF. Calculation of compensation for operating performance-based stock awards requires estimation of employee turnover, adjusted FCF, return on invested capital and forfeiture rates.

Income Taxes. The tax expense for the year comprises current and deferred tax. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes are recognised by the liability method for temporary differences between the carrying amount of assets and liabilities in the balance sheet and their tax base. They are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Adjustments to deferred taxes resulting from changes in tax rates are recognised in profit or loss. A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. At each year-end, the Company reviews the recoverable value of deferred tax assets of tax entities holding significant loss carryforwards. This value is based, by tax entity, on the strategy for recoverability of the tax loss carryforwards. Deferred taxes are charged or credited directly to equity when the tax relates to items that are recognised directly in equity, such as gains and losses on cash flow hedges and actuarial gains and losses on defined benefit plan obligations. Deferred tax assets and liabilities are set off when they are levied on the same taxable entity by the same taxation authority and the entity has a legally enforceable right of set off. Deferred taxes are recognised for all temporary differences associated with investments in subsidiaries and associates, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax balances are not discounted.

Equity. Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of LivaNova as treasury shares until the shares are cancelled or reissued. Where such Ordinary Shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of LivaNova.

Contingencies. The Company is subject to product liability claims, government investigations and other legal proceedings in the ordinary course of business. Legal fees and other expenses related to litigation are expensed as incurred and included in selling, general and administrative expenses in the Company statement of income. Contingent accruals are recorded when the Company determines that a loss is both probable and reasonably estimable. Due to the fact that legal proceedings and other contingencies are inherently unpredictable, our assessments involve significant judgement regarding future events.

Critical Estimates and Judgements. The preparation of our financial statements in conformity with FRS 101 requires management to make judgements that affect the amounts reported in such financial statements and accompanying notes. These estimates and judgements are based on management's best knowledge of current events and actions we may undertake in the future. Actual results could differ materially from those estimates. Application of the following accounting policies requires certain judgements and estimates that have the potential for the most significant impact on our financial statements:

Critical Estimates

- *Impairment of Investments in Subsidiaries.* We performed impairment trigger assessments wherein we compared the net assets of our subsidiaries with their respective carrying values as of 31 December 2021. Where a trigger was identified, we performed impairment assessments utilizing the discounted cash flow models used in the assessment of the Group's CGUs for impairment. We performed a sensitivity analysis, as at 31 December 2021, for each of these assumptions, for each of the Group's CGU, and for our investments in Sorin Group Italia S.r.l., LivaNova Canada, Inc. and LivaNova USA, Inc., and determined that an increase of 0.5% in the discount rate used, or a decrease of 0.5% in the expected revenue growth rate, which we consider to be reasonably possible changes, would not result in an impairment of goodwill associated with any of the Group's CGU's or our investments. Refer to the consolidated financial statements "Note 10. Goodwill and Intangible Assets" under section "Impairment of Goodwill and Intangible Assets" for key assumptions and a sensitivity analysis over these key assumptions.
- *Deferred Tax Recoverability*. Management has made estimates regarding the recoverability of deductible temporary differences and tax losses carried forward to be utilized from future taxable profits. The Company has decided not to recognise UK deferred tax assets relating to losses where UK group relief is not permitted, and other timing differences due to the uncertainty involved in determining the future profitability of the Company. We performed a sensitivity analysis concerning the recoverability of our deferred tax assets as of 31 December 2021, utilizing the discounted cash flow models used in the assessment of the Group's CGUs for impairment. We determined that a

decrease of 0.5% in the expected revenue growth rate used, which we consider to be a reasonably possible change, would not impact the expected timing of deferred tax asset utilization. For additional information, please refer to "Note 14. Income Tax Benefit."

Critical Judgements

- *Commitments and Contingencies.* Due to the fact that legal proceedings and other contingencies are inherently unpredictable, our assessments involve significant judgement regarding future events. See "Note 15. Commitments and Contingencies."
- *Exceptional Items.* Exceptional items are expense or income items which have been determined by management as being material by their size or incidence and are presented separately within the results of the Company. The determination of which items are disclosed as exceptional items will affect the presentation of profit measures and requires a degree of judgement. Details relating to exceptional items reported during the year are set out in "Note 19. Exceptional Items."

Note 3. Property, Plant and Equipment

(in thousands)	Leasehold Improvements	Equipment, Furniture & Fixtures	Total
At 31 December 2021			
Gross amount	$ 1,099	$ 3,429	$ 4,528
Accumulated depreciation	(638)	(3,286)	(3,924)
Net amount	$ 461	$ 143	$ 604
At 31 December 2020			
Gross amount	$ 1,667	$ 3,570	$ 5,237
Accumulated depreciation	(644)	(3,508)	(4,152)
Net amount	$ 1,023	$ 62	$ 1,085

Changes during the year in the net amount of each category of property, plant and equipment are indicated below:

(in thousands)	Leasehold Improvements	Equipment, Furniture & Fixtures	Total
Net Amount at 31 December 2019	$ 956	$ 87	$ 1,043
Additions with currency translation	230	39	269
Depreciation	(163)	(64)	(227)
Net Amount at 31 December 2020	1,023	62	1,085
Additions with currency translation	390	118	508
Disposals	(830)	—	(830)
Depreciation	(122)	(37)	(159)
Net Amount at 31 December 2021	$ 461	$ 143	$ 604

Depreciation costs charged to the Company statement of (loss) income, within operating expenses, totalled $0.2 million for the years ended 31 December 2021 and 31 December 2020.

Note 4. Intangible Assets

(in thousands)	Patents	Licenses	Software and Other	Total
At 31 December 2021				
Gross amount	$ 7,555	$ 1,288	$ 8,196	$ 17,039
Accumulated amortisation	(7,555)	(1,288)	(7,143)	(15,986)
Net amount	$ —	$ —	$ 1,053	$ 1,053
At 31 December 2020				
Gross amount	$ 8,170	$ 1,423	$ 8,148	$ 17,741
Accumulated amortisation	(8,170)	(1,395)	(7,319)	(16,884)
Net amount	$ —	$ 28	$ 829	$ 857

The changes in the net carrying value of each class of intangible assets during the year are indicated below:

(in thousands)	Licenses	Software and Other	Total
Net amount at 31 December 2019	$ —	$ 3,519	$ 3,519
Additions with currency translation	31	5,611	5,642
Impairment [1]	—	(6,745)	(6,745)
Amortisation [2]	(3)	(1,556)	(1,559)
Net Amount at 31 December 2020	28	829	857
Additions with currency translation	—	576	576
Reclassifications	(28)	28	—
Disposals	—	(26)	(26)
Amortisation [2]	—	(354)	(354)
Net Amount at 31 December 2021	$ —	$ 1,053	$ 1,053

(1) Impairment of software was charged to the Company statement of (loss) income within exceptional items of $6.7 million for the year ended 31 December 2020. For information related to the impairment of software refer to "Note 10. Goodwill and Intangible Assets" in the consolidated financial statements.

(2) Amortisation costs were charged to the Company statement of (loss) income within operating expenses during the years ended 31 December 2021 and 31 December 2020.

Amortisation is charged on a straight-line basis. The amortisation periods for our finite-lived intangible assets as of 31 December 2021 were as follows:

	Minimum Life in Years	Maximum Life in Years
Licenses	5	5
Software and other	5	5

The amortisation periods for our finite-lived intangible assets as of 31 December 2020 were as follows:

	Minimum Life in Years	Maximum Life in Years
Licenses	5	5
Software and other	5	5

Note 5. Investments in Subsidiaries

(in thousands)	31 December 2021	31 December 2020
Gross amount	$ 2,978,918	$ 3,163,104
Accumulated impairment	—	(223,871)
Net book value	$ 2,978,918	$ 2,939,233

(in thousands)	Cost
Net Amount at 31 December 2019	$ 2,866,406
Additions [1]	91,342
Impairment [2]	(73,793)
Other	1,191
Currency translation	54,087
Net Amount at 31 December 2020	2,939,233
Additions [3]	272,472
Disposals [4]	(183,274)
Other	1,428
Currency translation	(50,941)
Net Amount at 31 December 2021	$ 2,978,918

(1) 2020 Additions - During 2020, we increased our investment in LivaNova Nederland N.V. by $47.7 million. We also increased our investment in Sorin Group Italia S.r.l. by $43.6 million by purchasing shares from LivaNova Site Management S.r.l., which increased our ownership by 6%.

(2) 2020 Impairment - During 2020, we recorded an impairment of $73.8 million of our investment in LivaNova Canada Corp. based upon the current indication of fair value as of 31 December 2020 and taking into consideration the promissory note due from LivaNova Canada Corp. In the determination of fair value, we valued the Canada HV business at fair value less

cost to sell and alternatively, valued the Canada business unrelated to HV that will not be sold at value in use. Refer to "Note 6. Financial Assets" for further information regarding the promissory note.

(3) 2021 Additions - During 2021, we invested $12.5 million in LivaNova Canada Inc, which represents the portion of LivaNova's Canada business that remained upon the divestiture of HV. We also increased our investment in LivaNova Canada Corp by $74.3 million and increased our investment in Sorin Group Italia S.r.l. by $89.6 million. As part of our initiative to streamline our group structure and reduce administration costs, we underwent a reorganization in which we increased our ownership in LIVN UK Holdco Limited from 42.07% at 31 December 2020 to 100% at 31 December 2021 (this took place through several transactions which resulted in a total increase of $9.4 million and decrease of $42.5 million). We also increased our investments in LivaNova, Inc by $43.4 million (subsequently contributed in exchange for new shares of LivaNova USA, Inc) and LivaNova USA, Inc by $43.4 million (in exchange for the investment in LivaNova, Inc).

(4) 2021 Disposals - During 2021, as part of the HV divestiture, we disposed of our investment in LivaNova Canada Corp of $74.3 million, net of accumulated impairment at 31 December 2020 for $73.8 million. We also reduced our investment in Cyberonics Netherlands CV by $23.0 million due to our continuing post-merger integration. Also, as part of our reorganization, as explained in Note 3, we decreased our investment in LivaNova, Inc by $43.4 million and LIVN UK Holdco for $42.5 million, net of accumulated impairment at 31 December 2020 for $150.1 million (in exchange for LivaNova, Inc shares).

The detail of investments in subsidiary undertakings as at 31 December 2021 and 2020 is shown as follows (in thousands, except ownership percent):

	Percent Ownership [1]		Investments in Subsidiaries	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
LIVN UK Holdco Limited	100.00	42.07	$ 3,884	$ 36,985
LIVN Irischo Unlimited Company	100.00	100.00	401	401
LivaNova Canada Corp	0.00	100.00	—	—
LivaNova Canada Inc.	100.00	N/A	12,516	—
LivaNova USA, Inc.	100.00	100.00	1,079,549	1,035,481
LivaNova Nederland N.V.	100.00	100.00	109,239	109,135
LivaNova Switzerland SA	100.00	100.00	6,322	6,318
LivaNova IP Limited	100.00	100.00	—	—
Cyberonics Netherlands CV	99.00	99.00	207	23,153
Cyberonics Holdings LLC	100.00	100.00	93	93
LivaNova Cayman Limited	100.00	100.00	950,020	950,020
LivaNova Hungary Limited Liability Company	100.00	100.00	100,202	100,202
Sorin Group Italia S.r.l.	98.98	98.98	698,122	657,589
LivaNova Site Management S.r.l.	86.42	86.42	18,363	19,856
			$ 2,978,918	$ 2,939,233

(1) The Company's voting right percentage is equal to its ownership percentage.

The Company had the following directly and indirectly owned subsidiaries as of 31 December 2021:

	Registered Office	Country of Incorporation	% Consolidated Group Ownership	Parent Name	Parent % Ownership
LivaNova PLC (Italian Branch)	Via Benigno Crespi 17 20159 Milan, Italy	Italy	100		
Caisson Interventional, LLC	6500 Wedgwood Rd., Maple Grove, MN 55311	U.S.	100	LivaNova USA, Inc.	100
CardiacAssist, Inc. Dba TandemLife	620 Alpha Drive, Ste 200, Pittsburgh, PA 15238	U.S.	100	LivaNova USA, Inc.	100
Cyberonics Holdings LLC *	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LivaNova PLC	100
Cyberonics Netherlands CV *	100 Cyberonics Boulevard, Houston, TX 77058 USA	Netherlands	100	LivaNova PLC Cyberonics Holdings LLC	99 1
Cyberonics Spain SL [(1)]	100 Cyberonics Boulevard, Houston, TX 77058 USA	Spain	100	CYBX Netherlands C.V.	100
ImThera Medical, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LivaNova USA, Inc.	100
LivaNova Australia PTY Limited	Tower 2, 123 St Georges Terrace Perth, WA 6000	Australia	100	LivaNova Nederland N.V.	100
LivaNova Austria GmbH	Millennium Tower, Handelskai 94-96, 1200 Wien	Austria	100	LivaNova Nederland N.V.	100
LivaNova Belgium NV	Ikaroslaan 83, 1930 Zaventem, Belgium	Belgium	100	LivaNova Nederland N.V.	100
LivaNova Brasil Comércio e Distribuição de Equipamentos Médico-hospitalares Ltda	Rua Liege, 54 – Vila Vermelha, 04298-070 – São Paulo - SP - Brasil	Brazil	100	Sorin Group Italia S.r.l.	100
LivaNova Canada, Inc. *	8-280 Hillmount Road Markham, ON L6C 3A1	Canada	100	LivaNova PLC	100
LivaNova Cayman Limited *	Cannon Place, Grand Cayman, Cayman Islands	Cayman Islands	100	LivaNova PLC	100
LivaNova Chile SpA	Santiago, Chile	Chile	100	LivaNova UK Limited	100
LivaNova Colombia Sas	Avenida Calle 80 No. 69-70 Bodega 37, Bogotá, Colombia	Colombia	100	Sorin Group Italia S.r.l.	100
LivaNova Deutschland GmbH	Lindberghstrasse 25, D - 80939 München, Germany	Germany	100	Sorin Group Italia S.r.l.	100
LivaNova España, S.L.	Avenida Diagonal 123, planta 10, 08005, Barcelona, Spain	Spain	100	LivaNova Nederland N.V.	100
LivaNova Finland OY	c/o Kalliolaw Asianajotoimisto Oy, Södra kajen 12, 00130 Helsinki, Finland	Finland	100	Sorin Group Italia S.r.l.	100
LivaNova Holding S.r.l.	Via Benigno Crespi, 17 - 20159 Milano, Italy	Italy	100	Sorin Group Italia S.r.l.	100
LivaNova Hong Kong Limited	9/F, Wah Yuen Bldg, 149 Queen's Road, Central, Hong Kong, Hong Kong	Hong Kong	100	LivaNova Nederland N.V.	100
LivaNova Hungary Limited Liability Company *	H-1062 Budapest, Váci út 1-3, A épület, 6. em.	Hungary	100	LivaNova PLC	100
LivaNova, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LivaNova USA, Inc.	100
LivaNova India Private Limited	603-A, Copia Corporate Suites, Building #09, Jasola District Centre, New Delhi, India 110025	India	100	LivaNova Nederland N.V.	100
LivaNova IP Limited *	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100	LivaNova PLC	100
LivaNova Japan K.K.	11-1 Nagatacho 2 chome, Chiyoda-ku, Tokyo, 100-6110 Japan	Japan	100	LivaNova Nederland N.V.	100
LivaNova (Thailand) Ltd	4,4/5 Zen World Tower Level 12, Rajdamri Road, Pathumwan, Pathumwan, Bangkok, 10330, Thailand	Thailand	100	LivaNova Nederland N.V.	100
LivaNova (China) Medical Technology Co. Ltd	Room 3006, 30F, C Building, SML Centre, No. 610 Xujiahui Road, Huangpu District, Shanghai, 200025, China	China	100	LivaNova Holding S.r.l.	100
LivaNova Malaysia Sdn. Bhd.	Unit A-3-6, TTDI Plaza, Jalan Wan Kadir 3, Taman Tun Dr Ismail, 60000 Kuala Lumpur, Malaysia	Malaysia	100	LivaNova Nederland N.V.	100
LivaNova Nederland N.V. *	Westerdoksdijk 423, 1013 BX, Amsterdam, Netherlands	Netherlands	100	LivaNova PLC	100
LivaNova Norway AS	c/o AmestoAccounthouse AS, Smeltedigelen 1, 0195 Oslo, Norway	Norway	100	Sorin Group Italia S.r.l.	100
LivaNova Poland Sp. Z o.o.	Park Postepu Bud A Ul. Postepu 21 PL-02 676 Warszawa, Poland	Poland	100	LivaNova Nederland N.V.	100
LivaNova SAS	Issy-les-Moulineaux (92130), 24 rue du Gouverneur Général Éboué, France	France	100	LivaNova Nederland N.V.	100
LivaNova Scandinavia AB	Djupdalsvägen 16, 192 51 Sollentuna, Sweden	Sweden	100	Sorin Group Italia S.r.l.	100
LivaNova Singapore Pte Ltd	11 North Buona Vista Drive #13-09, The Metropolis, Singapore 138589	Singapore	100	LivaNova Nederland N.V.	100
LivaNova Site Management S.r.l. *	Via Benigno Crespi 17 20159 Milan, Italy	Italy	100	LivaNova PLC Sorin Group Italia S.r.l.	86 14

	Registered Office	Country of Incorporation	% Consolidated Group Ownership	Parent Name	Parent % Ownership
LivaNova Switzerland SA *	Rue du Grand-Pont 12, 1003 Lausanne	Switzerland	100	LivaNova PLC	100
LivaNova Taiwan Co. Ltd	2F., No. 101, Songren Rd., Xinyi Dist., Taipei City, 11073, Taiwan (R.O.C.)	Taiwan	100	LivaNova Nederland N.V.	100
LivaNova Turkey Medikal Limited Sirketi	Nart E-office, Pol Center Ecza Sok. No.4 Levent Istanbul	Turkey	100	LivaNova Nederland N.V.	100
LivaNova UK Limited	1370 Montpellier Court, Gloucester Business Park, Gloucester, Gloucestershire, GL3 4AH, United Kingdom	United Kingdom	100	LivaNova Nederland N.V.	100
LivaNova USA, Inc. *	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LivaNova PLC	100
LIVN Irishco 2 UC	Deloitte, 6 Lapps Quay, Cork, T12 TA48, Ireland	Ireland	100	LIVN UK Holdco Limited	100
LIVN Irishco Unlimited Company (1)*	Deloitte, 6 Lapps Quay, Cork, T12 TA48, Ireland	Ireland	100	LivaNova PLC	100
LIVN Luxco 2 sarl	15 Rue Edward Steichen L-2540 Luxembourg	Luxembourg	100	LIVN UK Holdco Limited	100
LIVN UK 2 Co Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100	LIVN US 5, LLC	100
LIVN UK Holdco Limited *	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100	LivaNova PLC	100
LIVN US 3, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LivaNova, Inc.	100
LIVN US 5, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LIVN US 3, LLC	100
Sorin Group Czech Republic s.r.o	Na poriçi 1079/3a Nové Mesto Praha 110 00 Praha 1, Czech Republic	Czech Republic	100	Sorin Group Italia S.r.l.	100
Sorin Group Italia S.r.l. *	Via Benigno Crespi, 17 - 20159 Milano, Italy	Italy	100	LivaNova PLC LivaNova Holding S.r.l.	99 1
Sorin Group Rus LLC	Marshal Proshlyakov str. 30 office 304 123458 Moscow, Russia	Russia	100	Sorin Group Italia S.r.l.	100

(1) As of 31 December 2021 the following subsidiaries were in liquidation: LIVN Irishco Unlimited Company and Cyberonics Spain SL (Liquidated in March 2022)

* *Represents a direct investment of LivaNova PLC.*

Note 6. Financial Assets

The table below lists our non-current financial assets, representing our investment in the equity instruments of Respicardia, which was sold in April 2021. Respicardia, a privately funded U.S. company, was held at cost, which we believe was an appropriate estimate of fair value as of 31 December 2020 (in thousands):

(in thousands)	31 December 2021	31 December 2020
Due in more than 12 months:		
Investment in Respicardia (1)	$ —	$ 17,706

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

Our current financial assets in the balance sheet include the following:

(in thousands)	31 December 2021	31 December 2020
Due in less than 12 months		
Due from subsidiaries [1]	$ 399,012	$ 135,132
Note due from subsidiary [2]	—	89,733
Due from Respicardia Inc.	—	791
Other	12	10
Expected credit loss provision [2]	—	(56,530)
	$ 399,024	$ 169,136

(1) LivaNova PLC, in the management of LivaNova centralized treasury and acting as in-house bank of the Group, loans excess cash to subsidiaries. Interest accrues and is paid quarterly at LIBOR plus 1.5% per annum. Principal is due on demand with 10 days notice.

(2) Note due from subsidiary represents a 6% promissory note, plus accrued interest, due from LivaNova Canada Corp. The note matures 27 November 2025. However, the note is presented as current as of 31 December 2020 as the note is expected to be settled within 12 months from 31 December 2020 as a result of entering into the HV Purchase Program. During 2020 we recorded an expected credit loss provision of $56.5 million to the note receivable based on our assessment of LivaNova Canada Corp.'s ability to repay the note.

Note 7. Trade and Other Receivables and Expected Credit Loss Provision

Trade receivables consisted of the following:

(in thousands)	31 December 2021	31 December 2020
Trade receivables due from third parties	$ 369	$ 291
Trade receivables due from LivaNova subsidiaries [1]	6,759	4,439
Expected credit loss provision	(269)	(291)
Total	$ 6,859	$ 4,439

(1) Trade receivables due from subsidiaries are paid within 90 days and no interest is charged.

Trade receivables are reported net of the expected credit loss provision, the changes in which are provided below:

(in thousands)	Year ended 31 December 2021	Year ended 31 December 2020
Beginning of year	$ 291	$ 266
Currency translation gains/losses	(22)	25
End of year	$ 269	$ 291

Below is a summary of other receivables:

(in thousands)	Year ended 31 December 2021	Year ended 31 December 2020
Prepaid assets	$ 1,362	$ 1,534
Deposit and advances to suppliers	15,102	7,855
Guarantee deposits	52	58
Total	$ 16,516	$ 9,447

Note 8. Derivative Financial Instruments

We enter into FX derivative contracts and entered into interest rate swap contracts to reduce the impact of foreign currency exchange rate and interest rate fluctuations on earnings and cash flow, for additional details refer to our accounting policy "Derivatives" included within "Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies."

Freestanding FX Derivative Contracts

The gross notional amount of FX derivative contracts, not designated as hedging instruments, outstanding at 31 December 2021 and 31 December 2020 was $136.7 million and $352.6 million, respectively. These derivative contracts are designed to offset the FX effects in earnings of various intercompany loans and trade receivables.

The amount and location of the gains (losses) in the Company statement of (loss) income related to derivative instruments, not designated as hedging instruments, are as follows (in thousands):

Derivatives Not Designated as Hedging Instruments	Location	Year Ended 31 December 2021	Year Ended 31 December 2020
Foreign currency exchange rate contracts	Foreign exchange and other gains/(losses)	$ 10,944	$ (16,600)

Presentation in Financial Statements

The amount of gains (losses) and location of the gains (losses) in the Company statement of (loss) income and AOCI related to interest rate swap derivative instruments designated as cash flow hedges are as follows (in thousands):

	Year Ended 31 December 2020		
	Gross Gains Recognised in OCI on Effective Portion of Derivative	Effective Portion of Losses on Derivative Reclassified from:	
Derivatives in Cash Flow Hedging Relationships	Amount	Location	Amount
Interest rate swap contracts	$ —	Finance expense	$ (113)

The following tables present the fair value, and the location of, derivative contracts reported in the Company balance sheet (in thousands):

31 December 2021	Asset Derivatives		Liability Derivatives	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
FX derivative contracts	Current financial derivative liabilities	$ 243	Current financial derivative liabilities	$ 1,286
Total derivatives designated as hedging instruments		243		1,286
Derivatives Not Designated as Hedging Instruments				
FX derivative contracts	Current financial derivative liabilities	61	Current financial derivative liabilities	427
Total derivatives not designated as hedging instruments		61		427
Total derivatives		$ 304		$ 1,713

31 December 2020	Asset Derivatives		Liability Derivatives	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
FX derivative contracts	Current financial derivative assets	$ 1,998	Current financial derivative liabilities	$ 14
FX derivative contracts	Current financial derivative liabilities	895		
Total derivatives designated as hedging instruments		2,893		14
Derivatives Not Designated as Hedging Instruments				
Interest rate swap contracts			Current financial derivative liabilities	74
FX derivative contracts	Current financial derivative assets	55	Current financial derivative liabilities	4,073
Total derivatives not designated as hedging instruments		55		4,147
Total derivatives		$ 2,948		$ 4,161

Note 9. Equity

Share capital

Our authorised share capital is as follows:

(in number of shares)	31 December 2021	31 December 2020
Authorised share capital, Ordinary Shares of £1 each, unlimited shares authorised		
Issued [(1)]	53,761,510	49,447,473
Outstanding	53,263,297	48,655,863

(1) Allotted, fully paid and issued.

Preferred shares

LivaNova may issue preferred shares by special resolution or by determination by the Board of LivaNova.

Treasury shares

Shares held by the EBT are issued to employees and directors at exercise of stock-based compensation grants. The balance of shares in the EBT are reported as treasury shares. We did not issue any additional shares to our EBT during the years ended 31 December 2021 or 31 December 2020.

Reserves

Merger relief reserve. On 19 October 2015 pursuant to the Mergers, the merger relief reserve was recognised in the amount of $2,649.6 million as a result of the share exchange transaction of the Sorin and Cyberonics Mergers with and into the Company. During the year ended 31 December 2016, the Company capitalised $2,583.1 million of the reserves in order to create distributable reserves in the accounts the Company. Additionally, on 6 August 2021, the Company closed an offering and issued 4,181,818 ordinary shares, par value £1.00 per share, at an offering price of $82.50 per share. Net proceeds from the offering were approximately $322.5 million, after deducting underwriting discounts, commissions and offering expenses, of which $316.7 million was recognised as merger relief reserve. The reserves may be used for any corporate purpose of the Company for which realized profits are required.

Accumulated Other Comprehensive Income (Loss)

The table below presents the change in each component of AOCI, net of tax and the reclassifications out of AOCI into net earnings:

(in thousands)	Change in unrealised (loss) gain on derivatives	Foreign currency translation adjustments	Revaluation of net (asset) liability for defined benefits	Total
Ending Balance - 31 December 2019	$ (86)	$ 5,640	$ (31)	$ 5,523
Reclassification of gain (loss) from accumulated other comprehensive income, before tax	—	43,267	(4)	43,263
Tax effect	—	—	—	—
Reclassification of gain (loss) from accumulated other comprehensive income, after tax	—	43,267	(4)	43,263
Reclassification of gain from accumulated other comprehensive income, before tax	113	—	—	113
Tax effect	(27)	—	—	(27)
Reclassification of gain from accumulated other comprehensive income, after tax	86	—	—	86
Net other comprehensive income (loss), net of tax	86	43,267	(4)	43,349
Ending Balance - 31 December 2020	—	48,907	(35)	48,872
Reclassification of (loss) gain from accumulated other comprehensive income, before tax	—	(38,615)	5	(38,610)
Tax effect	—	—	—	—
Reclassification of (loss) gain from accumulated other comprehensive income, after tax	—	(38,615)	5	(38,610)
Net other comprehensive (loss) income, net of tax	—	(38,615)	5	(38,610)
Ending Balance - 31 December 2021	$ —	$ 10,292	$ (30)	$ 10,262

Note 10. Financial Liabilities

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

	31 December 2021	31 December 2020
Notes payable to LivaNova subsidiaries [(1) (2)]	$ 509,849	$ 595,077
Total long-term facilities	509,849	595,077
Less current portion of long-term debt	—	—
Total long-term debt	$ 509,849	$ 595,077

(1) On 15 October 2020, LivaNova PLC entered into a $509.8 million Promissory Note with LivaNova USA, Inc. at 4.75% fixed interest rate per annum with accrued interest and principal due 14 October 2030. This note was subsequently assigned to LivaNova Hungary Limited Liability Company.

(2) On 3 July 2020 LivaNova PLC entered into a $85.3 million Promissory Note with LIVN UK Holdco Limited at 0.56% fixed interest rate per annum with accrued interest and principal due 30 September 2025. This note was subsequently assigned to LIVN US 3, LLC and repaid in 2021.

The outstanding principal amount of current debt consisted of the following (in thousands):

	31 December 2021	31 December 2020
Due to LivaNova subsidiaries [(1)]	$ 302,686	$ 299,192
Short-term facilities	82	21
Total short-term facilities	302,768	299,213
Current portion of long-term debt	—	—
Total current debt	$ 302,768	$ 299,213

(1) LivaNova PLC, in the management of LivaNova centralized treasury and acting as in-house bank of the Group, holds cash on deposit from subsidiaries. Interest accrues and is paid quarterly on balances at LIBOR less 0.5%.

Finance expense. Finance expense of $25.8 million and $15.0 million for the years ended 31 December 2021 and 31 December 2020, respectively, consisted primarily of interest on our debt facilities. Refer to the Company statement of (loss) income. Finance expense associated with subsidiary debt amounted to $25.4 million and $6.9 million for the years ended 31 December 2021 and 31 December 2020, respectively.

Note 11. Leases

We have leases primarily for (i) real estate, including office space and manufacturing, warehouse and research and development facilities and (ii) vehicles. Our leases have remaining lease terms up to 4 years, some of which include options to extend the leases, and some of which include options to terminate the leases at our sole discretion.

Right-of-Use Assets and Lease Liabilities

The movement in the ROU assets and lease liabilities since adoption by class of assets is as follows (in thousands):

	Real Estate	Vehicles	Right-of-Use Assets	Lease Liabilities
Balance as of 31 December 2019	$ 6,133	$ 169	$ 6,302	$ 6,183
Additions	1,329	165	1,494	1,494
Depreciation expense	(1,886)	(88)	(1,974)	—
Finance expense	—	—	—	119
Lease payments	—	—	—	(1,978)
Currency translation adjustments	172	7	179	301
Balance as of 31 December 2020	5,748	253	6,001	6,119
Additions	—	25	25	25
Depreciation expense	(3,187)	(65)	(3,252)	—
Disposals	—	(100)	(100)	(98)
Finance expense	—	—	—	97
Lease payments	—	—	—	(1,800)
Currency translation adjustments	(161)	(15)	(176)	(169)
Balance as of 31 December 2021	$ 2,400	$ 98	$ 2,498	$ 4,174

Contractual maturities of our lease liabilities as of 31 December 2021 are as follows (in thousands):

2022	$ 1,489
2023	920
2024	1,110
2025	640
2026	187
Thereafter	—
Total lease payments	4,346
Less: Amount representing finance charges	(172)
Net present value of lease liabilities	$ 4,174

Contractual maturities of our lease liabilities as of 31 December 2020 are as follows (in thousands):

2021	$	2,114
2022		1,401
2023		969
2024		1,150
2025		632
Thereafter		190
Total lease payments		6,456
Less: Amount representing finance charges		(337)
Net present value of lease liabilities	$	6,119

Lease Payments not Recognised as a Liability

We have elected not to recognise a lease liability for short- term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred. Expenses recognised during 2021 relating to payments not included in the measurement of lease liabilities is as follows (in thousands):

Short-term leases	$	28
Lease of low value		—
Variable lease payments		63
	$	91

Expenses recognised during 2020 relating to payments not included in the measurement of lease liabilities is as follows (in thousands):

Short-term leases	$	53
Lease of low value		32
Variable lease payments		69
	$	154

Lease payments of approximately $1.8 million were made during the year ended 31 December 2021 in connection with lease agreements of which $1.7 million represents the principal portion classified in financing activities and $0.1 million for interest classified in operating activities.

Lease payments of approximately $2.0 million were made during the year ended 31 December 2020 in connection with lease agreements of which $1.9 million represents the principal portion classified in financing activities and $0.1 million for interest classified in operating activities.

Note 12. Other Payables

(in thousands)	31 December 2021	31 December 2020
Accrued expenses- employee-related charges	$ 8,159	$ 1,724
Other accrued expenses	4,073	3,753
Other current liabilities with subsidiaries	2,236	2,303
Amount payable to Gyrus Capital S.A. [(1)]	7,105	—
Other liabilities	1,141	1,798
Other amounts due to health and social security institution	516	674
Amounts due to employees	378	572
Total	$ 23,608	$ 10,824

(1) *The amount payable to Gyrus Capital S.A. as of 31 December 2021 primarily represents the purchase price adjustment liability from the sale of our Heart Valves business. For additional information refer to "Note 7. Divestiture of Heart Valve Business" in the Consolidated Group financial statements in this 2021 Annual Report.*

Note 13. Share-Based Incentive Plans

Share-Based Incentive Plans

On 16 October 2015, we approved the adoption of the Company's 2015 Plan, which was previously approved by the Board of the Company on 14 September 2015 subject to such shareholder approval. The 2015 Plan was adopted in order to facilitate the grant of cash and equity incentives to non-employee directors and employees (including our named executive officers) of the Company and certain of our affiliates and to enable the Company and certain of our affiliates to obtain and retain services of these individuals. The Plan became effective as of 19 October 2015. Stock-based awards may be granted under the 2015 Plan in the form of stock options, SARs, RS, RSUs and other stock-based awards. As of 31 December 2021, there were approximately 3,098,419 shares available for future grants under the 2015 Plan.

Share Options and Share Appreciation Rights

	Year Ended 31 December			
	2021		2020	
Options and SARs	Number of Optioned Shares	Wtd. Avg. Exercise Price	Number of Optioned Shares	Wtd. Avg. Exercise Price
Exercised	59,501	$ 54.79	5,552	$ 49.38
Outstanding - end of year	756,142	$ 61.97	807,630	$ 61.23

The weighted average remaining contractual life for the share options and SARs outstanding at 31 December 2021 and 31 December 2020 was 6.4 years and 7.0 years, respectively.

The aggregate intrinsic value of the options and SARs outstanding at 31 December 2021 and 31 December 2020 was $20.2 million and $10.4 million. respectively. The aggregate intrinsic value of options and SARs is based on the fair market value of the underlying share at the end of the year using the difference between the market closing share price, and exercise price for in-the-money awards.

The range of exercise prices for options and SARs outstanding at year end are categorised in exercise price ranges as follows:

Outstanding Options	31 December 2021	31 December 2020
$41-50	325,080	383,638
$51-60	138,566	176,337
$61-70	—	7,653
$71-80	114,787	11,050
$81-90	91,344	107,552
$91-100	85,374	118,129
$101-110	500	2,295
$121-130	491	976
Total	756,142	807,630

Restricted Share and Restricted Share Units Awards

The following tables detail the activity for service-based restricted share and restricted share unit awards:

	Year Ended 31 December			
	2021		2020	
	Number of Shares	Wtd. Avg. Grant Date Fair Value	Number of Shares	Wtd. Avg. Grant Date Fair Value
Non-vested at end of year	175,304	$ 64.96	222,527	$ 55.46

	Year Ended 31 December	
(in thousands)	2021	2020
Aggregate fair value of service-based share grants that vested during the year (in thousands)	$ 5,787	$ 5,878

Market and Performance-Based Restricted Share and Performance-Based Restricted Share Units Awards

The following tables detail the activity for performance-based and market-based restricted share and restricted share unit awards:

	Year Ended 31 December			
	2021		2020	
	Number of Shares	Wtd. Avg. Grant Date Fair Value	Number of Shares	Wtd. Avg. Grant Date Fair Value
Non-vested at end of year	245,457	$ 67.64	275,841	$ 54.16

	Year Ended 31 December	
(in thousands)	2021	2020
Aggregate fair value of performance-based share grants that vested during the year	$ 5,009	$ 886

Note 14. Income Tax Benefit

Income tax (expense) benefit consists of the following:

	Year Ended 31 December	
(in thousands)	2021	2020
Current tax		
United Kingdom	$ 3,215	$ (881)
Non-United Kingdom	(2)	(740)
	3,213	(1,621)
Deferred tax		
United Kingdom	26,459	19,142
Non-United Kingdom	—	260
	26,459	19,402
	$ 29,672	$ 17,781

The following is a reconciliation of the statutory income tax rate to our effective income tax rate expressed as a percentage of income before income tax benefit:

	Year Ended 31 December	
	2021	2020
Statutory tax rate at UK rate	19.0 %	19.0 %
Change in tax rate [(1)]	32.9	1.7
Permanent differences	(3.2)	(0.3)
Distribution of subsidiary earnings	9.1	5.9
Tax on UK CFC interest	0.2	0.1
Impairment	—	(9.3)
Reserves for credit losses	—	(7.1)
Equity compensation	4.8	—
Change in deferred tax valuation allowance	(9.2)	—
Other, net	(6.2)	1.7
Effective tax rate	47.4 %	11.7 %

(1) The change in tax rate for 2021 was primarily due to NOLs generated during 2021 net of group relief being remeasured to a tax rate 19% and revaluation of deferred tax assets at 25% for change in law, and decreasing the tax benefit by non-taxable and non-deductible items corresponding to disposition of investment losses and dividends.

Deferred income tax assets and liabilities are summarised as follows:

(in thousands)	31 December 2021	Activity During the Year Ended 31 December 2021			31 December 2020
		Company Statement of (Loss) Income	Tax Rate Change [1]	Shareholders' Equity	
Net operating loss carryforwards	$ 58,333	$ 9,443	$ 13,480	$ —	$ 35,410
Accruals and reserves	66	—	—	—	66
Share-based compensation	8,497	(1,428)	137	5,086	4,702
Lease assets and other	10,540	1,995	2,323	1,044	5,178
Total deferred tax assets	77,436	10,010	15,940	6,130	45,356
Lease liabilities and other	113	(772)	263	(554)	1,176
Total deferred tax liabilities	113	(772)	263	(554)	1,176
Total deferred tax assets, net	$ 77,323	$ 10,782	$ 15,677	$ 6,684	$ 44,180

(1) UK received royal assent in July 2021, and provided for the UK tax rate to increase to 25%, effective 1 April 2023, there was a revaluation to increase deferred taxes in 2021.

(in thousands)	31 December 2020	Activity During the Year Ended 31 December 2020			31 December 2019
		Company Statement of (Loss) Income	Tax Rate Change [1]	Shareholders' Equity	
Net operating loss carryforwards	$ 35,410	$ 12,427	$ 2,401	$ —	$ 20,582
Accruals and reserves	66	7	—	—	59
Share-based compensation	4,702	760	328	(115)	3,729
Lease assets and other	5,178	3,408	87	(27)	1,710
Total deferred tax assets	45,356	16,602	2,816	(142)	26,080
Lease liabilities and other	1,176	(167)	207	(47)	1,183
Total deferred tax liabilities	1,176	(167)	207	(47)	1,183
Total deferred tax assets, net	$ 44,180	$ 16,769	$ 2,609	$ (95)	$ 24,897

(1) In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reduced to 17%, as previously enacted). The new law was substantively enacted on 17 March 2020.

Deferred tax assets have not been recognised with respect of the following items:

(in thousands)	31 December 2021	31 December 2020
Tax loss carryforwards (tax effected) [1]	$ 10,699	$ 8,125

(1) The UK unrecognized deferred tax assets increased by $2.6 million for the revaluation due to the tax rate change to 25% within the UK jurisdiction.

For losses incurred after April 2017 in the UK, the Company anticipates a recoverability of these operating loss carryforwards beginning in 2027 as the Company expects an increase in taxable income due to the full amortisation of certain intangible assets. The Company is relying on estimated future income projections and judgement on the growth of the projected income for the recoverability of the deferred tax assets corresponding the NOLs. The Company estimates it will be able to recover its tax loss in less than 12 years through UK Group relief, as the UK Group will realize substantially an increase of taxable income as a result of increased revenues from royalty income and decreased amortisation of intangible assets beginning in 2027.

Note 15. Commitments and Contingencies

Refer to "Note 25. Commitments and Contingencies" of the LivaNova consolidated financial statements in this UK Annual Report.

Note 16. Related Parties

Interests in subsidiaries are set out in "Note 5. Investments in Subsidiaries." Receivables from subsidiaries are set out in "Note 6. Financial Assets." Trade receivables due from LivaNova subsidiaries are set out in "Note 7. Trade and Other Receivables and Expected Credit Loss Provision." Other assets on the Company balance sheet represent long-term receivables from subsidiaries associated with the Company's share-based incentive plans. Notes payable to LivaNova subsidiaries are set out in "Note 10. Financial Liabilities." Other current liabilities with subsidiaries are set out in "Note 12. Other Payables." Refer to the consolidated

financial statements “Note 28. Related Parties” for key management personnel and related parties. Refer to consolidated financial statements “Note 12. Financial Assets” for related party financial assets.

Note 17. Company Statement of (Loss) Income - Expenses by Nature

	Year Ended 31 December	
(in thousands)	2021	2020
Revenue	$ 27,663	$ 34,909
Cost of materials and services used	(52,661)	(55,486)
Personnel expense	(46,014)	(34,221)
Expected credit loss provision [1]	—	(56,530)
Impairments of investments [2]	—	(73,793)
Amortisation and depreciation	(3,772)	(3,733)
Impairment of intangible assets [3]	—	(6,745)
Operating loss	(74,784)	(195,599)
Finance expense	(25,819)	(15,042)
Income from subsidiary undertakings	47,722	47,606
Finance income	6,109	8,419
Losses on disposal of investments, net	(13,963)	(609)
Foreign exchange and other gains/(losses)	(1,918)	3,067
Loss before taxes	(62,653)	(152,158)
Income tax benefit	29,672	17,781
Loss for the financial year	$ (32,981)	$ (134,377)

(1) During 2020, we recorded an expected credit loss provision of $56.5 million to the promissory note receivable from LivaNova Canada Corp. refer to “Note 6. Financial Assets” for further information.

(2) During 2020, we impaired our investment in LivaNova Canada Corp. by $73.8 million, refer to “Note 5. Investments in Subsidiaries” for further information.

(3) For information related to the impairment of intangible assets refer to “Note 10. Goodwill and Intangible Assets” in the consolidated financial statements.

Note 18. Employee and Key Management Compensation Costs

Details of directors’ remuneration are included in the Directors’ Remuneration Report on pages 49 to 73, which forms part of these financial statements.

	Year Ended 31 December	
(in thousands)	2021	2020
Wages and salaries	$ 21,047	$ 14,919
Share-based payments	13,076	9,197
Other employee costs	11,891	10,105
	$ 46,014	$ 34,221

Employee numbers

The average monthly employee numbers on a full-time equivalent basis, including executive directors were 83 and 92 for the years ended 31 December 2021 and 31 December 2020. Our employees are principally engaged in Corporate activities.

Note 19. Exceptional Items

The following exceptional items are included within operating loss (in thousands):

	Year Ended 31 December	
(in thousands)	2021	2020
Restructuring expenses	$ 4,744	$ 1,197
Merger and integration expenses	467	2,419
Impairment of long-lived assets	—	6,745
Investment write-down	—	73,793
Expected credit loss provision	—	56,530
	$ 5,211	$ 140,684

Expected credit loss provision. During 2020, we recorded an expected credit loss provision of $56.5 million to the promissory note receivable from LivaNova Canada Corp., refer to "Note 6. Financial Assets" for further information.

Investment write-down. During 2020, we impaired our investment in LivaNova Canada Corp. by $73.8 million based upon the current indication of fair value as of 31 December 2020, which is shown in the table above and included in exceptional items in the Company statement of (loss) income.

Impairment of long-lived assets. Refer to "Note 10. Goodwill and Intangible Assets" in the consolidated financial statement for an explanation of the impairments.

Merger and integration Expenses. Merger and integration expenses consist of costs associated with our Merger and business combinations. Such costs primarily include computer systems integration efforts, organizational structure integration, synergy and tax planning. LivaNova expects these costs to continue to decline further over time.

Restructuring Expenses. We have initiated several restructuring plans to leverage economies of scale, streamline distribution and logistics and strengthen operational and administrative effectiveness in order to reduce overall costs. We identify costs incurred and liabilities assumed for the restructuring plans. Refer to "Note 8. Restructuring" of the LivaNova consolidated financial statements in this UK Annual Report for more details.

Note 20. Auditors' Remuneration

	Year Ended 31 December	
(in thousands)	2021	2020
Fees payable to the Company's Auditors and its associates for the audit of parent company financial statements	$ 76	$ 80

Note 21. Subsequent Events

Refer to "Note 34. Subsequent Events" to the Consolidated Group financial statements in this 2021 Annual Report.

The following definitions apply throughout this UK Annual Report (other than in the Financial Statements) unless the context requires otherwise:

ACS	Advanced Circulatory Support
AGM	Annual General Meeting
Anti-Kickback Statute	the U.S. federal Anti-Kickback Statute
AOCI	Accumulated Other Compensation Income
ASMS	Anti-seizure medications
Assessment	E&I Risk Assessment
Articles	Company's Articles of Association
Auditor	PricewaterhouseCoopers LLP, the Company's independent UK statutory auditor
Audit Committee	Audit and Compliance Committee
Award Value	the equity award value
Board	LivaNova PLC's Board of Directors
BPF	Business Performance Factor
Brexit	the UK government's process to withdraw from the EU
business unit	LivaNova's three principal business units, Advanced Circulatory Support, Neuromodulation and Cardiopulmonary
Caisson	Caisson Interventional, LLC.
CARES Act	Coronavirus Aid, Relief and Economic Security Act
CCPA	California Consumer Privacy Act
CDC	Centers for Diseases Control and Prevention
CECs	Comprehensive Epilepsy Centers
CED	Coverage with evidence development
CEO	Chief Executive Officer
CE Mark	certification demonstrating minimum standards of performance, safety and quality (i.e., the essential requirements) set out in the EU Medical Devices Directives (Council Directive 93/42/EEC on Medical Devices and Council Directive 90/385/EEC on Active Implantable Medical Devices)
CFC	the UK's Controlled Foreign Company
CFO	Chief Financial Officer
CGUs	Cash Generating Units
CISO	Chief Information Security Officer
closing price	the most recent closing price of an ordinary share of our stock on the Nasdaq as of the grant date
CMS	the U.S. Centers for Medicare and Medicaid Services
CODM	the Chief Operating Decision Maker
Compensation Committee	Company's Compensation Committee
Company	LivaNova PLC, a company incorporated in England and Wales
Companies Act 2006	the Companies Act 2006 of England and Wales
COSO	the Committee of Sponsoring Organizations of the Treadway Commission
CPAP	Continuous positive airway pressure
CRM	Cardiac Rhythm Management business
Cyberonics	Cyberonics, Inc., a Delaware corporation, including (whether the context requires) its subsidiaries and subsidiary undertakings
Cyberonics merger	the merger of Merger Sub with and into Cyberonics, with Cyberonics continuing as the surviving company and a wholly owned subsidiary of the Company
DEFRA	UK Department for Environment, Food and Rural Affairs
DIB	Diversity Inclusion and Belonging
Director(s)	A member of the LivaNova Board of Directors
DRE	Drug-resistant epilepsy
D.S.O.	Days of Sales Outstanding
DTC	Depository Trust & Clearing Corporation

DTD	Difficult-to-Treat Depression
€	the Euro
EBT	Employee Benefit Trust
EC	the European Commission
ECMO	Extracorporeal membrane oxygenation
eGRID	U.S. Emissions & Generation Resource Integrated Database
E&I	Ethics & Integrity
EIR	Effective Interest Rate
ELT	Executive Leadership Team
EPA	the U.S. Environmental Protection Agency
EPS	Earnings Per Share
ESG	Environmental, Social and Governance
ESG Task Force	a cross-functional team of leaders focused on establishing a comprehensive program optimizing our environmental, social and governance efforts
ESOS	the UK Energy Savings Opportunity Scheme
ESPP	Employee Share Purchase Program
EU	the European Union
EUR	Euro
False Claims Act	the U.S. Federal False Claims Act
FCF	Free Cash Flow
FCPA	the U.S. Foreign Corrupt Practices Act of 1977
FDA	U.S. Food and Drug Administration
FIFO	First-In First-Out
FX	Foreign Exchange
GBP	British Pound Sterling
£	British Pound Sterling
GDPR	General Data Protection Regulation
GHG	Greenhouse Gas
GROUP	LivaNova PLC, a company incorporated in England and Wales
HAN	Health Advisory Notice
HCP	Healthcare Provider
Highlife	Highlife S.A.S.
HIPAA	the U.S. Health Insurance Portability and Accountability Act of 1996
HITECH	the U.S. Health Information Technology and Clinical Health Act
HLM	Heart-Lung Machine
HV Purchase Agreement	Purchase Agreement, as amended, with Mitral Holdco S.à r.l., controlled by funds advised by Gyrus Capital S.A., a Swiss private equity firm, provides for the divestiture of LivaNova's Heart Valve business
IDE	Investigational Device Exemption
IEA	International Energy Agency
IFRS	International Financial Reporting Standards, as adopted by the EU
ImThera	ImThera Medical, Inc.
IPR&D	In process research and development
IRC	the U.S. Internal Revenue Code
IRS	the U.S. Internal Revenue Service
ISA(UK)	International Standards on Auditing (UK)
ISDA	International Swaps and Derivatives Association, Inc.
ISO	the International Standards Organisation
ISMS	Information Security Management System
KPI	Key Performance Indicator
LBS	LivaNova Business System

LIFE	LivaNova International Fellowship (LIFE) Corporate Social Initiative Program
LivaNova	the Company and its subsidiaries and subsidiary undertakings, including (where the context so requires) Cyberonics and Sorin prior to the Mergers becoming effective
LSE	the London Stock Exchange plc
LSM	LivaNova Site Management S.r.l.
LTIP	Long Term Incentive Plan
LWN	LivaNova Women's Network
MDD	Medical Device Directive
Medical Devices Regulation	proposals for the revision of the EU regulatory framework for medical devices which could replace the Medical Devices Directive and the Active Implantable Medical Devices Directive
Merger	the business combination of Cyberonics and Sorin
MRI	Magnetic Resonance Imaging
MMWR	Morbidity and Mortality Weekly Report
Nasdaq	the Nasdaq Global Market
NCD	CMS non-coverage determination
NCG	Nominating and Corporate Governance Committee
NEOs	Non-executive Officers
NIST	National Institute of Standards and Technology
NOLs	the Net Operating Losses
NQDCP	Non-qualified deferred compensation plan
NTM	NonTuberculous Mycobacterium
OCI	Other Comprehensive Income
Ordinary Shares	Ordinary Shares of £1.00 each in the capital of the Company
OSA	Obstructive Sleep Apnea
our	LivaNova Plc collectively with its subsidiaries
PAL	the Pharmaceutical Affairs Law of Japan
Pearl Meyer	Pearl Meyer & Partners, LLC, an independent compensation consultant with an international scope
PMA	Pre-Market Approval
PP&E	Property, Plan & Equipment
PRT	Phospholipid Reduction Treatment
PSA	Pay-as-you-earn settlement agreement
PSU	Performance Stock Units
QSR	the U.S. FDA's Quality System Regulation under section 520 of the U.S. FDCA
REACH	European Union Registration, Evaluation, Authorisation and Restriction of Chemicals
Reg MDR	Medical Device Regulation
REIGs	Regional/Functional E&I Working Groups
Restructuring Plan	any of the restructuring plans initiated by LivaNova after consummation of the Mergers in October 2015
RCT	Randomized, placebo controlled trial
R&D	Research and Development
ROIC	return on investment capital
ROU	right-of-use
RSUs	Restricted Stock Units;
rTSR	relative Total Shareholder Return
SARs	Stock Appreciation Rights
SDRT	the UK stamp duty reserve tax
SEC	the U.S. Securities and Exchange Commission
Section 16 Officers	officers and directors covered by Section 16 of the U.S. Securities Exchange Act of 1934, as amended
SECR	Streamlined Energy and Carbon Reporting
SG&A	Selling, General and Administrative

shares	LivaNova's Ordinary Shares of £1 per share
SMART	Specific, Measurable, Achievable, Relevant and Time-Bound goals and targets
Sorin	Sorin S.p.A., a joint stock company organised under the laws of Italy, including (where the context so requires), its subsidiaries and subsidiary undertakings
Sorin merger	the merger of Sorin with and into the Company, with the Company continuing as the surviving company
SPIs	Strategic portfolio initiatives
STIP	Short Term Incentive Plan
TFR	severance indemnity
the Company	LivaNova Plc collectively with its subsidiaries
the Plans	LivaNova's 2015 and 2016 Reorganization Plans initiated October 2015 and March 2016, respectively, in conjunction with the completion of the Cyberonics and Sorin merger;
the Public Administrations	the Italian Ministry of the Environment and other Italian government agencies
Third Party Code of Conduct	minimum standards LivaNova requires of all LivaNova third parties when doing business with us
TMVR	Transcatheter Mitral Valve Replacement
TSR	Total shareholder return
UK	the United Kingdom
UK Bribery Act	the UK Bribery Act of 2010
UK LTIP	UK long-term incentive awards
UK SIP	UK share incentive plan
U.S.	the United States of America
USD	the U.S. dollar
U.S. GAAP	the accounting principles generally accepted in the U.S.
VNS	Vagus Nerve Stimulation
VTAP	VNS Therapy Access Program
WACC	Weighted Average Cost of Capital
we	LivaNova Plc collectively with its subsidiaries
WRI	World Resource Institute
$	U.S. dollars
2015 Plan	the LivaNova PLC 2015 Incentive Award Plan
2019 AGM	LivaNova Annual General Meeting held on 18 June 2019
2020 AGM	LivaNova Annual General Meeting held on 29 June 2020
2021 AGM	LivaNova Annual General Meeting held on 9 June 2021
2022 AGM	LivaNova Annual General Meeting to be held on 13 June 2022
2019 LTIP	2019 Long-Term Incentive Program
2020 LTIP	2020 Long-Term Incentive Program
2021 LTIP	2021 Long-Term Incentive Program
2022 LITP	2022 Long-Term Incentive Program
2022 Plan	LivaNova 2022 Incentive Award Plan
2021 STIP	2021 Short-Term Incentive Program
2019 Policy	Directors' 2019 Remuneration Policy
2022 Policy	Directors' 2022 Remuneration Policy
2021 rTSR Peer Group	2021 peer group of companies selected by the Committee's compensation consultant
2022 rTSR Comparator Group	a group of 29 companies selected by the Compensation Committee's compensation consultant
3T device	3T Heater-Cooler device

LivaNova

Health innovation that matters

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