LivaNova

Health innovation that matters

2022 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 2022 UK Annual Report (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 2022 contained herein.

This 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 2023 Annual General Meeting (2023 AGM) materials made available to shareholders.

In this 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 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 Annual Report should be regarded as a profit forecast.

Trademarks

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

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

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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. The Company is dedicated to helping create meaningful products and therapies that transform lives each and every day. LivaNova is also dedicated to the highest standards, and the Company strives to operate at the topmost level of quality, business ethics and integrity.

OUR MISSION

At LivaNova, the Company unites 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

- **~ 2,900 EMPLOYEES** supporting healthcare professionals globally
- Distributing to over **100 COUNTRIES** worldwide
- **125,000+ PATIENTS** treated with Vagus Nerve Stimulation ("VNS") Therapy
- **3M+ PATIENTS** treated with Inspire oxygenator
- **50 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: Cardiopulmonary, Neuromodulation and Advanced Circulatory Support ("ACS"), corresponding to our primary business units. "Other" includes corporate shared service expenses for finance, legal, human resources, information technology and corporate business development. For the years ended 31 December 2021 and 2020, "Other" also includes the results of our Heart Valve business, which was divested on 1 June 2021.

Neuromodulation

LivaNova's Neuromodulation segment is engaged in the design, development and marketing of devices that deliver neuromodulation therapy for treating drug-resistant epilepsy ("DRE") and difficult-to-treat depression ("DTD"). It also

encompasses the development and management of clinical testing of our aura6000 System for treating obstructive sleep apnea ("OSA") and, until recently, our VITARIA System which was intended to treat heart failure.

The Company's 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 tunneled under the skin to the vagus nerve in the lower left side of the patient's neck. The aura6000 device, which is currently in clinical trial for treating OSA, stimulates the hypoglossal nerve, which in turn, engages certain muscles in the tongue to open the airway while a patient is sleeping.

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 and ablative 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 VNS therapy, ketogenic diet, resective or ablative surgery and other neuromodulation therapies.

In 1997, the Company's VNS Therapy System was the first medical device treatment approved by the U.S. Food and Drug Administration ("FDA") for the treatment of drug-resistant epilepsy, and today is the only neuromodulation device approved for use in DRE patients in the U.S. as young as four years of age with partial onset, or 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 the most widely reimbursed neuromodulation therapy available. In 2020, the U.S. Centers for Medicare and Medicaid Services ("CMS") expanded reimbursement for VNS Therapy use in the treatment of Dravet Syndrome and, in January 2022, expanded reimbursement for VNS Therapy use in the treatment of Lennox Gastaut Syndrome.

The Company distributes 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 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 the Company's 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, AspireHC and AspireSR models of VNS Therapy technology provide for this expanded MRI access.

Depression

In 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 2007, the United States ("U.S.") 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 2020, the VNS Therapy System, Symmetry received CE mark approval for the treatment of DTD.

In 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. Following publication of the D23 study, the Company requested that CMS reconsider its previous NCD, and in 2018, CMS published a tracking sheet to reconsider its NCD.

In 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.

In 2019, CMS accepted the protocol for the RECOVER clinical study and the first patient was enrolled. RECOVER may include up to 500 unipolar and up to 500 bipolar patients at a maximum of 100 sites in the United States in the randomized part of the trial and may include up to an additional 5,800 patients in an open label registry.

In 2020, LivaNova announced a research collaboration with Verily, a subsidiary of Alphabet Inc., to capture clinical biomarkers of depression within the 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. 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 2021, LivaNova and Verily announced that the first patient had been enrolled in their collaborative UNCOVER study, a subset of the RECOVER study.

In March 2023, LivaNova announced randomization of the 500th unipolar depression patient in the RECOVER clinical study. After the last patient enrolled into the randomized control trial ("RCT") has completed 12 months of follow-up, a final analysis will be conducted on the complete dataset for that respective cohort. Recruitment for the bipolar cohort is ongoing. The trial, if successful, will be used to support a peer-reviewed article and reconsideration of reimbursement for VNS Therapy by CMS for the treatment of DTD.

Obstructive Sleep Apnea

In 2018, LivaNova acquired full ownership of ImThera, a privately held, emerging-growth company developing an implantable neurostimulation device system for the treatment of obstructive sleep apnea. The device stimulates the hypoglossal nerve, which in turn, engages certain muscles in the tongue in order to open the airway while a patient is sleeping.

In 2021, LivaNova received approval from the FDA to proceed with its investigational device exemption clinical study, Treating Obstructive Sleep Apnea using Targeted Hypoglossal Neurostimulation ("OSPREY"), and the first patient was implanted in March 2022. The OSPREY study seeks to confirm the safety and effectiveness of the aura6000 System.

Heart Failure

The VITARIA System was intended to treat heart failure through VNS. In 2018, after completion of pilot studies outside the U.S., the Company announced the first successful implantation of the VITARIA System in a patient randomized in the ANTHEM-HFrEF clinical trial, an international, multi-center, randomized trial (adaptive sample size) to evaluate the VITARIA System for the treatment of advanced heart failure. During the fourth quarter of 2022, the Company randomized the 500th patient in the trial which triggered the second interim analysis. The independent Data and Safety Monitoring Committee ("DSMC") evaluated safety, a trend toward the primary endpoint and success in three functional endpoints. This analysis determined that the U.S. FDA early filing conditions were not met, and the DSMC recommended that enrollment continue in accordance with the current study protocol. However, the Company conducted further evaluation of the study data and concluded that such data did not demonstrate a sufficiently strong positive impact on functional or mortality endpoints and that it was unlikely that the continuation of the study would demonstrate such an impact. As a result, on 22 February 2023, LivaNova announced that the Company is stopping enrollment in the ANTHEM-HFrEF clinical trial, beginning the process to close the clinical study and winding down the heart failure programme.

Cardiopulmonary

The Company's Cardiopulmonary segment is engaged in the development, production and sale of cardiopulmonary products, including heart-lung machines ("HLM"), oxygenators, autotransfusion systems, perfusion tubing systems, cannulae and other related accessories. It includes the development of the Essenz Perfusion System, the next-generation HLM and a patient monitor that delivers a patient-tailored approach, supporting data-driven decisions during cardiopulmonary bypass procedures. In the fourth quarter of 2022, the Company completed the first clinical cases using Essenz in two major centres in Europe.

Cardiopulmonary bypass is commonly used in many operations involving the heart. The technique enables the surgical team to oxygenate and circulate the patient's blood, thus allowing the surgeon to operate on the heart. The most commonly performed procedures requiring cardiopulmonary bypass are conventional coronary artery bypass grafting and valve surgeries. In such procedures, 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. The products include systems to enable cardiopulmonary bypass, including HLMs, oxygenators, autotransfusion systems, 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. The Company's primary cardiopulmonary products include:

Heart-lung machines. The HLM product group includes HLMs, heater coolers, related cardiac surgery equipment and maintenance and technical services. HLMs temporarily take over the work of the heart and/or lungs, providing blood and oxygen to the body. HLMs are most often used during serious procedures that require the heart to be stopped. Heater coolers are used

during surgeries to warm or cool patients as part of their care. They are especially important during surgeries involving the heart and lungs.

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 products is comprised of 12 models and provides perfusionists with a customizable approach for the benefit of patients. Oxygenators exchange oxygen and carbon dioxide in the blood of patients during surgical procedures. An oxygenator is typically utilized by perfusionists during cardiac surgery in conjunction with a HLM. Oxygenators can also be utilized in extracorporeal membrane oxygenation ("ECMO").

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.

Cannulae. The Company's cannulae product family is used to connect the extracorporeal circulation to the heart of the patient during cardiac surgery.

Advanced Circulatory Support

The Company's ACS segment is engaged in the development, production and sale of leading-edge temporary life support products. The ACS products, which include the LifeSPARC platform and ProtekDuo cannula, simplify temporary extracorporeal cardiopulmonary life support solutions for critically ill patients. The LifeSPARC platform includes a common compact console and pump that 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 programmes to support more patients in more places. The platform is accompanied by four specialized and ready-to-deploy kits, each designed to support diverse cannulation strategies. In November 2022, the FDA approved the LifeSPARC platform for ECMO. This approval allows for the LifeSPARC platform to be used for ECMO beyond six hours for patients in acute respiratory failure or acute cardiopulmonary failure, including but not limited to those receiving treatment for COVID-19.

LivaNova previously owned a 3% equity interest in ALung Technologies, Inc. ("ALung"), a privately-held medical device company focused on creating advanced medical devices for treating respiratory failure. In May 2022, the Company acquired the remaining 97% of equity interests. For additional information, please refer to "Note 7. Business Combinations" and "Note 11. Goodwill and Intangible Assets" in the consolidated financial statements and accompanying notes of this Annual Report. As a result of the ALung transaction, The Company's ACS segment also includes the Hemolung Respiratory Assist System ("Hemolung RAS"), which is the only FDA-cleared platform designed specifically for low-flow extracorporeal carbon dioxide removal for acute respiratory failure.

In August 2022, CMS approved a New Technology Add-on Payment ("NTAP") for the Company's Hemolung RAS for in-patient care. The NTAP designation is awarded to novel medical technologies and services supported by clinical evidence that are expected to substantially improve the diagnosis or treatment of Medicare beneficiaries.

Our Strategy: Overview of 2022

LivaNova's performance throughout 2022 was balanced by its diverse portfolio and reflected its commitment to driving growth and delivering differentiated products and therapies to patients and physicians, all while navigating a challenging environment. The Company maintained focus on executing on core growth drivers, delivering on extensive clinical and product pipeline opportunities, and improving cash generation. These objectives are reflected in the Strategic Triangle, which serves as LivaNova's guide to goal setting and execution as shown below. Execution in these three areas ensures the Company is well positioned to realize the full value of its diverse portfolio and to strengthen top- and bottom-line results for years to come.

Core Growth

LivaNova's core businesses included Epilepsy, the primary driver of the Neuromodulation segment, as well as the Cardiopulmonary and Advanced Circulatory Support ("ACS") segments. The foundation of these core businesses supported investments into the strategic portfolio initiatives ("SPIs"), i.e., the pipeline. The markets in which LivaNova participates are significant and growing, and the Company has strong leadership positions in many of them. The Company's innovative and differentiated products and therapies have specific patient and physician benefits, providing a strong foothold in several areas and creating significant barriers to entry for competitors. To drive growth in 2022, the Company focused on advancing leadership positions and generating consistent, profitable revenue growth in Epilepsy.

U.S. Epilepsy

In the U.S., the Company has made progress on its 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. The Company's distinct focus on CECs forms the core of the Company's go-to-market ("GTM") strategy, whereby the Company utilizes a multidisciplinary team approach including key account management, medical science liaisons, clinical educators and case managers to meet 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 focused CEC teams are additive to the sales and marketing efforts of the base business and complement their work in the field. In 2022, the GTM CEC teams continued to demonstrate revenue growth above that of the core teams.

As the Company builds VNS Therapy pathways in CECs as well as in community health systems, we want to guide patients to these centres to discuss the effectiveness of VNS Therapy with their healthcare providers (HCP). In order to drive general epilepsy awareness and to support the patient and caregiver journey, LivaNova has invested in digital tools and programmes for patient education and awareness. This includes the Company's "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 2022, Epsy was available only in the U.S. and the application had been installed 197,000 times.

Cardiopulmonary

Across the globe, the Company continued to deliver solutions to customers requiring cardiopulmonary products, including oxygenators, heart-lung machines ("HLM"), autotransfusion systems, perfusion tubing systems, cannulae and other related accessories. In 2022, LivaNova's Cardiopulmonary segment delivered revenue growth, reflecting cardiac procedure volume recovery and increased capital placements. The Company was able to deliver this growth while also preparing for the launch of the next-generation HLM, Essenz, in addition to navigating the unique sales environment created by its impending release.

Advanced Circulatory Support

The ACS business faced a unique set of challenges as COVID became less pervasive over the course of 2022. For each of the previous four years, the ACS business delivered double-digit growth, with much of the recent growth driven by higher usage rates to treat COVID patients. In 2022, the business began transitioning to operate in an environment where fewer hospitalized patients suffering from severe COVID required ECMO therapy. While revenue from the business as a whole declined due to the reduction in COVID cases, company field data suggests that non-COVID case volumes increased double-digits year-over-year.

Pipeline Execution

In 2022, LivaNova executed on three, major randomized controlled trials targeting medical conditions with significant unmet needs, specifically, Difficult-to-Treat Depression, Heart Failure and Obstructive Sleep Apnea. These trials comprised an important part of LivaNova's portfolio during the year and were referred to as Strategic Pipeline Initiatives, or SPIs**.** Additionally, the Company made key strides in ensuring that the 2023 commercialisation of its next-generation HLM, Essenz, would be successful. The Essenz launch is key to supporting LivaNova's leadership position in this market. Through these actions, the Company ensured that its product pipeline was diverse and had multiple drivers for growth and margin expansion.

Depression

The current VNS Therapy System is being leveraged to treat Difficult-to-Treat Depression, a condition where patients experience chronic or recurrent depression and have not had an adequate response to four or more antidepressant treatments. The safety and efficacy of VNS Therapy is well understood with over 125,000 patients implanted to date.

The RECOVER (A P**R**ospective, Multi-c**E**nter, Randomized **C**ontrolled Blinded Trial Dem**O**nstrating the Safety and Effectiveness of **V**NS Therapy System as Adjunctive Therapy Versus a No Stimulation Control in Subjects With Treatment-**R**esistant Depression) study aims to further demonstrate the safety and efficacy of VNS treatment for DTD beyond existing

studies. 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.

The study is currently under way as part of a Coverage with Evidence Development framework per the CMS National Coverage Determination process. In March 2022, LivaNova announced the 250th unipolar depression patient was implanted in the RECOVER clinical study. This key milestone preceded conducting the first interim analysis. The trial, if successful, is expected to be used to support a peer-reviewed article and reconsideration of reimbursement for VNS Therapy by CMS for the treatment of depression that is difficult to treat.

Obstructive Sleep Apnea

LivaNova continues to make progress with its IDE clinical study, OSPREY, Treating **O**bstructive **S**leep A**P**nea Using Ta**R**g**E**ted H**Y**poglossal Neurostimulation. OSPREY is the first randomized control trial to confirm efficacy of hypoglossal nerve stimulation for obstructive sleep apnea ("OSA"). Specifically, the clinical study will determine if the apnea-hypopnea index responder rate of patients stimulated via the device is statistically higher than the rate of those without stimulation. The patient population is comprised of adults with moderate to severe OSA who do not achieve results from a traditional continuous positive airway pressure ("CPAP") machine or have declined its use. The first patient was implanted in the OSPREY clinical study in February 2022, and the team successfully activated all 20 study sites and enrolled additional patients throughout the year.

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. Feedback from customers was central in creating the user-centric design, which aims to modernize the practice of perfusion through offering an intuitive experience. The new device will enable users to more easily tailor patient care strategies and will 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 April 2022, the Company announced receipt of regulatory approvals and the start of a targeted commercial launch for the Essenz Patient Monitor. In December 2022, the first clinical cases of Essenz were performed successfully in two major hospitals in Europe.

Heart Failure

VNS Therapy technology was also investigated for the treatment of heart failure, a condition that affects more than 25 million people worldwide. The clinical evaluation plan for the VITARIA ^{TM} System was developed in combination with learnings from pre-clinical research, initial pilot clinical research and efforts of others in this space. During the fourth quarter of 2022, the 500th patient was enrolled in the ANTHEM-HFrEF (**A**uto**N**omic Regulation **Th**erapy to **E**nhance **M**yocardial Function and Reduce Progression of **H**eart **F**ailure with **R**educed **E**jection **F**raction) trial, which triggered a second interim analysis. (See update in "Looking to 2023" in this Strategic Report for information on the decision in early 2023 to wind-down the Heart Failure programme.)

Operational Excellence

The Company's commitment to operational excellence is captured in the LivaNova Business System ("LBS"), a guide to excellence in how the Company operates and the framework by which it continuously improves the business. LBS is a methodology that enables LivaNova to achieve its objectives. In practice, the 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 daily activities with the strategic plan. As an example, LivaNova held several LBS Kaizen events in 2022, which, among other things, addressed freight costs as a result of global supply chain disruptions, supported Essenz preparation to launch, and addressed improvements around processing and resource planning.

2022 Closing Thoughts

LivaNova's performance in 2022 was balanced by its diverse portfolio. While macro challenges may linger, the Company's actions during 2022 position it well for the year ahead. LivaNova remains committed to delivering differentiated products and therapies to patients and physicians.

Our Strategy: Looking to 2023

In 2023, LivaNova is focused on raising its business to new levels by continuing to put patients first, acting with agility, leveraging the organization to increase collaboration, meeting commitments with quality and integrity, and enhancing its portfolio through meaningful innovation.

Core Growth

Core growth is focused on portfolio optimization to support leadership positions in underserved markets by taking a strategic approach with the core business and growth drivers. To drive core growth in 2023, LivaNova is focused on advancing its leadership positions in under penetrated markets, particularly by optimizing the go-to-market initiative for U.S. Epilepsy and continuing market development for ACS.

U.S. Epilepsy

In 2023, the U.S. Epilepsy multi-disciplinary, dedicated teams will continue to partner with CECs to deliver improved outcomes by bringing expertise in the areas of clinical research, education and training, and community outreach. These teams will emphasize activities that provide the greatest impact to LivaNova's customers to improve adoption of VNS therapy in this underserved patient population.

Advanced Circulatory Support

As the impact of COVID on patients, hospital systems, and society has lessened around the world, the Company looks forward to shaping the ACS business to reflect this new reality. The Company remains confident in its ability to continue to increase non-COVID case volumes in 2023 and expects the ACS business to return to growth as greater commercial focus is placed on driving penetration in high-volume extracorporeal membrane oxygenation ("ECMO") centres and opening new ECMO centres using the LifeSPARC platform

Pipeline Execution

As it relates to pipeline execution, LivaNova continues its approach to evaluating its portfolio and executing on promising pipeline initiatives to accelerate growth.

Depression

The RECOVER clinical study continues to steadily progress. On 23 March 2023, LivaNova randomized the 500th unipolar patient into the trial. 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. Recruitment for the bipolar cohort is ongoing, and the first interim analysis will be initiated upon the 150th bipolar patient being randomized. The trial, if successful, will be used to support a peer-reviewed article and reconsideration of reimbursement for VNS Therapy by the U.S. Centers for Medicare & Medicaid Services for the treatment of depression that is difficult to treat.

Obstructive Sleep Apnea

The OSPREY trial continues to progress. In January 2023, the Company received approval from the FDA to add five new study sites, one of which was activated in February. These additions will supplement the 20 existing sites, which all remain active and are screening patients.

Essenz

In 2023, LivaNova expects a staged roll-out of its next generation HLM, Essenz, to drive growth for the Cardiopulmonary business. The Company estimates that by the time it fully launches the long-anticipated next-gen HLM, approximately one-third of its installed base of 7,000 units will be past their average lifetime use of approximately 10 years. In February 2023, LivaNova initiated the limited commercial release of Essenz in select centres throughout Europe that supported more than 200 adult and pediatric patients, and subsequently initiated a broad commercial release in the region. In March 2023, the Company received U.S. FDA 510(k) Clearance for Essenz and initiated commercial launch in the U.S. Additionally, LivaNova received approval for Essenz from Health Canada and the Japanese Pharmaceuticals and Medical Devices Agency (PMDA). The Company anticipates a gradual ramp in Essenz sales through the year.

Heart Failure

During the fourth quarter of 2022, the Company randomized the 500th patient in the ANTHEM-HFrEF clinical trial which triggered a second interim analysis. Following this analysis, the Company announced it was stopping enrollment, initiating the process to close the clinical study, and winding down the heart failure program. Further evaluation of the study data did not reveal a sufficiently strong positive impact on functional or mortality endpoints and it was unlikely that the study would demonstrate

such an impact. While it appeared that there may be a benefit for some patients, the magnitude of the expected benefit was insufficient to continue the study. It is important to note that the decision to stop enrolling was not associated with any safety concerns.

Operational Excellence

Operational excellence reflects LivaNova's focus on margin expansion and cash generation. The Company has embraced a disciplined mindset in delivering on business objectives and is committed to reducing costs and optimizing working capital. LivaNova will continue to drive cost efficiencies and utilize LBS to improve its processes and systems to enable employees to be more productive.

Focused on 2023

2023 is a critical inflection point for LivaNova. The Company has made substantial investments and laid the groundwork to position itself for success. LivaNova remains committed, united and focused to deliver on its promises.

Human Capital Management

The Company's approximately 2,900 employees worldwide are crucial in the mission to provide hope to patients and their families through delivering life-changing medical innovation for the Head and Heart. In doing so, the Company seeks to execute the Company's business and encourage employees to live the Company's five core values: patients first, meaningful innovation, act with agility, commitment to quality and integrity, and collaborative culture. These values are how the Company evaluates itself and, ultimately, achieves success as an organization. They are deeply embedded in the Company's culture, and the Company continually shares stories embodying these values throughout the organization, by way of emailed videos, virtual and in-person town halls and leadership meetings. The Company's values inspire the Company's good citizenship and how the Company's business is conducted responsibly and sustainably while interacting with communities, employees and the environment.

Compensation and Benefits

In order to meet the needs of patients and customers, the Company endeavours to attract, retain, develop and reward exceptional talent. The Company has been successful in attracting talent due, in large part, to the Company's 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. The Company's packages include, depending on jurisdiction, annual bonuses, stock awards, pensions, health benefits and health programs, paid time off and parental leave, financial assistance for education-related purposes, flexible schedules, remote working, and employee stock purchase plans, among others.

Culture

Maintaining a culture that embodies the Company's values and mission is of the utmost importance. The Company aims to foster a culture where learning is continuous, and open and direct employee communication is valued. Accordingly, the Company regularly conducts an anonymous employee survey called LivaNova4You to help measure the overall engagement and satisfaction level of the team. The survey provides us with actionable data which allows the Company's senior leadership to understand and identify potential opportunities for improvement.

The Company's Q4 2021 survey results demonstrated satisfaction and growth in collaboration, including 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; and flexibility in coming up with new and innovative ways to work. Employees also acknowledged an improvement in the tools and opportunities for advancement, one of the Company's highest improving scores as compared to the previous survey. In response to feedback from the survey results, the Company is committed to address workload, clarify internal development processes, and increase understanding around the Company's benefits as they relate to employees. Throughout 2022, the Company implemented programs in these three key areas in response, focussing on reducing workload with the help of digitization and robotic process automation; career pathing, i.e., connecting performance, interests and potential with meaningful development and succession planning; and developing and launching LivaNova's employee value proposition, i.e., how the Company markets to prospective talent and retains key talent in a competitive job market. The Company's next survey will be distributed in the spring of 2023.

Development and Training

The Company must attract, develop and retain employees who are aligned with the Company's mission and values. In doing so, the Company's talent strategy considers performance, values, accountability, transparency and differentiation, all of which are evaluated annually within the context of the Company's performance management system. All employees undergo a robust onboarding program, and at any time, employees have access to a large offering of training on ethics and integrity, quality,

product and other key topics and functions in the organisation. Meanwhile, newly hired 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. In 2022, the Company expanded the suite of trainings to include the LivaNova Business System Academy which aims to teach lean methodologies and practices, i.e., promoting the flow of value to the customer through continuous improvement and respect for people.

An important factor in the Company's future growth is the Company's ability to develop and retain leaders. The Company's annual talent review process engages 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. In 2022, the Company launched the LivaNova Commercial Academy, which focuses on the development of current and future leaders by way of a leadership bootcamp that covers real world scenarios, best practices and self-reflection modules over the course of fifteen working sessions. In addition, the Company's own LivaNova University offers both mandatory and on-demand leadership, business strategy and functional skills courses and learning paths.

Finally, the Company offers internships and apprenticeships across functions around the globe which can, and do, lead to full-time employment. The Company believes in continuing education and development regardless of nationality and origin, which is why the Company partners with organisations to find new talent with hopes of welcoming future, full-time employees.

Diversity, Equity and Inclusion

The success of LivaNova thrives on the diversity of perspective, thought, experience and background within the Company workforce. The Company recognizes the value in fostering a work environment that is culturally diverse and inclusive and strives to provide a workplace free of harassment or discrimination. Accordingly, the Company closely monitors the gender metrics at the Board, Executive and senior leadership level on a regular basis. As of 31 December 2022, the Company had ten Directors on the Board, of whom 40% are female and 60% are male. Similarly, the Executive Team at the end of 2022 consisted of 11 individuals, approximately 27% of whom are female and approximately 73% are male. Of the Company's senior leadership team, which includes the executive team, vice presidents and directors, approximately 32% are female and approximately 68% are male. Finally, as of 31 December 2022, of the Company's approximately 2,900 employees, approximately 52% are female and approximately 48% are male. The Company's strategy for accelerating diversity begins with creating new ways to find extraordinary talent, and examples of the Company's efforts include accurately mapping the talent market, targeting historically black colleges and universities, creating job postings that attract highly qualified diverse candidates, expanding the diversity within the Company's interview panels and guiding interviewers to conduct a fair interview process.

Diversity in Employment as of 31st December 2022

	Male	Female	Total
Board of Directors	60%	40%	10
Executive Team	73%	27%	11
Senior Leadership (Vice Presidents, Sr. Directors & Directors)	68%	32%	240
Employees	48%	52%	2,906

In addition, the Company has a variety of diversity affinity initiatives that span the globe, with a mission to empower an environment where conversations of diversity and inclusion develop a culture of belonging. In July 2022, the Company launched the "Global Women's Network", a group consisting of female employees across the globe who convened to discuss topics that unite and celebrate the strength of the Company's diversity. In addition, the LivaNova Women's Network, a mentorship program created by women and for women, facilitates pairings between mentors and mentees across all regions. Topics range from career and financial advice to performance management and connection to the Company's strategy. These programs provide members with new perspectives, more personalized development and an opportunity to network with other women across the organisation, thereby contributing to a better corporate culture based on strong, collaborative relationships and continuous opportunities to grow and develop.

In October 2022, the Company issued the Company's Diversity and Inclusion statement: The Company embraces diverse perspectives, experiences and backgrounds, knowing they enrich the Company's collaborative culture and drive the Company's success as a company. Diversity and inclusion creates trust and a deeper sense of belonging to the LivaNova community, uniting us to make a meaningful difference in the lives of patients worldwide. The statement was distributed to all leadership teams in the Company to increase awareness, create engagement, and induce discussions about the Company's diversity and inclusion achievements and suggestions on where the Company can improve.

Health and Safety

The Company is committed to the safety and well-being of the Company's employees. The Company relies on its environmental, health and safety management systems as well as the Company managers to oversee and ensure health and safety at their respective sites and foster a workplace culture to achieve that end. For on-site employees, the Company continues to follow safety measures including requesting that those with COVID-19 or exposure thereto, follow the Centers for Disease Control and Prevention ("CDC") or similar local recommendations prior to returning to work. For the remainder of the Company's employees, the Company offers hybrid working patterns, allowing employees across the globe – who can work from home – the flexibility to balance their personal and professional needs. The Company continues to actively monitor the COVID-19 pandemic and its variants and respond based on guidance from U.S. and global health organisations, relevant governmental guidance, and evolving practices.

Ethics and Integrity

At LivaNova, the Company is committed to acting with integrity and maintaining high ethical standards. The Company understands and respects the obligation the Company has towards LivaNova's patients, their families and their caregivers to operate at the topmost level of business ethics and compliance. It is not only what the Company does, but how the Company does it, and this, too, is part of LivaNova's mission.

Code of Conduct, Policies and Risk Assessments

LivaNova's commitment to integrity starts with the Company's Code of Ethics and Business Conduct (Code of Conduct), which sets the tone of the Company's organisational culture and outlines the key expectations of behavior for LivaNova employees, officers and directors.

Relatedly, the Company believes that LivaNova's business can only succeed where the rights of all workers involved in the value chain of LivaNova's business are protected and respected, and the Company aims to conduct business with third parties who share the Company's commitment to operating in a responsible and ethical manner. To that end, LivaNova also maintains a Third Party Code of Ethics and Business Conduct (Third Party Code of Conduct) outlining the minimum standards in a variety of areas in which LivaNova requires the Company's partners to comply when doing business with or for LivaNova – including the areas of human rights & labour conditions, conflict minerals, environment & sustainability, anti-bribery & anti-corruption, anti-trust & fair competition, trade compliance, confidentiality & data privacy, and intellectual property - in addition to all applicable laws, regulations and industry standards.

In addition to the Company's Code of Conduct and Third Party Code of Conduct, LivaNova maintains a set of policies, procedures and written guidance documents that provide ethical handrails for LivaNova employees in their day-to-day work life and represent a firm foundation for the Company's global ethics and compliance program (Program). The Ethics and Integrity Committee (E&I) Committee, which consists of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Legal Officer, Chief E&I Officer, Chief HR Officer, Chief Risk Officer and Head of Internal Audit, oversees the Program.

In 2022, significant efforts were made to improving the Company's written standards and operational procedures in the areas of trade compliance, responsible marketing and promotional practices, patient interactions, anti-bribery and anti-corruption (business integrity, business meals with health care providers, donations & grants, etc.), healthcare transparency reporting, whistleblowing and internal investigations. Some of these projects are still in progress, with further process enhancements expected in 2023.

All updates to the Company's Program, including the introduction of new or revised policies or procedural controls, are driven by a diligent, yet dynamic assessment of risks. The E&I function, in collaboration with the Chief Risk Officer, maintains and regularly updates the Company's Global E&I Risk Registry (Registry), which drives the Program's continuous improvement plan, as well as the team's yearly priorities and goals. The Registry is the result of a careful review of the relevant external legal, regulatory and compliance landscape, intertwined with the outcomes of internal monitoring and data analysis efforts. This regular risk-assessment cadence helps LivaNova's upper leadership maintain the pulse on the Company's compliance risk exposure, while also keeping an eye on the organisation's underlying cultural fabric.

Training and Awareness

The E&I function is committed to dedicating significant efforts to training and education. In 2022, the team conducted more than 130 compliance-related educational initiatives or update sessions with the business, including face-to-face or virtual instructor-led sessions, online attestations, system-based procedure trainings, newsletters and email communications/announcements.

The Company's 2022 Annual 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, the Company recorded a one hundred percent completion rate amongst eligible online employees. Last year's certification required each employee to (1) reiterate their

commitment to the principles of the Company's Code of Conduct, (2) attest to the Company's new Acceptable Use Policy, and (3) complete a Conflict of Interest questionnaire.

In addition, the E&I team held regular overview sessions with senior leadership throughout the year, at a minimum quarterly, and more frequently as needed. This included Senior Leadership Team (SLT), Executive Leadership Team (ELT), and Regional/ Functional E&I Working Groups (REIGs) meetings throughout the year. REIG meetings, in particular, were held monthly 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 of responsibility. This structure has facilitated more timely communication and proactive collaboration across different parts of the Company on important compliance matters and topics, while at the same time solidifying a culture of ethical leadership across the organisation.

Ethics Line and Investigations

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

LivaNova's 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 the Company's internal investigation procedure and remediated where substantiated. In 2022, the Company investigated every report of alleged misconduct across different countries, resulting in several follow-up corrective actions including, but not limited to, process reviews and improvements, additional training and coaching, and disciplinary measures for employees.

During 2022 and continuing in 2023, 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 European jurisdictions. This is an ongoing process as European Union member states are still in the process of transposing the directive into their local legislation, with different timelines and implementation nuances.

Ethics Line metrics and Serious Reportable Matters, as defined in LivaNova's internal investigation procedure, are reported at least quarterly to the E&I Committee. In addition, on a quarterly basis, the Chief E&I Officer reports all Serious Reportable Matters 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 the Company's internal investigation procedure.

Speak Up is the Company's ensemble of all policies, procedures, systems, awareness/educational initiatives and monitoring activities that relate to LivaNova's efforts to allow and encourage employees and third parties to report / speak up about alleged misconduct, as well as the investigative procedures & corrective measures in place to resolve and remediate any confirmed issues. In managing and reporting matters and investigations from 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. In 2022, each LivaNova designated investigator attested to a new guidance document related to conducting and documenting internal investigations.

As part of ongoing Speak Up program initiatives, LivaNova continues to promote awareness and education around its Speak Up channels and the Company's culture of transparency and openness. It is LivaNova policy that any form of retaliation against a person reporting a matter in good faith will not be tolerated.

Privacy

LivaNova relies on the processing of sensitive information, including personal information, protected health information, financial information, and other categories of information related to the Company's customers and workforce. Execution of the Company's global strategies involves compliance with, and adherence to, data protection laws and regulations around the world, including consumer protection laws governing the collection, use, disclosure, and protection of health-related and other personal information. Because these laws and regulations continue to evolve and expand, differing from jurisdiction to jurisdiction, LivaNova continues to mature its privacy program through more widespread adoption of privacy and security tools. These investments support continuous improvement and business enabling processes and procedures.

Information Security

LivaNova is increasingly dependent on the Company's information technology systems and those of third parties to operate the Company business. The Company has dedicated resources and processes to help prevent, detect, and respond to cyber threats. The Company's information security team, led by the Chief Information Security Officer (CISO), manages the Information Security Management System (ISMS) program with the objective of strengthening LivaNova's cyber resiliency. LivaNova's ISMS

strengthening plans consider leading industry standards, such as the National Institute of Standards and Technology (NIST) cybersecurity framework, the International Organization for Standardization (ISO) (ISO) 27001, the Committee of Sponsoring Organizations of the Treadway Committee (COSO), and other security controls to apply across the business.

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

LivaNova publishes the Company's information security and acceptable use policies on the Company's intranet. New employees and contract workers are provided these policies during onboarding procedures and during annual certification. LivaNova maintains a robust information security awareness and training program for continued security education for users, and the Company provides communication avenues for LivaNova users to report security incidents through the LivaNova global IT help desk.

LivaNova routinely detects and responds to attempted cyber-attacks on the Company's network; however, LivaNova did not experience any cyber incidents of material impact in 2022. On a quarterly basis, the CISO presents key security metrics to the Company's 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 CISO reviews the Information Security program achievements and reports to the Company's IS Executive Committee, which is comprised of the CEO, CFO, Chief Legal Officer 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, including two executives, focused on establishing a comprehensive program optimizing the Company's environmental, social and governance efforts with full support from the entire 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 responsible for implementing strategies to further the Company's ESG initiatives.

The Nominating and Corporate Governance Committee (NCG Committee) of LivaNova's Board of Directors oversees the Company's environmental, social and environmental matters, as codified in its charter. 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.

Throughout 2022, the Task Force focused on collecting and implementing relevant ESG initiatives around the Company to properly externalize them for investor and rating company consumption. LivaNova shared its progress on the Company's Sustainability webpage, which was launched in December 2021 and updated throughout the course of 2022. The site is now a dynamic platform by which to publish the Company's latest ESG efforts with respect to talent initiatives, environmental news and product information, among others. During the year, the website was awarded gold in the category of "Best content targeted to the CSR community" by the Corporate Content Awards for LivaNova's robust efforts in the Company's environmental and sustainability disclosures. In November 2022, the Task Force started working towards establishment of appropriate ESG key performance indicators. In doing so, each leader documented a charter and various workstreams to precisely define the scope and opportunity for alignment throughout the different sectors of the Company, especially in identification of gaps, overlaps and dependencies across the team as well as listing milestones, issues and required decisions. The resulting framework has created a foundation that will allow alignment for the team as it works towards accomplishing 2023 ESG goals and objectives.

As part of its environmental efforts, the Company is committed to becoming a net zero carbon business and has committed to establishing carbon reduction targets to deliver on this vision. The Company's target setting method is based on the absolute contraction approach of science-based target setting. LivaNova delivers these targets by focussing on priority impact areas and working with stakeholders across the Company's value chain, including the Company's suppliers and customers. Working with an environmental consultant, the Company executed detailed diligence reviews across the Company's business to ensure that the Company has appropriate plans to execute on the Company's net zero carbon goal, the plan for which is featured on the Planet page of the Company's Sustainability website.

LivaNova endeavours to positively impact the community in which it operates, and the Company's Third Party Code of Ethics and Business Conduct promotes and advocates on behalf of the principles of human rights, among others. LivaNova respects the human rights of all LivaNova employees and those in the Company's value chain, demanding a safe, clean working environment;

freedom from discrimination and coercion; a prohibition on the use of child or forced labour; and respect for the rights of privacy and protection of access to personal information. The Company's Modern Slavery Statement, which is available on the LivaNova homepage, is updated annually and clearly defines the Company's commitment to eradicating slavery and human trafficking from LivaNova's business activities and supply chains.

The LivaNova International Fellowship Corporate Social Initiative Program

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 LivaNova's 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.

LivaNova focuses its efforts where there is great opportunity to save and improve lives and help build capabilities and forge a self-reliant localized healthcare delivery system. In 2022, the LIFE program initiated several actions, emergency responses, and charitable donations that have touched thousands of patients, refugees and individuals in need, including the below:

- As the war escalated in Ukraine, resulting in countless refugees and victims, the LIFE program made a financial contribution through the establishment of a fund to support the Disasters Emergency Fund consisting of donations from employees that were matched by the Company. LivaNova was able to donate in excess of $60,000.
- Additionally, LIFE made a donation of vital life-saving equipment and disposables that have touched and supported several communities and hundreds of patients. To date, LIFE has donated an S5 heart-lung machine and accessories, two 3T Heater-Cooler machines, two Autotransfusion System (ATS) Xtra machines, vacuum pumps and ATS kits. LIFE also helped several patients and their families through the donation of devices in support of indigent patients as part of the Company's VNS Therapy Access Program. Furthermore, LIFE donated heart saving equipment to patients in need, including infants and children in 15 heart centres in various countries through the support of Heart Surgery Missions conducted by organisations in Nigeria, Zambia, Tanzania, Ecuador, Peru, Dominican Republic, and Ukraine. Finally, in October 2022, LIFE supported another US mission to Egypt with cardiac surgery disposables which helped save the lives of 18 children.

LivaNova's LIFE program is supported by LivaNova employees around the globe. Since its launch, LivaNova's efforts have crossed functional and geographical lines to ensure greater outreach, support, and efficacy in the Company's patient-driven initiatives, and with the return of missions and initiatives in 2023, the Company hopes to continue impacting communities around the world.

2022 Greenhouse Gas Report

LivaNova is committed to conducting business in a manner that is respectful of the environment and the Company's natural resources. Throughout the Company's operations, LivaNova utilizes environmental management systems and safety programs to protect the environment and employees. Some of the regulations and governmental agencies with which LivaNova comply are as follows: the U.S. Environmental Protection Agency (EPA); the European Union Registration, Evaluation, Authorisation 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).

LivaNova believes that sound environmental, health and safety performance contribute to the Company's competitive strength while benefiting the Company's customers, employees and shareholders. LivaNova is focused on continuous improvement in these areas by working to reduce pollution, depletion of natural resources and the Company's overall environmental footprint. Specifically, the Company works 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 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, LivaNova reports on the Company's Scope 1 and 2 emissions from seven manufacturing sites, LivaNova site management operations in Saluggia, the global vehicle fleet, the global commercial offices, and the UK-specific emissions in line with the Streamlined Energy and Carbon Reporting (SECR) requirements. Scopes 1, 2 and 3 are broken down as follows:

- scope 1 (direct emissions): Activities owned by the organisation that release emissions straight into the atmosphere, for example the combustion of fuels in company owned equipment, employees leveraging fuel cards and fugitive emissions.
- scope 2 (indirect emissions): Emissions released into the atmosphere associated with the consumption of purchased electricity, heat, and steam used at LivaNova manufacturing sites and commercial offices.

- scope 3 (other indirect emissions): These include emissions relating to travel for business purposes in assets not owned or directly operated by LivaNova and mileage for business purposes in cars owned by employees. (We are not reporting on scope 3 generally, but rather certain emissions relating to travel to properly compare against prior years.)

Methodology and approach

In reporting the emissions data as shown in the table herein, LivaNova used the operational control approach, covering the reporting period from 1 January 2022 to 31 December 2022, in line with the Company's financial year.

Emissions were calculated in compliance with the revised World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (GHG Protocol Corporate Standard), the GHG Protocol Scope 2 Guidance and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

The Company has applied the emission factors most relevant to the source data, including DEFRA - UK Government GHG Conversion Factors for Company Reporting 2022 for UK locations, all gas, oil, heat, fugitive emissions and transport, Emissions & Generation Resource Integrated Database (eGRID) 2021 published by the EPA for U.S. locations, and the International Energy Agency (IEA) electricity emission factors 2022 for all other locations.

Building and manufacturing site related GHG emissions were calculated from the utility provider invoices or landlord energy statements, and transport related emissions were calculated from fuel expenses and mileage, and where this data was not available, estimates have been used.

Within the organisational and operational boundaries, LivaNova quantifies and reports on emissions of the following greenhouse gases:

a. carbon dioxide (CO2),
b. methane (CH4),
c. nitrous oxide (N2O),
d. hydrofluorocarbons (HFCs),
e. perfluorocarbons (PFCs), and
f. sulphur hexafluoride (SF6).

LivaNova does not use any nitrogen trifluoride (NF3).

Energy Efficiency Measures

In LivaNova's efforts to reduce the Company's carbon footprint, LivaNova implemented energy efficiency and low-carbon energy measures at certain Company's sites in 2022 as it relates to Scope 1 and Scope 2 emissions, for example, (1) in LivaNova's Munich facility, LivaNova's electricity contract requires the use of 100% clean energy sources and (2) LivaNova continues to install LED lights throughout Company sites.

Also, while not reflected in the total emission numbers, LivaNova allows a large number of non-essential office employees to continue working in a hybrid remote environment, directly decreasing the energy required for employees to commute to and from work. LivaNova's leased vehicle program includes both hybrid cars and electric vehicles, with the Company 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.

Future efforts include (1) adding fully electric vehicles to the leased vehicle pool where LivaNova has implemented a cap on the Company vehicles' CO2 emissions at 130 g/km, (2) initiating Metering, Monitoring and Targeting (MM&T) and energy audits at the Company's energy intensive manufacturing plants to identify and develop energy reduction measures, (3) reviewing and updating key business policies and procedures to ensure that business practices are aligned and supportive of LivaNova's Net Zero commitment, and (4) developing a supplier engagement program to reduce Scope 3 emissions from the Company's supply chain.

Changes in Emissions

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, which implement the UK Governments policy on Streamlined Energy and Carbon Reporting (SECR), LivaNova reports on its direct and indirect emissions as follows:

- Scope 1 – Direct GHG emissions from sources that are owned or controlled by the Company such as combustion in boilers, company cars, and fugitive emissions.
- Scope 2 – Energy indirect emissions from the consumption of purchased electricity, heat and steam at the Company's owned or controlled sites.

- Scope 3 – Other indirect emissions relating to employee business travel in leased or private cars where LivaNova is not responsible for paying the fuel in addition to a sub-set of 6 out of the 15 categories for LivaNova UK Limited, as indicated below.
    - 3: UK grid electricity transmission and distribution
    - 4: Upstream transportation and distribution
    - 5: Waste generated in operations
    - 6: Business travel
    - 7: Employee commuting
    - 9: Downstream transportation and distribution

This report focuses on the areas of largest environmental impact, which includes the Company's global manufacturing sites, commercial offices, the global vehicle fleet, and the Company's UK offices.

Even with an increase in business activity and manufacturing output, the Company's total Scope 1 and Scope 2 energy consumption decreased by 0.55% or 0.60 GWh, and total Scope 1 and Scope 2 market-based emissions decreased by 0.49% or 110.6 tonnes CO2e, as compared to the previous year. Total plant and UK energy consumption, excluding tri-generation electricity, decreased by 0.6% or 0.52 GWh. While the majority of the Company's manufacturing sites increased their output compared to 2021 to support increased sales of 2.3%, the tonnes CO2e per sales revenue (US$M) decreased by 2.7%.

	2022			2021		
	UK	Global (excluding UK)	Total	UK	Global (excluding UK)	Total
Carbon emissions tonnes CO2e						
Direct emissions (Scope 1)	113.4	13,496.3	13,609.7	39.3	13,419.3	13,458.6
Energy indirect emissions (Scope 2) - Location based	21.7	8,944.2	8,965.9	36.5	8,868.9	8,905.4
Energy indirect emissions (Scope 2) - Market based	21.7	8,622.1	8,643.8	36.5	8,868.9	8,905.4
Other indirect emissions (Scope 3)	422.1	2,182.6	2,604.7	2.1	2,619.0	2,621.1
Total Scope 1 and Scope 2 emissions - market based	**135.1**	**22,118.4**	**22,253.4**	**75.8**	**22,288.2**	**22,364.0**
Energy						
Scope 1	0.5	70.1	70.6	0.2	72.8	73.0
Scope 2	0.1	38.6	38.7	0.2	36.7	36.9
Scope 3	0.0	8.8	8.9	0.0	10.6	10.7
Total energy used (GWh)	**0.6**	**117.5**	**118.1**	**0.4**	**120.2**	**120.6**
Intensity ratios						
Scope 1 and market-based Scope 2 emissions/sales revenue (tonnes CO2e/$m)			**21.8**			**22.4**
Scope 1 and market based Scope 2 emissions/FTE (tonnes CO2e/FTE)			**7.3**			**7.5**

Note: As the Company has made strides in improving the Company's data collection efforts in 2022, figures for 2021 have been restated to reflect the inclusion of the global commercial offices and on-site electricity generation at the Company's Mirandola manufacturing plant.

Government Regulation and Other Considerations

LivaNova's 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 the Company to comply with laws and regulations governing the research, development, testing, manufacturing, labeling, pre-market clearance or approval, marketing, distribution, advertising, promotion, record keeping, reporting, tracking, and importing and exporting of the Company's products. LivaNova's 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 LivaNova are subject to changing and evolving interpretations, and the Company continues 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 LivaNova was not in compliance with applicable laws and regulations, LivaNova and its 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 LivaNova sells its products subject the Company's medical devices to their own approval and requirements regarding performance, safety and quality. Each medical device the Company seeks to distribute commercially in the U.S., for example, 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 LivaNova to demonstrate that the Company's 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 LivaNova 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, the Company 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 pre-market and post-market requirements for medical devices upon conclusion of a three-year implementation period. LivaNova has initiated a plan of action to obtain the appropriate approvals for the Company's products and intend to be fully compliant prior to the May 2024 deadline, though the Company understands there is a proposal to extend the compliance deadline.

LivaNova is also required to comply with the regulations of every other country where the Company commercializes products before the Company can launch or maintain new products in the market. To be sold in Japan, for example, LivaNova medical devices must undergo thorough safety examinations and demonstrate medical efficacy from the Japanese government through the Ministry of Health, Labour and Welfare, before they are granted approval. In China, regulatory requirements are becoming more stringent, with the China National Medical Product Administration recently increasing regulatory requirements to market and maintain products in China. Many countries require that product approvals be recertified on a regular basis, generally every four to five years. The recertification process requires that the Company 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 LivaNova's 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. LivaNova expects this global regulatory environment will continue to evolve, which could impact the cost, approval lead time, and ultimately, the Company's ability to maintain existing approvals or obtain future approvals for the Company's products.

Product and Promotional Restrictions

Both before and after LivaNova releases a product for commercial distribution, the Company has ongoing responsibilities under various laws and regulations governing medical devices. The FDA and other regulatory agencies in and outside the U.S. review the Company's design and manufacturing practices, labelling, record keeping, and required reports of adverse experiences and other information to identify potential problems with marketed medical devices. The Company is 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 the Company promotes and advertises the Company's 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, the Company is prohibited from promoting products for such "off-label" uses and can only market products for cleared or approved uses.

Any adverse regulatory action, depending on its magnitude, may limit the Company's ability to market and sell the Company's products effectively, limit the Company's ability to obtain future premarket approvals or result in a substantial modification to LivaNova's business practices and operations.

Governmental Trade Regulations

The sale and shipment of LivaNova's products and services across international borders, as well as the purchase of components and products from international sources, subject the Company 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 LivaNova obtain an approval before the Company exports or re-exports goods, technology or services to certain destinations, to certain end-users and for certain end-uses. Because LivaNova is subject to extensive regulations in the countries in which the Company operates, the Company is subject to the risk that laws and regulations could change in a way that would expose he Company to additional costs, penalties or liabilities.

LivaNova also sells and provides 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 LivaNova's products, the Company may be subject to varying degrees of liability depending on the extent of the Company's participation in the transaction. The activities of these third parties may cause disruption or delays in the distribution and sale of the Company's products or result in restrictions being placed on the Company's international distribution and sales of products, which may materially impact LivaNova's business activities.

Patient Privacy and Security Laws

LivaNova is 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 the Company's business and clinical research activities, as well as product offerings that involve transmission or use of patient health information. LivaNova continues its efforts to comply with those requirements and to adapt the Company's 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. LivaNova is deemed to operate as a business associate to covered entities in certain instances. In those cases, the patient data that the Company receives may include protected health information, as defined under HIPAA. Enforcement actions can be costly and interrupt regular operations of the Company's business. In addition, state laws, such as the California Consumer Privacy Act ("CCPA"), 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.

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 ("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 organisations 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 LivaNova. In addition, the administrative fines that can be levied are significantly increased, the maximum being the higher of €20 million (approximately $21.4 million), or 4% of the Company's 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 the Company does 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 organisations. Such alignment has created increasing levels of price sensitivity among customers for the Company's products.

Some third-party payers must also approve coverage and set reimbursement levels for new or innovative devices or therapies before they will reimburse healthcare providers who use the medical devices or therapies. Even though a new medical device may be cleared for commercial distribution, the Company 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 LivaNova's manufacturing efficiencies, cost controls and other cost-savings initiatives, the Company believes LivaNova is 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

LivaNova's worldwide business is subject to the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA"), the UK Bribery Act of 2010 (the "UK Bribery Act") and other anti-corruption laws and regulations applicable in the jurisdictions where the Company operates. 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 the Company outside the U.S. and the UK, all of which are subject to evolving interpretations.

Environmental Regulation and Management

LivaNova is subject to various environmental laws, directives and regulations both in the U.S. and abroad. These laws and regulations could lead to increased environmental compliance expenditures, increased energy and raw materials costs and new and/or additional investment in designs and technologies. Like other medical device companies, the Company's 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 the Company's knowledge at this time, the Company does not believe that compliance with environmental protection laws related to the Company's current operations, including but not limited to the Saluggia site as referenced in "Note 26. Commitments and Contingencies", will have a material impact on our financial position or liquidity. In addition, as noted in the aforementioned Note 26, we are engaged in litigation with respect to historical remediation claims at sites operated by subsidiaries of SNIA, unrelated to our current operations.

The Company believes that sound environmental, health and safety performance contribute to LivaNova's competitive strength while benefiting customers, stockholders and employees. LivaNova is focused on continuous improvement in these areas by reducing pollution, depletion of natural resources and the Company's overall environmental footprint. Specifically, the Company works to improve LivaNova's energy and resource usage, ultimately seeking to reduce greenhouse gas emissions and waste.

Security Health Care Fraud and Abuse Laws

LivaNova is subject to U.S. federal and state government healthcare regulation and enforcement, and government regulations and enforcement in other countries in which the Company conducts business. The federal healthcare Anti-Kickback Statute prohibits persons from, among other things, knowingly and wilfully 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 harbours." 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 harbours. 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 (the "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, the Company anticipates that the U.S. government will continue to devote substantial resources to investigating healthcare providers' and manufacturers' compliance with applicable fraud and abuse laws.

HIPAA includes federal criminal statutes that prohibit, among other actions, knowingly and wilfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors; knowingly and wilfully embezzling or stealing from a healthcare benefit program; wilfully obstructing a criminal investigation of a healthcare offence; and knowingly and wilfully 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 healthcare providers. LivaNova is subject, for example, to the Physician Payments Sunshine Act, which requires us to report certain payments and other transfers of value the Company makes 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 the Company's operations are found to be in violation of any of such laws or any other governmental regulations that apply to the Company, the Company may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations, and exclusion from participation in federal and state healthcare programs, any of which could adversely affect the Company's ability to operate the Company's business and financial results.

Industry Affiliations

To help navigate the complex compliance environment in which the Company operates, 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 Annual Report the results from operations for the years ended 31 December 2022 and 31 December 2021. 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 2006 as applicable to companies reporting under those standards consolidated financial statements contained in this 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 2022 and 31 December 2021 in the Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (SEC) on 27 February 2023.

LivaNova reported an operating loss of $86.4 million on net revenue of $1,021.8 million for the year ended 31 December 2022 and an operating loss of $26.4 million on net revenue of $1,035.4 million for the year ended 31 December 2021.

During the year ended 31 December 2022, LivaNova recorded $1.1 million of merger and integration expenses, $6.6 million of restructuring expenses, $0.1 million from loss on sale of the Company's Heart Valve business, $21.7 million as litigation provision, net and $145.0 million as an impairment of goodwill. These items totalled $174.5 million and are included in exceptional items in the consolidated statement of (loss) income. Refer to "Note 32. Exceptional Items" for more details.

During 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 32. Exceptional Items" for more details.

Key Performance Indicators

The directors of LivaNova consider that the most important key performance indicators (KPIs) for 2022 are those set out below, which can be found in the Company's press release dated 22 February 2023, are reported under the basis of U.S. GAAP.

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

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 revenue includes revenue earned from customers from sales of products and services net of customer discounts and estimated sales returns.

- **Adjusted operating income**

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**

Adjusted net income represents the Company's 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**

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 2022, and 31 December 2021 as follows:

(In thousands, except per share amounts)	Year Ended 31 December 2022	2021
Net revenue	$ 1,021,805	$ 1,035,365
Costs and expenses:		
Cost of sales	314,206	329,184
Selling, general and administrative	463,829	477,260
Research and development	155,650	183,485
Exceptional items	174,526	71,850
Operating loss	(86,406)	(26,414)
Finance expense	(49,709)	(51,691)
Net gain/(loss) on embedded exchange feature and capped call derivatives	43,789	(25,617)
Loss on debt extinguishment	—	(60,238)
Foreign exchange and other income/(expense)	8,273	13,637
Share of loss from equity accounted investments	(53)	(148)
Loss before tax	(84,106)	(150,471)
Income tax (expense) benefit	(2,188)	13,032
Loss attributable to owners of the parent	$ (86,294)	$ (137,439)

Net Revenue

The table below illustrates net revenue by operating segment for the years ended 31 December 2022 and 31 December 2021 (in thousands):

Net Revenue	Year Ended 31 December 2022	2021
Cardiopulmonary	$ 500,314	$ 482,979
Neuromodulation	476,993	456,172
Advanced Circulatory Support	39,301	55,459
Other	5,197	40,755
Total	$ 1,021,805	$ 1,035,365

Cardiopulmonary

Cardiopulmonary net revenue for the year ended 31 December 2022, increased 3.6% to $500.3 million compared to the year ended 31 December 2021, primarily due to growth in the U.S. and Rest of World regions. This growth was primarily driven by oxygenators due to an increase in cardiac surgery procedures and strength in heart-lung machine placements in the Rest of World region. These increases were partially offset by unfavourable foreign currency fluctuations of approximately $33.5 million.

Neuromodulation

Neuromodulation net revenue for the year ended 31 December 2022, increased 4.6% to $477.0 million compared to the year ended 31 December 2021, primarily due to growth across all regions driven by replacement implants as well as improving market dynamics, partially offset by unfavourable foreign currency fluctuations of approximately $9.7 million.

Advanced Circulatory Support

ACS net revenue for the year ended 31 December 2022, decreased 29.1% to $39.3 million compared to the year ended 31 December 2021, primarily due to a reduction in patients treated with ECMO related to fewer severe COVID-19 cases, product mix and hospital-related challenges, partially offset by growth in non-COVID-19 cases.

The table below illustrates net revenue by market geography for the years ended 31 December 2022 and 31 December 2021 (in thousands):

	Year Ended 31 December 2022				
	Cardiopulmonary	Neuromodulation	Advanced Circulatory Support	Other	Total
United States	$ 159,489	$ 374,542	$ 37,527	$ —	$ 571,558
Europe[1]	127,064	50,291	1,447	—	178,802
Rest of World	213,761	52,160	327	5,197	271,445
Total	$ 500,314	$ 476,993	$ 39,301	$ 5,197	$ 1,021,805

	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

(1) Includes 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 revenue:

	Year Ended 31 December	
	2022	2021
Cost of sales	30.8 %	31.8 %
Selling, general and administrative	45.4 %	46.1 %
Research and development	15.2 %	17.7 %

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 revenue was 30.8% for the year ended 31 December 2022, a decrease of 1.0% compared to the year ended 31 December 2021. The decrease was primarily due to favourable product mix, partially resulting from the sale of the Company's Heart Valve business during the second quarter of 2021, as well as the net impact of the change in fair value of sales-based contingent consideration arrangements. These decreases in cost of sales were partially offset by increased costs driven by supply chain delays and interruptions, labour shortages, inflationary pressures and logistical issues in the wake of COVID-19.

SG&A Expenses

Selling, general and administrative (SG&A) expenses are comprised of sales, marketing, and general and administrative activities.

SG&A expenses as a percentage of net revenue was 45.4% for the year ended 31 December 2022, a decrease of 0.7% compared to the year ended 31 December 2021, primarily due to lower payroll taxes associated with share-based awards, partially offset by increased costs resulting from inflationary pressures and logistical issues, partially offset by foreign currency fluctuations.

R&D Expenses

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

R&D expenses as a percentage of net revenue was 15.2% for the year ended 31 December 2022, a decrease of 2.5% compared to the year ended 31 December 2021. The decrease was primarily due to a decrease in R&D expense resulting from the net impact of changes in fair value of milestone-based contingent consideration arrangements of $28.5 million. The aforementioned decrease in R&D expense was partially offset by increases associated with the Company's RECOVER study and ANTHEM-HFrEF and OSPREY clinical trials totalling $13.8 million.

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 2022 and 2021, LivaNova recorded additional litigation provisions of $21.7 million and $35.1 million, respectively, due to new information received about the nature of certain claims. Refer to "Note 26. Commitments and Contingencies" in the consolidated financial statements in this Annual Report.

Impairment of Goodwill

Goodwill is tested for impairment annually as of 31 December and when circumstances indicate that the carrying value may be impaired. As part of LivaNova's 2022 goodwill impairment assessment, the Company considered that revenue for LivaNova's ACS reporting unit had declined compared to the prior year period, primarily as a result of a reduction in severe COVID-19 cases, hospital-related challenges and product mix. Furthermore, future revenue projections were reduced. Based on these circumstances, the Company concluded that the goodwill of LivaNova's ACS reporting unit was impaired, and the Company performed a quantitative assessment of the goodwill using management's current estimate of future cash flows. Based on the valuation performed, LivaNova determined that the fair value less cost of disposal of the ACS reporting unit was less than the carrying value and recognized a goodwill impairment of $145.0 million in the Company's consolidated statements of (loss) income during the year ended 31 December 2022. Refer to "Note 11. Goodwill and Intangible Assets" in the consolidated financial statements in this Annual Report.

Restructuring Expenses

During the second quarter of 2022, management committed to implement a cost-optimization and cost reduction program to adapt to current economic conditions, which includes a workforce reduction to be completed by mid-2023. The Company recognized a charge of $6.6 million during the year ended 31 December 2022. The total estimated restructuring costs associated with the plan are approximately $10.0 million including employee termination benefits, consulting fees and contract termination costs.

During 2020, LivaNova initiated a reorganisation plan (the 2020 Plan) to reduce the Company's cost structure. As a result, the Company 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.

Refer to "Note 9. Restructuring" in the consolidated financial statements in this Annual Report.

Merger and Integration Expenses

Merger and integration expenses consist of costs associated with LivaNova's merger and business combinations. Such costs primarily include computer systems integration efforts, organisational structure integration, synergy and tax planning. Merger and integration expenses during the years ended 31 December 2022 and 2021 were $1.1 million and $0.7 million, respectively. LivaNova expects these costs to continue to decline further over time.

Finance Expense

LivaNova incurred finance expense of $49.7 million for the year ended 31 December 2022, as compared to $51.7 million for 2021. The decrease for the year ended 31 December 2022, compared to the year ended 31 December 2021, was primarily due to the repayment of the Company's 2020 senior secured term loan during the third quarter of 2021, partially offset by interest expense associated with the February 2022 Bridge Loan Facility and the Initial Term Facility. For further information on LivaNova's debt refer to "Note 18. Financial Liabilities" in the consolidated financial statements in this Annual Report.

Net Gain/(Loss) on Embedded Exchange Feature and Capped Call Derivatives

Net gain/(loss) associated with the Company's embedded exchange feature and capped call derivatives was a gain of $43.8 million for the year ended 31 December 2022, as compared to a loss of $25.6 million for the year ended 31 December 2021. The increase in the net gain on the embedded exchange feature and called call derivatives was primarily due to a decline in the LivaNova stock price during the year ended 31 December 2022.

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.

Foreign Exchange and Other Income/(Expense)

Foreign exchange and other income/(expense) 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. LivaNova incurred FX and other income of $8.3 million for the year ended 31 December 2022, as compared to FX and other income of $13.6 million for 2021. For further details, refer to "Note 30. 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. LivaNova's 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 LivaNova's subsidiaries conduct operations vary. As a result of the changes in the overall level of the Company's income, the earnings mix in various jurisdictions and the changes in tax laws, LivaNova's consolidated effective income tax rate may vary substantially from one reporting period to another.

The Company's effective income tax rate for the year ended 31 December 2022 was 2.6% on loss before tax of $84.1 million compared with 8.7% on loss before tax of $150.5 million for 2021. The Company's effective income tax rate fluctuates based on, among other factors, changes in pre-tax income in countries with varying statutory tax rates, changes in unrecognized deferred tax assets, changes in tax credits and incentives and changes in unrecognized tax benefits associated with uncertain tax positions.

Compared with the year ended 31 December 2021, the increase in the effective tax rate for 2022 was primarily attributable to changes in unrecognised deferred tax assets, changes in cumulative equity compensation offset by other discrete items including the goodwill impairment of ACS reporting unit. Comparatively, the effective tax rate for 2021 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.

Liquidity and Capital Resources

Based on LivaNova's current business plan, the Company believes that LivaNova's sources of liquidity, which primarily consist of cash and cash equivalents, future cash generated from operations and available borrowings under its current debt facilities, will be sufficient to fund LivaNova's uses of liquidity, primarily consisting of purchase obligations for expected operating, working capital, 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, LivaNova may decide to access debt and/or equity markets to optimize the Company's capital structure, raise additional capital or increase liquidity as necessary. Refer to "Note 26. Commitments and Contingencies" in the consolidated financial statements in this Annual Report.

LivaNova's 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 26. 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 increase (decrease) in the balance of cash, cash equivalents and restricted cash were as follows (in thousands):

	Year Ended 31 December	
	2022	**2021**
Operating activities	$ 80,900	$ 114,175
Investing activities	(38,414)	31,655
Financing activities	269,150	(187,864)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(4,011)	(2,805)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 307,625	$ (44,839)

Operating Activities

Cash provided by operating activities for the year ended 31 December 2022 decreased $33.3 million compared to the prior year. The decrease was primarily due to the net change in working capital largely associated with an increase in inventory to mitigate supply chain risk and increased payments under the Company's short-term incentive plan. These decreases were partially offset by an increase in net income adjusted for non-cash items of $33.5 million, primarily driven by an increase in Neuromodulation and Cardiopulmonary net revenue.

Investing Activities

Cash provided by investing activities during the year ended 31 December 2022 decreased $70.1 million compared to the prior year largely due to proceeds received during the year ended 31 December, 2021, including $42.9 million from the sale of the Company's Heart Valve business as well as proceeds from the sale of LivaNova's investment in and loan to Respicardia totalling $23.1 million.

Financing Activities

Cash used in financing activities during the year ended 31 December 2022 increased $457.0 million compared to the prior year. The increase was primarily due to net borrowings during the year ended 31 December 2022 of $280.2 million compared to net repayments of borrowings of $456.7 million, as well as a payment of $35.6 million for the make-whole premium on long-term debt obligations, during the year ended 31 December, 2021. These increases were partially offset by net proceeds from the issuance of ordinary shares of $322.5 million during the year ended 31 December, 2021.

Debt and Capital

LivaNova's capital structure consists of debt and equity. As of 31 December 2022, the Company had total debt of $541.4 million which was 54.5% of total equity of $994.1 million.

Debt

During the year ended 31 December 2022, LivaNova received $507.5 million in proceeds from the issuance of long-term debt and repaid $223.5 million in long-term debt.

During the year ended 31 December 2021, LivaNova 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. The Company received $322.5 million in net proceeds from the issuance of ordinary shares. Additionally, the Company reduced its short-term unsecured revolving credit agreements and other agreements with various banks by $2.0 million.

On 17 June 2020, the Company's wholly-owned subsidiary, LivaNova USA, issued $287.5 million in aggregate principal amount of the 2020 Cash Exchangeable Senior Notes (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 not satisfied on 31 December 2022. As a result, the Company has included its obligations from the Notes and the associated embedded exchange feature derivative as a long-term liability on the consolidated balance sheet as of 31 December 2022. The Notes are exchangeable solely into cash and are not exchangeable into ordinary shares of LivaNova or any other security under any circumstances. The initial exchange rate for the Notes is 16.3980 ordinary shares per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $60.98 per share). The exchange rate is subject to adjustment in certain circumstances, as set forth in the indenture governing the Notes. If holders elect to exchange their Notes during any future periods in the event an exchange condition is met, the Company would be required to settle its exchange obligation through the payment of cash, which could adversely affect the Company's liquidity.

The Company has also entered into privately negotiated capped call transactions with terms substantially similar to those applicable to the Notes. The capped call transactions are expected generally to offset any cash payments the Company is required to make upon exchange of the Notes in excess of the principal amount thereof in the event that the market value per ordinary share, as measured under the capped call transactions, is greater than the strike price of the capped call transactions, with such offset being subject to an initial cap price of $100.00 per share. The capped call transactions expire on 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 included at their estimated fair value as of 31 December 2022 within long-term derivative assets on the consolidated balance sheet.

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 $322.6 million, after deducting underwriting

discounts, commissions and offering expenses. Proceeds from the offering were used to repay the Company's $450 million 2020 senior secured term loan.

On 13 August 2021, LivaNova PLC and its wholly-owned subsidiary, LivaNova USA (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, relating to a $125 million senior secured multi-currency revolving credit facility to be made available to the Borrower (the "2021 First Lien Credit Agreement"). The 2021 First Lien Credit Agreement is available for working capital and other general corporate purposes and, if drawn, can be repaid at any time without premium or penalty. There were no outstanding borrowings under the 2021 First Lien Credit Agreement as of 31 December 2022.

On 21 February 2022, the Court of Appeal in Milan ("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 $484.9 million at 31 December 2022) in the SNIA (a former parent company of Sorin) litigation until a decision has been reached on LivaNova's appeal to the Italian Supreme Court. This suspension was subject to providing a first demand bank guarantee of €270.0 million (approximately $288.6 million at 31 December 2022) (the "SNIA Litigation Guarantee") within 30 calendar days.

On 24 February 2022, LivaNova PLC and its wholly-owned subsidiary, LivaNova USA, entered into an Incremental Facility Amendment No. 1 to the 2021 First Lien Credit Agreement, relating to a €200 million bridge loan facility (the "Bridge Loan Facility"). On 16 March 2022, LivaNova entered into Amendment No. 2 to the 2021 First Lien Credit Agreement, which converted the available borrowings under the Bridge Loan Facility from €200 million to $220.0 million and converted the EURIBOR rate in the 2021 First Lien Credit Agreement to SOFR. LivaNova delivered a borrowing notice for $220.0 million in connection with the Bridge Loan Facility, which was funded on 17 March 2022. LivaNova used the proceeds of the Bridge Loan Facility 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 the €270.0 million SNIA Litigation Guarantee. As security for the SNIA Litigation Guarantee, LivaNova is required to grant cash collateral to Barclays in USD in an amount equal to the USD equivalent of 105% of the amount of the SNIA Litigation Guarantee calibrated on a biweekly basis. At 31 December 2022, the cash collateral classified as restricted cash on the consolidated balance sheet was $301.4 million.

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

On 6 July 2022, LivaNova and its wholly-owned subsidiary, LivaNova USA, entered into a new incremental facility amendment to its 2021 First Lien Credit Agreement. The Incremental Amendment No. 2 provides for LivaNova USA to, among other things, obtain commitments for term loan facilities from a syndicate of lenders in an aggregate principal amount of $350 million consisting of (i) an initial term loan facility in an aggregate principal amount of $300 million (the "Initial Term Facility") and (ii) a delayed draw term loan facility in an additional aggregate principal amount of $50 million, which are available in one single drawing on or after July 6 until the date that is nine months after such date (the "Delayed Draw Term Facility" and, together with the Initial Term Facility, the "Term Facilities"). As of 31 December 2022, availability under the Delayed Draw Term Facility was $50 million.

Proceeds of the Initial Term Facility were used to repay in full the Bridge Loan Facility on 6 July 2022, with the remainder to be used for general corporate purposes of the Company. The Term Facilities have a maturity of the earlier of (i) five years or (ii) 91 days prior to 15 December 2025, the maturity date of the Notes, unless by that date LivaNova USA will have either redeemed or refinanced the Notes, or set aside an amount of cash equal to the then-outstanding principal amount of the Notes.

On 6 April 2023, LivaNova drew $50 million under the Delayed Draw Term Facility. The Term Facilities have now been fully drawn. The proceeds are to be used for general corporate purposes of the Company.

For additional information on LivaNova's debt and debt transactions, please refer to "Note 18. Financial Liabilities" in the consolidated financial statements in this Annual report.

Contractual Obligations

LivaNova has various contractual commitments that the Company expects to fund from existing cash, future operating cash flows and borrowings under LivaNova's credit facilities.

The following table summarizes the Company's significant contractual obligations as of 31 December 2022 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	$ 23,456	$ 321,393	$ 253,185	$ 229	$ 598,263
Interest payments on long-term debt	31,578	60,926	32,578	—	125,082
3T litigation settlements	18,909	—	—	—	18,909
Lease obligations	10,520	13,467	7,568	12,747	44,302
Inventory supply contract obligations	8,936	5,064	—	—	14,000
Derivative instruments	5,886	85,675	—	—	91,561
Probability-weighted contingent consideration arrangements	—	38,769	46,523	—	85,292
Total contractual obligations	$ 99,285	$ 525,294	$ 339,854	$ 12,976	$ 977,409

LivaNova has other commitments that the Company is contractually obligated to fulfil with cash under certain circumstances. Obligations under these guarantees are not normally called, as LivaNova typically comply with underlying performance requirements. As of 31 December 2022, no liability has been recorded in the consolidated financial statements associated with these obligations.

The following table summarizes the Company's guarantees as of 31 December 2022 (in thousands):

	Less Than One Year	One to Three Years	Three to Five Years	Thereafter	Total Guarantees
Guarantees on government bids [1]	$ 4,436	$ 3,087	$ 401	$ 597	$ 8,521
Guarantees - commercial [2]	1,012	328	—	2,241	3,581
Guarantees to tax authorities [3]	—	783	4,544	12,109	17,436
Guarantees to third-parties	—	113	—	399	512
Total guarantees	$ 5,448	$ 4,311	$ 4,945	$ 15,346	$ 30,050

(1) Government bid guarantees include such items as unconditional bank guarantees, irrevocable letters of credit and bid bonds.
(2) Commercial guarantees include the Company's lease and tenancy guarantees.
(3) Guarantees to tax authorities consist of guarantees issued to the Italian Revenue Agency.

Market Risk

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

The Company manages 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 the Company's operations, LivaNova is exposed to foreign currency exchange rate fluctuations. Historically, the Company has maintained a foreign currency exchange rate risk management strategy that utilizes cash flow hedges and freestanding foreign currency derivatives to reduce LivaNova's exposure to unanticipated fluctuations in forecasted revenue and costs, inter-company debt, deposits and accounts receivable caused by changes in foreign currency exchange rates. Upon the settlement of LivaNova's foreign currency cash flow hedges in the fourth quarter of 2022 and following an in-depth analysis of the utility of the Company's cash flow hedging program, LivaNova discontinued its foreign currency cash flow

hedging program. LivaNova continues to use freestanding derivative forward contracts to offset exposure to the variability of the value associated with assets and liabilities denominated in a foreign currency.

LivaNova mitigates its credit risk relating to counterparties of the Company's derivatives through a variety of techniques, including transacting with multiple, high-quality financial institutions, thereby limiting LivaNova's exposure to individual counterparties 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 the Company's derivative counterparties. 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 close out and netting of transactions with the same counterparty upon the occurrence of certain events.

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 unrealized losses associated with LivaNova's foreign currency denominated assets and liabilities as of 31 December 2022, net of LivaNova's hedging would not be material to LivaNova's consolidated balance sheet or consolidated statement of (loss) income.

Interest Rate Risk

LivaNova is subject to interest rate risk on its investments and debt. LivaNova uses interest rate derivative instruments designated as cash flow hedges to manage a portion of the Company's exposure to interest rate movements and to reduce the risk of increased borrowing costs by converting floating-rate debt into fixed rate debt. Under these agreements, LivaNova agrees to exchange, at specific intervals, the difference between fixed and floating interest amounts calculated by reference to agreed-upon notional principal amounts. The interest rate swaps are structured to mirror the payments terms of the underlying loan. If interest rates were to increase / (decrease) by 100 basis points, the effect on finance expense within LivaNova's consolidated statement of income (loss) would be an increase / (decrease) of approximately $3 million, respectively.

Concentration of Credit Risk

LivaNova's trade accounts receivable represents a potential concentration 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 LivaNova's efforts to control its exposure to credit risk by monitoring the Company's receivables and the use of credit approvals and credit limits. In addition, LivaNova has historically had strong collections and minimal write-offs. While the Company believes that its reserves for credit losses are adequate, essentially all of the Company's trade receivables are concentrated in the hospital and healthcare sectors worldwide, and accordingly, LivaNova is exposed to their respective business, economic and country-specific variables. Although the Company does 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

Reductions and interruptions in supply chain in addition to increasing costs have had, and may continue to have, adverse effects on our business, results of operations, cash flows and financial condition.

We purchase many of the components and raw materials used in manufacturing our products from numerous suppliers in various countries. 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. 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, externally 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.

Like many companies, we are experiencing supply chain delays and interruptions, labour shortages, inflationary pressures and logistical issues. While, to date, our supply of raw materials and the production and distribution of finished products have not been materially affected, demand and low capacity worldwide have caused longer lead times and put price pressure on key raw materials. Freight and labour costs at our manufacturing facilities have increased substantially in the wake of inflation globally. Moreover, the demand from industrial sectors on semiconductors is causing price increases and shortages on such items, which in turn, has impacted manufacturing in our Munich and Houston sites. In addition, the Ukraine conflict has resulted in high energy costs which are impacting suppliers and putting pressure on prices of raw materials. 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 - such as closely managing our inventory - to reduce our supply chain risk, we cannot guarantee that our efforts will always be successful, especially as a smaller company with lower bargaining power. 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. 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, cash flows and financial condition.

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 sanctions; greater exposure to inflation; rising interest rates; changes in energy prices; increased exposure to cyber-attacks and supply chain challenges; fluctuating exchange rates; local product changes and evolving requirements; longer-term receivables in local jurisdictions; difficulty enforcing agreements; greater exposure to creditworthiness of customers and local law enforcement of obligations; trade protection measures and import and export licensing requirements; failure to comply with anti-bribery laws; different labour regulations and workforce instability; higher danger of terrorist activity, war or civil unrest; selling our products through distributors and agents; and political and economic instability. As an example, Russia launched an invasion in Ukraine in 2022 which has negatively impacted our supply chain and operations in the region, caused the implementation of sanctions by the U.S. and other governments against Russia and Belarus and generated significant volatility and disruptions to the global markets. Any of the aforementioned risks could adversely affect our business, results of operations, cash flows and financial condition.

In addition to sanctions relating to Russia and Belarus, certain of our subsidiaries have engaged in business dealings in countries subject to comprehensive sanctions, including Iran, Sudan and Syria. 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 and criminal 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, cash flows and financial condition.

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 may impact our results of operations and financial condition; for example in 2022, our net revenue and profitability were negatively affected by the unfavourable foreign currency exchange impact of the strengthened U.S. dollar against a number of currencies. Although in

the future 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 labour unions. A negative response from a works council or union-organised work stoppages by employees could have a negative impact on our business.

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 and innovation; breadth of product lines and product services; ability to identify new market trends; changes to the regulatory environment; cost-effectiveness and price; customer support and training; 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.

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

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, labelling, reimbursement, marketing and distribution of our products. As a part of the marketing clearance, approval or reimbursement 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. Unfavourable or inconsistent clinical data from existing or future clinical trials, or the markets', FDA's, the Centers for Medicare & Medicaid Services' ("CMS's") or non-U.S. governmental authorities' perception of such clinical data, may adversely impact our ability to obtain product approvals and receive reimbursement. Currently, for example, we are conducting the RECOVER clinical study - any delays or news regarding unfavourable or inconsistent data could have a material adverse effect on our business. Success in pre-clinical testing and early clinical studies does not always ensure that later clinical studies will be successful, as we experienced and announced, for instance, in connection with the VITARIA SYSTEM in the ANTHEM-HFrEF clinical trial, 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 regulatory submissions or requests for coverage determinations and, ultimately, our ability to commercialize new products or product modifications and obtain reimbursement for our products. 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, clearance and reimbursement, it may take a significant amount of time, require the expenditure of substantial resources, involve stringent clinical and pre-clinical testing and increased post-market surveillance, and/or involve modifications, repairs or replacements of our products or limitations on 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 or reimbursement for new products or existing products. Any such issues, whether in relation to trials, approvals, reimbursement or clearances, could have a material adverse effect on our business, results of operations, cash flows and financial condition.

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

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. For example, 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. See "Note 26. Commitments and Contingencies" in our consolidated financial statements included in this Annual Report for related information.

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, cash flows and financial condition.

In addition, in the U.S., device manufacturers are prohibited from promoting their products for uses and indications that are not 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 conditions outside the indications of our products. While physicians may exercise their discretion in prescribing a device off-label, a device manufacturer's failure to comply with the related applicable 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. Similarly, EU Reg MDR prohibits manufacturers from misleading users and patients by suggesting uses for the device other than those stated as part of the intended purpose for which the conformity assessment was carried out.

Governmental regulations outside the U.S. have become, and may continue to become, increasingly stringent and common. In the EU, for example, EU Reg MDR became effective in 2021, resulting in significant additional pre-market and post-market requirements which must be in place by May 2024 (though there is a proposal to extend the compliance deadline). During this transition period, the European Commission is allowing companies to use their Medical Device Directive ("MDD") certifications. We are working to obtain all appropriate approvals in order 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. The development and implementation of future laws and regulations may have a material adverse effect on us.

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, any 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. Component failures, manufacturing defects, software errors, design flaws or inadequate disclosure of product-related risks or product or use-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. For example, as described in "Note 26. Commitments and Contingencies" in our consolidated financial statements included in this Annual Report, we are involved in product liability litigation relating to our cardiopulmonary 3T Heater-Cooler product that may adversely affect our financial condition and may require us to devote significant resources to our defense of

these claims. Although we are defending these matters vigorously, the outcome could have a material adverse effect on our business.

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.

Global healthcare policy changes and reduction in 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 payers to control these costs. These proposals have resulted in efforts to enact healthcare system reforms that may lead to pricing restrictions, payback requirements, limits on the amounts of reimbursement available for our products and limits on the acceptance and use of our products. As previously disclosed, for example, in 2015, the Italian Parliament introduced rules for entities that supply goods and services to the Italian National Healthcare System.

This healthcare law impacts the business and financial reporting of medical technology sector companies that sell devices in Italy. A key provision of the law is a "payback" measure, requiring companies selling medical devices in Italy to repay a percentage of the healthcare expenditures exceeding the regional maximum caps for medical devices. While we are appealing the guidelines and requests for payment pursuant to the rule, we may not be successful. See "Note 25. Commitments and Contingencies" in our consolidated financial statements included in this Annual Report for additional information.

Our ability to commercialize our products is dependent, in large part, on whether third party payers, 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. Third party payers, including private and government insurers, are increasingly requiring evidence that medical devices are cost-effective. If we are unable to demonstrate that our devices are cost-effective, third party payers may not reimburse the use of our products or not provide sufficient reimbursement for our products, which could reduce sales of our products to healthcare providers who depend upon reimbursement for payment for their services. 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 business, results of operations, cash flows and financial position.

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 limit patient access to our devices, thereby adversely impacting 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 healthcare fraud. Because our marketing practices involve direct promotion to patients in certain jurisdictions, we are subject to additional laws and regulations intended to prevent misleading patients and consumers through unethical promotional activities and related data collection practices. 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 harbours available under such laws, it is possible that some of our business activities, including our relationships with surgeons and other healthcare providers, some of whom recommend, purchase and/or prescribe our devices, group purchasing organisations 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.

Furthermore, our devices, products and therapies are purchased principally by hospitals or physicians that typically bill various third party payers, such as governmental healthcare programs (e.g., Medicare, Medicaid and comparable non-U.S. programs), private insurance plans and managed care plans, for the healthcare services provided to their patients. The ability of our customers to obtain appropriate reimbursement for products and services from third party payers is critical because it affects which products customers purchase and the prices they are willing to pay. As a result, our devices, products and therapies are subject to regulation regarding quality and cost by the U.S. Department of Health and Human Services, including CMS, as well as comparable state and non-U.S. agencies responsible for reimbursement and regulation of healthcare goods and services, including laws and regulations related to kickbacks, false claims, self-referrals and healthcare fraud. In addition, as a manufacturer of U.S. FDA-approved devices reimbursable by federal healthcare programs, we are subject to the Physician Payments Sunshine Act, which requires us to annually report certain payments and other transfers of value we make to U.S.-licensed physicians, U.S. teaching

hospitals or other covered recipients. Any failure to comply with these laws and regulations could subject us or our officers and employees to criminal and civil financial penalties.

Finally, we are subject to risks relating to changes in government and private medical reimbursement programs and policies, and changes in legal regulatory requirements in the U.S. and around the world. Implementation of further legislative or administrative reforms to these reimbursement systems, or adverse decisions relating to coverage of, or reimbursement for, our products by administrators of these systems, could have a material adverse impact on the acceptance of, and demand for, our products and the prices that our customers are willing to pay for them.

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. Such dependencies have been exacerbated by remote working practices. 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 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 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 or divest 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, cash flows and financial condition. We collect, store and handle patient data, including sensitive health information, and 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 ensure personal information is lawfully collected, stored, handled and secured with reliable information technology systems to prevent data breaches, particularly given the increased risks associated with sensitive health information, we may suffer legal and regulatory consequences in addition to business consequences. Our worldwide operations mean that we are subject to various data protection and cyber-security laws and regulations in many jurisdictions, including but not limited to the HIPAA, CCPA, Brazilian General Data Protection Law, and GDPR. Other governments have enacted, amended or are enacting similar data protection laws, including data localization laws that require data to stay within their borders and other technical and operational adaptions that may be required given the rapid changes in data protection regulation where we conduct business. 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 or that we will continue to maintain a cyber insurance policy, as result of cost, availability or other considerations. 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.

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, the 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. We maintain policies and programs to educate our employees and agents on these legal requirements, and to prevent and prohibit improper practices. However, existing safeguards and any future improvements may not always be effective, and our employees, consultants, sales agents or distributors may engage in conduct for which we could be held responsible. In addition, regulators could seek to hold us liable for conduct committed by companies in which we invest or that we acquire. 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 laws and 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 reputation, business, results of operations, cash flows and financial condition.

We are subject to environmental laws and regulations and the risk of environmental liabilities, violations, protest voting and litigation in multiple jurisdictions, any of which could have a material impact on our business, results of operations, cash flows, financial condition and liquidity.

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. 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. 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, as well as delivering the aforementioned waste to a national repository. In addition, 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) liable for environmental liabilities incurred by SNIA's (a former parent company of Sorin) other subsidiaries. In November 2021, the Court of Appeal delivered the remainder of its decision, ordering LivaNova to pay damages of approximately €453.6 million (approximately $484.9 million as of 31 December 2022). LivaNova appealed both the liability and damages decisions, which will be decided together at the Italian Supreme Court. In February 2022, the Court of Appeal granted a stay on the demand for payment from the Public Administrations pending resolution of the Company's appeal on liability and damages. The stay was granted with the condition that the Company provide a first demand bank guarantee of €270.0 million (approximately $288.6 million as of 31 December 2022) within 30 calendar days, which was promptly delivered. See "Note 26. Commitments and Contingencies" in our consolidated financial statements included in this Annual Report for additional information regarding these two matters. Our business, results of operations, cash flows, financial condition and liquidity could be materially adversely affected by a negative decision in the case of SNIA and could be adversely affected by an increase in anticipated costs relating to transportation of hazardous waste in Saluggia. Private parties could also bring personal injury or other claims due to the presence of, or exposure to, hazardous substances.

In addition, our operations involve the use of substances regulated under environmental laws, including for purposes of sterilization. Regulations require sterilization of our products, and in 2021, we unveiled our new sterilization facility in Colorado allowing the Company to sterilize certain of its products in-house. The U.S. Environmental Protection Agency and certain states have begun scrutinizing the levels of community exposure to ethylene oxide ("EtO"). Certain medical device operating facilities have been designated as "elevated risk" facilities, based on emission levels of EtO. LivaNova is not on the "elevated risk" list, nor is it in violation of any current local or federal regulations. However, to the extent we or our contract sterilizers are unable to sterilize our products, whether due to regulatory, legislative, or other constraints, including on the use of EtO, we may be unable

to transition to alternative internal or external resources or methods in a timely or cost-effective manner or at all, which could have a material impact on our results of operations and financial condition.

Our inability to attract and retain highly skilled and experienced personnel could negatively impact our ability to effectively manage and expand our business.

We depend heavily on the contributions of the principal members of our business, such as senior management, manufacturing, sales, marketing, and R&D positions, many of whom would be difficult to replace. Each of these persons' individual and collective efforts is critical to us as we continue to develop our products and expand our commercial activities and business operations. Our key personnel include our senior officers and executive management team, many of whom have very specialized scientific, medical or operational knowledge. The loss of any key personnel could negatively impact our results of operations, particularly if we experience difficulties in hiring qualified successors.

Furthermore, competition for experienced employees in the medical device industry, particularly for persons with specialized skills, can be intense. Our ability to recruit such talent will depend on a number of factors, including compensation and benefits, work location and work environment. If we cannot effectively recruit and retain qualified executives and employees, our business, results of operations, cash flows and financial condition could be adversely affected.

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.

If we fail to 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 would 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 business, results of operations, cash flows and financial condition.

Increasing attention on environmental, social and governance ("ESG") matters may have a material impact on our reputation and business operations, impose additional costs on us, and expose us to additional risks.

There is a heightened focus from stakeholders, including regulators and shareholders, on issues relating to ESG matters, including environmental stewardship, social responsibility, diversity and inclusion, and corporate governance matters. In addition, organisations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Unfavourable ESG ratings may lead to negative investor sentiment toward the Company, which could have a negative impact on our stock price and our access to and costs of capital. Increasing attention on ESG issues related to our business requires the continuous monitoring of various and evolving laws, regulations, standards and expectations and the associated reporting requirements. A failure to adequately meet stakeholder expectations may result in noncompliance, reputational impacts, the loss of business and a diluted market valuation. In addition, our adoption of certain standards or mandated compliance to certain requirements could necessitate additional investments that could impact our profitability.

If our ESG initiatives fail to satisfy investors, customers, or other stakeholders, our reputation, our ability to sell products and services to customers, and our attractiveness as an investment, business partner or acquirer could be negatively impacted. Similarly, our failure to fulfil our ESG goals, targets and objectives or to satisfy various reporting standards could also have similar negative impacts on our reputation, business and result of operations.

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.

The physical impacts of natural disasters and extreme weather conditions, such as hurricanes, tornadoes, earthquakes, winter storms, wildfires or flooding could pose physical risks to our facilities, temporarily reduce demand, disrupt our supply chain operations and our suppliers' operations, and negatively impact operational costs. Additionally, the impacts of climate change on

global water resources may result in water scarcity, which could impact our ability to access sufficient quantities of water in manufacturing locations and result in increased costs. As new legal and regulatory requirements designed to mitigate the effects of climate change on the environment are increasing, they may impose obligations which may increase our compliance burdens and costs to meet these obligations. Individually or in the aggregate, such risks could materially negatively impact our future operations.

Quality concerns 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 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, results of operations, cash flows 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. Further, new proposed regulations in the U.S. would prohibit certain competition agreements, and if final regulations are adopted as proposed and enforced, we may not be able to rely on such agreements with certain of our employees or other parties.

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 reputation, business, results of operations, cash flows and financial condition.

The Company maintains its cash at financial institutions and is exposed to risk in the event of a bank failure or series of bank failures, particularly with respect to the cash collateral securing the SNIA Litigation Guarantee.

Most of the Company's cash is held in accounts in highly rated banking institutions in the US and Europe. However, in the event of a bank failure or series of bank failures, the Company could lose all or a portion of its deposits. In connection with Silicon Valley Bank's (SVB) failure in March 2023, the Federal Deposit Insurance Corporation (FDIC) took control, and in a subsequent joint statement by the Department of the Treasury, Federal Reserve, and FDIC, it was announced that all depositors would be fully protected and would have access to their funds. Such an outcome is not guaranteed if other bank failures were to occur. While the Company does not hold cash deposits with SVB or other failed banks and does not otherwise have a business relationship with those institutions, the Company could be subject to similar risks at other banking institutions, including with respect to the cash collateral securing the SNIA Litigation Guarantee, all of which could adversely affect our results of operations, cash flows and

financial condition. Refer to Notes 2, 18 and 26 of the consolidated financial statements in this Annual Report for information regarding the SNIA Litigation Guarantee.

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

While we have seen improvement in demand for our products and resumption of our clinical trials as the strength of COVID-19 and its variants have waned, the pandemic and its effects on the economy, employment, patient behaviours and supply chain, among others, has had an adverse effect on, and may continue to impact our business. Please refer to the section entitled "*Reductions and interruptions in supply chain in addition to increasing costs have had, and may continue to have, adverse effects on our business, results of operations, cash flows and financial condition*" above.

The Company continues to respond to such challenges, and while we have business continuity plans in place, the impact of the ongoing challenges we are experiencing, along with their potential escalation, may adversely affect our business. The future impact of pandemic-related developments remains uncertain, and we continue to monitor relevant conditions as there can be no assurances that there will not be delays or closures of clinical sites, variable demand for products or material impacts on our supply chain should COVID-19 or its reverberating impacts on the economy strengthen or re-emerge.

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 that may adversely affect our financial results.

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 UK-adopted International Accounting Standards. 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.

As of 31 December 2022, the carrying value of our net intangible assets and goodwill totalled $837.2 million, which represents 40.1% of our total assets. During the year ended 31 December 2022, we determined the goodwill associated with our ACS reporting unit was impaired, and as a result, recorded an impairment of $145.0 million.

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. 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 business, results of operations, cash flows and financial condition.

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

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 and term facilities, 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% 2020 Cash Exchangeable Senior Notes (the "Notes") due in 2025. 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 facility or term facilities) depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. (For further information on our term facilities, please refer to "Note 18. Financial Liabilities" of the consolidated financial statements of this Annual Report*).* 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 or our revolving credit facility or term facilities.

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 term facilities, 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, cash flows and financial condition. In addition, if we incur additional indebtedness under the revolving credit facility or term facilities, 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 18. Financial Liabilities" in the consolidated financial statements in this Annual Report.

The conditional exchange feature 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. The exchange condition was not satisfied on 31 December 2022 or on 31 March 2023, and therefore, exchangeability is not an option from 1 January 2023 through 30 June 2023. 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 facility or term facilities, 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 organisation 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 18. Financial Liabilities" in the consolidated financial statements in this Annual Report.")

The effective finance expense reported in our consolidated financial statement of operations is 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 recognized as a component of finance expense over the term of the Notes, which results in an effective interest rate 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 (loss) income 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 U.K. 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 U.K. 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 results of operations and financial condition.

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 (loss) income 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 organisational 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 (the "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 of Directors may only allot shares with the prior authorisation 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. As a result, our shareholders must approve these authorities at an annual general meeting of shareholders. 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 directors under the relevant incentive plan.

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.

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.

LivaNova's Approach to Stakeholders

Section 172 Statement

In accordance with section 172 of the Companies Act 2006, 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 LivaNova's 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 the Company's 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. During 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 the Company's methods of engagement and impact.

Connecting with LivaNova's Stakeholders

Patients

LivaNova unites to provide hope for patients and their families through innovative medical technologies. That is the Company's mission. The Company is driven by its shared purpose to put patients first to improve the quality of their lives - for every patient, every day.

Their concerns. LivaNova patients want LivaNova to manufacture safe, quality products that are responsive to their needs and protective of their data. They desire information that is fair and balanced, easy to understand, accessible and transparent. 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. LivaNova's 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 the Company's vision. Marketing clips, news stories, physician input, patient interviews and interactions, and surveys are ways by which the Board regularly receives feedback from our patients. Specifically, working hand in hand with more than 300 perfusionists around the world, the Company designed and developed its next-generation heart-lung machine, Essenz, culminating in successful clinical cases in two major centres in Europe at the end of 2022. The Board was pleased to oversee the Company's progress as it initiated its limited commercial release of Essenz in early 2023. In addition, the Board receives regular updates on relevant topics ranging from cybersecurity to clinical and quality in order to exercise proper oversight over those areas that directly impact patient health and safety. In April 2022, for example, the Board received specific training on cybersecurity, ransomware and incident response and preparedness from Baker McKenzie, furthering its education on this topic and generating robust discussion internally on processes and risk mitigation strategies to ensure patient data is properly protected.

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 Heart. LivaNova's employees help the Company maintain its strong reputation for high standards of business conduct and are fundamental in delivering its purpose. The Company, in turn, wants them to be proud of working at LivaNova, and particularly in a post-COVID-19 era, safe and supported at work. This can only be done if the Company listens to feedback and takes appropriate action to keep its employees 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. While hiring is slowing around the world, companies still need to work hard to attract and retain talent, keeping in mind that 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, presentations during regular and ad hoc Board meetings and meet and greets throughout the year. In February 2022 for example, the Board met approximately 20 senior R&D employees for a lab tour and to increase their exposure to the R&D team's latest progress, discussing progress, challenges, and strategy. Similarly, in October 2022, the Board hosted a breakfast social with the Houston operations teams to personally thank those who worked on site throughout the COVID-19

pandemic. The Board has been acutely aware of the team's work in preventing supply chain interruptions and ensuring that customers received VNS Therapy throughout the pandemic and wanted to express their appreciation.

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. In response to feedback from the 2021 LivaNova4You survey results, the Company committed to address workload, clarify internal development processes, and increase understanding around the Company's benefits as they relate to employees, sharing plans and progress with the Board throughout. Throughout 2022, the Company implemented programs in these three key areas in response, focussing on reducing workload with the help of digitization and robotic process automation; career pathing, i.e., connecting performance, interests and potential with meaningful development and succession planning; and developing and launching LivaNova's employee value proposition, i.e., how the Company markets to prospective talent and retains employees in a competitive job market. The Board has been apprised of the Human Resource's teams progress in implementing these initiatives and looks forward to reviewing the results of the next employee engagement survey which will be distributed in the spring of 2023.

Physicians and Healthcare Professionals

LivaNova's relationships with customers, physicians and healthcare professionals positively influence the business to enhance the lives of patients. They are essential partners in clinical research, as advisers and study investigators. The Company strives 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 the Company to respond quickly to the changing needs of providers and patients.

Their concerns. The customers, physicians and healthcare professionals the Company serves want to know that 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 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. LivaNova engages by way of scientific dialogue to increase understanding of disease management, product development possibilities and patient experience, and the Company ensures it is providing high-quality, balanced information about LivaNova's products and services. The Company designed and developed Essenz for example, building on input from over 300 perfusionists. The Company wants to support these physicians in doing what is best for each patient and to allow the entire heart team to continuously improve their clinical practice. The Company also engages by collaborating on the Company's clinical trials and research, and in certain instances, we invite key stakeholders to speak to the Board directly. In October 2022 for example, Dr. Charles Conway, a Professor of Psychiatry at Washington University School of Medicine and the lead investigator of the RECOVER trial, presented to the Board on the progress of the trial and answered questions. The Company's Directors, in turn, impact these stakeholders by using those healthcare professional insights on disease management, product development 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

LivaNova's suppliers and distributors need to be nurtured in order for the Company's business to grow and develop, even more so because of the nature of the Company's products. LivaNova purchases many of the components and raw materials used in manufacturing the Company's products from numerous suppliers in various countries. In some cases, the Company purchases 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. Because LivaNova manufactures medical devices, the Company is reliant upon these third parties to provide and distribute safe, quality products, to comply with inspection and regulatory review, and importantly, in the face of supply chain delays and disruptions, inflationary pressures and logistical issues, to maintain supply and distribution channels, especially in instances of sole suppliers for whom we have no alternatives.

Their concerns. The Company's suppliers and distributors are also experiencing their own supply chain delays and disruptions. They are concerned with maintaining their own business operations and collaborative, fair and ethical partnerships. 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 the Audit and Compliance Committee on relationships with the Company's key suppliers and how these relationships and potential risks are evolving as the Company responds to different market conditions and the macro environment. Like many industries, LivaNova is experiencing supply chain delays and interruptions, labour shortages, inflationary pressures and logistical issues. While, to date, the Company's supply of raw materials and the production and distribution of finished products have not been materially affected, demand and low capacity worldwide have caused longer lead times and put price pressure on key raw materials. The Board is actively involved

in these risk discussions, drawing on their experiences and insights, to help navigate the Company as it works with suppliers to ensure supply continuity, minimize the instances in which we rely on a sole supplier and take other countermeasures - such as closely managing the Company's inventory - to reduce the Company's supply chain risk. For more information regarding the significance of the Company's supplier relationships, please review the related "Risk and Uncertainties" section in the Strategic Report of this Annual Report.

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 LivaNova's products. In many countries, the Company's principal customers are government-owned hospitals, who purchase the Company's products for their national health systems. It is important that the Company maintains good relationships with governments and regulators so that the Company can continue to develop cost efficient and effective solutions for LivaNova's 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 LivaNova's 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 this Strategic Report.

Investors and Shareholders

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

Their concerns. LivaNova's 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 the Company's pipeline, business, culture and values, including but not limited to ESG matters. Ultimately, LivaNova's 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 and committee self-evaluations of its performance; skills surveys to ensure appropriate refreshment in furtherance of the Company's strategy; annual elections for directors; 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 2022, approved a change to the Company's Stock Ownership Requirements to align with ISS's US Procedures and Policies to remove vested, in-the-money stock options from the vehicles counted toward stock ownership requirement satisfaction and to make clear that tax withholdings are unnecessary. In addition, in early 2023, the Company approved amended forms of award agreements under the Company's 2022 Incentive Award Plan providing for accelerated vesting upon certain terminations of employment in connection with an acquisition of the Company, i.e., a double trigger vesting.

The Board and in particular, the NCG Committee, have elevated ESG as a focal point in their agendas. In addition to receiving quarterly updates, the Board members have had discussions about strategy and shared experiences to further embed the importance of ESG and related initiatives into the Company culture. To that end, the Company retained an environmental consultant in 2022 to assist the Company in developing its carbon reduction plan, which is published on its Sustainability webpage.

In addition and in keeping with the Company's standard practice, the Board and particularly the Audit and Compliance Committee are 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 Annual General Meeting ("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.

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

the Company's investors to enable the Company's investors to put a fair value on the Company and ensure continued access to capital if needed.

CEO Succession

On 14 April 2023, the Company announced that Damien McDonald had resigned as Chief Executive Officer and Director and that I had been appointed as Interim CEO (alongside my role as Chair of the Board) with immediate effect; Dr. O'Kane, Chair of the Company's Nominating and Corporate Governance Committee, has been appointed Lead Director while I serve in this Interim role. Mr. McDonald's employment will cease on 31 May 2023 (until which time Mr. McDonald will be assisting with transition activities). The Board has retained a leading international executive search firm to assist with the search for a permanent CEO.

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

William A. Kozy
Interim Chief Executive Officer, Chair of the Board & Director
27 April 2022

DIRECTORS' REPORT

LivaNova's Directors

The Directors of the Company, who held office in the year ended 31 December 2022 and up to the date of signing the financial statements, were as follows:

Chair and Executive Director
Mr. William Kozy*

Executive Director
Mr. Damien McDonald**

Non-executive Directors

Mr. Francesco Bianchi

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. Peter Wilver****

Ms. Brooke Story****

*Mr. Kozy was a Non-executive Director and Chair of the board throughout the year ended 31 December 2022 and up until 14 April 2023. On 14 April 2023, Mr. Kozy was appointed Interim CEO (maintaining his role as Chair of the Board) upon Mr. McDonald's resignation on that same date.

**Mr. McDonald held office as a Director of the Company throughout the year ended 31 December 2022 and ceased to be Director and Chief Executive Officer of the Company following his resignation on 14 April 2023. Mr. McDonald will assist with transition activities until his employment ceases on 31 May 2023.

***Mr. Novak and Mr. Rosenthal did not stand for re-election at the 2022 Annual General Meeting, and their resignation date was 13 June 2022, respectively.

****Mr. Wilver and Ms. Story were appointed to the Board on 13 June 2022 and 15 September 2022, respectively.

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 2022 financial year for the Company's 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, United Kingdom.

The Company has one branch outside the UK: LivaNova PLC (Italian Branch) in Italy. The registered address for this branch is Via Enrico Cialdini, 16, 20161 Milano, 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-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 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 announcement on 22 February 2023 that it was stopping enrollment in the ANTHEM-HFrEF clinical trial, beginning the process to close the clinical study and winding down its heart failure program are set out in the following section: Consolidated Financial Statements: Note 35: Subsequent Events.

Details about the Company’s 6 April 2023 borrowing under the Delayed Draw Term Facility are set out in the following section: Consolidated Financial Statements: Note 35: Subsequent Events.

Details about Mitral providing notice to LivaNova on 9 April 2023, pursuant to the Amended & Restated Purchase Agreement, that they would not exercise their right to purchase LSM, are set out in the following section: Consolidated Financial Statements: Note 35: Subsequent Events.

Details about Damien McDonald’s resignation as Chief Executive Officer and Director, and William Kozy’s appointment as Interim CEO can be found in the following section: Consolidated Financial Statements: Note 35: 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

LivaNova reports on the Company’s greenhouse gas emissions in the Company’s Strategic Report: 2022 Greenhouse Gas Report of this Annual Report.

Section 172 Statement

In accordance with section 172 of the Companies Act 2006, 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, LivaNova’s Approach to Stakeholders.

Statement of Disclosure to the UK Statutory Auditor

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

- so far as they are aware, there is no relevant audit information of which the Auditor is unaware; and
- they have taken all the steps they ought to have taken as Directors to make themselves 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 and Compliance Committee and in accordance with section 489 of the Companies Act 2006, a resolution to re-appoint it will be proposed at the 2023 AGM.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the 2022 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 an 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.

Michael Hutchinson
Company Secretary
27 April 2023

Remuneration Report

Dear Shareholder,

Our 2022 performance was solid, enabled by our talented employees and buffered by our diverse portfolio. While some macro challenges linger, our pipeline remains robust, and we remain committed to delivering differentiated and clinically meaningful products and therapies to patients and physicians around the world. We remain focused on our Strategic Triangle as we navigate high inflation, the continued challenges relating to the cost of our raw materials, supply chain constraints, labour market shortages, and currency rate fluctuations**.** Throughout, we remain appreciative of the efforts and hard work of our employees and management team. While the years since the pandemic continue to be disruptive, our 2022 results highlight the solid performance of our teams around the world, and we remain committed to ensuring our global pay programs remain competitive and reward achievement.

Review of 2022 Performance

In 2022, our Cardiopulmonary net revenue increased 3.6% compared to 2021, with growth mainly occurring in the U.S. and Rest of World regions. Growth was primarily driven by oxygenators due to an increase in cardiac surgery procedures and strength in heart-lung machine placements in the Rest of World region. These gains were partially offset by unfavourable foreign currency fluctuations.

Neuromodulation net revenue increased 4.6% compared to 2021, with growth across all regions. This increase was mainly driven by replacement implants and improved market dynamics. These gains were also partially offset by unfavourable foreign currency fluctuations.

ACS net revenue decreased 29.1% compared to 2021, primarily due to a reduction in patients treated with ECMO related to fewer severe COVID-19 cases, product mix, and hospital-related challenges. The decrease was partially offset by growth in non-COVID-19 cases.

In addition to the above 2022 financial results, management achieved a number of strategic milestones:

- In February 2022, we announced the first patient implanted in the investigational device exemption (IDE) clinical study, OSPREY, which seeks to demonstrate the safety and effectiveness of the LivaNova aura6000 System in treating obstructive sleep apnea.
- In March 2022, we announced the 250th patient implanted in the RECOVER clinical study, which aims to demonstrate the safety and effectiveness of VNS Therapy System as an adjunctive therapy for treatment-resistant depression.
- In April 2022, we launched the Essenz Patient Monitor, a transformative monitoring system that improves clinical efficiency and quality of patient care during cardiopulmonary bypass procedures.
- Additionally, in November 2022 the Company received 510(k) clearance for ECMO from the FDA for its LifeSPARC system, a next-generation Advanced Circulatory Support pump and controller.
- In December 2022, LivaNova received a close-out letter from the FDA for the Warning Letter associated with its Munich manufacturing facility and 3T Heater-Cooler device, which represents the culmination of the Company's corrective actions in this area.

2022 Compensation Review

In February 2022, on the advice of its compensation consultant, Pearl Meyer, the Company’s Compensation Committee reviewed the then sole Executive Director’s (and CEO’s) base salary and elected to increase his base salary by 3% in line with market.

The 2022 Short-Term Incentive Plan (2022 STIP) was 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. In this vein, the 2022 STIP included both financial objectives - Net Sales and Adjusted Net Income (as defined below) and non-financial objectives, as described below. One of the two financial objectives targets was overachieved - Net Sales was achieved at 102.2% versus target, while Adjusted Net Income was underachieved at 89.8% versus target - leading to a payout percentage of 111.1% and 61.9%, respectively. The Non-Financial Goal modifier, established as the sum of multiple independent stretch goals, was overachieved (65% of the Non-Financial Goals were achieved leading to a 107.5% modifier), but since Adjusted Net Income was not achieved, the Non-Financial Modifier remained capped at 100%. Accordingly, the combination of the financial and non-financial goals resulted in an overall 91.4% payout of the 2022 STIP.

The 2022 Long-Term Incentive Plan (2022 LTIP) for our then Executive Director (and CEO) consisted of grants of stock appreciation rights (SARs) with a four-year vesting schedule based on service and a face value of $1.25M, restricted stock units (RSUs) with a four year vesting schedule based on service and a face value of $1.5M and performance stock units (PSUs),

consisting of three separate performance metrics (as detailed further below) with an aggregate face value of $3M at target payout. The Compensation Committee confirmed the same three performance metrics used in the 2021 LTIP, i.e., Return on Invested Capital (ROIC), relative Total Shareholder Return (rTSR), and Adjusted Free Cash Flow (FCF). In 2022, we returned to a 3-year performance period for all three metrics.

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 90.08% of the votes cast by shareholders at our 2022 AGM. The advisory vote on the UK Directors' Remuneration Report regarding executive and non-executive director remuneration also showed strong support with 96.29% approval of the votes cast. The Compensation Committee reviewed shareholder and other stakeholder feedback along with the results of each of these votes, and considered 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 to which LivaNova remains committed.

Review of Non-Executive Director and Committee Fees

Remuneration for our non-executive directors (NED) remained flat from 2015 through 2021. On the advice of Pearl Meyer in 2022, the Compensation Committee recommended to the Board an increase in the grant value of the annual service-based share awards for NEDs of $20,000 (to $130,000 for all NEDs 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 went into effect after the 2022 AGM. In addition, in recognition of the significant and consistent 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, making the fees for this committee commensurate with the Compensation Committee. The change took effect after the 2022 AGM.

On 14 April 2023, the Company announced that Damien McDonald had resigned as Chief Executive Officer and Director and that William Kozy had been appointed as Interim CEO (alongside his role as Chair of the Board) with immediate effect. On 19 April 2023, in connection with the appointment of Mr. Kozy as our Interim CEO, the Board of Directors agreed to appoint the Chair of the Nominating and Corporate Governance Committee, Dr. O'Kane as the Lead Director of the Board. In recognition of the increased responsibilities and time commitment assumed by the Lead Director and per market practice as advised by the Compensation Committee's compensation consultant, the Compensation Committee and Board approved an additional annual retainer fee of $30,000, which will be paid quarterly to the Lead Director from 19 April 2023. As of the time of filing of this Annual Report, the Compensation Committee has not recommended any other changes to non-executive director remuneration.

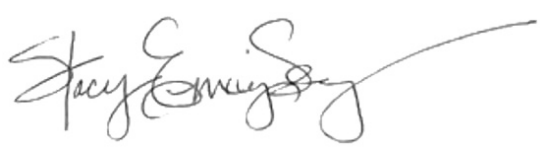
CEO Succession

As noted above, on 14 April 2023, the Company announced that Damien McDonald had resigned as Chief Executive Officer and director and that William Kozy had been appointed as Interim CEO (alongside his role as Chair of the Board) with immediate effect. Mr. McDonald will assist with transition activities until his employment ceases on 31 May 2023. The Board has retained a leading international executive search firm to assist with the search for a permanent CEO.

Moving forward, the Compensation Committee will continue to monitor the development of best practices relating to all remuneration. We are committed to ensuring that our remuneration is strongly linked to performance and strategy execution, ensuring we continue to deliver sustainable value for our shareholders.

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.

I would like to thank my fellow Compensation Committee members for their support throughout the year, and we look forward to your support at our 2023 AGM.



Stacy Enxing Seng
Chair of the Compensation Committee
27 April 2023

How LivaNova Establishes Executive Compensation Levels

The Directors' 2022 Remuneration Policy (the Remuneration Policy), which aims to encourage directors to perform in a consistent, responsible way with the focus on long-term value creation for the Company's shareholders, became effective immediately after approval at the 2022 AGM and can be found on our Investor Relations website (https://investor.livanova.com/financial-information/annual-reports-and-proxies). 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.

LivaNova strives to remain competitive in order to retain key talent, which is essential to the Company's successful operation, and the Compensation Committee continues to monitor the development of best practices relating to remuneration. In keeping with the Remuneration Policy in making executive compensation determinations, the Company relies on several factors to set compensation elements and compensation targets that are consistent with the Company's executive compensation program objectives, which include:

- **Assessment of Individual Performance**

  Individual performance has a strong impact on compensation.

- **CEO**

  Following discussion with the incumbent CEO, the Compensation Committee sets such CEO's performance objectives for the year. The Compensation Committee and the Chair of the Board meet in executive session annually to assess the incumbent CEO's performance against their performance objectives, their contribution to the Company's performance, their ethics and integrity and other leadership attributes. Whilst the Chair of the Board is fulfilling the role of Interim CEO from 14 April 2023, his performance will be assessed by the Compensation Committee.

- **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. The relative achievement of the performance objectives determines substantially all of the payouts under the short-term incentive plan and the lapsing of forfeiture restrictions on performance-based equity 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.

- **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.

2022 Remuneration Report

Total 2022 Remuneration for the Company's then 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]	***Performance-Based Awards ($'000)*** [5]	***Total Variable ($'000)***	***Total ($'000)***
Damien McDonald - 2022	*967*	*92*	*277*	*1,336*	*1,105*	*2,750*	*1,713*	*5,568*	*6,904*
Damien McDonald - 2021	*1,056*	*155*	*386*	*1,597*	*1,884*	*2,750*	*3,396*	*8,030*	*9,627*

**The currency conversion rate used for 2022 is £/$ = 1.23186 (average currency rate for the period 1 January 2022 to 31 December 2022) and for 2021, is £/$ =1.37546 (average currency rate for the period 1 January 2021 to 31 December 2021) .*

(1) In 2022, Damien McDonald was paid a base salary of £768,075 ($946,160) per annum until March 31 and £791,117 ($974,545) per annum from April 1 onwards.

(2) In 2022, the taxable benefits column line include: (i) a car allowance of £17,750 ($21,865), (ii) health insurance amounting to £32,666 ($40,240), (iii) tax assistance amounting to £16,235 ($20,000) and (iv) London hotel reimbursement, in accordance with the Company's travel policy, for £8,433 ($10,388).

(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 (13.8% from 1 Jan 2022 to 5 April 2022 and after 6 November 2022, and 15.05% between 6 April 2022 and 5 November 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)" section below.

(5) Because of LivaNova's strong U.S. nexus (listing and shareholding base), the 2022 Long-Term Incentive Plan (2022 LTIP) allows for the grant of service-based awards that have no performance requirement and that vest subject to continued service in tranches over one or more years or by cliff vesting, as well as awards with a performance requirement. Due to the difference in design of the 2022 LTIP versus a typical long-term incentive plan in the United Kingdom and in order to provide optimal transparency, LivaNova has created separate columns for such service-based awards and performance-based awards. Amounts recorded in the "Service-Based Awards" column are equal to the full grant date value of the equity awards (Award Value) (whether in the form of 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). Meanwhile, the "Performance-Based Awards" column refers to performance-based awards. No discretion was exercised as a result of any share price appreciation or depreciation in determining the level of the awards.

Awards approved in 2022

- *On 30 March 2022, the Compensation Committee approved an award of service-based SARs with a value of $1,250,000 (35,483 SARs with an exercise price of $82.04 per SAR) 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 (2022) in the Service-Based Awards column, at their grant date value. LivaNova records the Compensation Committee-approved value ($1,250,000) for the SARs. Mr. McDonald has forfeited any entitlement to these awards as a result of his resignation, which was announced by the Company on 14 April 2023.*
- *On 30 March 2022, the Compensation Committee approved an award of three types of PSUs as follows. However, Mr. McDonald has forfeited any entitlement to these awards as a result of his resignation, which was announced by the Company on 14 April 2023.*
    - *Relative Total Shareholder Return Performance Stock Units (rTSR PSUs): Mr. McDonald received 18,283 PSUs subject to a relative total shareholder return market condition. If Mr. McDonald were employed at the end of calendar year 2024, the Company's rTSR for the three-year period 2022 through 2024 would have been compared to the rTSR for a comparator group of 29 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 table above.*
    - *FCF Performance Stock Units (FCF PSUs): Mr. McDonald received 9,141 FCF PSUs subject to achievement of a three-year cumulative adjusted FCF target and to his continued employment. If Mr. McDonald were employed at the end of calendar year 2024, the Company's adjusted FCF for the three-year period 2022 through 2024 would have been compared to the target, with adjusted FCF 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 2022 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. 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. As the performance condition is informed by future data unknown to us at this time, this grant is not included in the table above.*
    - *Return on Invested Capital Performance Stock Units (ROIC PSUs): Mr. McDonald received 9,141 ROIC PSUs subject to achievement of a three-year ROIC target and to his continued employment. If Mr. McDonald were employed at the end of calendar year 2024, the Company's ROIC for the three-year period 2022 through 2024 would have been compared to the target ROIC. 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. As the performance condition is informed by future data unknown to us at this time, this grant is not included in the table above.*
- *A portion of the PSUs granted on 30 March 2020 vested in February 2023 with respect to performance met in the 3-year period 2020-2022. The award value of each of the two different types of PSU granted on 30 March 2020 was $1,500,000:*
    - *FCF Performance Stock Units (FCF PSUs): Mr. McDonald received 34,427 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 (including ImThera and TandemLife), 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 (Caisson, ImThera, TandemLife and future acquisitions), divestitures (CRM and future divestitures) and settlements and judgments in significant and unusual litigation(including 3T heater-cooler litigation). The Compensation Committee determined the number of FCF PSUs awarded by dividing the award value by the closing price and rounding down to the nearest whole unit. At the end of 2022, cumulative adjusted FCF for the period 2020 through 2022 was compared to the full cash flow target. The achievement percent for the FCF PSUs was 65.3% which is a payout percent of 30.7%. The Compensation Committee agreed with management's determination that the Company's FCF for the years 2020-2022 was $343 million, resulting in an achievement of 65.3% of the FCF Target for the FCF PSUs and vesting of 30.7% of the underlying PSUs. The number of FCF PSU vested was 10,569. The Fair Market Value for these vested PSUs was $507,206 using the stock price on the vest date of 27 February 2023 of $47.99. As the latest available price as of grant date was $43.57, the amount of $507,206 includes a share appreciation of $46,715. The tables below provide the FCF PSU payout calculations:

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

	Total
Actual ($M)	343
Target ($M)	525
Achievement	65.3%
Award Funded	30.7%

- *Relative Total Shareholder Return Performance Stock Units (rTSR PSUs): Mr. McDonald received 34,427 PSUs subject to a relative total shareholder return market condition. At the end of calendar year 2022, the Company's rTSR for the three-year period 2020 through 2022 was compared to the rTSR for a comparator group of 24 companies selected by the Compensation Committee on the advice of its compensation consultant. The Compensation Committee agreed with management's determination that the Company's 2020-2022 TSR ranked at the 41st percentile of the peer group resulting in a vesting of 73% of the underlying RSUs for each rTSR PSU. The number of rTSR PSU vested was 25,131. The Fair Market Value for these vested rTSR PSUs was $1,206,037 using the stock price on the vest date of 27 February 2023 of $47.99. As the latest available price as of grant date was $43.57, the amount of $1,206,037 includes a share appreciation of $111,079. The tables below provide the rTSR PSU payout calculations.*

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

Short-Term Incentive Plan - Executive Director (Audited)

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

Under English Company law, LivaNova is obliged to adopt a remuneration policy for the Company's directors, including the Company's CEO, who is also a director. Under that shareholder-approved Remuneration Policy, the Company's incumbent CEO's maximum short-term incentive cannot exceed 200% of base salary. The Compensation Committee approved a lower maximum of 160% for Mr. McDonald in 2022.

The table below shows the minimum and maximum achievement of the target payout under the 2022 STIP:

	2022 STIP Minimum (Percentage of Base Salary)	2022 STIP Target (Percentage of Base Salary)	2022 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 2022 STIP were as follows:

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, funding for that objective is scaled down or up for underachievement or overachievement, respectively, of the objective, as follows:

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

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

"Net Sales" is defined as the Company's net sales for 2022 at budgeted currency exchange rates, excluding net sales from any acquisitions in 2022. "Adjusted Net Income" is defined as the Company's 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.

Bonuses are based on the Company's performance over the calendar year, which is also the Company's financial year, and are generally paid in April of the following year after completion of the audit of the Company's annual financial statements. This payment is not affected by Mr. McDonald's resignation, which was announced by the Company on 14 April 2023. The Company's performance in 2022, as defined by the 2022 STIP, was as follows:

Financial Objectives	**Weight (%)**	**Target ($M)**	**Achievement ($M)**	**Achievement (%)**	**Financial Payout (% vs target)**
Net Sales	60%	1,047.1	1,070.4	102.2%	111.1%
Adjusted Net Income	40%	143.8	129.2	89.8%	61.9%

Non-Financial Objectives:

LivaNova's non-financial goal achievement for 2022 resulted in 65% achievement. As these non-financial goals are intended to be aspirational goals, achievement above 50% of the weighted goals would have resulted in a 107.5% non-financial modifier of the Company's STIP payout, based on the following table:

Non-Financial Goal Modifier	
Achievement %	Payout % of target
—%	75%
Linear Interpolation	
50%	100%
Linear Interpolation	
100%	125%

However, as the Company's 2022 Adjusted Net Income target was not achieved, the modifier is capped at 100%.

The table below provides for the description of the Company's Non-Financial Goals achievements:

Business Area	Description	Achievement	Achievement description	Weight (%)	Achievement (%)
DTD	First interim analysis completed for the Unipolar cohort by target date	Achieved	250th Unipolar patient randomized into the study by target date which triggered the first interim analysis	15%	15%
	First interim analysis initiated for Bipolar cohort in the RECOVER study upon randomizing target number of bipolar patients by target date	Not Achieved	Target number of bipolar patients unmet due to focus on achieving a successful Unipolar interim analysis	10%	0%
HF	First interim analysis completed by end target date	Achieved	Interim analysis completed by target date	10%	10%
	Either - Pre-Market Approval (PMA) Clinical Module submitted by target date (if first IA hits criteria); or - Randomized target patients by target date	Achieved	Because the conditions for PMA filing were not met at the initial interim analysis, this goal becomes "Randomize target patients by target date." The target number of randomized have been achieved by the target date	5%	5%
OSA	Target number of randomized patients by target date	Not Achieved	Target number of patients not achieved by the target date	10%	0%
Epilepsy	Three key milestones in R&D to be completed by target date, each weighted 5%.	Achieved	All milestones achieved by the target date	15%	15%
CP	Essenz CE Mark submission completed by target date	Achieved	Essenz CE Mark was submitted by target date	10%	10%
	Essenz FDA submission completed by target date	Achieved	Essenz CE Mark was submitted by target date	10%	10%
ACS	510K regulatory clearance of LifeSPARC pump ECMO, Cannula and Oxygenator by target date, each weighted 5%	Not Achieved	Clearance was either obtained after the target date or not obtained	15%	0%
Total				100%	65%

Business Performance Factor:

As a result of achievement on Financial and Non-Financial objectives, the Business Performance Factor for 2022 resulted in a payout of 91.4% of the target.

Percentage Change in Director Remuneration Compared to Other Employees

The table below reflects a comparison between the percentage change in remuneration of the Company's directors between 2022 and 2021, 2021 and 2020, and 2020 and 2019 in comparison with that of the employees of LivaNova PLC:

	Change in 2022 against 2021 (%)			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 %	Base salary change %	Benefits change %	Annual Cash Bonus change %
Damien McDonald [(1)]	+2.25%	(33)%	(41)%	+1%	(21)%	N/A	+5%	(11)%	(100)%
William Kozy	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A
Stacy Enxing Seng	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A
Todd Schermerhorn	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A
Francesco Bianchi	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A
Dr. Sharon O'Kane	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A
Peter Wilver	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Brooke Story	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Daniel J. Moore	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A
Andrea Saia	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A
Alfred J. Novak	(55)%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A
Dr. Arthur L. Rosenthal	(55)%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A
Average for all employees	+3%	+1%	(11)%	+3%	+10%	+223%	+3%	+2%	(16)%

(1) The calculation of the base salary, benefits and bonus 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 Company's directors remuneration year over year. "N/A" is used if a change is inapplicable because the director started in the current year, if the number was zero in the prior year (as in the case of Mr. McDonald's bonus in 2020) or if the comparison is not meaningful (e.g., comparison between taxable travel expenses year over year).

With respect to Mr. McDonald, the change in salary is due to annualization of the base salary approved in April 2022 (a 3% increase versus the base salary for the first three months of 2022). Mr. McDonald did not receive any salary increase prior to April 2022, since 2021. The change in benefits reflects a decrease in school allowance and accommodation allowance per Mr. McDonald's employment service agreement as well as a lack of immigration assistance in 2022 as compared to 2021. The change in annual cash bonus is calculated based on the 2022 versus 2021 payout in GBP. As for the directors, the table considers an annualized annual basic fee; in 2022, there was no change in basic annual fees. By comparison, the remaining employees of LivaNova PLC, other than the Executive Leadership Team, received in 2022 an average base salary increase of 3% and an average taxable benefit increase of 1%. Employees in LivaNova received an average base salary increase of 3% and an average annual bonus payout decrease of 16% versus 2020. The average annual cash bonus payout was 107% in 2022 versus 134% in 2021.

Single Total Figure of Remuneration - Chair and Non-Executive Directors (Audited)

	Basic Annual Fee		Additional Fee		Benefits		Total Fixed		Service-Based Share Awards		Total	
	($'000) [1] [4]		($'000) [1]		($'000) [2]		($'000)		($'000) [3]		($'000)	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
William Kozy	110	110	75	44	7	1	192	155	205	185	397	340
Stacy Enxing Seng	110	110	20	15	3	—	133	125	130	110	263	235
Todd Schermerhorn	110	110	30	23	3	—	143	133	130	110	273	243
Francesco Bianchi	110	110	23	23	6	—	139	133	130	110	269	243
Dr. Sharon O'Kane	110	110	18	15	5	—	133	125	130	110	263	235
Peter Wilver	60	—	13	—	3	—	76	0	130	—	206	0
Brooke Story	32	—	2	—	—	—	34	0	96	—	130	0
Daniel J. Moore	110	110	7	37	20	1	137	148	130	110	267	258
Andrea Saia	110	110	22	21	18	1	150	132	130	110	280	242
Alfred J. Novak	50	110	10	23	4	—	64	133	—	110	64	243
Dr. Arthur L. Rosenthal	50	110	4	13	3	—	57	123	—	110	57	233

(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 $20,000 for such service ($15,000 until the 2022 AGM). A non-employee director serving as a member of the NCG Committee (other than the Chair) shall receive an additional annual retainer of $8,000 ($6,000 until 2022 AGM) for such service.

The amounts of the Basic Annual Fee and the Additional Fee for Mr. Rosenthal and Mr. Novak reflect the fees earned pro-rata until the 2022 AGM. The amounts of the Basic Annual Fee and the Additional Fee for Mr. Wilver reflect the fees earned since the 2022 AGM. The amounts of the Basic Annual Fee and the Additional Fee for Ms. Story reflect the fees earned since her appointment.

(2) The amounts refer to expense reimbursements for the directors to exercise their role which are considered taxable under UK tax legislation. For Non-UK resident directors, tax treatment of expenses changes depending on the start of director duties in the UK.

(3) An annual award of RSUs, granted on 15 June 2022 and vesting on 15 June 2023, with a value of $130,000, plus an additional value of $75,000 for the Chair.

(4) 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.

2022 LTIP (Audited)

The 2022 LTIP is comprised of both performance-based and service-based awards. The awards received by Mr. McDonald under the 2022 LTIP are explained below. However, Mr. McDonald has forfeited any entitlement to his 2022 LTIP awards as a result of his resignation, which was announced by the Company on 14 April 2023:

Service Based Awards

Service-Based Restricted Stock Units	***Service-Based Stock Appreciation Rights***
Mr. McDonald received 18,283 service-based RSUs vesting subject to his continued employment 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 ($82.04) of an ordinary share of the Company's stock on the NASDAQ Global Market (Nasdaq) as of the grant date and rounding down to the nearest whole unit.	*Mr. McDonald received 35,483 SARs vesting subject to his continued employment 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 ($35.228) based on the most recent closing price and rounding down to the nearest whole unit.*

Performance Based Awards:

Relative Total Shareholder Return Performance Stock Units

Mr. McDonald received 18,283 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 most recent closing price ($82.04) and rounding down to the nearest whole unit. At the end of calendar year 2024, subject to continued employment, the Company's rTSR for the three-year period 2022 through 2024 will be compared to the rTSR for a comparator group of 29 companies selected by the Compensation Committee on the advice of its compensation consultant, Pearl Meyer, and the number of shares of the Company's 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 2022 rTSR Peer Group includes:

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	

Subject to continued employment, the following parameters will be used to determine rTSR for the three-year period ending 31 December 2024:

- 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 companies in the comparator group; and
  - Compute LivaNova's discrete percentile rank, which is inclusive of LivaNova's TSR (using Excel: *PERCENTRANK* function).
- Comparator Group Governance:
  - Measured against comparator group at the beginning of the performance period; and
  - Companies acquired or delisted during the performance period are excluded.

Adjusted FCF Performance Stock Units

Mr. McDonald received 9,141 PSUs subject to achievement of a three-year cumulative adjusted FCF target and to his continued employment. 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 ($82.04) and rounding down to the nearest whole unit. Subject to continued employment, the PSUs are scheduled to vest or lapse on 30 March 2025 based on how the Company's adjusted FCF for fiscal year 2022-2024 compares to target, and the number of shares of the Company's 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 less cash used for the purchase of property, plant and equipment excluding the impact of 3T litigation settlement payments, Coronavirus Aid, Relief and Economic Security Act ("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, non-recurring, unusual or infrequent charges, expenses or gains, including associated expenses, that may not be indicative of the Company's core business.

Given that adjusted free cash flow is a key measures of company value, the Board considers the actual target amounts to be too commercially sensitive for disclosure. The Compensation Committee planned to disclose the target amounts after the publication of the Company's 2025 financial results, but as Mr. McDonald has forfeited any entitlement to these awards as a result of his resignation on 14 April 2023, this disclosure is no longer relevant.

ROIC Performance Stock Units

Mr. McDonald received 9,141 PSUs subject to achievement of a three-year cumulative adjusted ROIC target and to his continued employment. 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 in ROIC PSUs by the closing price ($82.04) and rounding down to the nearest whole unit. Subject to continued employment, the PSUs are scheduled to vest or lapse on 30 March 2025 based on how the Company's ROIC for the period 2022-2024 compares to target, and the number of shares of the Company's stock actually delivered to the participants will be determined by the following chart, with linear interpolation applied between specified levels.

2022-2024 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%

Given that ROIC is a key measure of company value, the Board considers the actual target amounts to be too commercially sensitive for disclosure. The Compensation Committee planned to disclose the target amounts after the publication of the Company's 2025 financial results, but as Mr. McDonald has forfeited any entitlement to these awards as a result of his resignation on 14 April 2023, this disclosure is no longer relevant.

2022 Schemes Interests Awarded (Audited)

Director	Face Value of Award ($)(1)	No. of Shares Subject to the Award (2)	Percentage if minimum performance is met for Performance Awards (3)	Closing Share Price on Date of Award (for Face Value Calculation) ($) (4)	Expiry of Performance Period	Basis of Award	Type of Award and Performance Criteria
Damien McDonald	2,999,875	36,566	40%	82.04	31/12/2024	Fixed value	rTSR PSUs (2) (5)
Damien McDonald	1,499,855	18,282	20%	82.04	31/12/2024	Fixed value	FCF PSUs (2) (5)
Damien McDonald	1,499,855	18,282	50%	82.04	31/12/2024	Fixed value	ROIC PSU (2) (5)
Damien McDonald	1,499,937	18,283		82.04	N/A	Fixed value	Time-Based Vesting RSUs
Damien McDonald	1,249,995	35,483		35.228	N/A	Fixed value	Time-Based Vesting SARs
Damien McDonald Total Face Value 2022 Awards	8,749,518						
William Kozy	204,987	3,284		62.42	N/A	Fixed value	Time-Based Vesting RSUs
Daniel J. Moore	129,958	2082		62.42	N/A	Fixed value	Time-Based Vesting RSUs
Francesco Bianchi	129,958	2082		62.42	N/A	Fixed value	Time-Based Vesting RSUs
Dr. Sharon O'Kane	129,958	2082		62.42	N/A	Fixed value	Time-Based Vesting RSUs
Andrea Saia	129,958	2082		62.42	N/A	Fixed value	Time-Based Vesting RSUs
Stacy Enxing Seng	129,958	2082		62.42	N/A	Fixed value	Time-Based Vesting RSUs
Todd Schermerhorn	129,958	2082		62.42	N/A	Fixed value	Time-Based Vesting RSUs
Peter Wilver	129,958	2082		62.42	N/A	Fixed value	Time-Based Vesting RSUs
Brooke Story	96,134	1725		55.73	N/A	Fixed value	Time-Based Vesting RSUs

(1) Face Value of RSU awards calculated using the most recent closing market price of an ordinary share of the Company's stock on Nasdaq on the date of grant. Face Value of PSU awards represent the maximum number of PSUs (200% of target) multiplied by the most recent closing market price of an ordinary share of the Company's stock on Nasdaq on the date of grant. SARs awarded to Mr. McDonald are calculated by dividing the award value by the Black-Scholes value of a SAR based on the date of grant ($35.228). With respect to 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 Face Value.

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

(3) PSU details are found in the section above entitled, 2022 LTIP.

(4) For SARs awards, this represent the Black-Scholes value of 1 SAR on the date of grant.

(5) Mr. McDonald has forfeited any entitlement to these awards as a result of his resignation, which was announced by the Company on 14 April 2023.

Payments Made to Past Directors (Audited)

The Company did not make any payments in 2022 to past directors.

Payments Made For Loss of Office (Audited)

The Company did not make any payments for loss of office in 2022. Our Remuneration Report for the year ending 31 December 2023 will address any payments made to Mr. McDonald in respect of the termination of his employment on 31 May 2023.

Executive and Non-Executive Directors' Shareholdings (Audited)

To align the interests of the Company's executive and non-executive directors to those of the Company's 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 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 received in excess of the Stock Ownership Threshold 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

In October 2022, in response to stockholder and proxy advisor feedback and with input from the Company's independent compensation consultant on market practices, the Compensation Committee amended the definition of the "qualifying equity ownership" used for purposes of the Company's stock ownership requirements, so that it comprises common stock owned by the individual or held jointly with the individual's spouse or children, and unvested time-based restricted stock units owned by the individual, in each case valued at the closing price of the Company's stock on the measurement date. The amended definition does not include unexercised stock options (even if vested) or any unearned performance stock units.

As of 31 December 2022, based on a stock price of $55.54, two of the Company's Board members, Mr. Moore and Ms. Saia and the Company's then CEO, Damien McDonald, had achieved the Stock Ownership Threshold.

Share Ownership as of 31 December 2022

Director	Ordinary Shares	Ordinary Shares underlying Stock Options	Ordinary Shares underlying SARs	Ordinary Shares underlying RSUs	Ordinary Shares underlying PSUs
Damien McDonald (1)	83,749	—	367,725	90,032	125,896
William Kozy	8,470	—	—	3,284	—
Daniel J. Moore (2)	25,896	103,249	—	2,082	—
Francesco Bianchi	6,540	—	—	2,082	—
Stacy Enxing Seng	5,013	—	—	2,082	—
Dr. Sharon O'Kane	6,971	—	—	2,082	—
Todd Schermerhorn	2,334	—	—	2,082	—
Andrea Saia	8,008	—	—	2,082	—
Peter Wilver	—	—	—	2,082	—
Brooke Story	—	—	—	1,725	—
Alfred J. Novak (3)	12,617	—	—	—	—
Dr. Arthur L. Rosenthal (3)	23,606	—	—	—	—

(1) The 125,896 PSUs represent the target number of PSUs. The maximum number of PSUs is 251,792.

(2) The 103,249 Ordinary Shares underlying the Stock Options are comprised of 46,626 Ordinary Shares underlying Stock Options with an exercise price of $51.90 and 56,623 Ordinary Shares underlying Stock Options with an exercise price of $57.39, granted respectively on 15 June 2013 and 15 June 2014 by Cyberonics to Mr. Moore in his capacity as CEO. These Stock Options were then converted into LivaNova Stock Options on 19 October 2015, the date of the merger of Sorin and Cyberonics to form LivaNova. Mr. Moore is the only non-executive director who holds Stock Options, all of which have vested and are exercisable. However, none of the 103,249 Stock Options were exercised during the 2022 financial year.

(3) 12,617 and 23,606 Ordinary Shares owned represent the number of shares owned respectively by Mr. Novak and Rosenthal as a result of vesting on 15 June 2022 in connection with their resignation as directors on 13 June 2022.

Relative Importance of Spend on Pay

The following table sets out the total amounts spent in the year ended 31 December 2022 and the year ended 31 December 2021 on remuneration paid to employees and distributions (comprised of share buybacks and dividends) to shareholders.

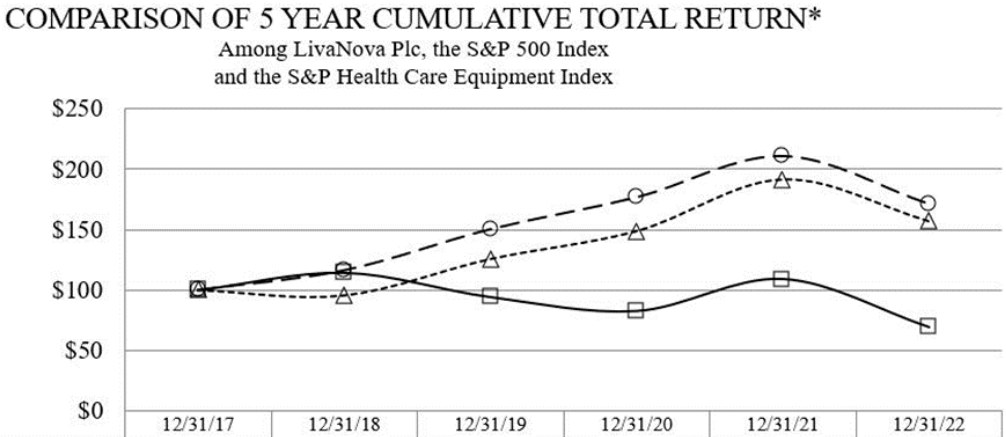
$ thousands	Year Ended 31 December 2022	Year Ended 31 December 2021	% change
Employee remuneration	408,698	476,560	(14)%
Share buybacks	—	—	N/A
Dividend	—	—	—%

Because LivaNova has fewer than 250 UK employees, it is exempt from disclosing the CEO pay ratio.

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 2022, 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.



	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22
LivaNova Plc	100.00	114.45	94.38	82.85	109.40	69.49
S&P 500	100.00	95.62	125.72	148.85	191.58	156.89
S&P Health Care Equipment Index	100.00	116.24	150.32	176.83	211.05	171.25

*$100 invested on 12/31/17 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

CEO Total Compensation

	Year Ended 31 December 2022	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 $)	6,904	9,627	4,594	4,077	9,499	4,065	1,968
Annual Bonus Award (as a % of Maximum) [1]	57%	89%	—	16%	66%	57%	53%
Vesting of Long-Term Performance Awards (as a % of Maximum) [2]	52%	8%	14%	—	100%	—	25%

(1) In 2018, Damien McDonald received a pay-out of 105% which represented 60% of the maximum payable, which was set at 160% of his base salary. In 2019, he received a payout of 25% which represented 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 represented 89% of the maximum payable which was set at 160%. In 2022, he received a payout of 91.4% which represented 57% of the maximum payable which was set at 160%. Please see the "Short-Term Incentive Plan - Executive Director (Audited)" 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%. In 2022, 25,131 rTSR PSU (73% of the target) and 10,569 FCF PSU (30.7% of the target) vested, together being 52% of the target PSUs.

(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 effective 31 December 2016.

Because LivaNova has fewer than 250 UK employees, it is exempt from disclosing the CEO pay ratio.

2023 Salary and STIP

Mr. McDonald

On 15 February 2023, prior to Mr. McDonald's resignation, the Compensation Committee agreed to maintain Mr. McDonald's base salary in 2023. The Committee also agreed that the 2023 STIP % at target would remain the same as the previous year. However, Mr. McDonald has forfeited any entitlement under the 2023 STIP as a result of his resignation on 14 April 2023.

	2023 Base Salary (GBP)	Increase from 2022	2023 STIP at Target (% base salary)	Change from 2022
Damien McDonald	791,117	—%	125%	—

If Mr. McDonald were to be employed at the bonus payment date in April 2024, payment of the target bonus amount would be subject to the achievement of certain financial and non-financial objectives, as described below:

Business Payout	=	Target Bonus	X	Business Performance Factor

The Business Performance Factor was to be calculated according to 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, 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 the Company's net sales for 2023 at budgeted currency exchange rates, excluding net sales from any acquisitions in 2023. "Adjusted Net Income" is defined as the Company's 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.

The non-financial objectives comprise strategic milestones in clinical, regulatory, R&D and system capability that will drive revenue generation beyond 2023. The sum of the weight of each achieved goal represents the achievement of the Non-Financial Goals Modifier.

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	
50%	100%*
Linear Interpolation*	
100%	125%*

*Non-Financial Goal Modifier may be capped at 100% if adjusted Net Income target is not achieved

Mr. Kozy

Following the resignation of Mr. McDonald on 14 April 2023, Mr. Kozy became our sole Executive Director and was appointed Interim CEO on that same date. On 19 April 2023, the Compensation Committee agreed a remuneration package for Mr. Kozy in his role as Interim CEO, which is intended to reflect his expanded role and responsibilities. Mr. Kozy's 2023 base salary and any 2023 STIP pay-out will be prorated based on his start and end dates.

	2023 Base Salary (USD)	**Increase from 2022**	**2023 STIP at Target**	**Change from 2022**
William Kozy	$975,000	N/A	110%	N/A

Any payout under the 2023 STIP is conditioned on continued employment and on the achievement of the same financial and non-financial objectives as are described above for Mr. McDonald. Given that Net sales and Adjusted Net Income are key measures of company value, the Board considers the actual target amounts of both objectives to be too commercially sensitive for disclosure. The Board also considers the non-financial goals to be too commercially sensitive for disclosure. Accordingly, the Compensation Committee will disclose these after the publication of the Company's 2023 financial results.

The table below shows the minimum and maximum achievement of the target payout under the 2023 STIP, subject to continued employment.

	Minimum	**Maximum (1)**
William Kozy [(1)]	0%	181.8%

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

2023 LivaNova Long-Term Incentive Plan (2023 LTIP)

Mr. McDonald

On 27 March 2023, the Compensation Committee approved the Company's 2023 LTIP for the Company's then CEO, Damien McDonald. Pursuant to the 2023 LTIP, the Compensation Committee approved an equity award value comprised of five different award vehicles for Mr. McDonald with an effective date of 30 March 2023, as described below. However, Mr. McDonald has forfeited any entitlement to these awards as a result of his resignation on 14 April 2023.

	RSUs ($)	SARs ($)	rTSR PSUs ($)	FCF PSUs ($)	ROIC PSUs ($)
Damien McDonald	1,625,000	1,625,000	1,625,000	812,500	812,500

Service-Based Awards:

RSUs

Mr. McDonald received an award of service-based RSUs vesting, subject to continued employment, 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 the Company's 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, subject to continued employment, 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 values of a SAR on the grant date and rounding down to the nearest whole unit.

Performance-Based Awards:

rTSR PSUs

Mr. McDonald received an award of PSUs subject to a three-year rTSR market condition and to continued employment. At the end of calendar year 2023, subject to continued employment, the Company's TSR for the three-year period 2023 through 2025 would have been compared to the TSR for a group of 27 companies (the 2023 rTSR Comparator Group) selected by the Compensation Committee's compensation consultant, Pearl Meyer, and the number of shares of the Company's stock actually delivered to Mr. McDonald would have been 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 2023 rTSR Comparator Group:

Avanos Medical, Inc.	iRhythm Technologies, Inc.
Boston Scientific Corporation	Masimo Corporation
CONMED Corporation	Medtronic plc
DexCom, Inc.	Merit Medical Systems, Inc.
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	

FCF PSUs

Mr. McDonald received an award of PSUs subject to achievement of a three-year cumulative adjusted FCF Target and to continued employment. These FCF PSUs were subject to a three-year cliff vesting period. At the end of calendar year 2024, subject to continued employment, adjusted FCF measurement for the year would have been compared to the adjusted FCF Target,

and the number of shares of the Company's stock actually delivered to Mr. McDonald would have been 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 Q4 and full year 2022 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 planned to disclose the target amounts after the publication of the Company's 2025 financial results, but as Mr. McDonald has forfeited any entitlement to these awards as a result of his resignation on 14 April 2023, this disclosure is no longer relevant.

Return on Invested Capital PSUs

Mr. McDonald received an award of PSUs subject to achievement of a three-year average minimum threshold ROIC Target and to continued employment. At the end of calendar year 2025, subject to continued employment, ROIC measurement for the year would have been compared to the ROIC Target, and the number of shares of the Company's stock actually delivered to Mr. McDonald would have been 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.

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

- NOPAT is defined as the Company's adjusted operating income less share-based compensation expense and is tax affected by our adjusted tax rate. Adjusted operating income and adjusted tax rate are Non-GAAP measures, provided in conjunction with the issuance of our quarterly earnings press release.
- Invested capital is defined as operating working capital plus other net operating assets. It excludes restricted cash, derivative assets and liabilities, long-term debt and accrued legal settlements related to our 3T matter.

The Board considers the actual target amounts to be too commercially sensitive for disclosure. The Compensation Committee planned to disclose the target amounts after the publication of the Company's 2025 financial results, but as Mr. McDonald has forfeited any entitlement to these awards as a result of his resignation on 14 April 2023, this disclosure is no longer relevant.

Mr. Kozy

RSUs

On 19 April 2023, in connection with Mr. Kozy becoming our sole Executive Director and being appointed Interim CEO, the Compensation Committee agreed to a one-time grant of service-based RSUs with a grant date fair value of $500,000. This grant will replace the annual RSU grant that Mr. Kozy would have received in June 2023 had he remained a non-executive director.

Subject to the continuation of Mr. Kozy's role as Interim CEO, the RSUs will vest six months from his start date, i.e., on 14 October 2023. The Compensation Committee determined that this vesting period is both appropriate and necessary to meet the individual circumstances of Mr. Kozy's interim role, which is expected to continue until the earlier of the commencement of employment of a successor Chief Executive Officer and the six-month anniversary of his start date. The Compensation Committee will determine the number of RSUs subject to the award by dividing the award value by the most recent closing price of an ordinary share of the Company's stock on Nasdaq as of the grant date and rounding down to the nearest whole unit.

2023 Service-Based Share Awards and Committee Fees for Non-Executive Directors

In connection with the appointment of Mr. Kozy as our Interim CEO alongside his role as Chair of the Board, the Board of Directors agreed on 19 April 2023 to appoint the Chair of the Nominating and Corporate Governance Committee, Dr. O'Kane, as the Lead Director of the Board. In recognition of the increased responsibilities and time commitment required of this role and based on market practice, as advised by the Compensation Committee's independent compensation consultant, the Compensation Committee and Board approved an additional annual retainer fee of $30,000, to be paid quarterly to the Lead Director. As of the time of filing of this Annual Report, the Compensation Committee has not recommended any other changes to non-executive director remuneration.

Role of the Compensation Committee and Members

The Chair of the Compensation Committee is Stacy Enxing Seng, and the other members of the Compensation Committee are Peter Wilver and Francesco Bianchi, all of whom are non-executive directors that the Company considers to be independent. Ms. Enxing Seng joined the Compensation Committee in 2019 and became Chair in 2021. Mr. Bianchi has served on the Compensation Committee since 19 October 2015. Mr. Wilver has served on the Compensation Committee since 2022. 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 Company's incumbent CEO and to assess the incumbent CEO's performance annually in light of such goals and objectives and then to determine and approve the incumbent CEO's compensation level based on this evaluation. The incumbent CEO is not present during discussions about their own compensation. The Compensation Committee has authority to determine and approve the compensation of all other executive officers. 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 incumbent CEO and other executive officers.

Role of the Independent Compensation Consultant

The Compensation Committee has the sole authority to retain (and terminate the retainer of) a compensation consultant to assist with its responsibilities, as well as the sole authority to approve the consultant's fees, which the Company will then pay. For 2022, the Compensation Committee directly engaged an independent compensation consultant, Pearl Meyer & Partners, LLC ("Pearl Meyer"), to advise on competitive pay practices, recommend a peer group for compensation purposes, provide market data and assist the Compensation Committee in the analysis of that data.

The Compensation Committee selected Pearl Meyer based on its global expertise. During 2022, Pearl Meyer did not perform any services for the Company, any of the Company's executive officers or other employees. Based on these factors, the Compensation Committee's evaluation of Pearl Meyer's independence pursuant to the requirements approved and adopted by the SEC and Nasdaq and information provided by Pearl Meyer, the Compensation Committee determined that the work performed by Pearl Meyer did not raise any conflicts of interest and that the advice the Compensation Committee received from Pearl Meyer was objective and independent.

The Company paid Pearl Meyer a total of $121,972 for the services indicated above for 2022, 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

LivaNova's non-executive directors do not have service contracts; they are elected for a one-year term. The Company's one Executive Director (CEO) during 2022 was employed under an indefinite term service contract, which was terminated by mutual agreement with effect from 31 May 2023. The Company's Interim CEO is employed by LivaNova USA Inc., a wholly owned

subsidiary of the Company, under an employment letter dated 19 April 2023, which will continue in force until the earlier of the commencement of employment of a successor Chief Executive Officer and 14 October 2023, subject to the Board exercising its discretion to extend the term until 14 April 2024 (or such earlier date as determined by the Board). This contract may also be terminated by either party with one month's prior written notice.

Statement of Voting at Prior Annual General Meetings

At the 2022 AGM held on 13 June 2022, votes on the advisory vote to approve the Remuneration Report were as follows:

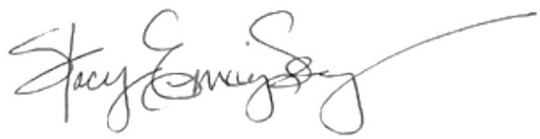
To approve, on an advisory basis, the UK Directors' Remuneration Report in the form set out in the Company's Annual Report and Accounts (Annual Report) for the period ended 31 Dec 2021			
Votes	**For**	**Against**	**Abstentions**
	42,298,430	1,601,234	30,114
Percentages %	96.29	3.64	0.07

LivaNova's Remuneration Policy was last approved by shareholders at the 2022 AGM held on 13 June 2022. The results are below and the policy is available on the Investor Relations page of the Company's website at *www.livanova.com.*

To approve the Directors' Remuneration Policy			
Votes	**For**	**Against**	**Abstentions**
	43,264,007	635,048	30,723
Percentages %	98.48	1.45	0.07

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.



Stacy Enxing Seng
Chair of the Compensation Committee
27 April 2023

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 2022 and of the Group's loss, the Company's profit 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, including 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 2022 UK Annual Report (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheet as at 31 December 2022; the Consolidated Statement of (Loss) Income, the Company Statement of Income (Loss), 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 in three operating segments through a legal entity structure with distribution to over 100 countries, which are managed as a number of components. Our audit focuses on five 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 66% of the Group's net revenue and 91% of the Group's loss before tax on an absolute basis.

Key audit matters

- Recoverability of the goodwill carrying values of the Obstructive Sleep Apnea and Advanced Circulatory Support cash generating units (Group)
- Recoverability of the carrying value of investments in subsidiaries (Company)

Materiality

- Overall Group materiality: $8 million (2021: $6 million) based on approximately 0.8% of total net revenue.
- Overall Company materiality: $36 million (2021: $37 million) based on approximately 1% of total assets.
- Performance materiality: $6 million (2021: $4.5 million) (Group) and $27 million (2021: $27 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.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Recoverability of the goodwill carrying values of the Obstructive Sleep Apnea and Advanced Circulatory Support cash generating units ('CGUs') (Group) *Refer to Notes 2 and 11 in the Group financial statements* At 31 December 2022, the Group had goodwill of $453.8 million (2021: $579.8 million). 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. An impairment charge is recognised when the carrying value of the CGU exceeds its 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. There is significant estimation uncertainty in calculating the recoverable amount of CGUs, including management's view of future cash flow forecasts, external market conditions, such as future pricing and profitability, useful economic life, timing and probability of regulatory success, and the most appropriate discount rate. In respect of the two CGUs outlined below, this represented an area of heightened risk. The extent of audit risk increases where the carrying value is larger and the level headroom over the carrying value is limited. On this basis the Obstructive Sleep Apnea ('OSA') CGU, with associated goodwill of $82.6, is considered a key audit matter. In addition, the revenue for LivaNova's Advanced Circulatory Support ('ACS') reporting unit had declined compared to the prior year period, primarily as a result of a reduction in severe COVID-19 cases, hospital-related challenges and product mix. Furthermore, future revenue projections were reduced. Based on the assessment performed, management determined that the ACS CGU was impaired and, as a result, recorded an impairment charge, fully impairing the associated goodwill of $144.9 million.	For the OSA and ACS CGUs, our audit procedures included evaluating and challenging the completeness and accuracy of the impairment models including the method used to calculate recoverable amount of CGUs and assessing the reasonableness of the assumptions used. We evaluated future cash flow forecasts and the process by which they were prepared. This included: ● understanding management's process for forecasting cash flows; ● comparing the future cash flow forecasts used to the latest Board approved forecasts; ● testing the mechanics and mathematical integrity of the management's impairment models; ● performing look back assessments to consider the historical growth trends and the accuracy of the Board approved forecast; ● evaluating the appropriateness of using fair value less cost of disposal to calculate recoverable amount of CGUs; and ● evaluating and reperforming management's sensitivity analysis to understand the impact of reasonable possible changes to key assumptions. We tested key assumptions utilised in the impairment assessments, namely short-term revenue growth rate (ACS and OSA), discount rate (ACS and OSA) and timing of commercialisation (OSA). This testing included: ● validating the Group's significant assumptions through use of market data, historical financial information, and other inputs; ● engaging with our internal valuation specialists to assess the reasonableness of the methodology utilised by management including the reasonableness of the discount rate; and ● assessment of the design and test the operating effectiveness of relevant internal controls. As a result of our work, we agreed with the management's assessment that it was appropriate not to recognise an impairment charge in the year for the OSA CGU and the overall impairment charge recorded in the ACS CGU was reasonable. Based on our procedures we consider management's key inputs and assumptions to be within a reasonable range. We also assessed the appropriateness of the related disclosures in Notes 2 and 11 of the Group financial statements, including the sensitivities provided in respect of the ACS and OSA CGUs. This included evaluating and reperforming the management's sensitivity analysis to understand the impact of reasonable changes to key assumptions. We considered the disclosures to be reasonable. We noted no material exceptions through performing these procedures.

Recoverability of the carrying value of investments in subsidiaries (Company) *Refer to Notes 2 and 5 in the Company financial statements* Investments in subsidiaries of $2,938 million (2021: $2,978 million) are accounted for at cost less impairment in the Company's Balance Sheet at 31 December 2022. 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. Management 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, management 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's goodwill impairment assessment. The key assumptions included in those estimates were the cash flow projections, revenue growth rates and discount rates. As the determination of the recoverable amount requires the application of significant judgement and estimates, particularly in determining the key assumptions to be applied in preparing cash flow projections, this represents an area of heightened risk.	For each investment in the subsidiary, we evaluated the management 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 management to support the carrying value of the investment held. The substantive audit procedures we performed included: ● verifying the mathematical integrity of the impairment model; ● evaluating the appropriateness of the assumptions used in the model, including the cash flow projections, revenue growth rates, terminal growth rates, and discount rates, in conjunction with our goodwill impairment testing; and ● evaluating and reperforming management's sensitivity analysis to understand the impact of reasonable possible changes to key assumptions. Management concluded that it was appropriate not to recognise any impairment charges on the basis that the carrying values of the investments in subsidiaries held by the Company are supportable. Based on our procedures, we agree with their conclusion. We have also assessed the management's 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 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 a full scope audit at two financially significant components: the US 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 one material and two other components, including cost of sales, selling, general and administrative expenses, cash and cash equivalents, restricted cash, inventory, tax receivable and deferred taxes. In addition, audit procedures were performed centrally in relation to various Group functions, including goodwill and IPR&D intangible assets, share-based payments, financial liabilities, contingent considerations, investments, leases, litigation matters, consolidation and GAAP adjustments.

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 including onsite review of Italy component.

The components where we conducted audit procedures, together with work performed at corporate functions and over consolidation adjustments, accounted for 66% of the Group's net revenue and 91% 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, restricted cash, and taxation were audited centrally to Group materiality. The remainder of the balances were audited to Company materiality.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's and Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Group's and Company's financial statements.

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	$8 million (2021: $6 million).	$36 million (2021: $37 million).
How we determined it	Based on approximately 0.8% of the total net revenue	Based on approximately 1% of the total assets
Rationale for benchmark applied	As the Group has been loss-making from a statutory perspective for the past five years, with no dividends paid since the merger date and the Group has no immediate intention to declare and pay dividends for 2022. Further, a revenue based performance indicator is the most heavily weighted metric in the determination of directors' remuneration. Accordingly, total net revenue is used as the 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 $7.9 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

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% (2021: 75%) of overall materiality, amounting to $6 million (2021: $4.5 million) for the Group financial statements and $27 million (2021: $27 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 $0.8 million (Group audit) (2021: $0.4 million) and $3.6 million (Company audit) (2021: £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;
- performing a breakeven assessment for forecast revenue, in order to assess the extent of headroom in comparison to the principal risks facing the business; 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 2022 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 US 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 financials 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 management 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 and the results of the directors' investigation of such matters.

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
28 April 2023

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 2022	2021
Net revenue	28	$ 1,021,805	$ 1,035,365
Costs and expenses:			
Cost of sales	30	314,206	329,184
Selling, general and administrative	30	463,829	477,260
Research and development		155,650	183,485
Exceptional items	32	174,526	71,850
Operating loss		(86,406)	(26,414)
Finance expense		(49,709)	(51,691)
Net gain/(loss) on embedded exchange feature and capped call derivatives	4	43,789	(25,617)
Loss on debt extinguishment	18	—	(60,238)
Foreign exchange and other income/(expense)	30	8,273	13,637
Share of loss from equity accounted investments		(53)	(148)
Loss before tax		(84,106)	(150,471)
Income tax (expense) benefit	25	(2,188)	13,032
Loss attributable to owners of the parent		$ (86,294)	$ (137,439)
Basic loss per share	27	$ (1.61)	$ (2.71)
Diluted loss per share	27	$ (1.61)	$ (2.71)
Shares used in computing basic loss per share	27	53,472	50,633
Shares used in computing diluted loss per share	27	53,472	50,633

See accompanying notes to the consolidated financial statements

LIVANOVA PLC AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income
(In thousands)

	Note	Year Ended 31 December 2022	2021
Loss attributable to owners of the parent		$ (86,294)	$ (137,439)
Items of other comprehensive loss that will be subsequently reclassified to profit or loss:			
Cash flow hedges for exchange rate fluctuations	16	1,911	(3,997)
Tax impact		—	733
Foreign currency translation differences		(22,170)	(5,965)
Total items of other comprehensive loss that will be subsequently reclassified to profit or loss		(20,259)	(9,229)
Items of other comprehensive income that will not be subsequently reclassified to profit or loss:			
Remeasurement of net assets for defined benefits	24	915	1,095
Tax impact		38	(163)
Total items of other comprehensive loss that will not be subsequently reclassified to profit or loss		953	932
Total other comprehensive loss, net of taxes		(19,306)	(8,297)
Total comprehensive loss, net of taxes attributable to owners of the parent		$ (105,600)	$ (145,736)

See accompanying notes to the consolidated financial statements

LIVANOVA PLC AND SUBSIDIARIES

Consolidated Balance Sheet
(In thousands)

	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	10	$ 132,300	$ 141,100
Intangible assets	11	383,370	408,523
Goodwill	11	453,794	579,762
Right-of-use assets	19	34,792	40,120
Equity investments in associates		1,978	787
Financial assets	13	22,431	24,640
Derivative financial instruments	16	54,393	—
Deferred tax assets	25	110,734	107,869
Other assets		8,087	4,274
Total non-current assets		1,201,879	1,307,075
Current assets			
Inventories	14	129,379	105,840
Trade receivables	15	183,110	185,354
Other receivables	15	23,309	30,240
Derivative financial instruments	16	1,333	106,629
Other financial assets	13	1,679	5,503
Tax receivable		30,899	37,621
Cash and cash equivalents	2	214,172	207,993
Restricted cash	2	301,446	—
Total current assets		885,327	679,180
Total assets		$ 2,087,206	$ 1,986,255
LIABILITIES AND EQUITY			
Shareholders' Equity			
Share capital	17	$ 82,424	$ 82,295
Group reconstruction reserve	17	2,046,497	2,046,497
Share premium		37,031	33,257
Treasury shares		(375)	(650)
Accumulated other comprehensive loss	17	(24,590)	(5,284)
Accumulated losses		(1,146,877)	(1,091,312)
Total shareholders' equity		$ 994,110	$ 1,064,803
Non-current liabilities			
Financial liabilities	18	$ 518,044	$ 9,786
Derivative financial instruments	16	85,675	—
Contingent consideration	21	85,292	86,830
Litigation provision liability	21	3,006	6,625
Other liabilities	20	11,695	9,337
Provisions	21	39,905	45,480
Long-term lease liabilities	19	29,613	36,083
Provision for employee severance indemnities and other employee benefit provisions	24	14,055	21,538
Deferred taxes liabilities	25	7,328	7,551
Total non-current liabilities		794,613	223,230

	Note	31 December 2022	31 December 2021
Current liabilities			
Trade payables		72,403	66,754
Other payables	22	131,548	139,140
Derivative financial instruments	16	5,886	183,109
Other financial liabilities	18	23,402	229,637
Current litigation provision liability	21	29,481	32,845
Provisions	21	9,946	20,316
Current lease liabilities	19	9,312	11,281
Tax payable		16,505	15,140
Total current liabilities		298,483	698,222
Total liabilities and shareholders' equity		$ 2,087,206	$ 1,986,255

See accompanying notes to the consolidated financial statements

The financial statements on pages 78 to 148 were approved by the Board and were signed on its behalf on 27 April 2023 by:

WILLIAM A. KOZY
INTERIM CHIEF EXECUTIVE OFFICER, CHAIR OF THE BOARD & DIRECTOR

Company Number: 09451374

LIVANOVA PLC AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
(In thousands)

	Note	Ordinary							
		Number of Shares	Share Capital	Group Reconstruction Reserve	Share Premium	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Accumulated Losses	Total Shareholders' Equity
Balance at 1 January 2021		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	23	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	17	—	—	—	—	—	(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
Share-based compensation plans	23	90	129	—	3,774	275	—	30,729	34,907
Total transactions with owners recognised directly in shareholders' equity		90	129	—	3,774	275	—	30,729	34,907
Net loss		—	—	—	—	—	—	(86,294)	(86,294)
Other comprehensive loss	17	—	—	—	—	—	(19,306)	—	(19,306)
Total comprehensive loss for the year		—	—	—	—	—	(19,306)	(86,294)	(105,600)
Balance at 31 December 2022		53,852	$ 82,424	$ 2,046,497	$ 37,031	$ (375)	$ (24,590)	$ (1,146,877)	$ 994,110

See accompanying notes to the consolidated financial statements

LIVANOVA PLC AND SUBSIDIARIES

Consolidated Statement of Cash Flows
(In thousands)

	Note	Year Ended 31 December 2022	2021 Restated (1)
Cash Flows From Operating Activities:			
Loss for the year		$ (86,294)	$ (137,439)
Non-cash items included in loss:			
Impairment of goodwill	11	144,990	—
Net finance expense		49,709	51,256
Depreciation and amortisation	10, 11	47,571	51,053
Share-based compensation	23	44,562	41,380
Remeasurement of derivative instruments		(38,656)	17,618
Remeasurement of contingent consideration to fair value	21	(29,881)	564
Amortisation of debt issuance costs		21,334	16,657
Income tax expense (benefit)		2,188	(13,032)
Depreciation of lease assets	19	10,603	15,919
Loss on debt extinguishment		—	60,238
Loss on sale of Heart Valve business	8	—	26,345
Other non-cash items		(273)	(354)
Changes in operating assets and liabilities:			
Accounts receivable, net		(4,810)	(15,745)
Inventories		(25,679)	4,484
Other current and non-current assets		7,486	24,127
Litigation provision liability	21	(6,558)	247
Tax payable		(7,043)	(21,827)
Current and non-current liabilities		(26,623)	13,222
Cash provided by (used in) operations		102,626	134,713
Interest paid		(20,505)	(34,121)
Income taxes (paid) / received		(1,221)	13,583
Net cash provided by operating activities		80,900	114,175
Cash Flow From Investing Activities:			
Purchases of tangible and intangible assets		(26,517)	(25,478)
Acquisitions, net of cash acquired		(8,857)	(1,694)
Purchases of investments		(2,952)	(3,653)
Proceeds from sale of Heart Valves, net of cash disposed		—	42,945
Proceeds from sale of Respicardia investment and loan	13	—	23,057
Payment of contingent consideration		—	(5,249)
Other		(88)	1,727
Net cash (used in) provided by investing activities		(38,414)	31,655
Cash Flows From Financing Activities:			
Proceeds from long-term debt obligations	18	507,547	—
Repayment of long-term debt obligations	18	(223,541)	(452,256)
Principal payments of lease liabilities	19	(10,980)	(11,630)
Shares repurchased from employees for minimum tax withholding		(8,671)	(12,942)
Proceeds from deferred consideration from sale of Heart Valves, net of working capital adjustments		4,596	—
Debt issuance costs		(3,292)	(2,450)
Proceeds from issuance of ordinary shares, net	17	—	322,541
Payment of make-whole premium on long-term debt obligations		—	(35,594)
Other financial assets and liabilities		3,491	4,467
Net cash provided by (used in) financing activities		269,150	(187,864)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash		(4,011)	(2,805)
Net increase (decrease) in cash, cash equivalents and restricted cash		307,625	(44,839)
Cash, cash equivalents and restricted cash at beginning of year		207,993	252,832
Cash, cash equivalents and restricted cash at end of year		$ 515,618	$ 207,993

(1) The consolidated statement of cash flows for the year ended 31 December 2021 has been restated. For further details refer to "Note 1. Nature of Operations."

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 organised under the laws of England and Wales on 20 February 2015 for the purpose of facilitating the business combination of Cyberonics, Inc. ("Cyberonics"), a Delaware corporation and Sorin S.p.A. ("Sorin"), a joint stock company organised 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, LivaNova announced the voluntary cancellation of its standard listing of the Company's shares with the LSE due to the low trading volume of its shares, and trading ceased at the close of business on 4 April 2017. LivaNova continues to serve its shareholders through LivaNova's listing on the Nasdaq.

Description of the business. LivaNova is a global medical device company. The Company designs, develops, manufactures and sells innovative products and therapies that are consistent with LivaNova's mission to provide hope for patients and their families 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 the Company's primary business units.

Revision of Previously Issued Financial Statements. During 2022, the Company identified and corrected an error related to the calculation of the Company's consolidated statement of cash flow for the year ended 31 December 2021 associated with the presentation of the change in fair value of the Company's embedded exchange feature and capped call derivatives, which had no impact on net cash provided by operating activities. We evaluated whether our previously issued consolidated financial statements were materially misstated due to this error. Accordingly, we have restated our consolidated statement of cash flow for the year ended 31 December 2021, as shown below (in thousands):

Consolidated Statement of Cash Flow	Year Ended 31 December 2021		
	As Previously Reported	Adjustment	As Restated
Net finance expense	$ 76,873	$ (25,617)	$ 51,256
Changes in operating assets and liabilities:			
Current and non-current liabilities	(12,395)	25,617	13,222
Net cash provided by operating activities	114,175	—	114,175

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 the International Financial Reporting Standards ("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 and share awards that have been measured at fair value. The consolidated financial statements are presented in United States ("U. S.") dollars and all values are rounded to the nearest thousands, except where otherwise indicated.

Reclassifications. LivaNova reclassified certain prior period amounts on the consolidated statements of (loss) income and the consolidated statements of cash flows for comparative purposes. These reclassifications did not have a material effect on the Company's financial condition, results of operations or cash flows.

Going Concern. As of 31 March 2023, the Group had cash and cash equivalents of $214.3 million. Based on LivaNova's current business plan, the Company believes that existing cash and cash equivalents and future cash generated from operations will be sufficient to fund its expected operating needs, working capital requirements, research and development ("R&D") opportunities, capital expenditures and debt service requirements for a period of at least 12-months from the issuance of these financial statements. LivaNova regularly reviews its capital needs and considers various investing and financing alternatives to support the Company's requirements. Additionally, as of 31 March 2023, LivaNova is in compliance with the financial covenants associated with the Company's debt facilities, and the Group's forecasts support ongoing compliance with the covenants for a period of at least 12-months from the issuance of these financial statements. Therefore, it is appropriate to adopt the going concern basis in preparing these consolidated financial statements.

The current macroeconomic environment, including foreign exchange volatility, supply chain challenges, rising inflation, and geopolitical instability, has impacted and may continue to impact LivaNova's business. In 2022, LivaNova's net revenue and profitability were negatively affected by the unfavourable foreign currency exchange impact of the strengthened U.S. dollar against a number of currencies. Furthermore, LivaNova continues to experience supply chain delays and interruptions, labour shortages, inflationary pressures and logistical issues in the wake of COVID-19. Though, to date, the Company's supply of raw materials and the production and distribution of finished products have not been materially affected, demand and low capacity worldwide have caused longer lead times and put price pressure on key raw materials. Moreover, freight and labour costs at the Company's manufacturing facilities have increased substantially due to COVID-related disruptions and in the wake of inflation globally. The Company continues to respond to such challenges, and while LivaNova has business continuity plans in place, the impact of the ongoing challenges the Company is experiencing, along with their potential escalation, may adversely affect LivaNova's business. The future impact of pandemic-related developments remains uncertain.

In February 2022, Russia launched an invasion in Ukraine which caused us to assess LivaNova's 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 the Company is able to transact in a compliant fashion. Although the region represented only 1.0% of LivaNova's total net revenue for 2022, the Russian invasion of Ukraine has increased economic uncertainties, and a significant escalation or continuation of the conflict could have a material, global impact on the Company's operating results. In addition, LivaNova's 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, LivaNova's wholly-owned subsidiary, LivaNova USA, issued $287.5 million in aggregate principal amount of 3.00% the 2020 Cash Exchangeable Senior Notes (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 not satisfied on 31 December 2022. The Notes are exchangeable solely into cash and are not exchangeable into ordinary shares of LivaNova or any other security under any circumstances. The initial exchange rate for the Notes is 16.3980 ordinary shares per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $60.98 per share). The exchange rate is subject to adjustment in certain circumstances, as set forth in the indenture governing the Notes. If holders elect to exchange their Notes during any future periods in the event an exchange condition is met, LivaNova would be required to settle the exchange obligation through the payment of cash, which could adversely affect the Company's liquidity. Refer to "Note 18. Financial Liabilities" for further information.

On 21 February 2022, the Court of Appeal in Milan ("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. $484.9 million at 31 December 2022) in the SNIA litigation until a decision has been reached on the Company's appeal to the Italian Supreme Court. This suspension was subject to providing a first demand bank guarantee of €270.0 million (approximately U.S. $288.6 million at 31 December 2022) the SNIA Litigation Guarantee 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 2021 First Lien Credit Agreement, relating to a €200 million bridge loan facility (the "Bridge Loan Facility"). On 16 March 2022, LivaNova entered into Amendment No. 2 to the 2021 First Lien Credit Agreement, which converted the available borrowings under the Bridge Loan Facility from €200 million to $220.0 million and converted the EURIBOR rate in the 2021 First Lien Credit Agreement to Secured Overnight Financing Rate ("SOFR"). LivaNova delivered a borrowing notice for $220.0 million in connection with the Bridge Loan Facility, which was funded on 17 March 2022. LivaNova used the proceeds of the Bridge Loan Facility 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 the €270.0 million 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. At 31 December 2022, the cash collateral classified as restricted cash on the consolidated balance sheet was $301.4 million.

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

On 6 July 2022, LivaNova and its wholly-owned subsidiary, LivaNova USA, entered into a new incremental facility amendment to its 2021 First Lien Credit Agreement. The Incremental Amendment No. 2 provides for LivaNova USA to, among other things, obtain commitments for term loan facilities from a syndicate of lenders in an aggregate principal amount of $350 million consisting of (i) an initial term loan facility in an aggregate principal amount of $300 million (the "Initial Term Facility") and (ii) a delayed draw term loan facility in an additional aggregate principal amount of $50 million, which are available in one single drawing on or after July 6 until the date that is nine months after such date (the "Delayed Draw Term Facility" and, together with the Initial Term Facility, the "Term Facilities"). As of 31 December 2022, availability under the Delayed Draw Term Facility was $50 million.

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

Consolidation. The accompanying consolidated financial statements include LivaNova, its 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 the consolidated statement of (loss) income, 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 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. LivaNova allocates amounts the Company pays for an acquisition to the assets the Company acquires and liabilities LivaNova assumes 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. LivaNova bases 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. LivaNova allocates 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. LivaNova recognises 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, software and favourable leases acquired in acquisitions. Customer relationships consist of relationships with hospitals and cardiac surgeons in the countries where LivaNova operates. Indefinite-lived intangible assets other than goodwill are composed of in process research and development ("IPR&D") assets acquired in acquisitions. LivaNova estimates the useful lives of the Company's intangible assets, which requires management's judgement. LivaNova amortise the Company's finite-lived intangible assets over their useful lives using the straight-line method.

LivaNova evaluates its 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 LivaNova changes its estimate of the useful life of an asset, the Company amortises the carrying amount over the revised remaining useful life.

Foreign Currency. LivaNova determines the functional currency of its 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. LivaNova's significant foreign subsidiaries are located in Europe and the U.S. The functional currency of LivaNova's significant European subsidiaries is the Euro, and the functional currency of LivaNova's 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 foreign exchange and other income / (expense) on the Company's 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 2022	0.951016	0.935410	0.811283	0.827990
Year ended 31 December 2021	0.845433	0.881410	0.726888	0.739740

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, trade receivables and other financial assets, 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. LivaNova uses 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 consolidated 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 LivaNova's investments in equity instruments held at fair value are recognised through profit or loss.

Trade Receivables and Other Financial Assets. Trade receivables and other financial assets 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 consolidated statement of (loss) income. The receivable balance consists of trade receivables from direct customers and distributors and loans issued. LivaNova maintains an expected credit loss provision for expected credit losses based on the Company's estimates of the ability of customers to make required payments, historical credit experience, existing economic conditions and expected future trends. The Company's writes 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 of 31 December 2022 and 31 December 2021, there are no factoring arrangements outstanding.

Refer to "Note 15. 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 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 the Company's 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 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. LivaNova uses 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. The Company evaluates 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 the consolidated statement of (loss) income.

In order to minimise income statement and cash flow volatility resulting from currency exchange rate changes, historically the Company has entered 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). Upon the settlement of LivaNova's foreign currency cash flow hedges in the fourth quarter of 2022 and following an in-depth analysis of the utility of the Company's cash flow hedging program, the Company discontinued its foreign currency cash flow hedging program. LivaNova does not enter into currency exchange rate derivative contracts for speculative purposes.

LivaNova uses interest rate derivative instruments designated as cash flow hedges to manage the exposure to interest rate movements and to reduce the risk of increased borrowing costs by converting floating-rate debt into fixed-rate debt. Under these agreements, the Company agrees to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to agreed-upon notional principal amounts. The interest rate swaps are structured to mirror the payment terms of the underlying loan. The fair value of the interest rate swaps is reported on the consolidated balance sheets as assets or liabilities (current or non-current) depending upon the gain or loss position of the contract and the maturity of the future cash flows of each contract. The gain or loss on these derivatives is reported as a component of AOCI and reclassified to finance expense during the period of the respective interest payment.

Cash and Cash Equivalents. LivaNova considers 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.

Restricted Cash. The Company classifies cash that is not available for use in its operations as restricted cash within current assets on the consolidated balance sheet. As of 31 December 2022, LivaNova's restricted cash balance totalled $301.4 million and was comprised of cash deposits with Barclays held as collateral for the SNIA Litigation Guarantee. As security for the SNIA Litigation Guarantee, LivaNova is required to grant cash collateral to Barclays in USD in an amount equal to the USD equivalent of 105% of the amount of the SNIA Litigation Guarantee calibrated on a biweekly basis. For additional information regarding the SNIA litigation, please refer to "Note 26. Commitments and Contingencies."

The following table presents a reconciliation of cash, cash equivalents and restricted cash reported on the consolidated balance sheets that sum to the total of the amounts shown on the consolidated statement of cash flows as of 31 December 2022 and 2021 (in thousands):

	2022	2021
Cash and cash equivalents	$ 214,172	$ 207,993
Restricted cash	301,446	—
Cash, cash equivalents and restricted cash	$ 515,618	$ 207,993

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. The Company computes 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 of 31 December 2022 were as follow:

	Lives in Years
Building and building improvements	5 to 36
Equipment, other, furniture, fixtures	2 to 10

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

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

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 31 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 LivaNova's CGUs is fair value less costs of disposal, reflecting past experience and external sources of information, includes Board approved five-year budgets based on 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 the Company's fair value less cost of disposal 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 LivaNova's judgements and assumptions regarding future industry conditions and operations. The estimates, and assumptions used in the application of the Company's 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 less cost of disposal of the CGU reflect the Company's best estimates, and the Company believes they are reasonable. Future declines in the CGU's operating performance or LivaNova's anticipated business outlook may reduce the estimated fair value of LivaNova's 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 the Company's sales force to effectively market and promote the Company's 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 11. Goodwill and Intangible Assets" for a discussion of the sensitivity analyses performed for the discount rate, the expected revenue growth rate and a one-year delay in the OSA CGU's commercialisation date.

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 of 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.

LivaNova conducts impairment testing of its indefinite-lived intangible assets on 31 December each year. The Company tests 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. LivaNova states its inventories at the lower of cost, using the first-in first-out ("FIFO"), and net realizable value. The Company's calculation of cost includes the acquisition cost of raw materials and components, direct labour and overhead.

LivaNova reduces 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.

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 the consolidated statement of (loss) income in subsequent years.

Past service costs are recognised in the consolidated statement of (loss) income 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 finance 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. LivaNova grants share-based awards to directors, officers and key employees. The Company measures 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. LivaNova issues 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. LivaNova has 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 awards are offered by the Company:

- *Share Appreciation Rights ("SARs").* 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. LivaNova use the Black-Scholes option pricing methodology to calculate the grant date fair market value of SARs. The Company determines the expected volatility on historical volatility.

- *Restricted Share ("RS") and Restricted Share Units ("RSUs").* LivaNova 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. LivaNova has the right to elect to pay the cash value of vested restricted share units in lieu of the issuance of new shares. Under LivaNova's share-based compensation plans the Company re-purchases a portion of these shares from LivaNova's employees to permit LivaNova's employees to meet their minimum statutory tax withholding requirements on vesting of their restricted share.
- *Market Performance-Based Restricted Share Units.* LivaNova 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 Total Shareholder Return ("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.* LivaNova 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 free cash flow ("FCF") and adjusted return on invested capital ("ROIC"). Adjusted ROIC was introduced as an additional performance indicator in 2021. 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 expense for operating performance-based stock awards requires estimation of employee turnover, adjusted FCF, adjusted ROIC and forfeiture rates.

Income Taxes. The tax expense for the year comprises current and deferred tax. Current and deferred tax is recognised in the consolidated statement of (loss) income, 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 the consolidated statement of (loss) income. 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. LivaNova has leases primarily for (i) real estate, including office space and manufacturing, warehouse and research and development facilities and (ii) vehicles. LivaNova determines if an arrangement is or contains a lease at its inception or when the terms and conditions of a contract are significantly changed. Right-of-use ("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 the Company's lease standard effective date for adoption or the lease commencement date. LivaNova does not record an operating lease asset and corresponding liability for leases with terms of 12 months or less. LivaNova recognizes the lease payments for such short-term leases within

profit and loss on a straight-line basis over the lease term. 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 the determination of the minimum lease payments and are 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 the Company's leases do not provide a readily determinable implicit rate, LivaNova uses its incremental borrowing rate ("IBR") based on the information available at the lease commencement date in determining the present value of future payments. LivaNova's IBR 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 the Company 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. LivaNova's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company 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 LivaNova's 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.

LivaNova applies 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, the Company has applied these accounting policies to all asset classes in the Company's portfolio and will recognise the lease payments for such short-term leases and leases of low-value assets within the consolidated statement of (loss) income 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 LivaNova's agreements that allow the customer to use, rather than purchase, the Company's medical devices meet the criteria of being a lease.

For additional information refer to "Note 19. 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, LivaNova's assessments involve significant judgement regarding future events.

Earnings Per Share ("EPS"). 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 27. Earnings Per Share" for additional information.

Critical Estimates and Judgements. The preparation of LivaNova's 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 the Company 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 LivaNova's 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 the Company's 3T Litigation and Saluggia Site Hazardous Substances Provisions, please refer to "Note 26. 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 the Company's 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 and the OSA CGU's commercialisation date. For a discussion of impairments recognised and sensitivity analyses performed, refer to "Note 11. 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 18. 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. LivaNova performed a sensitivity analysis

concerning the recoverability of the Company's deferred tax assets as of 31 December 2022, utilizing the discounted cash flow models used in the assessment of the Company's group CGUs for impairment. LivaNova determined that a decrease of 0.5% in the expected revenue growth rate used, which the Company considers to be a reasonably possible change, would result in a one-year delay in the expected timing of deferred tax asset utilization. For additional information, please refer to "Note 25. Income Taxes."

Critical Judgements

- *Commitments and Contingencies.* A number of LivaNova subsidiaries are involved in various government and other 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 the Company's 3T device, the SNIA litigation and the Company's Saluggia site. For more information, see "Note 26. Commitments and Contingencies."

Note 3. Revenue Recognition

LivaNova generates its revenue through contracts with customers that primarily consist of hospitals, healthcare institutions, distributors and other organisations. Revenue is measured based on consideration specified in a contract with a customer, and excludes amounts collected on behalf of third parties. The Company measures the consideration based upon the estimated amount to be received. The amount of consideration the Company ultimately receives varies depending upon the return terms, sales rebates, discounts, and other incentives that LivaNova 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. LivaNova estimates expected sales returns based on historical data. Sales discounts and rebates are applied to customer purchases based on anticipated sales during the discount period.

The Company has historically experienced a low rate of product returns and the total dollar value of product returns has not been significant to the Company's consolidated financial statements.

LivaNova recognises revenue when a performance obligation is satisfied by transferring the control of a product or providing service to a customer. Some of the Company's contracts include the purchase of multiple products and/or services. In such cases, the Company allocates the transaction price based upon the relative estimated stand-alone price of each product and/or service sold. LivaNova records state and local sales taxes net, that is, the Company excludes sales tax from revenue. Typically, the Company's contracts do not have a significant financing component. LivaNova 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.

LivaNova incurs incremental commission fees paid to the sales force associated with the sale of products. The Company applies 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 the Company generates its revenue. For more detailed information about LivaNova's reportable segments including disaggregated revenue results by operating segment, major product line and primary geographic market, see "Note 28. Segment and Geographic Information."

Cardiopulmonary Products and Services

Cardiopulmonary products include heart-lung machines ("HLM"), oxygenators, autotransfusion systems, perfusion tubing systems, cannulae and other related accessories.

Cardiopulmonary products may include performance obligations associated with assembly and installation of equipment. Accordingly, the Company allocates a portion of the sales prices to installation obligations and recognises that revenue when the service is provided. LivaNova recognises 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 products are comprised of Neuromodulation therapy systems for the treatment of drug-resistant epilepsy ("DRE") and difficult-to-treat depression ("DTD"). LivaNova's Neuromodulation product line includes the Vagus Nerve Stimulation Therapy ("VNS Therapy") System, which consists of an implantable pulse generator, a lead that connects the generator to the vagus nerve, and other accessories. LivaNova recognises revenue for Neuromodulation product sales when control passes to the customer.

Advanced Circulatory Support Products

Advanced Circulatory Support ("ACS") products are comprised of the LifeSPARC platform, ProtekDuo cannula kits and the Hemolung Respiratory Assist System ("Hemolung RAS"). The LifeSPARC platform includes a common console and pump that provides temporary support for emergent rescue patients in a variety of settings. The platform is accompanied by four specialised ProtekDuo cannula kits designed to support diverse cannulation strategies. The Hemolung RAS, which was acquired in May 2022 as part of the acquisition of ALung Technologies, Inc. ("ALung"), is the only FDA-cleared platform designed specifically for low-flow extracorporeal carbon dioxide removal for acute respiratory failure. 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 LivaNova's 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 as of 31 December 2022 and 2021. As of 31 December 2022 and 2021, contract liabilities of $14.1 million and $9.8 million, respectively, were included within other payables 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 Chief Financial Officer ("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 2022				
	Due Within 1 Year	1-2 Years	2-5 Years	Over 5 Years	Total
Non-derivative financial instruments					
Trade payables	$ 72,403	$ —	$ —	$ —	$ 72,403
Financial liabilities	23,456	15,092	559,486	229	598,263
Total	$ 95,859	$ 15,092	$ 559,486	$ 229	$ 670,666
Financial derivative liabilities					
- on exchange rate risk	$ 5,886	$ —	$ —	$ —	$ 5,886
- on equity price risk [(1)]	—	85,675	—	—	85,675
Total	$ 5,886	$ 85,675	$ —	$ —	$ 91,561

(1) Refer to the section titled "Equity Price Risk" below.

	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.

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 18. 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 LivaNova's stock price or stock price volatility would increase the fair value of the embedded exchange feature and capped call derivatives which would result in an increase in expense. As time to the expiration of the derivatives decreases, the fair value of the derivatives would decrease. The future impact on net income depends on how significant inputs such as stock price, stock price volatility and time to the expiration of the derivatives change in relation to other inputs. Changes in the fair value of the embedded exchange feature derivative and capped call derivatives are recognized in Net gain/(loss) on embedded exchange feature and capped call derivatives on the consolidated statements of (loss) income.

The fair value of the embedded exchange feature derivative liability and the capped call derivative assets were $85.7 million and $54.4 million, respectively, as of 31 December 2022, and the stock price volatility as of 31 December 2022 was 43%. As of 31 December 2022, a 10% lower volatility, holding other inputs constant, would result in approximate fair value for the embedded exchange feature derivative of $70.6 million and a 10% higher volatility, holding other inputs constant, would result in approximate fair value of $100.3 million. As of 31 December 2022, a 10% lower volatility, holding other inputs constant would result in approximate fair value for the capped call derivatives of $52.1 million and a 10% higher volatility, holding other inputs constant, would result in approximate fair value of $53.7 million.

The fair value of the embedded exchange feature derivative liability and the capped call derivative assets were $181.7 million and $106.6 million, respectively, as of 31 December 2021, and the stock price volatility as of 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 of 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

Foreign currency exchange rate ("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

Due to the global nature of LivaNova's operations, the Company is exposed to foreign currency exchange rate fluctuations. Historically, the Company has maintained a foreign currency exchange rate risk management strategy that utilizes cash flow hedges and freestanding foreign currency derivatives to reduce the Company's exposure to unanticipated fluctuations in forecasted revenue and costs, inter-company debt, deposits and accounts receivable caused by changes in foreign currency exchange rates. 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. Upon the settlement of LivaNova's foreign currency cash flow hedges in the fourth quarter of 2022 and following an in-depth analysis of the utility of the Company's cash flow hedging program, LivaNova discontinued its foreign currency cash flow hedging program. LivaNova continues to use freestanding derivative forward contracts to offset exposure to the variability of the value associated with assets and liabilities denominated in a foreign currency.

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 2022					
	EUR	USD	JPY	GBP	Other	Total
Assets						
Cash and cash equivalents denominated in foreign currency	$ 30	$ 304,880	$ 2,878	$ 3,777	$ 6,623	$ 318,188
Trade receivables denominated in foreign currency	449	30,581	—	—	6,952	37,982
Other assets denominated in foreign currency	1	1,958	—	361	18	2,338
Total assets	480	337,419	2,878	4,138	13,593	358,508
Liabilities						
Trade payables denominated in foreign currency	15	998	264	217	845	2,339
Financial liabilities denominated in foreign currency	—	—	—	2,840	20	2,860
Other liabilities denominated in foreign currency	106	1,075	—	11,859	199	13,239
Total liabilities	121	2,073	264	14,916	1,064	18,438
Net exposure	$ 359	$ 335,346	$ 2,614	$ (10,778)	$ 12,529	$ 340,070
Financial derivative assets						
- for hedging	$ —	$ 1,333	$ —	$ —	$ —	$ 1,333
Total assets	—	1,333	—	—	—	1,333
Financial derivative liabilities						
- not for hedging [(1)]	—	5,774	28	68	16	5,886
Total liabilities	—	5,774	28	68	16	5,886
Net exposure	$ —	$ (4,441)	$ (28)	$ (68)	$ (16)	$ (4,553)

(1) For hedging transactions that do not meet the requirements for hedge accounting.

	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.

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 2022, the Company's debt at variable rates was denominated both in EUR and in USD.

As at 31 December 2022, LivaNova Group had the following variable rate financing denominated in USD:

- a Term Loan A from a syndicate of lenders to LivaNova USA, Inc. for $300 million
- a local credit facility in favour of LivaNova Colombia Sas for $1.5 million

As at 31 December 2022, non-US Dollar-denominated floating rate debt was immaterial.

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 $1.5 million.

As at 31 December 2021, non-US Dollar-denominated floating rate debt was immaterial.

As at 31 December 2022, the Group had outstanding interest rate swap derivative contracts to hedge against the risk of fluctuations in the Secured Overnight Financing Rate ("SOFR"), with a notional amount of $210.0 million, equal to approximately 70% of the above-mentioned Term Loan. The interest rate swaps are structured to mirror the payments terms of the underlying loan. If interest rates were to increase / (decrease) by 100 basis points, the effect on finance expense within the Company's consolidated statement of income (loss) would be an increase / (decrease) of approximately $3 million, respectively.

Credit Risk

LivaNova 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 the Company's efforts to control LivaNova's exposure to credit risk by monitoring the Company's receivables, the use of credit approvals and credit limits. Refer to "Note 15. Trade Receivables and Other Receivables" for more details. In addition, LivaNova has historically had strong collections and minimal write-offs. While the Company believes that its reserves for credit losses are adequate, essentially all of the Company's trade receivables are concentrated in the hospital and healthcare sectors worldwide, and accordingly, LivaNova is exposed to their respective business, economic and country-specific variables. Although LivaNova does 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 2022	31 December 2021
Financial assets	$ 22,431	$ 24,640
Other assets	8,087	4,274
Trade receivables	183,110	185,354
Financial derivative assets	55,726	106,629
Other financial assets	1,679	5,503
Cash and cash equivalents	214,172	207,993
Guarantees	30,050	35,072
Total	$ 515,255	$ 569,465

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.

LivaNova operates in the medical technology sector for which there is not a significant risk of customer insolvency as a number of its customers are related to government agencies. However, LivaNova is subject to risks related to cash requirements resulting from potentially high average collection periods (days sales outstanding).

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 authorisation 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 15. 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 2022	31 December 2021
Trade receivables			
Performing	0.04% - 6.0%	$ 156,107	$ 150,071
Less than 30 days past due	0.38% - 12.0%	15,445	13,245
31-120 days past due	0.38% - 30.0%	11,558	13,708
121-365 days past due	0.38% - 30.0%	—	8,330
Total		$ 183,110	$ 185,354

(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 $27.0 million and $35.3 million at 31 December 2022 and 31 December 2021, respectively. Of this amount, 30.0% and 25.0% at 31 December 2022 and 31 December 2021, 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 2022 and 31 December 2021, the amount of performing receivables that were from government (public) hospitals were 13.0% and 11.0% of total performing receivables, respectively, as indicated in the following table (in thousands):

	31 December 2022			31 December 2021		
	Total	Performing	Past Due	Total	Performing	Past Due
By Sector						
Public	$ 28,460	$ 20,359	$ 8,101	$ 25,316	$ 16,491	$ 8,825
Private	154,650	135,748	18,902	160,038	133,580	26,458
Total	$ 183,110	$ 156,107	$ 27,003	$ 185,354	$ 150,071	$ 35,283

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 2022				31 December 2021			
	D.S.O.	Total	Performing	Past Due	D.S.O.	Total	Performing	Past Due
By Region								
Italy	113	$ 8,050	$ 6,492	$ 1,558	123	$ 8,180	$ 6,308	$ 1,872
Spain	91	3,917	3,039	878	77	3,498	2,680	818
France	55	4,871	4,236	635	47	4,320	3,882	438
Germany	20	1,941	2,323	(382)	16	1,590	1,859	(269)
Rest of Europe	50	18,314	16,051	2,263	46	15,576	14,285	1,291
North America	43	69,794	59,679	10,115	46	73,486	61,194	12,292
Japan	83	8,253	8,287	(34)	88	8,804	8,838	(34)
Rest of World	103	67,970	56,000	11,970	148	69,900	51,025	18,875
Total	60	$ 183,110	$ 156,107	$ 27,003	66	$ 185,354	$ 150,071	$ 35,283

Revenues are derived from a large number of customers with no customers being individually material.

The average collection period decreased from 66 days at 31 December 2021 to 60 at 31 December 2022. 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 18. 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 the Company's 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 and interest rate swap contracts, which are valued using standard calculations and models that use readily observable market data as their basis. At 31 December 2022, Level 3 assets include investments in private companies, the capped call derivatives associated with the Company's 2020 cash exchangeable senior notes and convertible notes receivable primarily associated with LivaNova's investment in ALung. At 31 December 2022, level 3 liabilities include the embedded exchange feature of the Company's cash exchangeable senior notes and contingent consideration recognised as a result of the acquisitions of ImThera and ALung.

Assets and Liabilities That Are Measured at Fair Value on a Recurring Basis

The following tables present information by level for assets and liabilities that are measured at fair value on a recurring basis as of 31 December 2022 and 2021 (in thousands):

		Fair Value Measurements Using Inputs Considered as:		
	2022	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value	$ 14,288	$ —	$ —	$ 14,288
Derivative Assets – for hedging (interest rate swaps)	1,333	—	1,333	—
Derivative Assets – capped call derivatives	54,393	—	—	54,393
Convertible notes receivable	285	—	—	285
Total assets	$ 70,299	$ —	$ 1,333	$ 68,966
Liabilities				
Derivative Liabilities – not for hedging (exchange rates)	$ 5,886	$ —	$ 5,886	$ —
Derivative Liabilities – embedded exchange feature	85,675	—	—	85,675
Earnout for contingent payments	85,292	—	—	85,292
Total Liabilities	$ 176,853	$ —	$ 5,886	$ 170,967

		Fair Value Measurements Using Inputs Considered as:		
	2021	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

The following table presents a reconciliation of the beginning and ending balances of our recurring fair value measurements, using significant unobservable inputs (Level 3) for the years ended 31 December 2022 and 2021 (in thousands):

	Financial Assets at Fair Value	Capped Call Derivative Asset	Convertible Notes Receivable	Embedded Exchange Feature Derivative Liability	Other Derivative Liabilities	Contingent Consideration Liability Arrangements
As of 31 December 2020	$ 30,701	$ 72,302	$ 2,775	$ 121,756	$ 4,290	$ 103,818
Additions	3,086	—	—	—	—	—
Sale [1]	(21,797)	—	—	—	—	—
Gain recognized in profit or loss [1]	4,091	—	—	—	—	—
Payments [2]	—	—	—	—	—	(6,000)
Changes in fair value recognized in profit or loss [3]	(270)	34,327	(8)	59,944	(4,290)	564
As of 31 December 2021	15,811	106,629	2,767	181,700	—	98,382
Additions [4]	1,669	—	—	—	—	16,791
Utilized as business combination consideration [5]	(3,000)	—	(2,495)	—	—	—
Changes in fair value recognized in profit or loss [3] [6]	(192)	(52,236)	13	(96,025)	—	(29,881)
As of 31 December 2022 - long-term	$ 14,288	$ 54,393	$ 285	$ 85,675	$ —	$ 85,292

(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 gains of $4.1 million and $0.5 million during the 2021 to adjust the investment and loans receivable to fair value, respectively, which is included in foreign exchange and other income / (expense) on the consolidated statements of (loss) income for the year ended 31 December 2021.

(2) During the year ended 31 December 2021, we paid $6.0 million under the contingent consideration arrangement for the acquisition of Miami Instruments, LLC.

(3) During the year ended 31 December 2022, the contingent consideration change in fair value resulted in a decrease of $10.5 million recorded to cost of sales and a decrease of $19.4 million recorded to R&D. During the year ended 31 December 2021, the contingent consideration change in fair value resulted in a decrease of $8.5 million recorded to cost of sales and an increase of $9.1 million recorded to R&D.

(4) The addition to the contingent consideration liability arrangement during the year ended 31 December 2022 represents the acquisition of ALung. For additional information, please refer to "Note 7. Business Combinations."

(5) Amounts utilized as business combination consideration represent "other considerations" utilized in the acquisition of ALung during the year ended 31 December 2022. For additional information, please refer to "Note 7. Business Combinations."

(6) The decrease in fair value associated with contingent consideration arrangements during the year ended 31 December 2022 was primarily related to the change in (i) the discount rates due to increasing interest rates, (ii) the probability of the regulatory milestone-based payment associated with the acquisition of TandemLife and (iii) the timing of projected achievement of a certain regulatory milestone and timing of sales-based earnout payments associated with the acquisition of ImThera.

Level 2

To measure the fair value of its derivative transactions (transactions to hedge exchange risk), LivaNova calculates 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, LivaNova uses 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 13. Financial Assets" for a further discussion of the Company's 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, an unobservable input that is significant to the valuation.

Earnout for contingent payments related to LivaNova's acquisitions of ImThera and ALung represents the Company's contingent consideration liability as of 31 December 2022. 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 21. Contingent Consideration, Litigation Provision Liability and Other Provisions" for a reconciliation of the changes in the fair value of the Company's contingent consideration liability.

The following table presents the fair value of LivaNova's Level 3 contingent consideration arrangements by acquisition as of 31 December 2022 and 2021 (in thousands):

	2022	2021
ImThera	$ 69,389	$ 86,830
ALung	15,903	—
TandemLife	—	11,552
	$ 85,292	$ 98,382

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 LivaNova's internal strategic plan. These arrangements are Level 3 fair value measurements and include the following significant unobservable inputs as of 31 December 2022:

ImThera Acquisition	Valuation Technique	Unobservable Input	Ranges
Regulatory milestone-based payment	Discounted cash flow	Discount rate	10.5%
		Probability of payment	85%
		Projected payment year	2025
Sales-based earnout	Monte Carlo simulation	Risk-adjusted discount rate	14.3% - 14.6%
		Credit risk discount rate	10.8% - 11.4%
		Revenue volatility	32.5%
		Probability of payment	85%
		Projected years of earnout	2026 - 2029

The ALung business combination involved a contingent consideration arrangement composed of potential cash payments upon the achievement of certain sales-based thresholds associated with sales of products. The arrangement is a Level 3 fair value measurement and includes the following significant unobservable inputs as of 31 December 2022:

ALung Acquisition	Valuation Technique	Unobservable Input	Inputs
Sales-based earnout	Monte Carlo simulation	Risk-adjusted discount rate	9.7% - 10.3%
		Credit risk discount rate	10.0% - 11.1%
		Revenue volatility	28.9%
		Projected years of earnout	2023 - 2027

The TandemLife business combination involved a contingent consideration arrangement composed of potential cash payments upon the achievement of certain regulatory milestones. The probability of payment for the final regulatory milestone was reduced to 0% during the year ended 31 December 2022.

Transfers

LivaNova reviews 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. The Company's 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 2022 and 2021. 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 usually measured at fair value computed using the fair value less cost of disposal 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 LivaNova believes 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 the Company's own judgements about the assumptions that market participants would use in pricing the asset and on observable market data, when available. The Company classifies these measurements as Level 3 within the fair value hierarchy.

Financial Instruments Not Measured at Fair Value

The carrying values of LivaNova's cash, cash equivalents and restricted cash, accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short-term nature of these items.

The carrying value of LivaNova's long-term debt including the current portion, as of 31 December 2022, and 2021 was $541.4 million and $239.4 million, respectively. The fair value of the Company's Notes as of 31 December 2022, and 2021 was $328.1 million and $465.7 million, respectively. For all other long-term debt obligations, the Company believes the carrying value 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 2022								
	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	$ 14,288	$ 1,884	$ 6,259	$ —	$ —	$ 22,431	$ —	$ 22,431	$ 22,431
Other assets	—	8,087	—	—	—	8,087	—	8,087	8,087
Trade receivables	—	183,110	—	—	—	183,110	183,110	—	183,110
Financial derivative assets	55,726	—	—	—	—	55,726	1,333	54,393	55,726
Other financial assets	—	1,679	—	—	—	1,679	1,679	—	1,679
Cash, cash equivalents and restricted cash	—	515,618	—	—	—	515,618	515,618	—	515,618
Total financial assets	$ 70,014	$ 710,378	$ 6,259	$ —	$ —	$ 786,651	$ 701,740	$ 84,911	$ 786,651
Liabilities									
Financial liabilities	$ —	$ —	$ —	$ 538,936	$ —	$ 538,936	$ 20,892	$ 518,044	$ 636,344
Lease liabilities	—	—	—	38,925	—	38,925	9,312	29,613	38,925
Other liabilities	—	—	—	4,471	—	4,471	—	4,471	4,471
Trade payables	—	—	—	72,403	—	72,403	72,403	—	72,403
Other payables	—	—	—	61,526	—	61,526	61,526	—	61,526
Financial derivative liabilities	90,518	—	—	—	1,043	91,561	5,886	85,675	91,561
Other financial liabilities	—	—	—	2,727	—	2,727	2,727	—	2,727
Total financial liabilities	$ 90,518	$ —	$ —	$ 718,988	$ 1,043	$ 810,549	$ 172,746	$ 637,803	$ 907,957

	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
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

Note 7. Business Combinations

As of 31 December 2021, LivaNova owned a 3% equity interest in ALung, a medical device company focused on creating advanced medical devices for treating respiratory failure. In May 2022, LivaNova acquired the remaining 97% of equity interests in ALung for a purchase price of up to $110.0 million, consisting of $10.0 million paid at closing, subject to customary adjustments, and contingent consideration of up to $100.0 million payable upon achievement of certain sales-based milestones beginning in 2023 and ending in 2027. Total consideration included approximately $5.5 million of non-cash consideration. The pre-acquisition equity interest fair value utilized as consideration was equal to the carrying value of the equity interest. As such, no gain or loss was recognised resulting from the acquisition of ALung.

The following table presents the acquisition date fair value of the consideration transferred and the fair value of LivaNova's interest in ALung prior to the acquisition, including certain measurement period adjustments (in thousands):

	Fair Value of Consideration
Cash and other considerations [(1)]	$ 15,586
Contingent consideration	16,791
Fair value of consideration transferred	$ 32,377

(1) Please refer to "Note 5. Fair Value Measurements" for information regarding "other considerations."

The following table presents the preliminary purchase price allocation at fair value for the ALung acquisition, including certain measurement period adjustments (in thousands):

	Purchase Price Allocation
Developed technology - 15-year life	$ 2,900
Goodwill	26,870
Other assets and liabilities, net	2,607
Net assets acquired	$ 32,377

Goodwill arising from the ALung acquisition, which is not deductible for tax purposes, primarily represents the synergies anticipated between ALung and LivaNova's ACS business. The assets acquired, including goodwill, are recognized in LivaNova's ACS segment. The goodwill for the ACS reporting unit was fully impaired during the year ended 31 December 2022. Please refer to "Note 11. Goodwill and Intangible Assets" for further details.

The Company recognized ALung acquisition-related expenses of approximately $5.1 million during the year ended 31 December 2022, within "Selling, general and administrative" expenses on the Company's consolidated statement of income (loss).

The Company's consolidated financial statements include the operating results of ALung from the acquisition date. Separate post-acquisition operating results and pro forma financial information for this acquisition have not been presented as the effect was not material for disclosure purposes.

The contingent consideration payments are triggered upon the achievement of thresholds associated with sales of products covered by the purchase agreement and are estimated to occur during the years reflected in the table below. The sales-based earnout was valued using projected sales from the Company's internal strategic plan and is a Level 3 fair value measurement, which includes the following significant unobservable inputs (in thousands):

ALung Acquisition	Fair value at 2 May 2022	Valuation Technique	Unobservable Input	Ranges
Sales-based earnout	$ 16,791	Monte Carlo simulation	Risk-adjusted discount rate	7.0% - 8.4%
			Credit risk discount rate	6.4% - 8.0%
			Revenue volatility	25.7%
			Projected years of earnout	2023 - 2027

Note 8. Divestiture of Heart Valve Business

Heart Valves

On 2 December 2020, LivaNova entered into a Heart Valve 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 provided 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 $64.1 million. On 9 April 2021, LivaNova and the Purchaser entered into an Amended & Restated 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. On 9 April 2023, Mitral provided notice to LivaNova, pursuant to the Amended & Restated Purchase Agreement, that they would not exercise their right to purchase LSM.

The sale of the Heart Valve business closed on 1 June 2021. LivaNova received $45.5 million in 2021, and the remaining deferred purchase price of $9.5 million in 2022. Also, in 2022, LivaNova made a $4.8 million payment to Mitral upon finalising the trade working capital and net indebtedness adjustments. During the years ended 31 December 2022 and 2021, the Company recognised

a loss from the sale of the Heart Valve business of $0.1 and $26.3 million, respectively, which are included within exceptional items on the consolidated statements of (loss) income.

In conjunction with the sale, LivaNova 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, the Company 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 (loss) income.

Note 9. Restructuring

LivaNova initiates 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, the Company initiated a reorganisation plan (the "2020 Plan") to reduce LivaNova's cost structure. LivaNova 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. The 2020 Plan was completed during 2022.

During the second quarter of 2022, management committed to implement a cost-optimization and cost reduction program to adapt to current economic conditions, which includes a workforce reduction to be completed by mid-2023. The Company recognised restructuring expense of $6.6 million during the year ended 31 December 2022. The total estimated restructuring costs associated with the plan are approximately $10.0 million including employee termination benefits, consulting fees and contract termination costs.

The following table presents a reconciliation of the beginning and ending balance of the accruals and other reserves recorded in connection with LivaNova's restructuring plans included within current and long-term provisions and other payables on the consolidated balance sheet for the years ended 31 December 2022 and 2021 (in thousands):

	Employee Severance and Other Termination Costs	Other	Total	
As of 31 December 2020	$ 5,749	$ 546	$ 6,295	
Charges	7,963	1,750	9,713	
Cash payments	(12,876)	(2,296)	(15,172)	
As of 31 December 2021	836	—	836	(1)
Charges	6,611	—	6,611	
Cash payments	(5,402)	—	(5,402)	
As of 31 December 2022	$ 2,045	$ —	$ 2,045	(2)

(1) 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.

(2) The restructuring plans' liabilities are recorded in the Consolidated Balance Sheet as $1.3 million within current and long-term provisions and $0.7 million within other payables as of 31 December 2022.

The following table presents restructuring expense by reportable segment for the years ended 31 December 2022 and 2021 (in thousands):

	2022	2021
Cardiopulmonary	$ 697	$ 2,844
Neuromodulation	2,651	1,531
Advanced Circulatory Support	1,999	—
Other	1,264	5,338
Total	$ 6,611	$ 9,713

Note 10. Property, Plant and Equipment

(in thousands)	Land	Buildings and Building Improvements	Equipment, Other, Furniture, Fixtures	Capital Investment in Process	Total
At 31 December 2022					
Gross amount	$ 14,637	$ 80,611	$ 174,352	$ 7,355	$ 276,955
Accumulated depreciation and impairment	—	(26,301)	(118,354)	—	(144,655)
Net amount	$ 14,637	$ 54,310	$ 55,998	$ 7,355	$ 132,300
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

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 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 loss	(651)	(2,330)	(4,925)	1,321	(6,585)
Reclassifications [(1)]	—	6,082	8,744	(19,052)	(4,226)
Net Amount at 31 December 2021	15,099	56,368	59,430	10,203	141,100
Acquisition of ALung	—	—	44	—	44
Additions	—	823	6,703	9,887	17,413
Disposals	—	(21)	(892)	(197)	(1,110)
Impairment	—	—	(325)	(363)	(688)
Depreciation	—	(4,365)	(14,130)	—	(18,495)
Currency translation loss	(462)	(1,546)	(2,672)	(487)	(5,167)
Reclassifications [(1)]	—	3,051	7,840	(11,688)	(797)
Net Amount at 31 December 2022	$ 14,637	$ 54,310	$ 55,998	$ 7,355	$ 132,300

(1) Total reclassifications during the year ended 31 December 2022 and 2021 represent reclassifications of $0.8 million and $4.2 million, respectively, to intangible assets from capital investment in process as assets were placed into service.

Note 11. 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 2022								
Gross amount	$ 453,794	$ 217,205	$ 184,397	$ 24,368	$ 112,000	$ 762	$ 45,080	$ 583,812
Accumulated amortisation	—	(80,219)	(72,820)	(16,483)	—	(650)	(30,270)	(200,442)
Net amount	$ 453,794	$ 136,986	$ 111,577	$ 7,885	$ 112,000	$ 112	$ 14,810	$ 383,370
At 31 December 2021								
Gross amount	$ 579,762	$ 219,706	$ 192,800	$ 25,154	$ 112,000	$ 623	$ 35,951	$ 586,234
Accumulated amortisation	—	(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

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 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 (loss) gain	(11,877)	(4,895)	(6,553)	—	—	2	(190)	(11,636)
Reclassifications [1]	—	—	—	—	—	—	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
Acquisition	26,870	2,900	—	—	—	—	—	2,900
Additions	—	—	—	—	—	6	9,185	9,191
Amortisation	—	(13,833)	(10,540)	(769)	—	(56)	(3,846)	(29,044)
Impairment	(144,990)	—	—	—	—	—	—	—
Currency translation loss	(7,848)	(3,299)	(5,577)	—	—	(6)	(115)	(8,997)
Reclassifications [1]	—	—	—	—	—	50	747	797
Net Amount at 31 December 2022	$ 453,794	$ 136,986	$ 111,577	$ 7,885	$ 112,000	$ 112	$ 14,810	$ 383,370

(1) Reclassifications during the year ended 31 December 2022 and 2021 represent reclassifications of $0.8 million and $4.2 million, respectively, from capital investment in process to intangible assets as assets were placed into service.

Amortisation of intangible assets charged to the consolidated statement of (loss) income totalled $29.0 million and $30.3 million for the year ended 31 December 2022 and 31 December 2021, respectively, and is included within cost of sales, selling, general and administrative and research and development.

The amortisation periods for LivaNova's finite-lived intangible assets as of 31 December 2022 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	5

(1) As at 31 December 2022, developed technology from the business combination of Cyberonics and Sorin ("Merger") had a remaining useful life of 8 to 11 years, customer relationships from the Merger had a remaining useful life of 11 years, developed technology from the TandemLife acquisition had a remaining useful life of 11 years and developed technology from the ALung acquisition had a remaining useful life of 14 years.

The amortisation periods for LivaNova's finite-lived intangible assets as of 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.

Impairment of Goodwill and Intangible Assets

The Company's CGUs consist of Cardiopulmonary, Advanced Circulatory Support, Obstructive Sleep Apnea, and Neuromodulation. The carrying amount of goodwill by CGU (in thousands):

	31 December 2022	31 December 2021
Cardiopulmonary [(1)]	$ 55,040	$ 62,888
Advanced Circulatory Support [(2)]	—	118,120
Obstructive Sleep Apnea	82,595	82,595
Neuromodulation	316,159	316,159
Total	$ 453,794	$ 579,762

(1) Cardiopulmonary goodwill is primarily denominated in foreign currencies and is therefore subject to foreign exchange fluctuations.

(2) As part of LivaNova's 2022 goodwill impairment assessment, the Company considered that revenue for LivaNova's ACS reporting unit had declined compared to the prior year period, primarily as a result of a reduction in severe COVID-19 cases, hospital-related challenges and product mix. Furthermore, future revenue projections were reduced. Based on these circumstances, the Company concluded that the goodwill of LivaNova's ACS reporting unit was impaired, including goodwill recognized as part of the acquisition of ALung in 2022 (refer to "Note 7. Business Combinations"). The Company performed a quantitative assessment of the goodwill using management's current estimate of future cash flows. Based on the valuation performed, LivaNova determined that the fair value less cost of disposal of the ACS reporting unit was less than the carrying value and recognized a goodwill impairment of $145.0 million in the Company's consolidated statements of (loss) income during the year ended 31 December 2022.

LivaNova performed quantitative assessments of the Company's CGUs as of 31 December 2022 in accordance with IAS 36 "Impairment of Assets." The methodology applied to the Company's CGUs was fair value less cost of disposal, reflecting past experience and external sources of information, including Board approved budgets covering a five-year period. Cash flows beyond the five-year period are projected using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. These calculations use cash flow projections with post-tax discount rates between 11.0% and 20.0% derived from the Company's benchmarked WACC and an expected revenue growth rate for all CGUs. The discount rates utilized in the assessments of LivaNova's Cardiopulmonary, Neuromodulation, Advanced Circulatory Support and Obstructive Sleep Apnea CGUs as of 31 December 2022 were 11.5%, 11.2%, 15.5% and 20.0%, respectively. The discount rates utilized in the assessments of LivaNova's Cardiopulmonary, Neuromodulation, Advanced Circulatory Support and Obstructive Sleep Apnea CGUs as of 31 December 2021 were 10.0%, 12.1%, 16.5% and 19.0%, respectively. The revenue growth rate ranges for LivaNova's Cardiopulmonary, Neuromodulation, Advanced Circulatory Support and Obstructive Sleep Apnea CGUs as of 31 December 2022 were 3.3-17.0%, 3.7-13.2%, 6.1-37.4% and 5.7-710.2%, respectively, and as of 31 December 2021 were 2.0-16.8%, 3.6-795.0%, 2.3-26.6% and 5.8-209.0%, respectively. A long-term terminal growth rate of 2.0% was utilized for all CGUs for 2022 and 2021.

Additionally, as of 31 December 2022, LivaNova performed a quantitative assessment of the IPR&D recognised in conjunction with the acquisition of ImThera. The fair value less cost of disposal 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 19.0% and an expected revenue growth rate range of 2.0-710.2%. Based on the assessment performed, the Company determined that the IPR&D asset was not impaired. The fair value less cost of disposal of the IPR&D asset recognised in conjunction with the acquisition of ImThera exceeded its carrying value by approximately 23.7% or $26.5 million as of 31 December 2022.

The fair value less cost of disposal models used for calculating the recoverable amount is most sensitive to the discount rate, the expected revenue growth rate and the OSA CGU's commercialisation date. The Company performed a sensitivity analysis, as of 31 December 2022, for each of these assumptions for each CGU, as applicable, including an increase of 0.5% in the discount rate used, a decrease of 0.5% in the expected revenue growth rate and a one-year delay of the OSA CGU's commercialisation date, which LivaNova considers to be reasonably possible changes. An increase of 0.5% in the discount rate would reduce the headroom for the Neuromodulation, Cardiopulmonary and Obstructive Sleep Apnea CGU's by approximately $162 million, $50 million and $14 million, respectively. A decrease of 0.5% in the expected revenue growth rate would result in a reduction of headroom for LivaNova's Neuromodulation, Cardiopulmonary and Obstructive Sleep Apnea CGU's of approximately $95 million, $67 million and $17 million, respectively. A one-year delay of the OSA CGU's commercialisation date would reduce this CGUs headroom by approximately $54 million. These changes would not result in further impairment of goodwill associated with the Neuromodulation or Cardiopulmonary CGU's but would result in an impairment of the Obstructive Sleep Apnea CGU's goodwill of approximately $7 million, $10 million and $47 million when changing the discount rate assumption, changing the revenue growth assumption and assuming a one-year delay of the OSA CGU's commercialisation date, respectively. Additionally, changing the discount rate and revenue growth assumptions would further impair the Advanced Circulatory Support CGU by approximately $9 million and $20 million, respectively.

Additionally, the Company has considered climate risk in relation to impairment testing of goodwill. While climate-related matters can affect future cash flows and the carrying value being tested, no such impacts were identified related to the impairment tests in 2022 or 2021.

Note 12. Investments in Subsidiaries

Subsidiaries. The Company had the following subsidiaries as of 31 December 2022:

	Registered Office	Country of Incorporation	% Consolidated Group Ownership
LivaNova PLC (Italian Branch)	Via Enrico Cialdini, 16, 20161 Milano Italy	Italy	100
ALung Technologies, Inc.	2500 Jane St., Ste 100, Pittsburgh, PA 15203	U.S.	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 [1]	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
Cyberonics Netherlands CV [1]	100 Cyberonics Boulevard, Houston, TX 77058 USA	Netherlands	100
ImThera Medical, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
LivaNova Australia PTY Limited	Unit 1, 63 Wells Road, Chelsea Heights VIC 3196	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
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 Enrico Cialdini, 16, 20161 Milano Italy	Italy	100
LivaNova Hong Kong Limited	4008-4009, 40/F, One Pacific Place, 88 Queensway, 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	999, Gaysorn Building, 5th Floor, Unit 5B-1, Room no 535 ,509-510 Ploenchit Rd., Lumpini, Patumwan, Bangkok 103304	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 Enrico Cialdini, 16, 20161 Milano 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 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

	Registered Office	Country of Incorporation	% Consolidated Group Ownership
LIVN US 5, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
Sorin Group Italia S.r.l.	Via Enrico Cialdini, 16, 20161 Milano Italy	Italy	100
Sorin Group Rus LLC	Marshal Proshlyakov str. 30 office 304 123458 Moscow, Russia	Russia	100

(1) Cyberonics Netherlands CV, Cyberonics Holdings LLC and LIVN Irishco Unlimited were liquidated during 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 revenue:

Sorin Group Italia S.r.l.	For the Year Ended 31 December	
(thousands of Euros)	2022	2021
Net revenue, including intercompany sales	224,078	213,864
Earnings before interest and taxes	(4,281)	(82,337)
Net loss	(4,483)	(86,316)

LivaNova Deutschland GmbH [1]	For the Year Ended 31 December	
(thousands of Euros)	2022	2021
Net revenue, including intercompany sales	103,190	90,520
Earnings before interest and taxes	4,213	(7,380)
Net profit (loss)	2,276	(4,671)

(1) LivaNova Deutschland GmbH is a 100% consolidated LivaNova group company that is formally exempt for FS 2022 from GERMAN GAAP auditing and publishing.

CardiacAssist, Inc. Dba TandemLife [1]	For the Year Ended 31 December	
(thousands of USD)	2022	2021
Net revenue, including intercompany sales	23,183	55,160
Earnings before interest and taxes	(124,076)	(3,696)
Net loss	(123,301)	(3,863)

(1) The amounts for Cardiac Assist, Inc. are presented under U.S. GAAP as there is no statutory reporting requirement.

LivaNova USA, Inc. [1]	For the Year Ended 31 December	
(thousands of USD)	2022	2021
Net revenue, including intercompany sales	766,482	672,792
Earnings before interest and taxes	(13,389)	(165,985)
Net loss	(65,340)	(332,813)

(1) The amounts for LivaNova USA, Inc. are presented under U.S. GAAP as there is no statutory reporting requirement.

Note 13. Financial Assets

Non-Current Financial Assets

(in thousands)	31 December 2022	31 December 2021
Investments in equity instruments in privately-held companies	$ 14,288	$ 15,811
Corporate owned life insurance policies	6,259	6,662
Prepaid finance costs	1,599	1,895
Financial receivable due from equity investment	285	272
Total non-current financial assets	$ 22,431	$ 24,640

Note 13. Financial Assets

The table below lists LivaNova's non-current financial assets of investments in equity instruments in privately-held companies held at cost, which the Company believes 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 2022	Percent Ownership 31 December 2021	Security	Address	Fair Value 31 December 2022	Fair Value 31 December 2021
ShiraTronics, Inc.	13.4%	14.9%	Series A Preferred Shares	9210 Wyoming Ave. N., Suite 275, Brooklyn Center, MN 55445	$ 5,000	$ 3,331
Noctrix Health, Inc.	10.5%	10.5%	Series A Preferred Shares	724 Brannan St., San Francisco, CA 94103	3,159	3,159
ALung Technologies, Inc. (1)	100.0%	3.0%	Series C Preferred Shares	2500 Jane St., Pittsburgh, PA 15203	—	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	1,069	1,135
Rainbow Medical Ltd.	1.6%	1.6%	Ordinary Shares	85 Medinat Hayehudim St., Business Park, G Building, Herzeliya Pituach, Israel	1,047	1,111
Highlife SAS	7.0%	7.0%	Series A Preferred Shares	168 rue de Grenelle, 75007 Paris, France	1,013	1,075
					$ 14,288	$ 15,811

(1) ALung was a privately held medical device company focused on creating advanced medical devices for treating respiratory failure. LivaNova had a loan outstanding to ALung with a carrying amount of $2.5 million as of 31 December 2021, which is included in other financial assets and other current assets on the consolidated balance sheet. In May 2022, LivaNova acquired the remaining 97% of equity interests in ALung. For more information, please refer to "Note 7. Business Combinations."

(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 income/(expense) on the consolidated statements of (loss) income for the year ended 31 December 2021.

The table below lists LivaNova's non-current equity investments in associates as of 31 December 2022 and 2021:

	Percent Ownership 31 December 2022	Percent Ownership 31 December 2021	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) As of 31 December 2022, LivaNova is required to fund follow-on investments up to approximately €3.0 million (approximately $3.2 million as of 31 December 2022) based on cash calls.

Current Financial Assets:

(in thousands)	31 December 2022	31 December 2021
Financial receivables due from equity investments	$ —	$ 2,495
Other receivables	1,679	3,008
Total current financial assets	$ 1,679	$ 5,503

Note 14. Inventories

The following table presents the components of inventories as of 31 December 2022 and 2021 (in thousands):

	2022	2021
Raw materials	$ 70,027	$ 43,958
Work-in-process	15,508	14,161
Finished goods	43,844	47,721
Total	$ 129,379	$ 105,840

Inventory charged to cost of sales for the years ended 31 December 2022 and 2021 totalled $238.9 million and $246.1 million, respectively. Inventories are reported net of the provision for obsolescence which totalled $8.2 million and $8.9 million as of 31

December 2022 and 31 December 2021, respectively. The provisions for obsolescence at 31 December 2022 and 2021 reflect normal obsolescence and includes components that are phased out or expired.

Note 15. Trade Receivables and Other Receivables

Trade receivables, net, consisted of the following (in thousands):

	31 December 2022	31 December 2021
Trade receivables from third parties	$ 194,972	$ 198,865
Expected credit loss provision	(11,862)	(13,511)
Total	$ 183,110	$ 185,354

LivaNova's customers consist of hospitals, other healthcare institutions, distributors, organised 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 2022	31 December 2021
Beginning of year	$ (13,511)	$ (10,310)
Additions to provision	(186)	(5,206)
Utilisation	1,175	1,204
Currency translation gains	660	801
End of year	$ (11,862)	$ (13,511)

Below is a summary of other receivables (in thousands):

	31 December 2022	31 December 2021
Prepaid assets and other current receivables	$ 16,709	$ 27,541
Deposit and advances to suppliers	5,778	1,978
Guarantee deposits	822	721
Total	$ 23,309	$ 30,240

Note 16. Derivative Financial Instruments

Due to the global nature of LivaNova's operations, the Company is exposed to foreign currency exchange rate fluctuations. Historically, the Company has entered into foreign FX derivative contracts and interest rate swap contracts to reduce the impact of foreign currency exchange rate and interest rate fluctuations, respectively, on earnings and cash flow.

LivaNova is also exposed to equity price risk in connection with the Company's Notes, including exchange and settlement provisions based on the price of LivaNova's 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 LivaNova's Ordinary Shares, subject to a capped price per share. The Company does not enter into derivative contracts for speculative purposes.

LivaNova measures 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. 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 LivaNova's consolidated statements of (loss) income as shown in the tables below, and interest rate swap gains and losses in AOCI are reclassified to finance expense on LivaNova's consolidated statements of (loss) income. The Company evaluates hedge effectiveness at inception. Cash flows from derivative contracts are reported as operating activities on the Company's consolidated statements of cash flows.

Freestanding FX Derivative Contracts

The gross notional amount of FX derivative contracts not designated as hedging instruments, outstanding as of 31 December 2022 and 2021, was $154.5 million and $136.7 million, respectively. These derivative contracts are designed to offset the FX effects in earnings of various intercompany loans and trade receivables. The Company recorded net gains (losses) for these freestanding derivatives of $4.5 million and $10.9 million for the years ended 31 December 2022 and 2021, respectively. These gains and

(losses) are included in Foreign exchange and other income/(expense) on the Company's consolidated statements of (loss) income.

Counterparty Credit Risk

LivaNova is exposed to credit risk in the event of non-performance by the counterparties to the Company's derivatives.

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

To manage credit risk with respect to LivaNova's 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

Historically, the Company has utilized FX derivative contracts, designed as cash flow hedges, to hedge the variability of cash flows associated with LivaNova's 12-month U.S. dollar forecasts of revenues and costs denominated in British Pound, Japanese Yen and the Euro. LivaNova transfers to earnings from AOCI the gain or loss realized on the FX derivative contracts at the time of invoicing. Upon the settlement of LivaNova's foreign currency cash flow hedges in the fourth quarter of 2022 and following an in-depth analysis of the utility of LivaNova's cash flow hedging program, LivaNova discontinued its foreign currency cash flow hedging program.

Interest Rate Risk

LivaNova entered into interest rate swaps in July 2022, which qualify for and are designated as cash flow hedges, for a notional amount covering 70% of the Initial Term Facility's outstanding principal through April 2023, in order to minimize the impact of changes in interest rates by swapping a portion of the Initial Term Facility's floating-rate interest payments for fixed-rate interest payments. The Initial Term Facility matures in July 2027.

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 2022 and 31 December 2021.

The following table presents the gross notional amounts of open derivative contracts designated as cash flow hedges as of 31 December 2022 and 2021 (in thousands):

Description of Derivative Contract	2022	2021
FX derivative contracts to be exchanged for British Pounds	$ —	$ 11,160
FX derivative contracts to be exchanged for Japanese Yen	—	6,648
FX derivative contracts to be exchanged for Euros	—	58,224
Interest rate swap contracts	210,000	—
	$ 210,000	$ 76,032

The following table presents the after-tax net gain (loss) associated with derivatives designated as cash flow hedges recorded in the ending balance of AOCI and the amount expected to be reclassified to earnings in the next 12 months as of 31 December 2022 and 2021 (in thousands):

As of 31 December 2022 Description of Derivative Contract	After-Tax Net Gain in AOCI	Amount Expected to be Reclassified to Earnings Over the Next 12 Months
Interest rate swap contracts	$ 966	$ 966

As of 31 December 2021 Description of Derivative Contract	After-Tax Net Loss in AOCI	Amount Expected to be Reclassified to Earnings Over the Next 12 Months
FX derivative contracts	$ (945)	$ (945)

Presentation in Financial Statements

The following tables present the pre-tax (losses) gains for derivative contracts designated as cash flow hedges recognised in OCI and the amount reclassified to earnings from AOCI for the years ended 31 December 2022 and 2021 (in thousands):

		2022	
Description of Derivative Contract	**Location in Earnings of Reclassified Gain or Loss**	**(Loss) Gain Recognised in OCI**	**Loss Reclassified from AOCI to Earnings**
FX derivative contracts	Foreign exchange and other income/ (expense)	$ (4,602)	$ (382)
FX derivative contracts	SG&A	—	(5,165)
Interest rate swap contracts	Finance expense	914	(52)
Total		$ (3,688)	$ (5,599)

		2021	
Description of Derivative Contract	**Location in Earnings of Reclassified Gain or Loss**	**Loss Recognised in OCI**	**(Loss) Gain Reclassified from AOCI to Earnings**
FX derivative contracts	Foreign exchange and other income/ (expense)	$ (3,922)	$ (2,333)
FX derivative contracts	SG&A	—	2,408
Total		$ (3,922)	$ 75

LivaNova offsets fair value amounts associated with the Company's derivative instruments on its consolidated balance sheets that are executed with the same counterparty under master netting arrangements. The Company's 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 as of 31 December 2022 and 2021 (in thousands):

2022	**Asset Derivatives**		**Liability Derivatives**	
Derivatives Designated as Hedging Instruments	**Balance Sheet Location**	**Fair Value [1]**	**Balance Sheet Location**	**Fair Value [1]**
Interest rate swap contracts	Current financial derivative assets	$ 1,333		
Total derivatives designated as hedging instruments		1,333		
Derivatives Not Designated as Hedging Instruments				
FX derivative contracts			Current financial derivative liabilities	$ 5,886
Capped call derivatives	Long-term financial derivative assets	54,393		
Embedded exchange feature			Long-term financial derivative liabilities	85,675
Total derivatives not designated as hedging instruments		54,393		91,561
Total derivatives		$ 55,726		$ 91,561

(1) For the classification of input used to evaluate the fair value of the Company's derivatives, refer to "Note 5. Fair Value Measurements."

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 asset	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 inputs used to evaluate the fair value of the Company's derivatives, refer to "Note 5. Fair Value Measurements."

Note 17. 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 2022	31 December 2021
Authorised share capital, Ordinary Shares of £1 each, unlimited shares authorised		
Issued [1]	53,851,979	53,761,510
Outstanding	53,564,664	53,263,297

(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. LivaNova did not issue any additional shares to the Company's EBT during the years ended 31 December 2022 or 31 December 2021.

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.

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. LivaNova PLC did not issue any additional shares to the Company's EBT during the years ended 31 December 2022 or 31 December 2021. As of 31 December 2022 and 2021, LivaNova held 287,315 and 498,213 shares in treasury.

Accumulated other comprehensive loss. The table below presents the change in each component of AOCI (loss), net of tax and the reclassifications out of AOCI (loss) into accumulated losses.

Taxes were not provided for foreign currency translation adjustments for the years ended 31 December 2022 and 2021 as translation adjustment related to earnings are intended to be reinvested in the countries where earned.

Note 17. Shareholders' Equity

(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 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)
Other comprehensive (loss) income before reclassifications, before tax	(3,688)	(22,170)	915	(24,943)
Tax benefit	—	—	38	38
Other comprehensive (loss) income before reclassifications, net of tax	(3,688)	(22,170)	953	(24,905)
Reclassification of income from accumulated other comprehensive loss, before tax	5,599	—	—	5,599
Tax effect	—	—	—	—
Reclassification of income from accumulated other comprehensive loss, after tax	5,599	—	—	5,599
Net other comprehensive loss, net of tax	1,911	(22,170)	953	(19,306)
Ending Balance - 31 December 2022	**$ 966**	**$ (24,376)**	**$ (1,180)**	**$ (24,590)**

Note 18. Financial Liabilities

The following table presents the outstanding principal amounts of LivaNova's unsecured long-term debt facilities as of 31 December 2022 and 2021 (in thousands, except interest rates):

	2022	2021	Maturity	Interest Rate
Term Facilities	$ 289,294	$ —	July 2027	7.21%
2020 Cash Exchangeable Senior Notes	239,568	225,140	December 2025	3.00%
Bank of America Merrill Lynch Banco Múltiplo S.A.	6,462	6,113	July 2023	16.20%
Mediocredito Italiano	1,601	3,379	December 2023	0.50% – 3.47%
Bank of America, U.S. [(1)]	1,500	1,500	January 2023	5.45%
Other	511	600		
Total long-term facilities	538,936	236,732		
Less current portion of long-term debt	20,892	226,946		
Total long-term debt obligations	$ 518,044	$ 9,786		

(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 LivaNova's long-term debt for the year ended 31 December 2022 included the following (in thousands):

	Beginning of Fiscal Year 2022	Net Borrowing	Scheduled Principal Reductions	Amortisation of Prepaid Loan Fees	FX - Translation and Other	End of Fiscal Year 2022
Term Facilities	$ —	$ 290,377	$ (1,875)	$ 792	$ —	$ 289,294
2020 Cash Exchangeable Senior Notes	225,140	—	—	14,428	—	239,568
Bank of America Merrill Lynch Banco Múltiplo S.A.	6,113	—	—	—	349	6,462
Mediocredito Italiano	3,379	—	(1,594)	—	(184)	1,601
Bank of America, U.S.	1,500	—	—	—	—	1,500
Bridge Loan Facility	—	215,480	(220,000)	4,520	—	—
Other	600	—	—	—	(89)	511
Totals	$ 236,732	$ 505,857	$ (223,469)	$ 19,740	$ 76	$ 538,936

Movements associated with the outstanding principal amounts of LivaNova's 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

Revolving Credit

The outstanding principal amount of LivaNova's short-term unsecured revolving credit agreements and other agreements with various banks was $2.5 million and $2.7 million as of 31 December 2022 and 2021, respectively, with interest rates ranging from 4.24% to 16.35% and loan terms ranging from overnight to 365 days.

On 13 August 2021, LivaNova PLC and its wholly-owned subsidiary, 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, relating to a $125 million 2021 First Lien Credit Agreement. The 2021 First Lien Credit Agreement, as amended from time to time, expires on 13 August 2026 and bears interest at a rate equal to, for U.S. dollar-denominated loans, an adjusted SOFR with a floor of 0.00%, or a Base Rate, plus, in each case, a variable margin based on the Company's Total Net Leverage Ratio. Interest is paid monthly or quarterly, as selected by the Borrower, with any outstanding principal due at maturity. The 2021 First Lien Credit Agreement also contemplates the payment of commitment fees on the unused portion of the commitments, at a variable percentage based on the Company's Total Net Leverage Ratio. As of 31 December 2022 and 2021, the applicable commitment fee percentage was 0.5% and 0.25% per annum, respectively. The 2021 First Lien Credit Agreement is available for working capital and other general corporate purposes and, if drawn, can be repaid at any time without premium or penalty. As of 31 December 2022, LivaNova was in compliance with the financial covenants contained in the Company's 2021 First Lien Credit Agreement.

There were no outstanding borrowings under the 2021 First Lien Credit Agreement's $125 million revolving credit facility as of 31 December 2022.

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 (loss) income.

Bridge Loan Facility

On 24 February 2022, LivaNova PLC and its wholly-owned subsidiary, LivaNova USA entered into an Incremental Facility Amendment No. 1 to the 2021 First Lien Credit Agreement, relating to the €200 million Bridge Loan Facility. On 16 March 2022, LivaNova entered into Amendment No. 2 to the 2021 First Lien Credit Agreement, which converted the available borrowings under the Bridge Loan Facility from €200 million to $220 million and converted the EURIBOR rate in the 2021 First Lien Credit Agreement to SOFR. LivaNova delivered a borrowing notice for $220 million in connection with the Bridge Loan Facility, which was funded on 17 March 2022.

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 USD in an amount equal to the USD equivalent of 105% of the amount of the SNIA Litigation Guarantee calibrated on a biweekly basis. The proceeds of the Bridge Loan Facility were used by LivaNova to post a portion of the cash collateral supporting the SNIA Litigation Guarantee. Cash collateral classified as restricted cash on the consolidated balance sheet as of 31 December 2022 was $301.4 million. For additional information regarding the SNIA litigation, please refer to "Note 26. Commitments and Contingencies."

Debt discounts and issuance costs related to the Bridge Loan Facility were approximately $4.5 million. Amortization of debt discount and issuance costs for the Bridge Loan Facility was $4.5 million for the year ended 31 December 2022 and is included in finance expense on the consolidated statement of income (loss).

The Bridge Loan Facility was repaid in full on 6 July 2022.

Term Facilities

On 6 July 2022, LivaNova and its wholly-owned subsidiary, LivaNova USA, entered into the Incremental Amendment No. 2 to its 2021 First Lien Credit Agreement. The Incremental Amendment No. 2 provides for LivaNova USA to, among other things, obtain commitments for term loan facilities from a syndicate of lenders in an aggregate principal amount of $350 million consisting of (i) the Initial Term Facility with an aggregate principal amount of $300 million and (ii) the Delayed Draw Term Facility with an additional aggregate principal amount of $50 million, which is available in one single drawing on or after 6 July 2022 until the date that is nine months after such date and, together with the Initial Term Facility, the Term Facilities. As of 31 December 2022, availability under the Delayed Draw Term Facility was $50 million. On 6 April 2023, LivaNova drew $50 million under the Delayed Draw Term Facility. The Term Facilities have now been fully drawn. The proceeds are to be used for general corporate purposes of the Company.

Proceeds from the Initial Term Facility were used to repay in full the Bridge Loan Facility on 6 July 2022, with the remainder used for general corporate purposes of the Company. The Term Facilities have a maturity of the earlier of (i) five years or (ii) 91 days prior to 15 December 2025, the maturity date of the 2020 Cash Exchangeable Senior Notes, unless by that date LivaNova USA will have either redeemed or refinanced the Notes, or set aside an amount of cash equal to the then-outstanding principal amount of the Notes. The Term Facilities bear interest at a rate equal to an adjusted term SOFR plus a variable margin based on the Company's consolidated Total Net Leverage Ratio. As of 31 December 2022, the applicable margin over Adjusted SOFR was equal to 3.5% per annum. The Term Facilities are subject to an original issue discount of 1.5% of their principal amount. The Delayed Draw Term Facility also contemplates the payment of commitment fees at a variable percentage based on the Company's Total Net Leverage Ratio. As of 31 December 2022, the applicable commitment fee percentage was equal to 0.5% per annum. The Term Facilities are subject to quarterly principal repayment, based on the following amortization schedule: (i) during the first year from the initial funding date: 1.9%; (ii) year two: 5.0%; (ii) year three: 5.0%; (iv) year four: 7.5%; and (v) year five: 10.0%, with the remainder to be paid at maturity. The effective interest rate of the Initial Term Facility as of 31 December 2022 was 6.53%.

The 2021 First Lien Credit Agreement, as amended, contains customary representations, warranties and covenants, including the requirement to maintain a Senior Secured First Lien Net Leverage Ratio, calculated as the ratio of Consolidated Senior Secured First Lien Net Indebtedness to Consolidated EBITDA, as defined in the credit agreement, for the period of four consecutive fiscal quarters ended on the calculation date, of not more than 3.50 to 1.00 and an Interest Coverage Ratio, calculated as the ratio of Consolidated EBITDA to Consolidated Interest Expense, as defined in the credit agreement, for the period of four consecutive fiscal quarters ended on the calculation date, of not less than 3.00 to 1.00. As of 31 December 2022 , LivaNova was in compliance with the financial covenants contained in the Company's 2021 First Lien Credit Agreement.

Debt discounts and issuance costs related to the Initial Term Facility were approximately $9.6 million. Amortization of debt discount and issuance costs for the Initial Term Facility was $0.8 million for the year ended 31 December 2022 , and is included in finance expense on the consolidated statement of income (loss). The unamortized discount and issuance costs related to the Initial Term Facility as of 31 December 2022 was $10.7 million. Issuance costs related to the Delayed Draw Term Facility were approximately $1.6 million. Amortization of issuance costs for the Delayed Draw Term Facility was $1.1 million for the year ended 31 December 2022, and is included in finance expense on the consolidated statement of income (loss). The unamortized

issuance cost related to the Delayed Draw Term Facility as of 31 December 2022 was $0.5 million and is included within prepaid expenses and other current assets on the consolidated balance sheet.

2020 Cash Exchangeable Senior Notes

On 17 June 2020, LivaNova's wholly-owned subsidiary, LivaNova USA, issued $287.5 million aggregate principal amount of 3.00% 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. The EIR of the Notes as of 31 December 2022 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 $14.4 million and $13.1 million for the years ended 31 December 2022 and 2021, respectively, and is included in finance expense on the consolidated statement of income (loss). The unamortised discount related to the Notes as of 31 December 2022 and 2021 was $47.9 million and $62.4 million, respectively.

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 not satisfied on 31 December 2022. As a result, LivaNova has included the Company's obligations from the Notes and the associated embedded exchange feature derivative as a long-term liability on the consolidated balance sheet as of 31 December 2022. 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 the unrealized gain or loss reflected within net gain/(loss) on embedded exchange feature and capped call derivatives on the consolidated statements of (loss) income. The fair value of the embedded exchange feature derivative liability was $85.7 million and $181.7 million as of 31 December 2022 and 2021, respectively.

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 generally expected 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 net gain/(loss) on embedded exchange feature and capped call derivatives on the consolidated statement of income (loss). The fair value of

the capped call derivative assets was $54.4 million and $106.6 million as of 31 December 2022 and 2021, respectively. As of 31 December 2022, the capped call derivative assets were classified as long-term.

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 income/(expense) in the consolidated statements of (loss) income. 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 (loss) income. For additional information, please refer to "Note 17. Shareholders' Equity."

Note 19. Leases

LivaNova has leases primarily for (i) office space, (ii) manufacturing, warehouse and R&D facilities and (iii) vehicles. LivaNova's leases have remaining lease terms up to 12 years, some of which include options to extend the leases, some of which include options to terminate the leases at the Company's sole discretion, and some of which call for variable lease payments.

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 2021	$ 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
Additions	6,125	1,019	203	7,347	7,339
Depreciation expense [(1)]	(8,597)	(1,757)	(249)	(10,603)	—
Disposals, modifications and other	375	(16)	4	363	(2,479)
Finance expense	—	—	—	—	1,461
Lease payments	—	—	—	—	(12,441)
Currency translation adjustments	(2,145)	(283)	(7)	(2,435)	(2,319)
Balance as of 31 December 2022	$ 32,163	$ 2,482	$ 147	$ 34,792	$ 38,925

(1) Depreciation expense is included in the consolidated statement of (loss) income in cost of sales or other operating expenses.

Contractual maturities of LivaNova's lease liabilities as of 31 December 2022 were as follows (in thousands):

2023	$	10,520
2024		8,095
2025		5,372
2026		3,998
2027		3,570
Thereafter		12,747
Total lease payments		44,302
Less: Amount representing finance charges		(5,377)
Net present value of lease liabilities	$	38,925

Contractual maturities of LivaNova's 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

Lease Payments not Recognised as a Liability

LivaNova has 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 2022 and 2021 relating to payments not included in the measurement of lease liabilities is as follows (in thousands):

	31 December 2022	31 December 2021
Short-term leases	$ 468	$ 1,084
Lease of low value	508	422
Variable lease payments	580	1,200
	$ 1,556	$ 2,706

At 31 December 2022 and 2021, LivaNova was committed to future lease payments of approximately $2.5 million and $2.8 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 0.5% of total net revenue for the year ended 31 December 2022 and 2021, respectively.

Note 20. Other Non-Current Liabilities

(in thousands)	31 December 2022	31 December 2021
Amounts due to employees	$ 7,224	$ 6,865
Contract liabilities	3,829	1,403
Other	642	1,069
Total	$ 11,695	$ 9,337

Note 21. Contingent Consideration, Litigation Provision Liability and Other Provisions

Current Provisions

(in thousands)	31 December 2022	31 December 2021
Litigation provision liability	$ 29,481	$ 32,845
Restructuring reserve	1,017	365
Product remediation	745	807
Contractual warranty reserve	520	767
Decommissioning provision	458	496
Contingent consideration	—	11,552
Other [1]	7,206	6,329
Total	$ 39,427	$ 53,161

(1) Other includes an Italian tax provision and other individually immaterial items.

Non-Current Provisions

(in thousands)	31 December 2022	31 December 2021
Contingent consideration	$ 85,292	$ 86,830
Decommissioning provision	37,654	43,460
Litigation provision liability	3,006	6,625
Liability for uncertain tax provisions (inclusive of penalties and interest)	1,935	1,983
Restructuring reserve	316	37
Total	$ 128,203	$ 138,935

Product Remediation and Litigation Provision Liability.

On 29 December 2015, LivaNova received an FDA Warning Letter (the Warning Letter) alleging certain violations of FDA regulations applicable to medical device manufacturing at the Company's 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 LivaNova issued a Field Safety Notice Update for U.S. users of LivaNova's 3T devices to proactively and voluntarily contact facilities to facilitate implementation of the CDC and FDA recommendations.

On 31 December 2016, LivaNova recognised a liability for a product remediation plan related to LivaNova's 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. LivaNova 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, LivaNova obtained CE Mark in Europe for the design change of the 3T device, and in October 2018, the FDA concluded that the Company 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. In December 2022, LivaNova received a close-out letter from the FDA for the Warning Letter the Company received on 29 December 2015. Closure of the 2015 Warning Letter represents the culmination of LivaNova's corrective actions implemented at its Munich manufacturing facility and to the 3T Heater-Cooler device design.

LivaNova recognised product remediation expenses during the years ended 31 December 2022 and 2021 of nil and $0.8 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 the Company's 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. As of 31 December 2022 and 2021, the liability related to the litigation involving the 3T device was $32.5 million and $39.5 million, respectively. LivaNova's related legal costs are expensed as incurred. For further information, please refer to "Note 26. Commitments and Contingencies."

Restructuring reserve. Refer to "Note 9. Restructuring" for more details.

Decommissioning Provision. Refer to "Note 26. 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 [3]	Contractual Warranty Reserve	Decommissioning Provision [1]	Other Reserves	Total
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 provisions	—	—	—	(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
Change in fair value [4]	—	(11,552)	—	—	—	—	—	(11,552)
Additions to provision	22,309	—	—	1,102	(130)	—	1,223	24,504
Utilisation	(28,867)	—	(15)	(432)	(100)	(437)	5	(29,846)
Release of provision	—	—	—	—	—	—	24	24
Reclassifications from non-current	3,449	—	—	—	—	428	—	3,877
Currency translation gains (losses)	(255)	—	(47)	(18)	(17)	(29)	(375)	(741)
31 December 2022	$ 29,481	$ —	$ 745	$ 1,017	$ 520	$ 458	$ 7,206	$ 39,427

(1) For additional information refer to "Note 26. Commitments and Contingencies."
(2) For additional information refer to "Note 5. Fair Value Measurements."
(3) For additional information refer to "Note 9. Restructuring."
(4) For utilization during 2021, LivaNova paid $6.0 million under the contingent consideration arrangement for the acquisition of TandemLife. Additionally, LivaNova 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 [2]	Liability for Uncertain Tax Provisions [3]	Restructuring Reserve [4]	Total
31 December 2020	$ 7,878	$ 49,871	$ 89,850	$ 3,871	$ 37	$151,507
Change in fair value	—	(2,169)	(2,599)	—	—	(4,768)
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
Change in fair value	—	(2,869)	(18,329)	—	—	(21,198)
Additions to provision	—	—	16,791	66	279	17,136
Reclassifications (to) from current	(3,449)	(428)	—	—	—	(3,877)
Currency translation losses	(170)	(2,509)	—	(114)	—	(2,793)
31 December 2022	$ 3,006	$ 37,654	$ 85,292	$ 1,935	$ 316	$128,203

(1) For additional information refer to "Note 26. Commitments and Contingencies."
(2) For additional information refer to "Note 5. Fair Value Measurements."
(3) For additional information refer to "Note 25. Income Taxes."
(4) For additional information refer to "Note 9. Restructuring."

Note 22. Other Payables

(in thousands)	31 December 2022	31 December 2021
Accrued expenses- employee-related charges	$ 50,361	$ 58,901
Other accrued expenses	22,439	19,026
Amounts due to employees	17,754	16,388
Contract liabilities	10,226	8,419
Legal and administrative expenses	8,700	8,997
Other current liabilities	8,548	4,350
R&D costs	7,020	5,329
Other amounts due to health and social security institution	4,076	3,975
Current advances from customers	1,907	1,246
Provisions for agents, returns and other	517	1,091
Amount payable to Gyrus Capital S.A. [(1)]	—	11,418
Total	$ 131,548	$ 139,140

(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 Valve business. For additional information refer to "Note 8. Divestiture of Heart Valve Business."

Note 23. Share-Based Plans

Share-Based Plans

On 16 October 2015, LivaNova approved the adoption of the Company's 2015 Incentive Award Plan (the "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 the Company's named executive officers) and consultants of the Company and certain of LivaNova's affiliates and to enable the Company and certain of LivaNova's affiliates to obtain and retain services of these individuals. The Plan became effective as of 19 October 2015. The 2022 Incentive Award Plan (the "2022 Plan") was adopted by the Board of Directors on 20 April 2022 and approved by the shareholders of LivaNova PLC on 13 June 2022. Awards may be granted under the 2015 Plan and 2022 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 2022, LivaNova issued stock-based compensatory awards with terms approved by the Compensation Committee of LivaNova's Board. The awards with service conditions vest ratably, generally over four years, and are subject to forfeiture unless service conditions are met. The market performance-based awards that were issued cliff vest after three years subject to the rank of LivaNova's total shareholder return for the three-year period ending 31 December 2024 relative to the total shareholder returns for a peer group of companies. The adjusted FCF and adjusted ROIC operating performance-based awards that were issued cliff vest after three years subject to the achievement of certain thresholds of cumulative results for those metrics for the three-year period ending 31 December 2024.

As of 31 December 2022 and 2021, there were approximately 317,200 and 3,098,419 shares available for future grants to the Company's Non-Executive Directors under the 2015 Plan, respectively and 1,900,000 shares pursuant to Options or Stock Appreciation Rights and 1,137,785 shares pursuant to other types of awards available for future grants to the Company's employees under the 2022 Plan.

The Company also provides a Global Employee Share Purchase Plan ("ESPP"). Compensation expense related to the ESPP for the years ended 31 December 2022 and 2021 was $1.2 million and $1.5 million, respectively.

Share-Based Compensation

The following table presents the amounts of share-based compensation recognised in the consolidated statement of (loss) income, by expense category for the years ended 31 December 2022 and 2021 (in thousands):

	2022	2021
Cost of sales	$ 1,447	$ 2,499
Selling, general and administrative	35,442	30,043
Research and development	7,673	8,838
Total share-based compensation expense	$ 44,562	$ 41,380

The following table presents the amounts of share-based compensation expense recognised in the consolidated statement of (loss) income, by type of arrangement for the years ended 31 December 2022 and 2021 (in thousands):

	2022	2021
Service-based stock appreciation rights	$ 13,967	$ 12,806
Service-based restricted stock units	21,414	20,113
Market performance-based restricted stock units	4,651	3,522
Operating performance-based restricted stock units	3,338	3,434
ESPP	1,192	1,505
Total share-based compensation expense	$ 44,562	$ 41,380

The expense for the years ended 31 December 2022 and 31 December 2021 related to awards that were accounted for as equity settled.

Share Appreciation Rights and Share Options

LivaNova uses the Black-Scholes option pricing methodology to calculate the grant date fair market value of SARs. The following table lists the assumptions the Company utilised as inputs to the Black-Scholes model:

	Year Ended 31 December	
	2022	2021
Weighted average share price	$82.04	$73.25
Exercise price	$82.04	$73.25
Dividend yield [1]	—	—
Risk-free interest rate - based on grant date [2]	2.5%	1.0%
Expected option term - in years per group of employees/consultants [3]	5.3	5.6
Expected volatility at grant date [4]	42.2%	42.1%

(1) LivaNova has not paid dividends and no future dividends have been approved.
(2) LivaNova uses 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) The Company 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 present the activity for service-based SARs and stock option awards:

	Year Ended 31 December			
	2022		2021	
SARs and Stock Options	Number of Optioned Shares	Wtd. Avg. Exercise Price	Number of Optioned Shares	Wtd. Avg. Exercise Price
Outstanding – beginning of year	2,634,373	$ 65.94	2,884,020	$ 63.20
Granted	553,050	$ 82.04	594,617	$ 73.25
Exercised	(93,191)	$ 48.86	(424,122)	$ 52.95
Forfeited	(150,881)	$ 67.46	(291,534)	$ 62.36
Expired	(136,515)	$ 89.41	(128,608)	$ 88.67
Outstanding – end of year	2,806,836	$ 68.46	2,634,373	$ 65.94
Fully vested and exercisable – end of year	1,460,162	$ 67.43	1,154,459	$ 68.18
Fully vested and expected to vest – end of year [1]	2,756,467	$ 68.35	2,579,659	$ 66.01

(1) Includes the impact of expected future forfeitures.

The weighted average remaining contractual life for the share options and SARs outstanding at 31 December 2022 and 31 December 2021 is 6.67 years and 7.16 years, respectively.

The aggregate intrinsic value of the options and SARs outstanding at 31 December 2022 and 31 December 2021 is $10.1 million and $61.7 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 2022	31 December 2021
$31–50	835,090	955,163
$51–70	343,994	376,676
$71–90	1,271,084	868,723
$91–110	353,364	430,084
$111–130	3,304	3,727
Total	2,806,836	2,634,373

	Year Ended 31 December	
	2022	2021
Weighted average grant date fair value of SARs granted during the year (per share)	$ 34.13	$ 29.22
Aggregate intrinsic value of SARs and stock options exercised during the year (in thousands)	$ 2,143	$ 12,223

Restricted Share and Restricted Share Units Awards

The following tables present the activity for service-based RSU awards:

	Year Ended 31 December			
	2022		2021	
	Number of Shares	Wtd. Avg. Grant Date Fair Value	Number of Shares	Wtd. Avg. Grant Date Fair Value
Non-vested shares beginning of year	791,157	$ 64.53	848,459	$ 58.00
Granted	328,980	$ 76.35	363,372	$ 74.17
Vested	(298,865)	$ 68.11	(279,064)	$ 61.82
Forfeited	(79,380)	$ 64.85	(141,610)	$ 55.85
Non-vested shares end of year	741,892	$ 68.02	791,157	$ 64.53

	Year Ended 31 December	
	2022	2021
Weighted average grant date fair value of service-based RSUs issued during the year (per share)	$ 76.35	$ 74.17
Aggregate fair value of RSUs that vested during the year (in thousands)	$ 22,793	$ 21,501

Market and Performance-Based Restricted Share and Performance-Based Restricted Share Units Awards

The following tables present the activity for performance-based RSU awards:

	Year Ended 31 December			
	2022		2021	
	Number of Shares	Wtd. Avg. Grant Date Fair Value	Number of Shares	Wtd. Avg. Grant Date Fair Value
Non-vested shares beginning of year	345,944	$ 68.36	380,799	$ 56.55
Granted	88,354	$ 92.53	123,956	$ 89.29
Vested	(11,340)	$ 95.13	(107,455)	$ 67.09
Forfeited	(11,474)	$ 41.70	(51,356)	$ 28.42
Performance adjustments [(1)]	(80,950)	$ 91.58	—	N/A
Non-vested shares end of year	330,534	$ 70.45	345,944	$ 68.36

(1) Represents the difference between the target units granted and the actual units awarded based upon the attainment of performance goals for the Company.

	Year Ended 31 December	
	2022	2021
Weighted average grant date fair value of performance-based restricted share units granted during the year (per share)	$ 92.53	$ 89.29
Aggregate fair value of performance-based restricted share units that vested during the year (in thousands)	$ 877	$ 8,268

Note 24. Employee Retirement Plans

LivaNova sponsors several defined benefit pension plans, which include plans in the U.S., Italy, Germany, Japan and France. The Company maintains 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 the Company maintains 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 LivaNova sponsors non-contributory, defined benefit plans designated to provide a guaranteed minimum retirement benefits to eligible employees. Certain members of the Company's key management participate in the Company's defined benefit pension plans. Please refer to "Note 29. Related Parties"

As of 31 December 2022 and 2021, the total net liability of LivaNova's U.S. and non-U.S. defined benefit pension plans was $9.6 million and $12.2 million, respectively.

As of 31 December 2022 and 2021, the U.S. defined benefit pension plan was partially funded, with an net liability of $4.3 million and $4.6 million, respectively.

As of 31 December 2022 and 2021, the Non-U.S. defined benefit pension plans for Italy and France were unfunded, with an net liability totalling $5.6 million and $7.8 million respectively.

As of 31 December 2022 and 2021, the Non-U.S. defined benefit pension plan for Germany was partially funded, with an net liability of $1.1 million and $1.1 million respectively.

As of 31 December 2022 and 2021, the Non-U.S. defined benefit pension plan for Japan was wholly funded, with a net surplus position of $1.4 million and $1.3 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 LivaNova's U.S. and non-U.S. pension benefits are as follows (in thousands):

	U.S. Pension Benefits					
	2022			2021		
	Present Value of Benefit Obligation	Fair Value of Plan Assets	Net Liability	Present Value of Benefit Obligation	Fair Value of Plan Assets	Net Liability
Beginning of year	$ 12,578	$ (8,020)	$ 4,558	$ 13,085	$ (8,688)	$ 4,397
Interest cost	254	—	254	224	—	224
Total amount recognised in the statement of (loss) income	254	—	254	224	—	224
Actuarial (gain)/loss	(1,361)	—	(1,361)	527	—	527
Actual return on plan assets	—	1,189	1,189	—	(189)	(189)
Total amount recognised in other comprehensive income	(1,361)	1,189	(172)	527	(189)	338
Employer contributions	—	(367)	(367)	—	(401)	(401)
Payments from plan:						
Plan settlements	(1,369)	1,369	—	(972)	972	—
Benefits paid	(312)	313	1	(286)	286	—
End of year	$ 9,790	$ (5,516)	$ 4,274	$ 12,578	$ (8,020)	$ 4,558

	Non-U.S. Pension Benefits [1]					
	2022			2021		
	Value of Benefit Obligation	Fair Value of Plan Assets	Net Liability	Value of Benefit Obligation	Fair Value of Plan Assets	Net Liability
Beginning of year	$ 10,817	$ (3,142)	$ 7,675	$ 13,039	$ (2,816)	$ 10,223
Current service cost	259	—	259	354	—	354
Interest cost	83	—	83	56	—	56
Total amount recognised in the statement of (loss) income	342	—	342	410	—	410
Actuarial gain	(831)	—	(831)	(1,372)	—	(1,372)
Actual return on plan assets	—	80	80	—	(61)	(61)
Total amount recognised in other comprehensive income	(831)	80	(751)	(1,372)	(61)	(1,433)
Foreign currency exchange rate changes and other	(736)	58	(678)	(966)	(41)	(1,007)
Employer contributions	—	(265)	(265)	—	(302)	(302)
Benefits paid	(1,060)	37	(1,023)	(294)	78	(216)
End of year [2]	$ 8,532	$ (3,232)	$ 5,300	$ 10,817	$ (3,142)	$ 7,675

(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) 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 LivaNova's share-based incentive plans.

Major actuarial assumptions used in determining the benefit obligations and net periodic benefit (income) cost for LivaNova's significant benefit plans are presented in the following table as weighted averages:

	Year Ended 31 December			
	2022		2021	
	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	5.10%	0.45% – 3.70%	2.41%	0.15% – 1.00%
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	2.41%	0.45% – 3.70%	1.91%	0.15% – 1.00%
Rate of compensation increase	N/A	2.50% – 3.50%	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 LivaNova's U.S. benefit plan, the Company used the FTSE Above Median Pension Discount Curve. For the discount rate used for the other non-U.S. benefit plans the Company considers 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 LivaNova's U.S. benefit plan was derived from a study conducted by the Company's 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., the Company has 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.

LivaNova's U.S. and Non-U.S. pension plans target allocations as of 31 December 2022 and 31 December 2021, by asset category, are as follows:

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
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 LivaNova classifies 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 U.S. 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 of 31 December 2022	Fair Value Measurement Using Inputs Considered as		
		Level 1	Level 2	Level 3
Equity mutual funds	$ 1,591	$ —	$ 1,591	$ —
Fixed income mutual funds	3,843	—	3,843	—
Money market funds	68	68	—	—
Total	$ 5,502	$ 68	$ 5,434	$ —

(in thousands)	Fair Value as of 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	$ —

The following tables provide information by level for the Non-U.S. 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 of 31 December 2022	Fair Value Measurement Using Inputs Considered as		
		Level 1	Level 2	Level 3
Equity mutual funds	$ 42	$ —	$ 42	$ —
Fixed income mutual funds	2,742	—	2,742	—
Money market funds	448	448	—	—
Total	$ 3,232	$ 448	$ 2,784	$ —

(in thousands)	Fair Value as of 31 December 2021	Fair Value Measurement Using Inputs Considered as		
		Level 1	Level 2	Level 3
Equity mutual funds	$ 40	$ —	$ 40	$ —
Fixed income mutual funds	2,637	—	2,637	—
Money market funds	465	465	—	—
Total	$ (3,142)	$ (465)	$ (2,677)	$ —

Retirement Benefit Funding Plan

LivaNova has 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. LivaNova contributed $0.6 million and $0.7 million to the pension plans (U.S. and non-U.S.) during the years ended 31 December 2022 and 2021, respectively. LivaNova anticipates that the Company will make contributions to the U.S. pension plan of approximately $0.5 million during fiscal year 2023. Contributions to the non-U.S. pension plans in fiscal year 2022 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 LivaNova's assets, and reflecting expected future service, as appropriate, as of 31 December 2022, were expected to be paid as follows (in thousands):

(in thousands)	U.S. Plan	Non-U.S. Plans
2023	$ 3,820	$ 740
2024	688	589
2025	853	675
2026	908	634
2027	673	730
2028 - 2032	2,196	3,769
Above 2032	652	1,395
Total	$ 9,790	$ 8,532

Benefit payments, including amounts to be paid from LivaNova's 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

Sensitivity Analysis

The sensitivity of the defined benefit obligation as of 31 December 2022 and 31 December 2021 to significant changes in actuarial assumptions are as follows (in thousands):

	31 December 2022		31 December 2021	
	Increase +0.50%	Decrease –0.50%	Increase +0.50%	Decrease –0.50%
Discount rate	$(620)	$522	$(1,167)	$503

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. LivaNova sponsors 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. LivaNova incurred expenses for LivaNova's defined contribution plans of $9.0 million and $10.2 million for the years ended 31 December 2022 and 31 December 2021, respectively.

Note 25. Income Taxes

Income tax (expense) benefit consists of the following (in thousands):

	Year Ended 31 December	
	2022	2021
Current tax expense	$ (9,509)	$ (8,289)
Deferred tax benefit	7,321	21,321
Income tax (expense) benefit	$ (2,188)	$ 13,032

The following is a reconciliation of the statutory income tax rate to LivaNova's effective income tax rate expressed as a percentage of income before income taxes:

	Year Ended 31 December	
	2022	2021
Statutory tax rate at UK rate	19.0 %	19.0 %
Effect of changes in tax rate	3.3	17.3
Change in unrecognised deferred tax assets	(1.5)	(23.6)
U.S. state and local tax provision, net of federal benefit	(2.3)	(0.2)
Foreign tax rate differential	9.5	1.9
Research and development tax credits	1.1	0.2
Base erosion anti-abuse tax	(2.6)	(2.6)
Consulting Fees	(0.4)	(1.3)
Impairment of goodwill and intangible assets	(27.5)	(1.5)
Other, net	(1.2)	(0.5)
Effective tax rate	(2.6)%	8.7 %

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. During 2022, ACS goodwill impairment increased the tax rate reconciliation by $24.6 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	
	2022	2021
At the beginning of the year	$ 100,318	$ 73,193
Deferred tax benefit, net	7,321	21,321
Deferred tax recorded in equity	(4,233)	1,352
Changes from divestitures	—	4,452
At the end of the year	$ 103,406	$ 100,318

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 2022 and 31 December 2021 (in thousands):

	31 December 2022	31 December 2021
Within the next 12 months	$ 26,019	$ 15,059
After the next 12 months	77,387	85,259
Net deferred tax assets	$ 103,406	$ 100,318

(1) Deferred tax assets and liabilities on a gross basis are summarised as follows (in thousands):

		Activity During the Year Ended 31 December 2022			
	31 December 2022	Consolidated Statement of Loss) Income	Tax Rate Change [1]	Shareholders' Equity	31 December 2021
Deferred tax assets					
Net operating loss carryforwards ("NOLs")	$ 75,295	$ 12,995	$ 3,075	$ (14,257)	$ 73,482
Tax credit carryforwards	275	(550)	—	—	825
Deferred compensation[3]	9,313	(1,967)	(1,800)	(9,795)	22,875
Accruals and reserves	60,763	(29,470)	(1,092)	17,811	73,514
Inventory	9,882	987	(214)	265	8,844
Capitalized/Deferred R&D	29,796	27,788	(74)	2,082	—
Other	7,311	(10,015)	(758)	155	17,929
Gross deferred tax assets [2]	192,635	(232)	(863)	(3,739)	197,469
Deferred tax liabilities					
Gain on sale of intellectual property	(12,810)	12,811	943	33	(26,597)
Property, equipment & intangible assets	(76,419)	(7,652)	2,314	(527)	(70,554)
Gross deferred tax liabilities	(89,229)	5,159	3,257	(494)	(97,151)
Deferred tax assets (liabilities), net	$ 103,406	$ 4,927	$ 2,394	$ (4,233)	$ 100,318
Reported in the consolidated balance sheet (after jurisdictional netting)					
Net deferred tax assets	$ 110,734				$ 107,869
Deferred tax liabilities	(7,328)				(7,551)
Deferred tax assets, net [2]	$ 103,406				$ 100,318

		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
Deferred tax assets					
Net operating loss carryforwards	$ 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. The change in tax rate for 2022 was primarily due to losses and other tax assets generated during 2022 and remeasured to 1 April 2023 tax rate of 25%.
(2) During the year ended 31 December 2022, the net deferred tax assets increased from net operating losses in the UK offset by increased unrecognised deferred tax assets in U.S.

LivaNova remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future.

LivaNova periodically assesses the recoverability of the Company's 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, the Company does not recognise a deferred tax asset. LivaNova periodically reviews the adequacy and necessity of unrecognised deferred tax assets by considering significant positive and negative evidence relative to the Company's 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 LivaNova's 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

LivaNova had the following NOL carryforwards as of 31 December 2022 which can be used to reduce LivaNova's 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	$ 429,156	$ 104,075	$ —	Unlimited
U.S. Federal	$ 112,259	$ 8,474	$ 15,100	2023
U.S. State	$ 180,411	$ 2,349	$ 8,727	2023
Rest of World	$ 11,609	$ 3,437	$ 306	2025

LivaNova 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 2022	31 December 2021
Tax loss carryforwards	$ 67,173	$ 79,001
U.S. tax credits	40,648	38,974
Rest of World tax credits	996	1,133
Total	$ 108,817	$ 119,108

For losses incurred after April 2017 in the UK, the Company anticipates a recoverability of these operating loss carryforwards beginning in 2028 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 15 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 2028.

No provision has been made for income taxes on undistributed earnings of foreign subsidiaries as of 31 December 2022 because it is the Company's intention to indefinitely reinvest undistributed earnings of the Company's 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, the Company

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 2022, it was not practicable to determine the exact amount of the deferred income tax liability related to those investments.

Uncertain Tax Positions

Tax authorities may disagree with certain positions the Company has taken and assess additional taxes. The Company regularly assess the likely outcomes of LivaNova's tax positions in order to determine the appropriateness of the Company's reserves for uncertain tax positions. However, there can be no assurance that LivaNova will accurately predict the outcome of these audits and the actual outcome of an audit could have a material impact on the Company's consolidated results of income, financial position or cash flows. If all of LivaNova's unrecognised tax benefits as of 31 December 2022 were recognised, $1.6 million would impact the Company's effective tax rate. LivaNova believes 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 $1.0 million

Accrued interest related to uncertain tax positions totalled $0.3 million and $0.2 million as of 31 December 2022 and 31 December 2021, respectively, and were included in non-current provisions on the Company's consolidated balance sheet.

Other Matters

LivaNova PLC is domiciled and resident in the UK. LivaNova's 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 LivaNova's subsidiaries conduct operations vary. As a result of the changes in the overall level of the Company's income, and the changes in tax laws, the Company's consolidated effective income tax rate may vary from one reporting year to another.

The major jurisdictions where LivaNova is subject to income tax examinations are as follows:

Jurisdiction	Earliest Year Open
U.S. - federal and state	2015
Italy	2016
Germany	2019
England and Wales	2018
Canada	2018

Note 26. 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 LivaNova's Munich, Germany and Arvada, Colorado facilities. LivaNova took actions to remediate the alleged violations and related inspectional observations, and on 12 December 2022, the Company received a close-out letter from the FDA, dated 28 November 2022, indicating that the FDA considers the Warning Letter closed.

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. In addition to being a former LivaNova manufacturing facility, the Saluggia campus is also the location of manufacturing facilities of third parties, a cafeteria for workers, and storage facilities for hazardous substances and equipment previously used in a nuclear research centre, later turned nuclear medicine business, between the 1960s and the late 1990s. Pursuant to authorisation 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.

In 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. Accordingly, in the fourth quarter of 2020, the Company recognised a $49.5 million provision for this

matter. The provision was determined utilising the middle of the estimated range of loss of $43.0 million to $55.0 million. The estimated liability as of 31 December 2022 and 2021 was $38.1 million and $44.0 million, respectively. The decrease in the liability 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 years ended 31 December 2022 and 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 LivaNova does not currently expect to incur significant cash outflows associated with this matter in the next two years. Refer to "Note 21. Contingent Consideration, Litigation Provision Liability and Other Provisions" for additional information.

SNIA Environmental Liability

Sorin was created as a result of a spin-off (the "Sorin spin-off") from SNIA in 2004, and in 2015, Sorin was merged into LivaNova. SNIA subsequently became insolvent and the Italian Ministry of the Environment and other Italian government agencies (the "Public Administration"), sought compensation from SNIA in an aggregate amount of approximately $3.7 billion for remediation costs relating to the environmental damage at chemical sites previously operated by SNIA's other subsidiaries.

There are proceedings relating to the SNIA bankruptcy to which LivaNova is not a party in the Bankruptcy Court of Udine and the Bankruptcy Court of Milan. In 2011, the Bankruptcy Court of Udine held that 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. In 2016, the Court of Udine rejected the appeal, and the Public Administrations appealed to the Supreme Court. Similarly, in 2014, the Bankruptcy Court of Milan held that the Public Administration were not creditors of either SNIA or its subsidiaries. The Public Administrations appealed. In April 2022, Bankruptcy Court of Milan declared the Public Administrations to be a non-privileged creditor of SNIA for up to €454 million, and the Public Administrations appealed to the Supreme Court.

In 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. In 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 $312,000 as of 31 December 2022) for legal fees. The Public Administrations appealed the 2016 Decision to 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 $611.6 million as of 31 December 2022). LivaNova 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 $484.9 million as of 31 December 2022). LivaNova appealed the decision on damages in December 2021. 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 the Company providing a first demand bank guarantee of €270.0 million (approximately U.S. $288.6 million as of 31 December 2022) within 30 calendar days, and on 21 March 2022, LivaNova delivered the guarantee, thereby satisfying the condition.

In November 2022, in response to one of a number of appeals asserted by LivaNova, the Supreme Court issued an ordinance, a procedural document, whereby the Supreme Court referred a question on interpretation of a European directive on demergers to the European Court of Justice ("ECJ"). Specifically, the ordinance asks the ECJ to provide a binding decision as to whether a company resulting from a demerger can be held jointly and severally liable not only for the established liabilities of the demerged company that were articulated at the time of demerger, but also for the environmental liabilities of the demerged company that materialized after the demerger which are derived from actions performed prior to the demerger. Following receipt of the binding decision from the ECJ, the Supreme Court is expected to incorporate and issue a decision in response to all of the appeals of LivaNova and counter-appeals submitted by the Public Administrations. While the timing of the decisions by the ECJ and, subsequently, the Supreme Court are uncertain, the Company believes that the effect of the ordinance will result in a delay of any final decision until at least 2024.

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 2020, Caffaro Brescia declared it was withdrawing from its agreement to maintain the environmental measures. In 2021, the Company (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 Appeal decision regarding LivaNova's alleged joint liability with SNIA for SNIA's environmental liabilities. LivaNova's response, dated 16 February 2021, disputes the grounds upon which the Order is based. LivaNova also appealed the Order in the Administrative Court in Brescia.

LivaNova has not recognised a liability in connection with these related matters matter because any potential loss is not currently probable.

Product Liability Litigation

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

Cases in state courts in the U.S. and in jurisdictions outside the U.S. continue to progress. As of 27 April 2023, including the cases encompassed in the settlement framework described above that have not yet been dismissed, LivaNova was aware of approximately 85 filed and unfiled claims worldwide, with the majority of the claims in various federal or state courts throughout the United States. This number includes four cases in the process of settling in the U.S. 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 2022 and 2021 the Company recorded an additional liability of $22.3 million and $38.1 million, respectively, due to new information received about the nature of certain claims. As of 31 December 2022, the provision for these matters was $32.5 million. While the amount accrued represents the Company's best estimate for those filed and unfiled claims that LivaNova believes are both probable and estimable at this time, and which are a subset of the filed and unfiled claims worldwide of which LivaNova is currently aware, the actual liability for resolution of these matters may vary from LivaNova's estimate. The remaining claims for which a provision has not been recorded are remote or the potential loss is not estimable at this time.

Caisson Contract Litigation

On 25 November 2019, LivaNova received notice of a lawsuit initiated by former members of Caisson, a subsidiary of the Company acquired in 2017. The lawsuit, Todd J. Mortier, as Member Representative of the former Members of Caisson Interventional, LLC v. LivaNova USA, Inc., was filed in the U.S. District Court for the District of Minnesota. The complaint alleged (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 sought damages arising out of the 2017 acquisition agreement, including various regulatory milestone payments. In May 2022, the District Court granted LivaNova's motion for summary judgment; in response, Caisson filed an appeal to the Eighth Circuit Court of Appeal. LivaNova intends 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.

Mitral Demand Letter

On 29 July 2022, LivaNova received a demand letter from Mitral for approximately €20.8 million ($22.2 million as of 31 December 2022) for breach of warranty claims under the A&R Purchase Agreement. Specifically, the claims allege failure to disclose certain information relating to a supplier, thereby allegedly impacting the profitability of Mitral's business in China and Japan. The Company does not believe that Mitral's claims will be sustained or that LivaNova is responsible for any alleged breach of warranty. Subject to certain exceptions, warranty claims of this type are contractually capped at €8 million. On 22 March 2023, Mitral served a formal claim in the High Court of Justice Commercial Court (King's Bench Division) alleging damages flowing from the aforementioned asserted breaches of warranties in the A&R Purchase Agreement. Although the claim is in excess of €20.8 million, Mitral acknowledges the €8 million cap. The Company has not recognized a liability related to this matter because any potential loss is not currently probable.

Italian MedTech Payback Measure

As previously disclosed, in 2015, the Italian Parliament introduced rules regarding public contracts with the National Healthcare System for the supply of goods and services. In particular, the law introduced a "payback" measure requiring companies selling medical devices in Italy to repay a percentage of the healthcare expenditures exceeding the regional maximum caps for medical devices. In the intervening years since the rules were first issued, there has been considerable uncertainty about how the law will operate and what the exact timeline is for finalization. In August 2022, a decree was published which provided guidance and timetables for the rule, and in March 2023, the Italian government published a decree whereby a company's obligation to execute payback payments is suspended until 30 June 2023. LivaNova filed an appeal at the Administrative Court against the Decree of

the Ministry of Health assessing the amount payable and against the MedTech Payback Guidelines, and LivaNova is preparing appeals against the regions requesting payments. The Company has accrued for the law since 2015 based on market and product information. As of 31 December 2022, the total amount reserved for this matter was $6.4 million, however, the actual liability could vary from this amount.

Other Matters

Additionally, LivaNova is the subject of various pending or threatened legal actions and proceedings and ongoing government and other regulatory investigations that arise in the ordinary course of LivaNova's 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 the Company's consolidated net income, financial position or liquidity.

Note 27. 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 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, except per share amounts):

	Year Ended 31 December	
	2022	2021
Numerator:		
Loss attributable to owners of the parent	$ (86,294)	$ (137,439)
Denominator:		
Basic weighted average shares outstanding	53,472	50,633
Add effects of stock-based compensation instruments[(1)]	—	—
Diluted weighted average shares outstanding.	53,472	50,633
Basic loss per share	$ (1.61)	$ (2.71)
Diluted loss per share	$ (1.61)	$ (2.71)

(1) Excluded from the computation of diluted EPS for the years ended 31 December 2022 and 31 December 2021 were stock options, SARs and RSUs totalling 3.9 million and 3.9 million, respectively, because to include them would have been anti-dilutive.

Note 28. Segment and Geographic Information

Segment Information

LivaNova identifies operating segments based on the way the Company manages, evaluates and internally reports LivaNova's business activities to the Company's chief operating decision maker ("CODM"), who is the Chief Executive Officer ("CEO") of LivaNova, for purposes of allocating resources and assessing performance. LivaNova has three operating segments: Cardiopulmonary, Neuromodulation and Advances Circulatory Support.

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

LivaNova's Neuromodulation segment is engaged in the design, development and marketing of devices that deliver neuromodulation therapy for treating DRE and DTD. Neuromodulation products include the LivaNova VNS Therapy System, which consists of an implantable pulse generator, a lead that connects the generator to the vagus nerve, and other accessories. It also includes the development and management of clinical testing of LivaNova's aura6000 System for treating obstructive sleep apnea. LivaNova's Neuromodulation segment also includes the VITARIA System which was intended to treat heart failure by stimulating the right vagus nerve.

LivaNova's ACS segment is engaged in the development, production and sale of leading-edge temporary life support products. LivaNova's ACS products, which comprise the LifeSPARC platform and ProtekDuo cannula, simplify temporary extracorporeal cardiopulmonary life support solutions for critically ill patients. The LifeSPARC platform includes a common compact console

and pump that provides temporary support for emergent rescue patients in a variety of settings. LivaNova's ACS segment also includes the Hemolung RAS, which was acquired in May 2022 as part of the acquisition of ALung.

"Other" includes corporate shared service expenses for finance, legal, human resources, information technology and corporate business development. For the year ended 31 December 2021, Other also includes the results of LivaNova's Heart Valve business, which was divested on 1 June 2021.

Net revenue of the Company's reportable segments include revenues from the sale of products that each reportable segment develops and manufactures or distributes. LivaNova defines segment income as operating income before exceptional items. For exceptional items, please refer to "Note 32. Exceptional Items."

Geographic Information

LivaNova operates under three geographic regions: United States, Europe, and Rest of World. The following table presents net revenue disaggregated by operating segment, major product line and primary geographic market for the years ended 31 December 2022 and 2021 (in thousands):

	2022	2021
Cardiopulmonary		
United States	$ 159,489	$ 154,073
Europe [1]	127,064	134,562
Rest of World	213,761	194,344
	500,314	482,979
Neuromodulation		
United States	374,542	358,476
Europe [1]	50,291	51,435
Rest of World	52,160	46,261
	476,993	456,172
Advanced Circulatory Support		
United States	37,527	53,821
Europe [1]	1,447	1,120
Rest of World	327	518
	39,301	55,459
Other [2]		
United States	—	4,929
Europe [1]	—	14,407
Rest of World	5,197	21,419
	5,197	40,755
Totals		
United States	571,558	571,299
Europe [1]	178,802	201,524
Rest of World	271,445	262,542
Total net revenue [3] [4]	$ 1,021,805	$ 1,035,365

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

(2) For the year ended 31 December 2021, other primarily includes the net revenue of the Company's Heart Valve business, which was divested on 1 June 2021.

(3) Net revenue to customers includes $32.3 million and $35.8 million in the United Kingdom, LivaNova's country of domicile, for the years ended 31 December 2022 and 2021, respectively.

(4) No single customer represented over 10% of the Company's consolidated net revenue. No country's net revenue exceeded 10% of LivaNova's consolidated sales except for the U.S.

The following table presents a reconciliation of segment income to operating loss for the years ended 31 December 2022 and 2021 (in thousands):

	2022	2021
Cardiopulmonary	$ 17,869	$ 14,341
Neuromodulation	171,919	168,524
Advanced Circulatory Support	(21,163)	(5,724)
Other	(80,505)	(131,705)
Segment income	88,120	45,436
Exceptional items - See Note "Note 32. Exceptional Items"	(174,526)	(71,850)
Operating loss	$ (86,406)	$ (26,414)

The following table presents capital expenditures for tangible assets of plant, property and equipment and for software intangible assets by operating segment for the years ended 31 December 2022 and 2021 (in thousands):

	2022	2021
Cardiopulmonary	$ 13,828	$ 14,824
Neuromodulation	369	179
Advanced Circulatory Support	1,773	1,326
Other [1]	10,622	5,984
Total capital expenditures	$ 26,592	$ 22,313

(1) Other includes corporate capital expenditures. For the year ended 31 December 2021, Other also includes capital expenditures of LivaNova's Heart Valve business, which was divested 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 2022	31 December 2021
United States [1]	$ 629,647	$ 774,096
Europe	336,599	362,602
Rest of World	38,010	32,807
Total	$ 1,004,256	$ 1,169,505

(1) The decrease in U.S. non-current assets primarily represents the impairment of goodwill associated with the ACS CGU of $145.0 million For additional information, please refer to "Note 11. Goodwill and Intangible Assets."

Note 29. Related Parties

Interests in subsidiaries are set out in "Note 12. 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 2022	31 December 2021
Financial assets - non-current		
Noctrix Health, Inc.	$ 285	$ 272
Other financial assets - current		
ALung Technologies, Inc.	$ —	$ 2,495

Note 29. Related Parties

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	**2022**	**2021**
Finance income		
Noctrix Health, Inc.	$ 13	$ 12
ALung Technologies, Inc.	—	(20)
Respicardia, Inc.	—	(79)
	$ 13	$ (87)

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	
	2022	**2021**
Salaries and short term benefits	$ 7,792	$ 9,527
Post-employment long-term benefits	712	857
Share-based compensation	12,012	10,272
Total	$ 20,516	$ 20,656

Amounts received or receivable under share-based payment arrangements were $3.9 million and $6.6 million during the years ended 31 December 2022 and 2021.

There were no other related party transactions in the year.

Details of directors' remuneration are included in pages 49 to 69 of the Remuneration Report, which forms part of these financial statements.

Note 30. Consolidated Statement of (Loss) Income - Expenses by Nature

	Year Ended 31 December	
(in thousands)	**2022**	**2021**
Net revenue	$ 1,021,805	$ 1,035,365
Cost of materials, service used and change in inventory	(457,096)	(440,047)
Personnel expense	(408,698)	(476,560)
Impairment of goodwill	(144,990)	—
Amortisation of intangibles and other assets	(29,044)	(30,281)
Litigation provision, net	(21,663)	(35,055)
Depreciation and impairment of property, plant and equipment	(19,183)	(20,686)
Other operating costs	(15,853)	(11,065)
Depreciation of right-of-use assets	(10,603)	(15,919)
Additions to provisions	(945)	(5,821)
Loss on sale of Heart Valve business	(136)	(26,345)
Operating loss	**(86,406)**	**(26,414)**
Finance expense	(49,709)	(51,691)
Net gain/(loss) on embedded exchange feature and capped call derivatives	43,789	(25,617)
Loss on debt extinguishment	—	(60,238)
Foreign exchange and other income/(expense)	8,273	13,637
Share of loss from equity accounted investments	(53)	(148)
Loss before tax	(84,106)	(150,471)
Income tax (expense) benefit	(2,188)	13,032
Loss attributable to owners of the parent	**$ (86,294)**	**$ (137,439)**

Note 30. Consolidated Statements of (Loss) Income - Expenses by Nature

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

	Year Ended 31 December	
Foreign exchange and other income/(expense)	**2022**	**2021**
Interest income	$ 4,697	$ 435
Dividend income [1]	305	3,415
Foreign exchange rate fluctuations	378	(1,243)
Investment revaluation [1] [2]	—	4,642
Other derivative liabilities fair value adjustment [2]	—	4,290
Other	2,893	2,098
	$ 8,273	$ 13,637

(1) Refer to "Note 13. Financial Assets."
(2) Refer to "Note 5. Fair Value Measurements."

Note 31. Employee Compensation Costs

	Year Ended 31 December	
(in thousands)	**2022**	**2021**
Wages and salaries	$ 330,782	$ 354,831
Share-based payments [1]	44,562	41,380
Other employee costs	33,354	80,349
	$ 408,698	$ 476,560

(1) Represents share-based payments included in personnel expense. Refer to "Note 23. Share-Based Plans" for total share-based compensation expense.

Employee numbers

The monthly average number of employees by geographic region during the years ended 31 December 2022 and 31 December 2021 are as follows (in thousands):

	Year Ended 31 December	
	2022	**2021 (1)**
U.S.	1,167	1,121
Europe	1,387	1,754
Rest of World	306	439
Total	2,860	3,314

(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 32. Exceptional Items

The following exceptional items are included within operating loss (in thousands):

	Year Ended 31 December	
Exceptional items:	**2022**	**2021**
Litigation provision, net	$ 21,663	$ 35,055
Loss on sale of Heart Valve business [1]	136	26,345
Restructuring expenses	6,611	9,713
Merger and integration expenses	1,126	737
Impairment of goodwill	144,990	—
Total exceptional items	$ 174,526	$ 71,850

(1) For further details refer to "Note 8. Divestiture of Heart Valve Business."

Note 32. Exceptional Items

Merger and integration expenses. Merger and integration expenses consist of costs associated with LivaNova's Merger and business combinations. Such costs primarily include computer systems integration efforts, organisational structure integration, synergy and tax planning. LivaNova expects these costs to continue to decline further over time.

Restructuring expenses. LivaNova has 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. LivaNova identifies costs incurred and liabilities assumed for the restructuring plans. Refer to "Note 9. Restructuring" for more details.

Impairment of goodwill. Refer to "Note 11. Goodwill and Intangible Assets" for more details.

Litigation provision, net. Refer to "Note 21. Contingent Consideration, Litigation Provision Liability and Other Provisions" and "Note 26. Commitments and Contingencies" for more details.

Note 33. Auditors' Remuneration

	Year Ended 31 December	
(in thousands)	2022	2021
Total audit fees payable to the Company's Auditors	$ 5,250	$ 4,650
Audit-related services	35	325
Tax advisory and compliance services	299	538
Other non-audit services	1	1
Total fees payable to the Company's Auditors	$ 5,585	$ 5,514

Note 34. New Accounting Pronouncement

The following provides a description of future adoptions of new accounting standards that may have an impact on LivaNova's financial statements when adopted:

IFRS 17 Insurance Contracts. IFRS 17 'Insurance Contracts' provides a new general model for accounting for contracts where the issuer accepts significant insurance risk from another party and agrees to compensate that party if a future uncertain event adversely affects them. IFRS 17 replaces IFRS 4 'Insurance Contracts' and will be effective for the financial reporting period commencing 1 January 2023. The standard has been endorsed by the UK. The group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 1 Presentation of Financial Statements. An Amendment to IAS 1 'Presentation of Financial Statements' was issued in January 2020 and further clarified in October 2022, 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 35. Subsequent Events

During the fourth quarter of 2022, LivaNova randomized the 500th patient in the ANTHEM-HFrEF clinical trial which triggered the second interim analysis. The independent Data and Safety Monitoring Committee ("DSMC") evaluated safety, a trend toward the primary endpoint and success in the three functional endpoints. This analysis determined that the U.S. FDA early filing conditions were not met, and the DSMC recommended that enrollment continue in accordance with the current study protocol. However, the Company conducted further evaluation of the study data and concluded that such data did not demonstrate a sufficiently strong positive impact on functional or mortality endpoints and that it was unlikely that the continuation of the study would demonstrate such an impact. As a result, on 22 February 2023, LivaNova announced that the Company is stopping enrollment in the ANTHEM-HFrEF clinical trial, beginning the process to close the clinical study and winding down LivaNova's heart failure program.

On 6 April 2023, LivaNova drew $50 million under the Delayed Draw Term Facility. The Term Facilities have now been fully drawn. The proceeds are to be used for general corporate purposes of the Company.

On 9 April 2023, Mitral provided notice to LivaNova, pursuant to the Amended & Restated Purchase Agreement, that they would not exercise their right to purchase LSM.

On 14 April 2023, Damien McDonald resigned from his role as CEO of LivaNova, effective immediately. William A. Kozy was appointed Interim CEO, and will continue as Chair of LivaNova's Board of Directors. Damien McDonald will remain available to assist with handover activities until the end of May 2023.

LIVANOVA PLC

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LIVANOVA PLC

Company Statement of Income (Loss)
(In thousands)

	Note	Year Ended 31 December 2022	Year Ended 31 December 2021
Revenue		$ 28,996	$ 27,663
Operating expenses		(85,864)	(102,447)
Operating loss		(56,868)	(74,784)
Income from subsidiary undertakings		60,925	47,722
Finance income		10,983	6,109
Finance expense	10	(27,688)	(25,819)
Losses on disposal of investments, net		(282)	(13,963)
Foreign exchange and other income/(expense)		(1,673)	(1,918)
Loss before tax		(14,603)	(62,653)
Income tax benefit	14	16,617	29,672
Income (Loss) for the financial year		$ 2,014	$ (32,981)

See accompanying notes to the parent company financial statements

LIVANOVA PLC

Company Statement of Comprehensive Income (In thousands)

	Note	Year Ended 31 December 2022	Year Ended 31 December 2021
Income (Loss) for the financial year		$ 2,014	$ (32,981)
Items of other comprehensive loss that will subsequently be reclassified to profit or loss:			
Foreign currency translation differences		(32,237)	(38,615)
Total items of other comprehensive loss that will subsequently be reclassified to profit or loss		(32,237)	(38,615)
Items of other comprehensive loss that will not subsequently be reclassified to profit or loss:			
Remeasurements of net assets for defined benefits		10	5
Tax impact		—	—
Total items of other comprehensive income that will not subsequently be reclassified to profit or loss		10	5
Total other comprehensive loss, net of taxes		(32,227)	(38,610)
Total comprehensive loss for the year, net of taxes		$ (30,213)	$ (71,591)

See accompanying notes to the parent company financial statements

LIVANOVA PLC

Company Balance Sheet
(In thousands)

	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	3	$ 883	$ 604
Intangible assets	4	849	1,053
Right-of-use assets	11	5,286	2,498
Investments in subsidiaries	5	2,938,074	2,978,918
Deferred tax assets	14	91,514	77,436
Other assets	16	46,886	38,365
Total non-current assets		3,083,492	3,098,874
Trade receivables	7	11,686	6,859
Other receivables	7	7,133	16,516
Derivative financial instruments	8	1,333	—
Other financial assets	6	55,585	399,024
Tax receivable		5,212	5,468
Cash and cash equivalents		148,502	167,489
Restricted cash		301,446	—
Total current assets		530,897	595,356
Total assets		$ 3,614,389	$ 3,694,230
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	9	$ 82,424	$ 82,295
Merger relief reserve	9	383,179	383,179
Share premium	9	37,031	33,257
Capital redemption reserve	9	1,897	1,897
Treasury shares	9	(375)	(650)
Accumulated other comprehensive (loss) income	9	(21,965)	10,262
Retained earnings		2,354,666	2,323,106
Total shareholders' equity		$ 2,836,857	$ 2,833,346
Non-current liabilities			
Financial liabilities	10	$ 509,849	$ 509,849
Provision for employee severance indemnities and other employee benefit provisions		2,169	4,166
Lease liabilities	11	5,611	2,759
Other liabilities		—	943
Deferred tax liabilities	14	1,027	113
Total non-current liabilities		518,656	517,830
Current liabilities			
Trade payables		6,824	13,117
Other payables	12	14,213	23,608
Derivative financial instruments	8	5,886	1,409
Lease liabilities	11	976	1,415
Other financial liabilities	10	229,738	302,768
Tax payable		1,239	737

LIVANOVA PLC
Company Balance Sheet

	Note	31 December 2022	31 December 2021
Total current liabilities		258,876	343,054
Total liabilities and shareholders' equity		$ 3,614,389	$ 3,694,230

Registration number 09451374

See accompanying notes to the parent company financial statements

The financial statements on pages 149 to 175 were approved by the Board and were signed on its behalf on 27 April 2023 by:

WILLIAM A. KOZY
INTERIM CHIEF EXECUTIVE OFFICER, CHAIR OF THE BOARD & 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 (Loss) Income	Retained Earnings	Total Shareholders' Equity
Balance at 1 January 2021		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
Share-based compensation plans	13	90	129	—	3,774	—	275	—	29,546	33,724
Total transactions with owners, recognised directly in shareholders' equity		90	129	—	3,774	—	275	—	29,546	33,724
Net income for the year		—	—	—	—	—	—	—	2,014	2,014
Other comprehensive loss		—	—	—	—	—	—	(32,227)	—	(32,227)
Total comprehensive loss (income) for the year		—	—	—	—	—	—	(32,227)	2,014	(30,213)
Balance at 31 December 2022		53,852	$ 82,424	$ 383,179	$ 37,031	$ 1,897	$ (375)	$ (21,965)	$ 2,354,666	$ 2,836,857

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 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. The Company designs, develops, manufactures and sells innovative products and therapies that are consistent with our mission to provide hope for patients and their families 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.

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 compensation plans 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. LivaNova PLC's accounting policies have been applied consistently in 2022 as compared to 2021, other than where new policies have been adopted.

Going Concern. Based on LivaNova PLC's current business plan, the Company believes that its existing cash and cash equivalents and future cash generated from operations will be sufficient to fund LivaNova PLC's expected operating needs, working capital requirements, capital expenditures and debt service requirements for a period of at least 12-months from the issuance of these financial statements. LivaNova PLC regularly reviews its capital needs and consider various investing and financing alternatives to support the Company's 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 Annual Report.

Reclassifications. LivaNova PLC has reclassified certain prior year amounts on the Company statement of income (loss) for comparative purposes. These reclassifications did not have a material effect on the Company's financial condition, results of operations.

The financial statements for the years ended 31 December 2022 and 31 December 2021 of LivaNova have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The following exemptions from the requirements of International Financial Reporting Standards ("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 the Company's financial statements when adopted:

Amendment to IAS 1 Presentation of Financial Statements. An Amendment to IAS 1 'Presentation of Financial Statements' was issued in January 2020 and further clarified in October 2022, 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 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. LivaNova PLC assesses at each reporting date, whether there is an indication that an investment may be impaired. If any indication exists, the Company estimates 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. LivaNova PLC's 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. LivaNova PLC determines the functional currency of the Company's 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 Accumulated Other Compensation Income ("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 Foreign Exchange ("FX") and other losses on LivaNova PLC's Company statement of income (loss). 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 U.S. dollar (" USD") used in preparing the Company financial statements was as follows:

	Weighted Average Rate Euro	Closing Rate Euro
Year ended 31 December 2022	0.951016	0.935410
Year ended 31 December 2021	0.845433	0.881410

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, trade receivables and other assets, 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. LivaNova PLC uses 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 income (loss), 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 LivaNova PLC's derivatives designated as hedges are recognised through Other Comprehensive Income ("OCI").

Trade Receivables and Other Financial Assets. 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 Effective Interest Rate ("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 income (loss). The receivable balance consists primarily of trade receivables from LivaNova PLC's subsidiaries as a result of intercompany re-charges, services and management fees. LivaNova PLC maintains an expected credit loss provision for expected credit losses based on the Company's estimates of the ability of LivaNova PLC's subsidiaries and third-party customers to make required payments, historical credit experience, existing economic conditions and expected future trends. LivaNova PLC writes 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's statement of income (loss). 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 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 income (loss). 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 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 income (loss) 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 income (loss).

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 income (loss).

Derivative financial instruments and hedge accounting. LivaNova PLC uses currency exchange rate derivative contracts to manage the impact of currency exchange rate changes on the Company statement of income (loss) 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. LivaNova PLC evaluates 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 income (loss). 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 income (loss). When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the Company statement of income (loss).

In order to minimise income statement and cash flow volatility resulting from currency exchange rate changes, historically LivaNova PLC has entered 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 income (loss) to offset

exchange differences originated by the hedged item or to adjust the value of loss. Upon the settlement of LivaNova PLC's foreign currency cash flow hedges in the fourth quarter of 2022 and following an in-depth analysis of the utility of LivaNova PLC's cash flow hedging program, the Company discontinued its foreign currency cash flow hedging program. LivaNova PLC does not enter into currency exchange rate derivative contracts for speculative purposes.

LivaNova PLC uses interest rate derivative instruments to manage the exposure to interest rate movements and to reduce the risk of increased borrowing costs by converting floating-rate debt into fixed-rate debt. Under these agreements, LivaNova PLC agrees to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to agreed-upon notional principal amounts. The interest rate swaps are structured to mirror the payment terms of the underlying loan. The fair value of the interest rate swaps is reported on the consolidated balance sheets as assets or liabilities (current or non-current) depending upon the gain or loss position of the contract and the maturity of the future cash flows of each contract. The gain or loss on these derivatives is reported as finance expense.

Cash and Cash Equivalents. LivaNova PLC considers 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.

Restricted Cash. The Company classifies cash that is not available for use in its operations as restricted cash within current assets on the consolidated balance sheet. As of 31 December 2022, LivaNova PLC's restricted cash balance totalled $301.4 million and was comprised of cash deposits with Barclays held as collateral for the SNIA Litigation Guarantee. As security for the SNIA Litigation Guarantee, LivaNova PLC is required to grant cash collateral to Barclays in USD in an amount equal to the USD equivalent of 105% of the amount of the SNIA Litigation Guarantee calibrated on a biweekly basis. For additional information regarding the SNIA litigation, please refer to "Note 26. Commitments and Contingencies" of the Company's consolidated financial statements in this Annual Report.

Non-monetary Assets. Property, Plant and Equipment ("PP&E"). 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. LivaNova PLC computes 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 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
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 Cash Generating Units ("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 31 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. LivaNova PLC has leases primarily for (i) real estate, including office space and manufacturing, warehouse and research and development facilities and (ii) vehicles. LivaNova PLC determines if an arrangement is or contains a lease at its inception or when the terms and conditions of a contract are significantly changed. Right of Use ("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 LivaNova PLC's lease standard effective date for adoption or the lease commencement date. LivaNova PLC does not record an operating lease asset and corresponding liability for leases with terms of 12 months or less. The Company recognizes the lease payments for such short-term leases within profit and loss on a straight-line basis over the lease term. 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 the determination of the minimum lease payments and are 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 LivaNova PLC's leases do not provide a readily determinable implicit rate, LivaNova PLC uses the Company's incremental borrowing rate ("IBR") based on the information available at the lease commencement date in determining the present value of future payments. LivaNova PLC's IBR 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 the Company 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. LivaNova PLC's lease terms may include options to extend or terminate the lease when it is reasonably certain that LivaNova PLC 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 income (loss) over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Certain of the Company's leases provide for tenant improvement allowances that have been recorded as ROU assets and depreciated, using the straight-line method, over the life of the lease.

LivaNova PLC applies 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, the Company has applied these accounting policies to all asset classes in LivaNova PLC's portfolio and will recognise the lease payments for such short-term leases and leases of low-value assets within the Company statement of income (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 LivaNova PLC's agreements that allow the customer to use, rather than purchase, the Company's medical devices meet the criteria of being a lease.

For additional information refer to "Note 11. Leases."

Share-Based Compensation Plans. LivaNova PLC grants share-based awards to directors, officers and key employees during each fiscal year. LivaNova PLC measures 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. LivaNova PLC issues 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. LivaNova PLC has 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 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. Stock Appreciation Rights ("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 PLC shares and/or cash, as determined by LivaNova PLC and as set forth in the individual award agreements. SARs do not involve payment of an exercise price. LivaNova PLC uses the Black-Scholes option pricing methodology to calculate the grant date fair market value of SARs. The Company determines the expected volatility on historical volatility.
- *Restricted Share (RS) and Restricted Share Units ("RSU").* LivaNova PLC 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. LivaNova PLC has the right to elect to pay the cash value of vested restricted share units in lieu of the issuance of new shares. Under LivaNova PLC's share-based compensation plans the Company re-purchases a portion of these shares from LivaNova PLC's

employees to permit the Company's employees to meet their minimum statutory tax withholding requirements on vesting of their restricted share.

- *Market Performance-Based Restricted Share Units.* LivaNova PLC 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 Total Shareholder Return ("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.* LivaNova PLC 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 Free Cash Flow ("FCF") and adjusted return on invested capital ("ROIC"). Adjusted ROIC was introduced as an additional performance indicator in 2021. 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 expense for operating performance-based stock awards requires estimation of employee turnover, adjusted FCF, adjusted ROIC and forfeiture rates.

Income Taxes. The tax expense for the year comprises current and deferred tax. Current and deferred tax is recognised in the Company statement of income (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 the Company statement of income (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 PLC 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 PLC.

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 (loss). 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, LivaNova PLC's assessments involve significant judgement regarding future events.

Critical Estimates and Judgements. The preparation of LivaNova PLC's 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 the Company 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 the Company's financial statements:

Critical Estimates

- *Impairment of Investments in Subsidiaries.* LivaNova PLC performed impairment trigger assessments wherein the Company compared the net assets of LivaNova PLC's subsidiaries with their respective carrying values as of 31 December 2022. Where a trigger was identified, the Company performed impairment assessments utilizing the discounted cash flow models used in the assessment of the Group's CGUs for impairment. LivaNova PLC performed a sensitivity analysis, as of 31 December 2022, for each of these assumptions, for each of the Group's CGU, and for LivaNova PLC's 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 the Company considers to be reasonably possible changes, would not result in an impairment of goodwill associated with any of the Group's CGU's or the Company's investments in exception to the ACS and OSA CGUs. Refer to the consolidated financial statements "Note 11. 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. LivaNova PLC performed a sensitivity analysis concerning the recoverability of the Company's deferred tax assets as of 31 December 2022, utilizing the discounted cash flow models used in the assessment of the Group's CGUs for impairment. The Company determined that a decrease of 0.5% in the expected revenue growth rate used, which LivaNova PLC considers to be a reasonably possible change, would result in a one-year delay in the expected timing of deferred tax asset utilization. For additional information, please refer to "Note 14. Income Taxes."

Critical Judgements

- *Commitments and Contingencies.* Due to the fact that legal proceedings and other contingencies are inherently unpredictable, LivaNova PLC's assessments involve significant judgement regarding future events. See "Note 15. Commitments and Contingencies."

Note 3. Property, Plant and Equipment

(in thousands)	Leasehold Improvements	Equipment, Furniture & Fixtures	Total
At 31 December 2022			
Gross amount	$ 1,378	$ 3,401	$ 4,779
Accumulated depreciation	(739)	(3,157)	(3,896)
Net amount	$ 639	$ 244	$ 883
At 31 December 2021			
Gross amount	$ 1,099	$ 3,429	$ 4,528
Accumulated depreciation	(638)	(3,286)	(3,924)
Net amount	$ 461	$ 143	$ 604

Note 3. 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)	Leasehold Improvements	Equipment, Furniture & Fixtures	Total
Net Amount at 31 December 2020	$ 1,023	$ 62	$ 1,085
Additions with currency translation	390	118	508
Disposals	(830)	—	(830)
Depreciation [1]	(122)	(37)	(159)
Net Amount at 31 December 2021	461	143	604
Additions with currency translation	306	155	461
Disposals	(16)	—	(16)
Depreciation [1]	(112)	(54)	(166)
Net Amount at 31 December 2022	$ 639	$ 244	$ 883

(1) Depreciation costs charged to the Company statement of income (loss), within operating expenses, totalled $0.2 million for the years ended 31 December 2022 and 31 December 2021.

Note 4. Intangible Assets

(in thousands)	Patents	Licenses	Software and Other	Total
At 31 December 2022				
Gross amount	$ 7,119	$ 1,213	$ 8,132	$ 16,464
Accumulated amortisation	(7,119)	(1,213)	(7,283)	(15,615)
Net amount	$ —	$ —	$ 849	$ 849
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

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 2020	$ 28	$ 829	$ 857
Additions with currency translation	—	576	576
Reclassifications	(28)	28	—
Disposals	—	(26)	(26)
Amortisation [1]	—	(354)	(354)
Net Amount at 31 December 2021	—	1,053	1,053
Additions with currency translation	—	325	325
Amortisation [1]	—	(529)	(529)
Net Amount at 31 December 2022	$ —	$ 849	$ 849

(1) Amortisation costs were charged to the Company statement of income (loss) within operating expenses during the years ended 31 December 2022 and 31 December 2021.

Amortisation is charged on a straight-line basis. The amortisation periods for LivaNova PLC's finite-lived intangible assets as of 31 December 2022 and 2021 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 2022	31 December 2021
Gross amount	$ 2,938,074	$ 2,978,918
Net book value	$ 2,938,074	$ 2,978,918

(in thousands)	Cost
Net Amount at 31 December 2020	$ 2,939,233
Additions [1]	272,472
Disposals [2]	(183,274)
Other	1,428
Currency translation	(50,941)
Net Amount at 31 December 2021	2,978,918
Disposals	(1,117)
Other	1,592
Currency translation	(41,319)
Net Amount at 31 December 2022	$ 2,938,074

(1) 2021 Additions - During 2021, LivaNova PLC invested $12.5 million in LivaNova Canada Inc, which represents the portion of LivaNova's Canada business that remained upon the divestiture of Heart Valve ("HV"). LivaNova PLC also increased the Company's investment in LivaNova Canada Corp by $74.3 million and increased LivaNova PLC's investment in Sorin Group Italia S.r.l. by $89.6 million. As part of LivaNova PLC's initiative to streamline the Company's group structure and reduce administration costs, LivaNova PLC underwent a reorganization which increased the Company's 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). LivaNova PLC also increased the Company's 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).

(2) 2021 Disposals - During 2021, as part of the HV divestiture, LivaNova PLC disposed of the Company's investment in LivaNova Canada Corp of $74.3 million, net of accumulated impairment at 31 December 2020 for $73.8 million. LivaNova PLC also reduced the Company's investment in Cyberonics Netherlands CV by $23.0 million due to LivaNova PLC's continuing post-merger integration. Also, as part of LivaNova PLC's reorganization, as explained in Note 3, LivaNova PLC decreased the Company's 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 of 31 December 2022 and 2021 is shown as follows (in thousands, except ownership percent):

	Percent Ownership [1]		Investments in Subsidiaries	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
LIVN UK Holdco Limited	100.00	100.00	$ 3,884	$ 3,884
LIVN Irishco Unlimited Company [2]	100.00	100.00	—	401
LivaNova Canada Inc.	100.00	100.00	12,522	12,516
LivaNova USA, Inc.	100.00	100.00	1,080,330	1,079,549
LivaNova Nederland N.V.	100.00	100.00	109,422	109,239
LivaNova Switzerland SA	100.00	100.00	6,325	6,322
LivaNova IP Limited	100.00	100.00	—	—
Cyberonics Netherlands CV [2]	100.00	99.00	—	207
Cyberonics Holdings LLC [2]	100.00	100.00	—	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	658,066	698,122
LivaNova Site Management S.r.l.	86.42	86.42	17,303	18,363
			$ 2,938,074	$ 2,978,918

(1) The Company's voting right percentage is equal to its ownership percentage.

(2) Cyberonics Netherlands CV, Cyberonics Holdings LLC and LIVN Irishco Unlimited were liquidated during 2022.

The Company had the following directly and indirectly owned subsidiaries as of 31 December 2022:

	Registered Office	Country of Incorporation	% Consolidated Group Ownership	Parent Name	Parent % Ownership
LivaNova PLC (Italian Branch)	Via Enrico Cialdini, 16, 20161 Milano Italy	Italy	100		
ALung Technologies, Inc.	2500 Jane St., Ste 100, Pittsburgh, PA 15203	U.S.	100	LivaNova USA, Inc.	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 * (1)	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LivaNova PLC	100
Cyberonics Netherlands CV * (1)	100 Cyberonics Boulevard, Houston, TX 77058 USA	Netherlands	100	LivaNova PLC Cyberonics Holdings LLC	99 1
ImThera Medical, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LivaNova USA, Inc.	100
LivaNova Australia PTY Limited	Unit 1, 63 Wells Road, Chelsea Heights VIC 3196	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 Enrico Cialdini, 16, 20161 Milano Italy	Italy	100	Sorin Group Italia S.r.l.	100
LivaNova Hong Kong Limited	4008-4009, 40/F, One Pacific Place, 88 Queensway, 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	999, Gaysorn Building, 5th Floor, Unit 5B-1, Room no 535 ,509-510 Ploenchit Rd., Lumpini, Patumwan, Bangkok 103304	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 Enrico Cialdini, 16, 20161 Milano Italy	Italy	100	LivaNova PLC Sorin Group Italia S.r.l.	86 14
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

	Registered Office	Country of Incorporation	% Consolidated Group Ownership	Parent Name	Parent % Ownership
LIVN Irishco 2 UC	Deloitte, 6 Lapps Quay, Cork, T12 TA48, Ireland	Ireland	100	LIVN UK Holdco Limited	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 Italia S.r.l. *	Via Enrico Cialdini, 16, 20161 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

* *Represents a direct investment of LivaNova PLC.*

(1) Cyberonics Netherlands CV and Cyberonics Holdings LLC were liquidated during 2022.

Note 6. Other Financial Assets

LivaNova PLC's current financial assets in the balance sheet include the following:

(in thousands)	31 December 2022	31 December 2021
Due in less than 12 months		
Due from subsidiaries [1]	$ 54,635	$ 399,012
Other	950	12
	$ 55,585	$ 399,024

(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 amounts are due on demand with 10 day notice.

Note 7. Trade and Other Receivables and Expected Credit Loss Provision

Trade receivables consisted of the following:

(in thousands)	31 December 2022	31 December 2021
Trade receivables due from third parties	$ 274	$ 369
Trade receivables due from LivaNova subsidiaries [1]	11,658	6,759
Expected credit loss provision	(246)	(269)
Total	$ 11,686	$ 6,859

(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)	31 December 2022	31 December 2021
Beginning of year	$ 269	$ 291
Utilization	(7)	—
Currency translation gains/losses	(16)	(22)
End of year	$ 246	$ 269

Below is a summary of other receivables:

(in thousands)	31 December 2022	31 December 2021
Prepaid assets	$ 2,271	$ 1,362
Deposit and advances to suppliers	4,704	15,102
Guarantee deposits	158	52
Total	$ 7,133	$ 16,516

Note 8. Derivative Financial Instruments

LivaNova PLC enter into FX derivative contracts and interest rate swap contracts to reduce the impact of foreign currency exchange rate and interest rate fluctuations, respectively, on earnings and cash flow. For additional details refer to LivaNova

PLC's 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 as of 31 December 2022 and 31 December 2021 was $154.5 million and $136.7 million, respectively. These derivative contracts are designed to offset the FX effects in earnings of various intercompany loans and trade receivables.

Cash Flow Hedges

Foreign Currency Risk

Historically, the Company has utilized FX derivative contracts, designed as cash flow hedges, to hedge the variability of cash flows associated with LivaNova PLC's 12-month U.S. dollar forecasts of revenues and costs denominated in British Pound, Japanese Yen and the Euro. LivaNova PLC transfers to earnings from AOCI the gain or loss realized on the FX derivative contracts at the time of invoicing. Upon the settlement of LivaNova PLC's foreign currency cash flow hedges in the fourth quarter of 2022 and following an in-depth analysis of the utility of LivaNova PLC's cash flow hedging program, the Company discontinued its foreign currency cash flow hedging program.

Interest Rate Risk

LivaNova PLC entered into interest rate swaps, which qualify for and are designated as cash flow hedges, for a notional amount covering 70% of the Initial Term Facility's outstanding principal through April 2023, in order to minimize the impact of changes in interest rates by swapping a portion of the Initial Term Facility's floating-rate interest payments for fixed-rate interest payments. The Initial Term Facility matures in July 2027.

The amount and location of the gains (losses) in the Company statement of income (loss) related to derivative instruments, not designated as hedging instruments, are as follows (in thousands):

		Year Ended 31 December	
Derivatives Not Designated as Hedging Instruments	**Location**	**2022**	**2021**
Foreign currency exchange rate contracts	Foreign exchange and other income/(expense)	$ 4,479	$ 10.944
Interest rate swap contracts	Finance expense	$ 966	$ —

Presentation in Financial Statements

The following tables present the fair value, and the location of, derivative contracts reported in the Company balance sheet (in thousands):

31 December 2022	**Asset Derivatives**		**Liability Derivatives**	
Derivatives Not Designated as Hedging Instruments	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Interest rate swap contracts	Current financial derivative assets	$ 1,333		
FX derivative contracts			Current financial derivative liabilities	$ 5,886
Total derivatives not designated as hedging instruments		1,333		5,886
Total derivatives		$ 1,333		$ 5,886

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

Note 9. Shareholders' Equity

Share capital

LivaNova PLC's authorised share capital is as follows:

(in number of shares)	31 December 2022	31 December 2021
Authorised share capital, Ordinary Shares of £1 each, unlimited shares authorised		
Issued [(1)]	53,851,979	53,761,510
Outstanding	53,564,664	53,263,297

(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. LivaNova PLC did not issue any additional shares to the Company's EBT during the years ended 31 December 2022 or 31 December 2021. As of 31 December 2022 and 2021, LivaNova held 287,315 and 498,213 shares in treasury.

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 financial statement of 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.

Capital redemption reserve

The capital redemption reserve represents transfers from distributable reserves in accordance with the Company's legislation upon the redemption of ordinary share capital.

Accumulated Other Comprehensive (Loss) Income

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)	Foreign currency translation adjustments	Revaluation of net (asset) liability for defined benefits	Total
Opening 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
Reclassification of (loss) gain from accumulated other comprehensive income, before tax	(32,237)	10	(32,227)
Tax effect	—	—	—
Reclassification of (loss) gain from accumulated other comprehensive income, after tax	(32,237)	10	(32,227)
Net other comprehensive (loss) income, net of tax	(32,237)	10	(32,227)
Ending Balance - 31 December 2022	$ (21,945)	$ (20)	$ (21,965)

Note 10. Financial Liabilities

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

	31 December 2022	31 December 2021
Notes payable to LivaNova subsidiaries [(1)]	$ 509,849	$ 509,849
Total long-term facilities	509,849	509,849
Less current portion of long-term debt	—	—
Total long-term debt	$ 509,849	$ 509,849

(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 in 2020.

The outstanding principal amount of current debt consisted of the following (in thousands):

	31 December 2022	31 December 2021
Due to LivaNova subsidiaries [(1)]	$ 229,678	$ 302,686
Short-term facilities	60	82
Total short-term facilities	229,738	302,768
Current portion of long-term debt	—	—
Total current debt	$ 229,738	$ 302,768

(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 $27.7 million and $25.8 million for the years ended 31 December 2022 and 31 December 2021, respectively, consisted primarily of interest on the Company's debt facilities. Refer to the Company statement of income (loss). Finance expense associated with subsidiary debt amounted to $26.7 million and $25.4 million for the years ended 31 December 2022 and 31 December 2021, respectively.

Note 11. Leases

LivaNova PLC has leases primarily for (i) real estate, including office space and manufacturing, warehouse and research and development facilities and (ii) vehicles. LivaNova PLC's leases have remaining lease terms up to 12 years, some of which include options to extend the leases, and some of which include options to terminate the leases at the Company's 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 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
Additions	3,791	26	3,817	3,816
Depreciation expense	(949)	(56)	(1,005)	—
Disposals	—	(11)	(11)	(11)
Finance expense	—	—	—	189
Lease payments	—	—	—	(1,537)
Currency translation adjustments	(5)	(8)	(13)	(44)
Balance as of 31 December 2022	$ 5,237	$ 49	$ 5,286	$ 6,587

Contractual maturities of LivaNova PLC's lease liabilities as of 31 December 2022 are as follows (in thousands):

2023	$ 1,107
2024	1,325
2025	976
2026	615
2027	447
Thereafter	3,277
Total lease payments	7,747
Less: Amount representing finance charges	(1,160)
Net present value of lease liabilities	$ 6,587

Contractual maturities of LivaNova PLC's 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

Lease payments of approximately $1.5 million were made during the year ended 31 December 2022 in connection with lease agreements of which $1.3 million represents the principal portion classified in financing activities and $0.2 million for interest classified in operating activities.

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.

Note 12. Other Payables

(in thousands)	31 December 2022	31 December 2021
Accrued expenses- employee-related charges	$ 5,706	$ 8,159
Other accrued expenses	5,006	4,073
Other current liabilities with subsidiaries	1,542	2,236
Amount payable to Gyrus Capital S.A. [(1)]	—	7,105
Other liabilities	899	1,141
Other amounts due to health and social security institution	569	516
Amounts due to employees	491	378
Total	$ 14,213	$ 23,608

(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 LivaNova PLC's Heart Valve business, which was settled during 2022. For additional information refer to "Note 8. Divestiture of Heart Valve Business" in the Consolidated Group financial statements in this Annual Report.

Note 13. Share-Based Compensation Plans

Share-Based Compensation Plans

On 16 October 2015, LivaNova PLC 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, employees (including the Company's named executive officers) and consultants of the Company and certain of LivaNova PLC's affiliates and to enable the Company and certain of LivaNova PLC's affiliates to obtain and retain services of these individuals. The Plan became effective as of 19 October 2015. The 2022 Incentive Award Plan (the "2022 Plan") was adopted by the Board of Directors on 20 April 2022 and approved by the shareholders of LivaNova PLC on 13 June 2022. Awards may be granted under the 2015 Plan and 2022 Plan in the form of stock options, SARs, RS, RSUs and other stock-based awards. The awards with service conditions generally vest ratably from two to four years and are subject to forfeiture unless service conditions are met. The market performance-based awards that were issued

cliff vest after three years subject to the rank of LivaNova's total shareholder return for the three-year period ending 31 December 2024 relative to the total shareholder returns for a peer group of companies. The adjusted FCF and adjusted ROIC operating performance-based awards that were issued cliff vest after three years subject to the achievement of certain thresholds of cumulative results for those metrics for the three-year period ending 31 December 2024. As of 31 December 2022, there were approximately 317,200 shares available for future grants under the 2015 Plan, respectively and 1,900,000 shares pursuant to Options or Stock Appreciation Rights and 1,137,785 shares pursuant to other types of awards available for future grants to LivaNova PLC's employees under the 2022 Plan.

Share Options and Share Appreciation Rights

	Year Ended 31 December			
	2022		2021	
Options and SARs	**Number of Optioned Shares**	**Wtd. Avg. Exercise Price**	**Number of Optioned Shares**	**Wtd. Avg. Exercise Price**
Exercised	7,067	$ 45.55	59,501	$ 54.79
Outstanding - end of year	797,842	$ 63.94	756,142	$ 61.97

The weighted average remaining contractual life for the share options and SARs outstanding at 31 December 2022 and 31 December 2021 was 5.9 years and 6.4 years, respectively.

The aggregate intrinsic value of the options and SARs outstanding at 31 December 2022 and 31 December 2021 was $3.6 million and $20.2 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 2022**	**31 December 2021**
$41-50	303,421	325,080
$51-60	135,173	138,566
$61-70	—	—
$71-80	109,485	114,787
$81-90	174,247	91,344
$91-100	75,025	85,374
$101-110	—	500
$121-130	491	491
Total	797,842	756,142

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			
	2022		2021	
	Number of Shares	**Wtd. Avg. Grant Date Fair Value**	**Number of Shares**	**Wtd. Avg. Grant Date Fair Value**
Non-vested at end of year	157,400	$ 67.57	175,304	$ 64.96

	Year Ended 31 December	
(in thousands)	**2022**	**2021**
Aggregate fair value of service-based share grants that vested during the year (in thousands)	$ 5,247	$ 5,787

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			
	2022		2021	
	Number of Shares	Wtd. Avg. Grant Date Fair Value	Number of Shares	Wtd. Avg. Grant Date Fair Value
Non-vested at end of year	254,863	$ 70.59	245,457	$ 67.64

	Year Ended 31 December	
(in thousands)	2022	2021
Aggregate fair value of performance-based share grants that vested during the year	$ 4,774	$ 5,009

Note 14. Income Taxes

Income tax benefit (expense) consists of the following:

	Year Ended 31 December	
(in thousands)	2022	2021
Current tax:		
United Kingdom	$ 508	$ 3,215
Non-United Kingdom	(329)	(2)
Total current tax benefit	179	3,213
Deferred tax:		
United Kingdom	16,438	26,459
Non-United Kingdom	—	—
Total deferred tax benefit	16,438	26,459
Total income tax benefit	$ 16,617	$ 29,672

The following is a reconciliation of the statutory income tax rate to LivaNova PLC's effective income tax rate expressed as a percentage of income before income tax benefit:

	Year Ended 31 December	
	2022	2021
Statutory tax rate at UK rate	19.0 %	19.0 %
Change in tax rate [(1)]	32.3	32.9
Permanent differences	(4.6)	(3.2)
Distribution of subsidiary earnings	79.3	9.1
Tax on UK CFC interest	(5.1)	0.2
Impairment	3.9	—
Equity compensation	(14.6)	4.8
Change in deferred tax valuation allowance	—	(9.2)
Other, net	3.6	(6.2)
Effective tax rate	113.8 %	47.4 %

(1) The change in tax rate for 2022 was primarily due to the Net Operating Losses ("NOLs") generated during 2022 net of group relief being measured to a tax rate 19% and revaluation of deferred tax assets at 25% for changes in law effective April 1, 2023.

Deferred income tax assets and liabilities are summarised as follows:

(in thousands)	31 December 2022	Activity During the Year Ended 31 December 2022			31 December 2021
		Company Statement of Income (Loss)	Tax Rate Change	Shareholders' Equity	
Net operating loss carryforwards	$ 70,173	$ 9,351	$ 2,489	$ —	$ 58,333
Accruals and reserves	66	—	—	—	66
Share-based compensation	4,235	(992)	—	(3,270)	8,497
Lease assets and other	17,040	4,594	1,844	62	10,540
Total deferred tax assets	91,514	12,953	4,333	(3,208)	77,436
Lease liabilities and other	1,027	852	—	62	113
Total deferred tax liabilities	1,027	852	—	62	113
Total deferred tax assets, net	$ 90,487	$ 12,101	$ 4,333	$ (3,270)	$ 77,323

(in thousands)	31 December 2021	Activity During the Year Ended 31 December 2021			31 December 2020
		Company Statement of Income (Loss)	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.

Deferred tax assets have not been recognised as of 31 December 2022 with respect of the following items (in thousands):

Region	Gross Amount	Tax Benefit	Amount with No Expiration	Carryforward Period
UK NOL	$ 40,437	$ 10,109	$ 10,109	Unlimited
Non UK NOL	2,878	691	691	Unlimited
Total NOL	$ 43,315	$ 10,800	$ 10,800	

Deferred tax assets have not been recognised as of 31 December 2021 with respect of the following items (in thousands):

Region	Gross Amount	Tax Benefit	Amount with No Expiration	Carryforward Period
UK NOL	$ 40,437	$ 10,109	$ 10,109	Unlimited
Non UK NOL	2,459	590	590	Unlimited
Total NOL	$ 42,896	$ 10,699	$ 10,699	

For losses incurred after April 2017 in the UK, the Company anticipates a recoverability of these operating loss carryforwards beginning in 2028 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 15 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 2028.

Note 15. Commitments and Contingencies

Refer to "Note 26. Commitments and Contingencies" of the LivaNova consolidated financial statements in this Annual Report.

Certain subsidiaries of LivaNova PLC have entered into agreements with Bank of America, including for the issuance of credit cards and local credit facilities, for which LivaNova PLC has provided an indemnity letter up to $40 million to Bank of America covering the liabilities of the subsidiaries under the agreements.

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. Other 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 29. Related Parties" for key management personnel and related parties. Refer to consolidated financial statements "Note 13. Financial Assets" for related party financial assets.

Note 17. Company Statement of Income (Loss) - Expenses by Nature

	Year Ended 31 December	
(in thousands)	**2022**	**2021**
Revenue	$ 28,996	$ 27,663
Cost of materials and services used	(49,065)	(52,661)
Personnel expense	(35,136)	(46,014)
Amortisation and depreciation	(1,663)	(3,772)
Operating loss	(56,868)	(74,784)
Finance expense	(27,688)	(25,819)
Income from subsidiary undertakings	60,925	47,722
Finance income	10,983	6,109
Losses on disposal of investments, net	(282)	(13,963)
Foreign exchange and other income/(expense)	(1,673)	(1,918)
Loss before taxes	(14,603)	(62,653)
Income tax benefit	16,617	29,672
Income (loss) for the financial year	$ 2,014	$ (32,981)

Note 18. Employee Compensation Costs

Details of directors' remuneration are included in the Remuneration Report on pages 49 to 69, which forms part of these financial statements.

Employee numbers

The average monthly employee numbers on a full-time equivalent basis, including executive directors were 68 and 83 for the years ended 31 December 2022 and 2021, respectively. LivaNova PLC's employees are principally engaged in Corporate activities.

The below table presents Employee compensation costs of LivaNova PLC:

	Year Ended 31 December	
(in thousands)	**2022**	**2021**
Wages and salaries	$ 14,355	$ 21,047
Share-based payments	14,119	13,076
Other employee costs	6,662	11,891
	$ 35,136	$ 46,014

Note 19. Auditors' Remuneration

(in thousands)	Year Ended 31 December 2022	2021
Fees payable to the Company's Auditors for the audit of parent company financial statements [1]	$ 82	$ 76

(1) Refer to "Note 33. Auditors' Remuneration" of the LivaNova consolidated financial statements in this Annual Report for non-audit fees.

Note 20. Subsequent Events

Refer to "Note 35. Subsequent Events" to the Consolidated Group financial statements in this Annual Report.

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Health innovation that matters

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