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Bolagsverket
2024 -06- 03

ÅRSREDOVISNING

2023-01-01 - 2023-12-31

för

LivaNova Scandinavia AB
556441-1618

Årsredovisningen omfattar: **Sida**

Förvaltningsberättelse	1
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FASTSTÄLLELSEINTYG

Undertecknad styrelseledamot intygar härmed, dels att denna kopia av årsredovisningen överensstämmer med originalet, dels att resultat- och balansräkningen fastställts på ordinarie bolagsstämma den ..24/5.. 2024. Stämman beslöt tillika godkänna styrelsens förslag till resultatdisposition.

Stockholm 29/5 2024

Valeria Bizzozero
Styrelseordförande

Valeria Bizzozero

20240402 5162704804 ÅRS

ÅRSREDOVISNING

2023-01-01 - 2023-12-31

för

LivaNova Scandinavia AB
556441-1618

Årsredovisningen omfattar:	**Sida**
Förvaltningsberättelse	1
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LivaNova Scandinavia AB
556441-1618

ÅRSREDOVISNING FÖR LIVANOVA SCANDINAVIA AB

Styrelsen för LivaNova Scandinavia AB avger härmed årsredovisning för räkenskapsåret 2023-01-01 - 2023-12-31.

FÖRVALTNINGSBERÄTTELSE

Alla belopp redovisas i SEK.

Allmänt om verksamheten

LivaNova Scandinavia AB bedriver försäljning av produkter för neurostimulation och hjärtkirurgi.
Produkterna är hjärt-lungmaskiner, förbrukningsmateriel till dessa samt
implanterbara generatorer för epilepsi.
Produkterna är huvudsakligen tillverkade inom den egna koncernen.
Bolaget har en stabil grund med försäljning till de olika regionerna. Man ser inga väsentliga risker eller
osäkerhetsfaktorer framåt i tiden. När den nya egenutvecklade hjärtlungmaskinen nu lanserats spås försäljningen
stiga under de närmaste åren i och med att en del regioner väntat med sina investeringar.

Väsentliga händelser under räkenskapsåret

Koncernen lanserade nya generationsens hjärtlungmaskin i december 2022. Första demomaskinerna för Sverige kom i början av 2023.

LivaNova upptäckte på koncernnivå, i november, en cyberssäkerhetsincident som resulterade i en störning av delar av företagets IT-system.
Vid upptäckt inledde LivaNova en utredning med hjälp av externa cybersäkerhetsexperter och samordnade med brottsbekämpande
myndigheter. Tack vare dessa och andra åtgärder anser koncernen att de har begränsat cybersäkerhetshotet,
även om utrednings- och begränsningsinsatser fortsatt pågår.

Ägarförhållanden

LivaNova Scandinavia AB är ett helägt dotterbolag till Sorin Group Italia SrL.

Flerårsöversikt

	2023	2022	2021	2020
Nettoomsättning	129 287 168	101 541 868	77 993 434	82 232 214
Rörelseresultat	5 715 048	6 838 750	2 847 944	5 543 341
Resultat e. finanstella poster	6 789 358	7 010 968	2 990 322	5 568 833
Balansomslutning	82 438 042	62 458 198	45 078 690	48 062 655
Soliditet (1)	53,1%	61,5%	71,6%	60,9%

(1) Justerat eget kapital / balansomslutning

Förändringar i eget kapital

	Aktie-kapital	Reserv-fond	Balanserat resultat	Årets resultat	Total
Belopp vid årets ingång	2 100 000	2 250 000	27 927 691	6 138 093	38 415 784
Resultatdisposition enligt årsstämman			6 138 093	-6 138 093	0
Årets resultat				5 383 308	5 383 308
Belopp vid årets utgång	**2 100 000**	**2 250 000**	**34 065 784**	**5 383 308**	**43 799 092**

Aktiekapital, 21 000 aktier á nom 100 kronor.
Bolaget har totalt erhållit 15 000 000 i ovillkorat aktieägarstillskott.

Resultatdisposition

Till årsstämmans förfogande står följande ansamlat resultat

Balanserat resultat	34 065 784
Årets resultat	5 383 308
Summa	**39 449 092**

Styrelsen föreslår att vinstmedlen, 39 449 092 överförs i ny räkning

Beträffande bolagets resultat och ställning i övrigt hänvisas till nedanstående resultat- och balansräkningar samt tilläggsupplysningar. Alla belopp uttrycks i kronor där ej annat anges.

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LivaNova Scandinavia AB
556441-1618

RESULTATRÄKNING

Belopp i SEK	Not	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Rörelseintäkter, lagerförändringar mm			
Nettoomsättning	2	129 287 168	101 541 868
Övriga rörelseintäkter	3	0	518 423
Summa intäkter		**129 287 168**	**102 060 291**
Rörelsekostnader			
Handelsvaror	2	-88 339 998	-64 951 292
Övriga externa kostnader	3,4,5	-21 102 373	-17 548 267
Personalkostnader	6	-13 375 695	-12 684 202
Av-och nedskrivningar av materiella och immateriella anläggningstillgångar	9,10	-754 054	-37 780
Summa rörelsekostnader		**-123 572 120**	**-95 221 541**
Rörelseresultat		**5 715 048**	**6 838 750**
Finansiella poster			
Övriga ränteintäkter och liknande resultatposter	7	1 074 563	206 654
Räntekostnader och liknande resultatposter	8	-253	-34 436
Resultat efter finansiella poster		**6 789 358**	**7 010 968**
Resultat före skatt		**6 789 358**	**7 010 968**
Skatter			
Skatt på årets resultat	12	-1 406 050	-872 875
ÅRETS RESULTAT		**5 383 308**	**6 138 093**

LivaNova Scandinavia AB
556441-1618

BALANSRÄKNING

	Belopp i SEK	Not	2023-12-31	2022-12-31
TILLGÅNGAR				
Anläggningstillgångar				
Immateriella anläggningstillgångar				
			0	0
Summa immateriella anläggningstillgångar			**0**	**0**
Materiella anläggningstillgångar				
Inventarier och datorer		10	3 211 874	1 775 647
Summa materiella anläggningstillgångar			**3 211 874**	**1 775 647**
Finansiella anläggningstillgångar				
Andelar i koncernföretag		11	4 592 781	4 592 781
Summa finansiella anläggningstillgångar			**4 592 781**	**4 592 781**
Summa anläggningstillgångar			**7 804 655**	**6 368 428**
Omsättningstillgångar				
Varulager m m				
Färdiga varor och handelsvaror			1 056 532	919 891
Summa Varulager			**1 056 532**	**919 891**
Kortfristiga fordringar				
Kundfordringar			39 535 730	19 129 588
Fordringar hos koncernföretag			28 602 186	24 385 385
Övriga fordringar			905 690	290 746
Förutbetalda kostnader och upplupna intäkter		13	286 363	1 044 448
Summa kortfristiga fordringar			**69 329 969**	**44 850 167**
Kassa och bank				
Kassa och bank		15	4 246 886	10 319 712
Summa omsättningstillgångar			**74 633 387**	**56 089 770**
SUMMA TILLGÅNGAR			**82 438 042**	**62 458 198**

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LivaNova Scandinavia AB
556441-1618

BALANSRÄKNING	Belopp i SEK	Not	2023-12-31	2022-12-31
EGET KAPITAL OCH SKULDER				
Eget kapital				
Bundet eget kapital				
Aktiekapital			2 100 000	2 100 000
Reservfond			2 250 000	2 250 000
Summa bundet eget kapital			**4 350 000**	**4 350 000**
Fritt eget kapital				
Balanserat resultat			34 065 784	27 927 691
Årets resultat		18	5 383 308	6 138 093
Summa fritt eget kapital			**39 449 092**	**34 065 784**
Summa eget kapital			**43 799 092**	**38 415 784**
Avsättningar				
Övriga avsättningar			0	0
Summa avsättningar			**0**	**0**
Kortfristiga skulder				
Leverantörsskulder			224 483	5 227 082
Skulder till koncernföretag			19 018 525	11 219 185
Skatteskulder			1 636 581	565 667
Övriga skulder			8 237 623	3 400 927
Upplupna kostnader och förutbetalda intäkter		14	9 521 738	3 629 553
Summa kortfristiga skulder			**38 638 950**	**24 042 414**
SUMMA EGET KAPITAL OCH SKULDER			82 438 042	62 458 198

LivaNova Scandinavia AB
556441-1618

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KASSAFLÖDESANALYS	Belopp i SEK	Not	2023-12-31	2022-12-31
Löpande verksamhet				
Rörelseresultat			5 715 048	6 838 750
Återläggning avskrivningar			754 054	37 780
Erhållen ränta			1 074 563	206 654
Erlagd ränta			-253	-34 436
Betald inkomstskatt			-335 136	25 161
Kassaflöde från den löpande verksamheten före förändringar av rörelsekapital			**7 208 276**	**7 073 909**
Förändring rörelsekapital				
Förändring lager			-136 641	-263 620
Förändring kundfordringar			-20 406 142	-15 657 367
Förändring kortfristiga fordringar			-4 073 660	5 488 177
Förändring leverantörsskulder			-5 002 599	3 384 246
Förändring korfristiga skulder			18 528 221	6 959 133
Kassaflöde rörelsekapital			**-11 090 821**	**-89 431**
Kassaflöde från den löpande verksamheten			**-3 882 545**	**6 984 478**
Finansieringsverksamhet				
Nyemmisson			0	0
Utdelningar			0	0
Långfristiga skulder			0	0
Kassaflöde finansieringsverksamhet			***0***	***0***
Investeringsverksamhet				
Förvärv av immateriella anläggningstillgångar			0	0
Avyttring av immateriella anläggningstillgångar			0	0
Förvärv av materiella anläggningstillgångar			-2 226 466	-1 813 427
Avyttring av materiella anläggningstillgångar			36 185	0
Förvärv finansiella anläggningstillgångar			0	0
Avyttring finansiella anläggningstillgångar			0	0
Kassaflöde investeringsverksamhet			**-2 190 281**	**-1 813 427**
ÅRETS KASSAFLÖDE			***-6 072 826***	***5 171 051***
Likvida medel vid årets början		15		
Likvida medel vid årets början			10 319 712	5 148 661
Likvida medel vid årets slut			**4 246 886**	**10 319 712**

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NOTER

Not 1 Redovisnings- och värderingsprinciper

Belopp I SEK om inget annat anges.

Allmänna redovisningsprinciper

Årsredovisningen är upprättad i enlighet med Årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).
Redovisningsprinciperna är oförändrade jämfört med föregående år.
Fordringar har upptagits till de belopp varmed de beräknas inflyta.

Intäkter

Intäkter för varor redovisas när varan levererats och intäkterna för tjänster när tjänsten är utförd.

Anläggningstillgångar

Som grundregel gäller att anläggningstillgångar är en fysisk tillgång som innehas för att bedriva näringsverksamhet (se kassaflöde).
Immateriella samt Materiella anläggningstillgångar redovisas till anskaffningsvärde minskat med avskrivningar.
Realisationsvinst respektive realisationsförlust vid avyttring reovisas som 'Övriga rörelseintäkter' respektive 'Övriga externa kostnader'.

Följande avskrivningstider tillämpas:

Inventarier	3-10 år
Immateriella tillgångar	5 år

Kundfordringar/Kortfristiga fordringar

Kundfordringar och kortfristiga fordringar redovisas som omsättningstillgångar till det belopp som förväntas bli inbetalt efter avdrag för individuellt bedömda osäkra fordringar.

Varulager

Varulagret värderas, med tillämpning av först-in först ut principen, till det lägsta av anskaffningsvärde och dess nettoförsäljningsvärde på balansdagen.

Avsättningar

Som avsättning har redovisats förpliktelser gentemot tredje man som är hänförliga till räkenskapsåret eller tidigare räkenskapsår och som på balansdagen antingen är säkra eller sannolika till sin förekomst men oviss till belopp eller till den tidpunkt då de ska infrias. Avsättningen värderas till den bästa uppskattningen av det belopp som kommer att behöva erläggas.

Kassaflödesanalys

Kassaflödesanalysen upprättas enligt indirekt metod och visar in- och utbetalningar uppdelade på den löpande verksamheten, investeringsverksamheten eller finansieringsverksamheten. Det redovisade kassaflödet omfattar endast transaktioner som medfört in- eller utbetalningar.

Not 2 Uppgift om inköp och försäljning inom samma koncern, mm

	2023-12-31	2022-12-31
Inköp	74,0%	72,0%
Försäljning	10,0%	13,0%

Not 3 Övriga Rörelseintäkter/Övriga Rörelsekostnader

	2023-12-31	2022-12-31
Valutaintäkter	769 066	962 407
Valutaförluster	-864 356	-443 984
	-95 290	**518 423**

Not 4 Operationella Leasingavtal

	2023-12-31	2022-12-31
Framtida minimileaseavgifter som ska erläggas avseende icke uppsägningsbara leasingavtal		
Förfaller till betalning inom ett år	293 040	462 640
Förfaller till betalning senare än ett år men inom 5 år	0	293 040
	293 040	**755 680**
Under perioden kostnadsförda leasingavgifter	648 282	676 363
Under perioden redovisade variabla leasingavgifter	180 671	152 187
	828 953	**828 550**

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Not 5 Ersättning till revisorer

	2023-12-31	2022-12-31
Öhrlings PricewaterhouseCoopers AB		
Revisionsuppdraget	195 000	185 000

Not 6 Anställda och personalkostnader

Medelantal anställda

	2023-12-31	2022-12-31
Kvinnor	3	3
Män	3	3

Löner och andra ersättningar

Styrelse och verkställande direktör	0	0
Övriga anställda	8 837 719	8 370 712
	8 837 719	**8 370 712**

Sociala kostnader

Pensionskostnader för styrelse och verkställande direktör	0	0
Pensionskostnader för övriga anställda	1 448 676	1 396 334
Övriga sociala avgifter enligt lag och avtal	3 072 457	2 901 834
	4 521 133	**4 298 168**

Totala löner, ersättningar, sociala avgifter och pensionskostnader	**13 358 852**	**12 668 880**

Not 7 Övriga ränteintäkter och liknande resultatposter

	2023-12-31	2022-12-31
Utdelningar	0	0
Räntor	1 074 563	206 654
	1 074 563	**206 654**

Not 8 Räntekostnader och liknande resultatposter

	2023-12-31	2022-12-31
Räntekostnader	253	34 436
	253	**34 436**

Not 9 Immateriella anläggningstillgångar

	2023-12-31	2022-12-31
Ingående anskaffningsvärde	0	5 327 358
Inköp	0	0
Försäljningar/utrangeringar	0	-5 327 358
Utgående anskaffningsvärden	**0**	**0**
Ingående avskrivningar	0	-5 327 358
Återförda avskrivningar på försäljningar resp utrangeringar	0	5 327 358
Årets avskrivningar	0	0
Utgående avskrivningar	**0**	**0**
Redovisat värde	**0**	**0**

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Not 10 Materiella anläggningstillgångar

	2023-12-31	2022-12-31
Ingående anskaffningsvärde	1 813 427	26 750
Inköp	2 226 466	1 813 427
Försäljningar/utrangeringar	-36 185	-26 750
Omklassificeringar	0	0
Utgående anskaffningsvärden	**4 003 708**	**1 813 427**
Ingående avskrivningar	-37 780	-26 750
Återförda avskrivningar på försäljningar resp utrangeringar	0	26 750
Omklassificeringar	0	0
Årets avskrivningar	-754 054	-37 780
Utgående avskrivningar	**-791 834**	**-37 780**
Redovisat värde	**3 211 874**	**1 775 647**

Not 11 Andelar i koncernföretag

	2023-12-31	2022-12-31
Ingående anskaffningsvärde	11 984 292	11 984 292
Inköp/Aktieägartillskott	0	0
Utgående anskaffningsvärde	**11 984 292**	**11 984 292**
Ingående nedskrivningar	-7 391 511	-7 391 511
Årets nedskrivningar	0	0
Utgående nedskrivningar	**-7 391 511**	**-7 391 511**
Redovisat värde	**4 592 781**	**4 592 781**

Företagets namn	Kapital-andel %	Kapital-andel %
LivaNova Norway AS, org nummer 991 266 372	100	100

Not 12 Skatt på årets resultat

	2023-12-31	2022-12-31
Aktuell skatt	1 406 050	872 875
Uppskjuten skatt	0	0
Skatt på årets reslutat	**1 406 050**	**872 875**
Redovisat resultat före skatt	**6 789 358**	**7 010 968**
Skatt beräknad enligt gällande skattesats (20,6%)	1 398 608	1 444 260
Skatteeffekt av ej avdragsgilla kostnader	10 470	9 687
Skatteeffekt av ej skattepliktig realisationsvinst	-3 028	0
Skatt hänförlig till tidigare års redovisade resultat	0	-581 072
Skatteeffekt av schablonränta på periodiseringsfond	0	0
Effekt av ändrade skattesatser	0	0
Effekt av utländska skattesatser	0	0
Redovisad skattekostnad	**1 406 050**	**872 875**

Not 13 Förutbetalda kostnader och upplupna intäkter

	2023-12-31	2022-12-31
Föutbetalda hyror	129 549	138 520
Förutbetalda försäkringar	156 814	152 548
Övriga poster	0	753 380
	286 363	**1 044 448**

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Not 14 Upplupna kostnader och förutbetalda intäkter

	2023-12-31	2022-12-31
Upplupna lönekostnader	2 184 459	1 369 734
Upplupna semesterlöner	758 357	774 605
Upplupna sociala avgifter	1 085 297	823 716
Upplupen arvode kommission Neuromodulation	4 577 001	56 355
Övriga poster	916 624	605 143
	9 521 738	**3 629 553**

Not 15 Likvida medel

	2023-12-31	2022-12-31
Banktillgodohavanden	4 246 886	10 319 712

Not 16 Väsentliga händelser efter räkenskapsårets slut

Första beställningen på nya generationsens hjärtlungmaskin levererades till Göteborg i januari 2024.

Not 17 Moderföretag

Företaget är moderföretag men med hänvisning till undantagsreglerna i årsredovisningslagen 7 kap 2§ upprättas ingen koncernredovisning. Närmast överordnade moderföretag som upprättar koncernredovisning i vilken företaget ingår är Sorin Group Italia S.r.l, 10566980158 med säte i Mirandola, Italien.
Moderbolag för hela koncernen är LivaNova, Plc , 09451374, med säte i London, Storbritannien.

Not 18 Förslag till resultatdisposition

Balanserat resultat	34 065 784
Årets resultat	5 383 308
Summa vinstmedel	**39 449 092**

Styrelsen föreslår att årets resultat och balanserade vinstmedel överförs i ny räkning.

Milano 17/4 2024

Valeria Bizzozero
Styrelseordförande

Zaventem 17/4 2024

Philippe Blancquaert
Styrelseledamot

Milano 17/4 2024

Marco Di Marco
Styrelseledamot

Vår revisionsberättelse har lämnats den 7/5 - 2024
Öhrlings PricewaterhouseCoopers AB

Magnus Lagerberg
Auktoriserad revisor

20240604020929

Revisionsberättelse

Till bolagsstämman i Livanova Scandinavia AB, org.nr 556441-1618

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Livanova Scandinavia AB för år 2023.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Livanova Scandinavia ABs finansiella ställning per den 31 december 2023 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen för Livanova Scandinavia AB.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Livanova Scandinavia AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

En ytterligare beskrivning av vårt ansvar för revisionen av årsredovisningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning för Livanova Scandinavia AB för år 2023 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Livanova Scandinavia AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation, och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

En ytterligare beskrivning av vårt ansvar för revisionen av förvaltningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Stockholm den 7 maj 2024

Öhrlings PricewaterhouseCoopers AB

Magnus Lagerberg
Auktoriserad revisor

LIVANOVA PLC AND SUBSIDIARIES

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

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	Note	Year Ended 31 December 2023	2022
Net revenue	26	$ 1,153,545	$ 1,021,805
Costs and expenses:			
Cost of sales	28	381,730	314,206
Selling, general and administrative	28	514,267	463,829
Research and development		193,193	155,650
Other operating expense		3,308	7,737
Exceptional items	30	130,895	166,789
Operating loss		(69,848)	(86,406)
Finance expenses		(60,450)	(49,709)
Net gain on embedded exchange feature and capped call derivatives	4	24,209	43,789
Net foreign exchange and other income/(expense)	28	21,598	8,273
Share of loss from equity accounted investments		(104)	(53)
Loss before tax		(84,595)	(84,106)
Income tax expense	23	(15,787)	(2,188)
Loss attributable to owners of the parent		$ (100,382)	$ (86,294)
Basic loss per share	25	$ (1.86)	$ (1.61)
Diluted loss per share	25	$ (1.85)	$ (1.61)
Shares used in computing basic loss per share	25	53,939	53,472
Shares used in computing diluted loss per share	25	54,212	53,472

See accompanying notes to the consolidated financial statements.

LIVANOVA PLC AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income
(In thousands)

20240604002932

	Note	Year Ended 31 December 2023	2022
Loss attributable to owners of the parent		$ (100,382)	$ (86,294)
Items of other comprehensive (loss) income that will be subsequently reclassified to profit or loss:			
Cash flow hedges for exchange rate fluctuations	15	(966)	1,911
Tax impact		—	—
Foreign currency translation differences		12,045	(22,170)
Total items of other comprehensive income (loss) that will be subsequently reclassified to profit or loss		11,079	(20,259)
Items of other comprehensive (loss) income that will not be subsequently reclassified to profit or loss:			
Remeasurement of net assets for defined benefits	22	(190)	915
Tax impact		9	38
Total items of other comprehensive (loss) income that will not be subsequently reclassified to profit or loss		(181)	953
Total other comprehensive income (loss), net of taxes		10,898	(19,306)
Total comprehensive loss, net of taxes attributable to owners of the parent		$ (89,484)	$ (105,600)

See accompanying notes to the consolidated financial statements.

LIVANOVA PLC AND SUBSIDIARIES

Consolidated Balance Sheet
(In thousands)

20240604029233

	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	9	$ 132,847	$ 132,300
Intangible assets	10	282,459	383,370
Goodwill	10	458,857	453,794
Right-of-use assets	18	49,565	34,792
Financial assets	12	28,380	22,431
Derivative financial instruments	15	38,496	54,393
Deferred tax assets	23	113,364	110,734
Other assets		6,527	10,065
Total non-current assets		1,110,495	1,201,879
Current assets			
Inventories	13	147,887	129,379
Trade receivables	14	215,072	183,110
Other receivables	14	26,699	23,309
Financial assets	12	483	3,012
Tax receivable		17,571	30,899
Cash and cash equivalents	2	266,504	214,172
Restricted cash	2	311,368	301,446
Total current assets		985,584	885,327
Total assets		$ 2,096,079	$ 2,087,206
LIABILITIES AND EQUITY			
Shareholders' Equity			
Share capital	16	$ 82,533	$ 82,424
Group reconstruction reserve	16	2,046,497	2,046,497
Share premium		40,058	37,031
Treasury shares		(55)	(375)
Accumulated other comprehensive loss	16	(13,692)	(24,590)
Accumulated losses		(1,222,322)	(1,146,877)
Total shareholders' equity		$ 933,019	$ 994,110
Non-current liabilities			
Financial liabilities	17	$ 568,517	$ 518,044
Derivative financial instruments	15	45,569	85,675
Contingent consideration	20	80,902	85,292
Other liabilities	19	13,175	11,695
Provisions	20	45,945	42,911
Long-term lease liabilities	18	45,474	29,613
Provision for employee severance indemnities and other employee benefit provisions	22	11,951	14,055
Deferred taxes liabilities	23	9,086	7,328
Total non-current liabilities		820,619	794,613

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LIVANOVA PLC AND SUBSIDIARIES
Consolidated Balance Sheet

	Note	31 December 2023	31 December 2022
Current liabilities			
Trade payables		78,922	72,403
Other liabilities	19	178,249	146,746
Financial liabilities	17	18,084	23,402
Current litigation provision liability	20	17,156	29,481
Provisions	20	26,690	9,946
Tax payable		23,340	16,505
Total current liabilities		342,441	298,483
Total liabilities and shareholders' equity		$ 2,096,079	$ 2,087,206

See accompanying notes to the consolidated financial statements.

The financial statements on pages 81 to 149 were approved by the Board and were signed on its behalf on 25 April 2024 by:

VLADIMIR MAKATSARIA
CHIEF EXECUTIVE OFFICER & DIRECTOR

Company Number: 09451374

LIVANOVA PLC AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
(In thousands)

	Note	Ordinary: Number of Shares	Ordinary: Share Capital	Group Reconstruction Reserve	Share Premium	Treasury Shares	Accumulated Other Comprehensive Loss	Accumulated Losses	Total Shareholders' Equity
Balance at 1 January 2022		53,762	$ 82,295	$ 2,046,497	$ 33,257	$ (650)	$ (5,284)	$ (1,091,312)	$ 1,064,803
Share-based compensation plans	21	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	16	—	—	—	—	—	(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
Share-based compensation plans	21	90	109	—	3,027	320	—	24,937	28,393
Total transactions with owners recognised directly in shareholders' equity		90	109	—	3,027	320	—	24,937	28,393
Net loss		—	—	—	—	—	—	(100,382)	(100,382)
Other comprehensive income	16	—	—	—	—	—	10,898	—	10,898
Total comprehensive income (loss) for the year		—	—	—	—	—	10,898	(100,382)	(89,484)
Balance at 31 December 2023		53,942	$ 82,533	$ 2,046,497	$ 40,058	$ (55)	$ (13,692)	$ (1,222,322)	$ 933,019

See accompanying notes to the consolidated financial statements.

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LIVANOVA PLC AND SUBSIDIARIES

Consolidated Statement of Cash Flows
(In thousands)

	Note	Year Ended 31 December 2023	2022
Cash Flows From Operating Activities:			
Loss for the year		$ (100,382)	$ (86,294)
Non-cash items included in loss:			
Impairment of long-lived assets	8	89,974	—
Finance expenses		60,450	49,709
Depreciation and amortisation	9, 10	50,209	47,571
Share-based compensation	21	33,184	44,562
Remeasurement of derivative instruments		(22,911)	(38,656)
Interest income		(22,012)	(4,697)
Amortisation of debt issuance costs		19,053	21,334
Income tax expense		15,787	2,188
ACS inventory obsolescence adjustment	8	12,621	—
Depreciation of lease assets	18	10,291	10,603
Remeasurement of contingent consideration to fair value	20	9,360	(29,881)
Impairment of goodwill	10	—	144,990
Other non-cash items		1,514	(273)
Changes in operating assets and liabilities:			
Accounts receivable, net		(28,864)	(4,810)
Inventories		(28,478)	(25,679)
Other current and non-current assets		15,302	7,486
Litigation provision liability	20	(12,731)	(6,558)
Tax payable		(9,809)	(7,043)
Current and non-current liabilities		7,344	(26,623)
Cash provided by operations		99,902	97,929
Interest paid		(38,506)	(20,505)
Interest received		22,012	4,697
Income taxes received/(paid)		*1,620*	*(1,221)*
Net cash provided by operating activities		85,028	80,900
Cash Flow From Investing Activities:			
Purchases of tangible and intangible assets		(34,981)	(26,517)
Purchases of investments		(6,504)	(2,952)
Acquisitions, net of cash acquired		—	(8,857)
Other		1,154	(88)
Net cash used in investing activities		(40,331)	(38,414)
Cash Flows From Financing Activities:			
Proceeds from long-term debt obligations	17	50,000	507,547
Repayment of long-term debt obligations	17	(21,624)	(223,541)
Principal payments of lease liabilities	18	(10,114)	(10,980)
Shares repurchased from employees for minimum tax withholding		(7,503)	(8,671)
Repayments of short-term borrowing (maturities greater than 90 days)		(1,974)	—
Proceeds from deferred consideration from sale of Heart Valves, net of working capital adjustments		—	4,596
Debt issuance costs		—	(3,292)
Other financial assets and liabilities		2,585	3,491
Net cash provided by financing activities		11,370	269,150
Effect of exchange rate changes on cash, cash equivalents, and restricted cash		6,187	(4,011)
Net increase in cash, cash equivalents and restricted cash		62,254	307,625
Cash, cash equivalents and restricted cash at beginning of year		515,618	207,993
Cash, cash equivalents and restricted cash at end of year		$ 577,872	$ 515,618

See accompanying notes to the consolidated financial statements.

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LIVANOVA PLC AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 1. Nature of Operations

Company information. LivaNova is a public limited company incorporated in the UK under the Companies Act 2006 (Registration number 09451374). The Company is domiciled in England and Wales in the UK 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, a Delaware corporation and 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 the Nasdaq and on the 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 PLC is a market-leading global medical technology company. The Company designs, develops, manufactures, markets and sells products and therapies that are consistent with LivaNova's mission to provide hope for patients and their families through innovative medical technologies that deliver life-changing improvements.

Business segments. LivaNova is comprised of three reportable segments: Cardiopulmonary, Neuromodulation and Advanced Circulatory Support, corresponding to the Company's primary business units.

Note 2. Basis of Preparation, Use of Accounting Estimates and Material 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.

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 USD and all values are rounded to the nearest thousands, except where otherwise indicated.

Cybersecurity Incident. In November 2023, LivaNova detected a cybersecurity incident that resulted in a disruption of portions of the Company's information technology systems. Promptly after detecting the issue, LivaNova began an investigation with assistance from external cybersecurity experts and coordinated with law enforcement. The Company implemented remediation measures to mitigate the impact of the incident. The Company continues to assess the nature and scope of the affected data and analyse its legal notification obligations, and the Company is notifying affected individuals and regulators as required by applicable law. The Company believes it has contained the cybersecurity threat, though its investigation and mitigation efforts are ongoing. At this time, all of LivaNova's manufacturing sites worldwide are operating at normal levels. The Company continues to assess the full impact of the cybersecurity event on its business, results of operations, cash flows and financial condition.

LivaNova incurred direct costs of approximately $2.6 million during the twelve months ended 31 December 2023, in connection with this incident. These costs primarily include external cybersecurity experts, legal counsel, and system restoration costs, and do not include business interruption or other non-direct costs. The Company expects to incur additional costs related to this incident in the future. LivaNova maintains insurance, including cyber insurance, which is subject to certain retentions and policy limitations that may serve to limit the amount that the insurers may pay the Company when a claim is submitted. LivaNova plans to file for reimbursement of covered costs related to this incident, but the Company's insurance coverage may be insufficient to cover all costs and expenses related to this cybersecurity incident, and the insurance carrier may not cover all submitted costs and expenses related to this cybersecurity incident.

Reclassifications. LivaNova reclassified certain prior period amounts on the consolidated balance sheets and consolidated statement of (loss) for comparative purposes. These reclassifications had no material impact on LivaNova's financial condition or results of operations.

Going Concern. As of 31 March 2024, the Group had cash and cash equivalents of $309.2 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, R&D opportunities, capital expenditures and debt

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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 2024, 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, inflationary pressures, geopolitical instability, and supply chain challenges, has impacted and may continue to impact LivaNova's business and profitability. Furthermore, LivaNova continues to experience logistical, capacity, and labor constraints, though, to date, the Company's supply of raw materials and the production and distribution of finished products have not been materially affected. 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 navigating, along with their potential escalation, may adversely affect its business.

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. Holders of the 2025 Notes are entitled to exchange the 2025 Notes at any time during specified periods, at their option. This includes the right to exchange the 2025 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 2023. As a result, LivaNova has included its obligations from the 2025 Notes and the associated embedded exchange feature derivative as a long-term liability on the consolidated balance sheets as of 31 December 2023. The 2025 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 2025 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 2024 Indenture. 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 its exchange obligation through the payment of cash, which could adversely affect the Company's liquidity. Refer to "Note 17. Financial Liabilities" for further information.

On 21 February 2022, the Court of Appeal notified the Company that it granted the Company a suspension with respect to the payment of damages in the amount of €453.6 million (approximately US $502.0 million at 31 December 2023) in the SNIA litigation until a decision has been reached on LivaNova's appeal to the Italian Supreme Court. This suspension was subject to Livanova providing a first demand bank guarantee of €270.0 million (approximately US $298.8 million at 31 December 2023) within 30 calendar days.

On 24 February 2022, LivaNova PLC and the Borrower entered into an Incremental Facility Amendment No. 1 to the 2021 First Lien Credit Agreement, relating to a €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 $220.0 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 US 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 2023, the cash collateral classified as restricted cash on the consolidated balance sheet was $311.4 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 the Borrower entered into the Incremental Facility Amendment No. 2, which provides for the Borrower 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 loan facility with an aggregate principal amount of $300 million and (ii) the delayed draw term loan facility with an additional aggregate principal amount of $50 million. On 6 April 2023, LivaNova drew $50 million under the Delayed Draw Term Facility for general corporate purposes.

For additional information on LivaNova's debt and debt transactions, please refer to "Note 17. Financial Liabilities" and "Note 33. Subsequent Events."

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies

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), and the Company's share of movements in OCI of the investee in OCI. 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 the amounts the Company pays for an acquisition to the assets acquired and liabilities assumed 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. The Company 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). 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 sheets 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, as well as trade names and customer relationships. Customer relationships consist of relationships with hospitals and surgeons in the countries where LivaNova operates. Indefinite-lived intangible assets other than goodwill are composed of IPR&D assets acquired in acquisitions. LivaNova amortises its finite-lived intangible assets over their useful lives using the straight-line method. Estimating the useful lives of intangible assets requires LivaNova to apply significant judgment.

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 US. The functional currency of LivaNova's significant European subsidiaries is the Euro, and the functional currency of LivaNova's significant US subsidiaries is the US dollar.

Assets and liabilities of subsidiaries whose functional currency is not the US dollar are translated into US dollars based on a combination of both current and historical exchange rates, while their revenues earned and expenses incurred are translated into US dollars at average period exchange rates. Translation adjustments are included as AOCI on LivaNova's consolidated balance sheets. Gains and losses arising from transactions denominated in a currency different from an entity's functional currency are included in net foreign exchange and other income/(expense) on LivaNova's consolidated statements 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. Net foreign exchange and other income/(expense) on the consolidated statement of (loss) 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).

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The Euro and GBP exchange rates to USD used in preparing the consolidated financial statements were as follows:

	Weighted Average Rate Euro	Closing Rate Euro	Weighted Average Rate GBP	Closing Rate GBP
Year ended 31 December 2023	0.924732	0.903590	0.804488	0.785300
Year ended 31 December 2022	0.951016	0.935410	0.811283	0.827990

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), thereby offsetting the current net (loss) income 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). 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) 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 2023 and 31 December 2022, there are no factoring arrangements outstanding.

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

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

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

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(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). 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) 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).

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).

Derivative Financial Instruments and Hedge Accounting. LivaNova uses currency exchange rate derivative contracts to manage the impact of currency exchange changes on the consolidated statement of (loss) 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). 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). 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).

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 and reclassified to the consolidated statement of (loss) 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 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

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flows of each contract. The gain or loss on these derivatives is reported as a component of AOCI and reclassified to finance expenses 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 sheets. As of 31 December 2023 and 2022, LivaNova's restricted cash balance totalled $311.4 million and $301.4 million, respectively, 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 24. 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 2023 and 2022 (in thousands):

	2023	2022
Cash and cash equivalents	$ 266,504	$ 214,172
Restricted cash	311,368	301,446
Cash, cash equivalents and restricted cash	$ 577,872	$ 515,618

Non-monetary Assets. Property, Plant and Equipment. PP&E is carried at cost, less accumulated depreciation and any accumulated impairment losses. Maintenance and repairs, and minor replacements are charged to expense as incurred, while significant renewals and improvements are capitalised. LivaNova 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 2023 were as follows:

	Lives in Years
Building and building improvements	5 to 36
Equipment, other, furniture, fixtures	2 to 20

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 follows:

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

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 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 short-term 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, utilising discount rates and a long-term growth rate. Impairment evaluations are highly

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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 CGUs include, but are not limited to:

- Decreases in revenue as a result of the inability of the LivaNova's sales force to effectively market and promote the Company's products;
- Increased competition, patent expirations or new technologies or treatments commercialised by competitors;
- 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 WACC

Refer to "Note 10. Goodwill and Intangible Assets" for a discussion of the sensitivity analyses performed for the discount rate, the expected short-term 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 WACC 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 FIFO, and net realizable value. The Company's calculation of cost includes the acquisition cost of raw materials and components, direct labour and overhead. During the years ended 31 December 2023 and 2022, LivaNova reduced 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 by $19.9 million and $2.5 million, respectively.

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 US employees and employees outside the US. 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) in subsequent years.

Past service costs are recognised in the consolidated statement of (loss) on the earlier of:

- The date of the plan amendment or curtailment, and
- The date on which the Company recognises related restructuring costs

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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) (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailment and non-routine settlements
- Net finance expenses 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 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 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:

- *SARs.* LivaNova may grant SARs that confer upon the grantee the contractual right to receive an amount of cash, stock, or a combination of both, that equals the appreciation in the company's stock from the award's grant date to the exercise date. SARs may be exercised at the grantee's discretion during the exercise period and do not give the grantee an ownership right in the underlying stock. SARs do not involve payment of an exercise price. LivaNova uses the Black-Scholes option pricing methodology to calculate the grant date fair market value of SARs and compensation is expensed ratably over the service period. The Company determines the expected volatility of the awards based on historical volatility. Calculation of compensation for SAR stock awards requires the Company to estimate historical volatility and forfeiture rates.
- *RS and RSUs.* LivaNova may grant service-based RSUs at no purchase cost to the grantee. The grantees of unvested units 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 RSUs is determined using the market closing price on the grant date, and compensation is expensed ratably over the service period. Calculation of compensation for RSU stock awards requires the Company to estimate forfeiture rates.
- *Market Performance-Based Restricted Share Units.* LivaNova may grant market performance-based RSUs at no purchase cost to the grantee. The grantees of unvested units have no voting rights or rights to dividends and sale or transfer of the units is restricted until they are vested. The number of shares that are ultimately transferred to the grantee is dependent upon the Company's percentile rank of TSR relative to a peer group. The fair market value of market performance-based RSUs is determined utilising a Monte Carlo simulation on the grant date and compensation is then expensed ratably over the service period. Calculation of compensation for market performance-based stock awards requires the Company to estimate 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 unvested units have no voting rights or rights to dividends and 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 percent achievement of certain targets for cumulative FCF and ROIC. The fair market value of operating performance-based RSUs is determined using the market closing price on the grant date. Compensation is

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expensed ratably over the service period and is adjusted based upon the estimated and actual percent achievement of cumulative adjusted FCF and return on invested capital as compared to target.

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), 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 realised 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). 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 utilised. 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. As required by the amendments to IAS12, the Company has applied the exception and will neither recognize or disclose information about deferred tax assets and liabilities relating to the OECD BEPS Pillar Two.

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. 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 recognises 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 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

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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) 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 18. Leases."

Equity. Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of LivaNova as treasury shares until the shares are cancelled or reissued. Where such Ordinary Shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of LivaNova.

Provisions and Warranties. Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance expenses.

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).

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 US 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). 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). 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.

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 2023 and 2022 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 25. Earnings Per Share" for additional information.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies

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 24. 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 short-term revenue growth rate and the OSA CGU's commercialisation date. For a discussion of impairments recognised and sensitivity analyses performed, refer to "Note 10. Goodwill and Intangible Assets."
- *Embedded Exchange and Conversion Features and Capped Call Derivatives.* In June 2020, the Company's wholly-owned subsidiary LivaNova USA issued the 2025 Notes and entered into the related 2025 Capped Calls, and in March 2024, the Company issued the 2029 Notes and entered into the related 2029 Capped Calls. The 2025 Notes and 2029 Notes include an embedded exchange feature and an embedded conversion feature, respectively, that are bifurcated from the 2025 Notes and 2029 Notes, as applicable. The embedded exchange or conversion feature derivative is measured at fair value using a binomial lattice model and discounted cash flows that utilize observable and unobservable market data. Each capped call derivative is measured at fair value using the Black-Scholes model utilising observable and unobservable market data, including stock price, remaining contractual term, expected volatility, risk-free interest rate and expected dividend yield, as applicable. The Company uses historical volatility and implied volatility from options traded to determine expected stock price volatility which is an unobservable input that is significant to the valuation. For additional information, please refer to "Note 4. Financial Risk Management" for a sensitivity analysis of expected stock price volatility and "Note 17. Financial Liabilities."
- *Deferred Tax Recoverability.* Management has made judgements and estimates regarding the recoverability of deductible temporary differences and tax losses carried forward to be utilised 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. For additional information, please refer to "Note 23. Income Taxes Expense."

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 24. Commitments and Contingencies."

Note 3. Revenue Recognition

LivaNova generates revenue through contracts with customers consisting primarily of hospitals, healthcare institutions and distributors. Revenue is measured based on consideration specified in customer contracts 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 LivaNova ultimately receives varies depending upon the return terms, sales rebates, discounts, and other incentives the Company may offer, which are accounted for as variable consideration when estimating the amount of revenue to recognise. The estimate of variable consideration requires significant judgment.

Note 3. Revenue Recognition

LivaNova 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 LivaNova's contracts include the purchase of multiple products and/or services. In such cases, LivaNova 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, LivaNova'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. LivaNova applies the practical expedient within IFRS 15 and has 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 LivaNova 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 26. Segment and Geographic Information."

Cardiopulmonary Products and Services

Cardiopulmonary products include 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, LivaNova 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 DRE and DTD. LivaNova's Neuromodulation product line includes the VNS Therapy System, which consists of an implantable pulse generator, a lead that connects the generator to the vagus nerve, and other accessories. LivaNova recognises revenue for Neuromodulation product sales when control passes to the customer.

Advanced Circulatory Support Products

LivaNova's ACS segment was engaged in the design, development, manufacture, marketing and selling of temporary life support products. ACS's products, which comprise the LifeSPARC and Hemolung systems, and standalone cannulae and accessories, including ProtekDuo and transseptal (TandemHeart) cannulae, simplify temporary extracorporeal cardiopulmonary life support solutions for critically ill patients.

ACS products are comprised of temporary life support, including the LifeSPARC platform, ProtekDuo cannula kits and the Hemolung RAS. ACS revenue is recognised when control passes to the customer, usually at the point of shipment.

In early 2024, LivaNova transitioned all ACS standalone cannulae and accessories, including ProtekDuo and transseptal (TandemHeart) cannulae, into its Cardiopulmonary segment. Additionally, further sales of the LifeSPARC and Hemolung Systems were discontinued. For additional information, please refer to "Note 8. Restructuring."

Contract Balances

Due to the nature of LivaNova's products and services, revenue producing activities may result in 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 sheets and were insignificant as of 31 December 2023 and 2022. As of 31 December 2023 and 2022, contract liabilities of $15.3 million and $14.1 million, respectively, were included within current and long-term other liabilities on the consolidated balance sheets. During the years ended 31 December 2023 and 2022, net revenue

Note 3. Revenue Recognition

recognised that was included in the contract liability balance at the beginning of the period was $13.7 million and $9.4 million, respectively. During the years ended 31 December 2023 and 2022, there was no revenue recognised that related to performance obligations satisfied in previous periods.

Note 4. Financial Risk Management

Management of Financial Risk

Increasing market fluctuations may result in significant earnings and cash flow volatility risk for LivaNova. The Company's operating business as well as its investment and financing activities are affected particularly by changes in foreign exchange rates, interest rates and concentration of procurement suppliers and customers. In order to optimize the allocation of the financial resources across LivaNova's segments and entities, as well as to achieve its aims, LivaNova identifies, analyses and manages the associated market risks. The Company seeks to manage and control these risks primarily through its regular operating and financing activities, and uses derivative financial instruments when deemed appropriate.

The Company's CFO oversees the management of these risks. The CFO is supported by a senior financial management team that advises on financial risks and the appropriate financial risk governance framework for the Company. The senior financial management team provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with policies and risk appetite. All derivative activities for risk management purposes are carried out by teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. Intercompany financing or investments of operating units are preferably carried out in their functional currency or on a hedged basis. The Board reviews and agrees to policies for managing each of these risks.

Liquidity Risk

Liquidity risk results from the Company's inability to meet its financial liabilities. LivaNova follows a financing policy that is aimed towards a balanced financing portfolio, a diversified maturity profile and a comfortable liquidity cushion. LivaNova mitigates liquidity risk by the implementation of an effective working capital and centralized cash management and arranged credit facilities with highly rated financial institutions. In addition, LivaNova constantly monitors funding options available in the capital markets, as well as trends in the availability and costs of such funding, with a view to maintaining financial flexibility and limiting repayment risks.

The following tables reflect the undiscounted cash outflows related to settlement and repayments, of the Company's financial liabilities at a balance sheet date. The disclosed expected undiscounted net cash outflows from derivative financial liabilities are determined based on each particular settlement date of an instrument and based on the earliest date on which LivaNova could be required to pay. Cash outflows for financial liabilities without fixed amount or timing are based on the conditions existing at the respective balance sheet date.

Contractual undiscounted future cash outflows as of 31 December 2023 and 2022 were as follows (in thousands):

	2023				
	Due Within 1 Year	1-2 Years	2-5 Years	Over 5 Years	Total
Non-derivative financial instruments					
Trade payables	$ 78,922	$ —	$ —	$ —	$ 78,922
Financial liabilities	18,084	311,029	295,938	312	625,363
Total	$ 97,006	$ 311,029	$ 295,938	$ 312	$ 704,285
Financial derivative liabilities					
- on exchange rate risk	$ 3,883	$ —	$ —	$ —	$ 3,883
- on equity price risk [(1)]	—	45,569	—	—	45,569
Total	$ 3,883	$ 45,569	$ —	$ —	$ 49,452

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

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	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	23,424	15,092	559,486	229	598,231
Total	$ 95,827	$ 15,092	$ 559,486	$ 229	$ 670,634
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.

Equity Price Risk

In June 2020, the Company issued $287.5 million in cash exchangeable senior notes and entered into related capped call transactions. The cash exchangeable senior notes include an embedded exchange feature that is bifurcated from the cash exchangeable senior notes. Please refer to "Note 17. Financial Liabilities" for further details. The embedded exchange feature derivative is measured at fair value using a binomial lattice model and discounted cash flows that utilize observable and unobservable market data. The capped call derivative is measured at fair value using the Black-Scholes model utilising 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 recognised in net gain on embedded exchange feature and capped call derivatives on the consolidated statement of (loss).

The fair value of the embedded exchange feature derivative liability and the capped call derivative assets were $45.6 million and $38.5 million, respectively, as of 31 December 2023, and the stock price volatility as of 31 December 2023 was 38%. As of 31 December 2023, a 10% lower volatility, holding other inputs constant, would reduce the fair value for the embedded exchange feature derivative liability by $13.4 million, and a 10% higher volatility, holding other inputs constant, would increase the fair value by $13.3 million. As of 31 December 2023, a 10% lower volatility, holding other inputs constant, would decrease the fair value of the capped call derivatives by $9.1 million, and a 10% higher volatility, holding other inputs constant, would increase the fair value by $4.8 million.

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.

Foreign Currency Exchange Rate Risk

FX risk is the risk that reported financial performance of the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. LivaNova operates in many countries and currencies and therefore currency fluctuations may impact LivaNova's financial results. In the ordinary course of business, LivaNova is exposed to foreign currency exchange rate fluctuations, particularly between 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

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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 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.

The following tables present financial instruments denominated in currencies other than the currency of account of the companies holding them which involve the greatest exposure as of 31 December 2023 and 2022 (in thousands):

	2023				
	EUR	USD	GBP	Other	Total
Assets					
Cash and cash equivalents denominated in foreign currency	$ 534	$ 412,857	$ 3,199	$ 7,983	$ 424,573
Trade receivables denominated in foreign currency	28,795	35,067	8	5,655	69,525
Other assets denominated in foreign currency	11,305	4,426	52	(2,528)	13,255
Total assets	40,634	452,350	3,259	11,110	507,353
Liabilities					
Trade payables denominated in foreign currency	46,540	1,699	517	(15)	48,741
Financial liabilities denominated in foreign currency	34,933	—	1,478	433	36,844
Other liabilities denominated in foreign currency	41,117	1,142	6,014	2,804	51,077
Total liabilities	122,590	2,841	8,009	3,222	136,662
Net exposure	$ (81,956)	$ 449,509	$ (4,750)	$ 7,888	$ 370,691
Financial derivative liabilities					
- not for hedging [1]	$ —	$ 3,824	$ 91	$ (32)	$ 3,883
Total liabilities	—	3,824	91	(32)	3,883
Net exposure	$ —	$ (3,824)	$ (91)	$ 32	$ (3,883)

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

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	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) Derivative 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. Historically, LivaNova entered into interest rate swaps associated with the Initial Term Facility, which qualified for and were designated as cash flow hedges. The Company's interest rate swaps expired on 6 April 2023. LivaNova elected not to renew the interest rate swaps as finance expenses associated with the Initial Term Facility is principally offset by holding a significant portion of the Initial Term Facility in a depository account, which earns a floating rate of interest. During the year ended 31 December 2023, the Company's debt at variable rates was denominated in USD and EUR.

As at 31 December 2023, 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 $335 million
- a local credit facility in favour of LivaNova Colombia Sas for $1.5 million

As at 31 December 2023, non-US Dollar-denominated floating rate debt was immaterial.

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.

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 14. 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.

Note 4. Financial Risk Management

The following table presents the maximum theoretical credit risk exposure for LivaNova is an aggregate carrying amount of financial assets as of 31 December 2023 and 2022 (in thousands):

	2023	2022
Cash and cash equivalents	$ 266,504	$ 214,172
Trade receivables	215,072	183,110
Current and non-current financial derivative assets	38,496	55,726
Current and non-current financial assets	28,863	24,110
Other assets	6,527	8,087
Guarantees	16,356	30,050
Total	$ 571,818	$ 515,255

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 14. Trade Receivables and Other Receivables."

The following table presents trade receivables by due dates as of 31 December 2023 and 2022 (in thousands) and the expected loss rate to which LivaNova is exposed:

	Expected Loss Rate [1]	2023	2022
Performing	0.04% - 6.0%	$ 180,613	$ 156,107
Less than 30 days past due	0.38% - 12.0%	19,469	15,445
31-120 days past due	0.38% - 30.0%	14,683	11,558
121-365 days past due	0.38% - 30.0%	307	—
Total		$ 215,072	$ 183,110

(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 $34.5 million and $27.0 million at 31 December 2023 and 31 December 2022, respectively. Of this amount, 22.1% and 30.0% at 31 December 2023 and 31 December 2022, 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 2023 and 31 December 2022, the amount of performing receivables that were from government (public) hospitals were 26.9% and 13.0% of total performing receivables, respectively, as presented in the following table (in thousands):

	2023			2022		
By Sector	Total	Performing	Past Due	Total	Performing	Past Due
Public	$ 56,180	$ 48,559	$ 7,621	$ 28,460	$ 20,359	$ 8,101
Private	158,892	132,054	26,838	154,650	135,748	18,902
Total	$ 215,072	$ 180,613	$ 34,459	$ 183,110	$ 156,107	$ 27,003

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Note 4. Financial Risk Management

The following table presents trade receivables by region as of 31 December 2023 and 2022 (in thousands except D.S.O.):

	2023				2022			
By Region	**D.S.O.**	**Total**	**Performing**	**Past Due**	**D.S.O.**	**Total**	**Performing**	**Past Due**
Italy	136	$ 10,500	$ 8,707	$ 1,793	113	$ 8,050	$ 6,492	$ 1,558
Spain	110	4,855	3,237	1,618	91	3,917	3,039	878
France	62	5,732	5,283	449	55	4,871	4,236	635
Germany	22	2,405	2,672	(267)	20	1,941	2,323	(382)
Rest of Europe	76	32,462	30,019	2,443	50	18,314	16,051	2,263
North America	44	79,784	62,658	17,126	43	69,794	59,679	10,115
Japan	104	9,404	9,408	(4)	83	8,253	8,287	(34)
Rest of World	109	69,930	58,629	11,301	103	67,970	56,000	11,970
Total	66	$ 215,072	$ 180,613	$ 34,459	60	$ 183,110	$ 156,107	$ 27,003

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

The average collection period increased from 60 days at 31 December 2022 to 66 at 31 December 2023. The D.S.O., or average collection period, is calculated as the ratio of total receivables at the end of the year to revenues generated in the 12 preceding months. D.S.O. = (Trade receivables/Revenues) * 365.

For comparability, the revenue amounts include VAT.

For the purposes of the disclosure of credit risk, there were no past-due balances of a significant amount related to other assets, other receivables and financial assets.

Capital management

LivaNova maintains a sufficient amount of capital to meet its development needs, fund the business units' operations and ensure the Company continues to be a going concern. The equilibrium of sources of funding, which is also aimed at minimising overall capital costs, is achieved by balancing risk capital contributed on a permanent basis by shareholders, and debt capital, which is in turn diversified and structured with several due dates and in other currencies. To this end, changes in debt levels in relation to both equity and operating profit, and the generation of cash by the business units are constantly kept under control. Please refer to the sections above titled "*Management of Financial Risk,*" "*Liquidity Risk,*" "*Foreign Currency Exchange Rate Risk,*" "*Interest Rate Risk,*" "*Credit Risk*" and "Note 17. Financial Liabilities."

Note 5. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The guidance also establishes a hierarchy for inputs used in measuring fair value that maximises the use of observable inputs and minimises the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability, based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect 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 2023, 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 2023, 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Note 5. Fair Value Measurements

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 2023 and 2022 (in thousands):

		Fair Value Measurements Using Inputs Considered as:		
	2023	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value	$ 19,907	$ —	$ —	$ 19,907
Derivative Assets – capped call derivatives	38,496	—	—	38,496
Convertible notes receivable	275	—	—	275
Total assets	$ 58,678	$ —	$ —	$ 58,678
Liabilities				
Derivative Liabilities – not for hedging (exchange rates)	$ 3,883	$ —	$ 3,883	$ —
Derivative Liabilities – embedded exchange feature	45,569	—	—	45,569
Earnout for contingent payments	94,652	—	—	94,652
Total Liabilities	$ 144,104	$ —	$ 3,883	$ 140,221

		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

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 2023 and 2022 (in thousands):

	Financial Assets at Fair Value	Capped Call Derivative Asset	Convertible Notes Receivable	Embedded Exchange Feature Derivative Liability	Contingent Consideration Liability Arrangements
As of 1 January 2022	$ 15,811	$ 106,629	$ 2,767	$ 181,700	$ 98,382
Additions	1,669	—	—	—	16,791
Changes in fair value recognised in profit or loss [1] [3]	(192)	(52,236)	13	(96,025)	(29,881)
Utilised as business combination consideration [2]	(3,000)	—	(2,495)	—	—
As of 31 December 2022	14,288	54,393	285	85,675	85,292
Additions [4]	5,508	—	—	—	—
Changes in fair value recognised in profit or loss [1]	111	(15,897)	(10)	(40,106)	9,360
As of 31 December 2023	$ 19,907	$ 38,496	$ 275	$ 45,569	$ 94,652
Less current portion as of 31 December 2023	—	—	—	—	13,750
Long-term portion as of 31 December 2023	$ 19,907	$ 38,496	$ 275	$ 45,569	$ 80,902

(1) During the year ended 31 December 2023, the contingent consideration change in fair value resulted in a increase of $3.8 million recorded to cost of sales and a increase of $5.6 million recorded to R&D. During the year ended 31 December 2022,

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the contingent consideration change in fair value resulted in a decrease of $10.5 million recorded to cost of sales and an decrease of $19.4 million recorded to R&D.

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

(3) *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.*

(4) *During 2023, LivaNova invested in Cadence Neuroscience, Inc., a privately held medical device company focusing on advancements in neuromodulation to detect specific signals from the brain and deliver electrical stimulation to modify the activity of neural circuits.*

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 12. 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 2023. This liability falls within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs to determine fair value as the liability is estimated as the probability of future cash flows, discounted to present value in accordance with accepted valuation methodologies. The discount rate used is determined at the time of measurement. Refer to "Note 20. Contingent Consideration, 3T 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 2023 and 2022 (in thousands):

	2023	2022
ImThera	$ 80,902	$ 69,389
ALung	13,750	15,903
Total	$ 94,652	$ 85,292

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

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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 2023:

ImThera Acquisition	Valuation Technique	Unobservable Input	Ranges
Regulatory milestone-based payment	Discounted cash flow	Discount rate	7.2%
		Probability of payment	85%
		Projected payment year	2026
Sales-based earnout	Monte Carlo simulation	Risk-adjusted discount rate	13.6% - 14.0%
		Credit risk discount rate	7.4% - 7.9%
		Revenue volatility	30.8%
		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 ALung contingent consideration arrangement states that, in the event that LivaNova ceases the operations of ALung, LivaNova would be subject to a one-time phase-out payment of $13.8 million. In January 2024, LivaNova announced the wind down of ACS, including ALung, as part of the 2024 Restructuring Plan. As a result, the ALung contingent consideration arrangement liability was adjusted to the phase-out payment amount of $13.8 million as of 31 December 2023.

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 2023 and 2022. 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 2023, and 2022 was $586.6 million and $541.4 million, respectively. The fair value of the Company's Notes as of 31 December 2023, and 2022 was $314.4 million and $328.1 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.

Note 6. Financial Instruments

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 2023

	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	Total	Current Portion	Non-Current Portion	Fair Value
Assets								
Cash, cash equivalents and restricted cash	$ —	$ 577,872	$ —	$ —	$ 577,872	$ 577,872	$ —	$ 577,872
Trade receivables	—	215,072	—	—	215,072	215,072	—	215,072
Financial derivative assets	38,496	—	—	—	38,496	—	38,496	38,496
Financial assets	19,907	2,073	6,883	—	28,863	483	28,380	28,863
Other assets	—	6,527	—	—	6,527	—	6,527	6,527
Total financial assets	$ 58,403	$ 801,544	$ 6,883	$ —	$ 866,830	$ 793,427	$ 73,403	$ 866,830
Liabilities								
Financial liabilities	$ —	$ —	$ —	$ 586,001	$ 586,001	$ 17,484	$ 568,517	$ 652,302
Lease liabilities	—	—	—	53,843	53,843	8,369	45,474	53,843
Other liabilities	—	—	—	72,492	72,492	—	72,492	72,492
Trade payables	—	—	—	78,922	78,922	78,922	—	78,922
Financial derivative liabilities	45,569	—	—	—	45,569	—	45,569	45,569
Other financial liabilities	—	—	—	627	627	627	—	627
Total financial liabilities	$ 45,569	$ —	$ —	$ 791,885	$ 837,454	$ 105,402	$ 732,052	$ 903,755

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									
Cash, cash equivalents and restricted cash	$ —	$ 515,618	$ —	$ —	$ —	$ 515,618	$ 515,618	$ —	$ 515,618
Trade receivables	—	183,110	—	—	—	183,110	183,110	—	183,110
Financial derivative assets	55,726	—	—	—	—	55,726	1,333	54,393	55,726
Financial assets	14,288	3,563	6,259	—	—	24,110	1,679	22,431	24,110
Other assets	—	8,087	—	—	—	8,087	—	8,087	8,087
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	—	—	—	65,997	—	65,997	—	4,471	4,471
Trade payables	—	—	—	72,403	—	72,403	72,403	—	72,403
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	$ 111,220	$ 637,803	$ 846,431

Note 7. Business Combinations

As of 31 December 2021, LivaNova owned a 3% investment in ALung, a privately held medical device company focused on creating advanced medical devices for treating respiratory failure. On 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.

Note 7. Business Combinations

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 anticipated synergies between ALung and LivaNova's ACS business. The assets acquired, including goodwill, are recognised in LivaNova's ACS segment. The goodwill for the ACS CGU was fully impaired during the year ended 31 December 2022. Please refer to "Note 10. Goodwill and Intangible Assets" for further details.

LivaNova recognised 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 (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.

The ALung 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 LivaNova'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

The ALung contingent consideration arrangement states that, in the event that LivaNova ceases the operations of ALung, LivaNova would be subject to a one-time phase-out payment of $13.8 million. In January 2024, LivaNova announced the wind down of ACS, including ALung, as part of the 2024 Restructuring Plan. As a result, the ALung contingent consideration arrangement liability was adjusted to the phase-out payment amount of $13.8 million as of 31 December 2023. For a reconciliation of the beginning and ending balance of contingent consideration liabilities, refer to "Note 5. Fair Value Measurements."

Note 8. 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, LivaNova initiated a reorganisation plan to reduce the Company's cost structure. Under this plan, LivaNova incurred restructuring expenses of $9.7 million during 2021, primarily associated with severance costs for approximately 54 employees, and $9.7 million during 2021, primarily associated with severance costs for 27 employees terminated during 2021 and lease abandonment costs. The reorganisation plan was completed during 2022.

Note 8. Restructuring

During 2022, management committed to implement a cost-optimization and cost reduction program to adapt to current economic conditions, which included a workforce reduction to be completed by mid-2023. Under this plan, LivaNova recognised restructuring expense of $1.0 million and $6.6 million during the years ended 31 December 2023 and 2022, respectively. The total estimated restructuring costs associated with the plan were approximately $10.0 million including employee termination benefits, consulting fees and contract termination costs.

On 5 January 2024, the Board of Directors of LivaNova PLC approved a restructuring plan to enhance the Company's focus on its core Cardiopulmonary and Neuromodulation segments. The main component of this plan is to wind down the ACS segment, which the Company anticipates will be substantially complete by the end of 2024. LivaNova recognised restructuring expense under the 2024 Restructuring Plan of $0.1 million in other operating expenses, and $12.6 million for inventory obsolescence in cost of sales on its consolidated statement of (loss) during the year ended 31 December 2023. Additionally, the Company determined that the carrying amount of the ACS asset group exceeded the recoverable amount. As such, LivaNova recorded impairments of the following long-lived assets during the year ended 31 December 2023, included within impairment of long-lived assets on its consolidated statement of (loss) (in thousands):

	2023
Intangible assets:	
Developed technology	$ 78,067
Trade names	7,117
Property, plant and equipment	3,894
Right-of-use assets	896
Total impairment of long-lived assets	$ 89,974

For additional information regarding LivaNova's 2024 Restructuring Plan, refer to "Note 33. Subsequent Events."

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 current other liabilities on the consolidated balance sheets for the years ended 31 December 2023 and 2022 (in thousands):

	Employee Severance and Other Termination Costs
As of 1 January 2022	$ 836
Charges	6,611
Cash payments	(5,402)
As of 31 December 2022	2,045 (1)
Charges	956
Cash payments	(2,090)
As of 31 December 2023	$ 911 (2)

(1) 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 current other liabilities as of 31 December 2022.

(2) The restructuring plans' liabilities are recorded in the Consolidated Balance Sheet as $0.1 million within current and long-term provisions and $0.8 million within current other liabilities as of 31 December 2023.

The following table presents restructuring expense or reversal by reportable segment for the years ended 31 December 2023 and 2022 (in thousands):

	2023	2022
Cardiopulmonary	$ (55)	$ 697
Neuromodulation	504	2,651
Advanced Circulatory Support	27	1,999
Other (1)	480	1,264
Total	$ 956	$ 6,611

(1) Other restructuring expense primarily includes restructuring expense not allocated to segments.

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Note 9. Property, Plant and Equipment

The following table presents the composition of property, plant and equipment as of 31 December 2023 and 2022 (in thousands):

	Land	Buildings and Building Improvements	Equipment, Other, Furniture, Fixtures	Capital Investment in Process	Total
At 31 December 2023					
Gross amount	$ 14,902	$ 84,543	$ 185,692	$ 7,830	$ 292,967
Accumulated depreciation and impairment	—	(31,106)	(129,014)	—	(160,120)
Net amount	$ 14,902	$ 53,437	$ 56,678	$ 7,830	$ 132,847
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

The following table presents the changes in the net amount of each category of property, plant and equipment for the years ended 31 December 2023 and 2022 (in thousands):

	Land	Buildings and Building Improvements	Equipment, Other, Furniture, Fixtures	Capital Investment in Process	Total
Net Amount at 1 January 2022	$ 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
Additions	—	689	12,348	11,423	24,460
Disposals	—	(55)	(2,222)	(98)	(2,375)
Impairment	—	—	(3,148)	(746)	(3,894)
Depreciation	—	(4,615)	(15,068)	—	(19,683)
Currency translation gain	265	510	1,061	203	2,039
Reclassifications	—	2,598	7,709	(10,307)	—
Net Amount at 31 December 2023	$ 14,902	$ 53,437	$ 56,678	$ 7,830	$ 132,847

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

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Note 10. Goodwill and Intangible Assets

The following table presents the composition of goodwill and intangible assets as of 31 December 2023 and 2022 (in thousands):

		Intangible Assets						
	Goodwill	Developed Technology	Customer Relationships	Trade Names	In-Process R&D	Other Intangible Assets	Software	Total
At 31 December 2023								
Gross amount	$ 458,857	$ 103,490	$ 187,196	$ 13,280	$ 112,000	$ 779	$ 57,000	$ 473,745
Accumulated amortisation	—	(56,921)	(84,647)	(13,280)	—	(720)	(35,718)	(191,286)
Net amount	$ 458,857	$ 46,569	$ 102,549	$ —	$ 112,000	$ 59	$ 21,282	$ 282,459
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

The following table presents the changes in the net amount of each category of goodwill and intangible assets for the years ended 31 December 2023 and 2022 (in thousands):

		Intangible Assets						
	Goodwill	Developed Technology	Customer Relationships	Trade Names	In-Process R&D	Other Intangible Assets	Software	Total
Net Amount at 1 January 2022	$ 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 [1]	(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
Additions	—	—	—	—	—	—	11,488	11,488
Amortisation	—	(14,066)	(10,587)	(768)	—	(51)	(5,054)	(30,526)
Impairment	—	(78,067)	—	(7,117)	—	—	—	(85,184)
Currency translation gain / (loss)	5,063	1,716	1,559	—	—	(2)	38	3,311
Net Amount at 31 December 2023	$ 458,857	$ 46,569	$ 102,549	$ —	$ 112,000	$ 59	$ 21,282	$ 282,459

(1) Reclassifications during the year ended 31 December 2022 represent reclassification $0.8 million 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) totalled $30.5 million and $29.0 million for the year ended 31 December 2023 and 31 December 2022, 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 2023 were as follows:

	Minimum Life in Years	Maximum Life in Years
Developed technology [1]	14	17
Customer relationships [1]	8	18
Software	3	5

(1) As at 31 December 2023, developed technology from the Merger had a remaining useful life of 7 to 10 years, customer relationships from the Merger had a remaining useful life of 10 years.

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 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.

Impairment of Goodwill and Intangible Assets

The Company's CGUs consist of Cardiopulmonary, Obstructive Sleep Apnea, and Neuromodulation. The carrying amount of goodwill by CGU as of 31 December 2023 and 2022 were as follows (in thousands):

	2023	2022
Cardiopulmonary [1]	$ 60,103	$ 55,040
Obstructive Sleep Apnea	82,595	82,595
Neuromodulation	316,159	316,159
Total	$ 458,857	$ 453,794

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

LivaNova performed quantitative assessments of the Company's CGUs as of 31 December 2023 and 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, which are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. Additionally, these calculations use cash flow projections with post-tax discount rates derived from the Company's benchmarked WACC and an expected short-term revenue growth rate for all CGUs. 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 2023 or 2022.

As part of LivaNova's 2022 goodwill impairment assessment, the Company considered that revenue for LivaNova's ACS CGU 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 CGU was impaired, including goodwill recognised 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 CGU was less than the carrying value and recognised a goodwill impairment of $145.0 million in the Company's consolidated statement of (loss) during the year ended 31 December 2022.

LivaNova also performed quantitative assessments of the IPR&D recognised in conjunction with the acquisition of ImThera as of 31 December 2023 and 2022. The fair value less cost of disposal calculation was based on a projection period of 23 years. The assessment included a discounted cash flow model test that included a discount rate and an expected short-term revenue growth rate. Based on the assessments 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 72.6% or $81.3 million as of 31 December 2023 and by approximately 23.7% or $26.5 million as of 31 December 2022.

The following tables presents the key assumptions used in performing the goodwill and IPR&D quantitative assessments as of 31 December 2023 and 2022:

	2023		
	Short-term Revenue Growth Rate	Short-term Revenue Growth Rate Years	Discount Rate
Goodwill			
Cardiopulmonary	4.2% - 13.2%	2024 - 2028	12.0%
Neuromodulation	4.0% - 9.3%	2024 - 2029	10.5%
OSA	4.0% - 1,468.7%	2025 - 2038	19.0%
Indefinite-lived Intangible Assets			
IPR&D	4.0% - 1,468.7%	2025 - 2038	18.0%

Note 10. Goodwill and Intangible Assets

	2022				
	Short-term Revenue Growth Rate	Revenue Growth Rate Years	Discount Rate	Long-term Terminal Growth Rate	Long-term Terminal Growth Rate Year
Goodwill					
Cardiopulmonary	3.3% - 17.0%	2023 - 2027	11.5%	2.0%	2028+
Neuromodulation	3.7% - 13.2%	2023 - 2027	11.2%	2.0%	2028+
OSA	5.7% - 710.2%	2025 - 2037	20.0%	2.0%	2038+
ACS	6.1% - 37.4%	2024 - 2035	15.5%	2.0%	2036+
Indefinite-lived Intangible Assets					
IPR&D	2.0% - 710.2%	2025 - 2037	19.0%	N/A	N/A

The fair value less cost of disposal models used for calculating the recoverable amount is most sensitive to the discount rate, the expected short-term revenue growth rate and the OSA CGU's commercialisation date. The Company performed a sensitivity analysis, as of 31 December 2023, 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 short-term revenue growth rate and a one-year delay of the OSA CGU's commercialisation date, which LivaNova considers to be reasonably possible changes. None of these reasonably possible scenarios would result in an impairment of any CGU except for OSA with a one-year delay in commercialisation. A hypothetical one-year delay in commercialisation would result in an impairment of the OSA CGU's goodwill of approximately $9.4 million.

Note 11. Investments in Subsidiaries

Subsidiaries. The Company had the following subsidiaries as of 31 December 2023:

Entity	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	US	100
Caisson Interventional, LLC	6500 Wedgwood Rd., Maple Grove, MN 55311	US	100
CardiacAssist, Inc. Dba TandemLife	620 Alpha Drive, Ste 200, Pittsburgh, PA 15238	US	100
ImThera Medical, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	US	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	Centralis Cayman Limited One Capital Place, 3rd Floor George Town, Grand Cayman PO Box 1564, Cayman Islands KY1-1110	Cayman Islands	100
LivaNova Chile SpA	Calle Miraflores 222, piso 28 Norte, 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.	Paseo de Gracia 6 1 – 2 08007 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	Centralis Hungary, 1062 Budapest, Váci út 1-3. "A" torony. ép. 6. em.	Hungary	100
LivaNova, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	US	100
LivaNova India Private Limited	603-A, Copia Corporate Suites, Building #09, Jasola District Centre, New Delhi, India 110025	India	99.99
LivaNova IP Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	UK	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	99.997
LivaNova (China) Medical Technology Co. Ltd	Room 218, 2nd Floor,No.56 Meisheng Road, Shanghai Pilot Free Trade Zone, 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

Note 11. Investments in Subsidiaries

Entity	Registered Office	Country of Incorporation	% Consolidated Group Ownership
LivaNova SAS	24 rue du Gouverneur Général Éboué, 92130 Issy-les-Moulineaux, 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	12F, No. 101, Songren Rd. Taipei City, 110414 Taiwan	Taiwan	100
LivaNova Turkey Medikal Limited Sirketi	Esentepe Mahallesi Ecza Sk. Pol Center Sit. C Blok Apt No: 4/1 Sisli/ Istanbul	Turkey	100
LivaNova UK Limited	1370 Montpellier Court, Gloucester Business Park, Gloucester, Gloucestershire, GL3 4AH, United Kingdom	UK	100
LivaNova USA, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	US	100
LIVN Irishco 2 UC	Deloitte, 6 Lapps Quay, Cork, T12 TA48, Ireland	Ireland	100
LIVN Luxco 2 sarl [1]	15 Rue Edward Steichen L-2540 Luxembourg	Luxembourg	100
LIVN UK 2 Co Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	UK	100
LIVN UK Holdco Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	UK	100
LIVN US 3, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	US	100
LIVN US 5, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	US	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) LIVN Luxco 2 sarl was liquidated in December 2023.

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.

The following tables present the statutory operating results of Group companies that represent 5% or higher of external net revenue during the years ended 31 December 2023 and 2022:

Sorin Group Italia S.r.l. (in thousands of Euros)	**2023**	**2022**
Net revenue, including intercompany sales	243,246	224,078
Earnings before interest and taxes	(6,920)	(4,281)
Net loss	(6,169)	(4,483)

LivaNova Deutschland GmbH [1] (in thousands of Euros)	**2023**	**2022**
Net revenue, including intercompany sales	151,469	103,190
Earnings before interest and taxes	17,355	4,213
Net profit	11,046	2,276

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

LivaNova USA, Inc. [1] (in thousands of USD)	**2023**	**2022**
Net revenue, including intercompany sales	862,631	766,482
Earnings before interest and taxes	(229,525)	(13,389)
Net loss	(341,916)	(65,340)

(1) The amounts for LivaNova USA, Inc. are presented under generally accepted accounting principles in the US as there is no statutory reporting requirement.

Note 12. Financial Assets

The following table presents the composition of non-current financial assets as of 31 December 2023 and 2022 (in thousands):

	2023	**2022**
Investments in equity instruments in privately-held companies	$ 19,907	$ 14,288
Corporate owned life insurance policies	6,883	6,259
Prepaid finance costs	1,315	1,599
Financial receivable due from equity investment	275	285
Total	$ 28,380	$ 22,431

Note 12. Financial Assets

The following table lists LivaNova's non-current financial assets of investments in equity instruments in privately-held companies held at cost as of 31 December 2023 and 2022, 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				Fair Value	
	2023	2022	Security	Address	2023	2022
ShiraTronics, Inc. . .	13.6%	13.4%	Series A Preferred Shares	9210 Wyoming Ave. N., Suite 275, Brooklyn Center, MN 55445	$ 5,750	$ 5,000
Cadence Neuroscience, Inc. .	9.1%	0.0%	Series B Preferred Shares	8201 164th Ave NE Suite 330, Redmond, WA 98052	5,000	—
Noctrix Health, Inc.	10.5%	10.5%	Series A Preferred Shares	724 Brannan St., San Francisco, CA 94103	3,159	3,159
Ceribell, Inc.	1.4%	3.0%	Series B Preferred Shares	360 N Pastoria Avenue Sunnyvale, CA 94085	3,000	3,000
MD Start II	9.3%	9.3%	Series A Shares	7-11 bd Haussmann, 75009 Paris, France	865	1,069
Rainbow Medical Ltd.	1.6%	1.6%	Ordinary Shares	85 Medinat Hayehudim St., Business Park, G Building, Herzeliya Pituach, Israel	1,084	1,047
Highlife SAS	7.0%	7.0%	Series A Preferred Shares	100 Avenue de Suffren, 75015 Paris, France	1,049	1,013
Total					$ 19,907	$ 14,288

The table below lists LivaNova's non-current equity investments in associates totalling $2.9 million and $2.0 million as of 31 December 2023 and 2022, respectively, which are included within other assets on the consolidated balance sheets:

	Percent Ownership		
	2023	2022	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]	7.9%	10.4%	7-11 bd Haussmann, 75009 Paris, France

(1) As of 31 December 2023, LivaNova is required to fund follow-on investments up to approximately €1.9 million (approximately $2.0 million as of 31 December 2023) based on cash calls.

The following table presents the composition of current financial assets as of 31 December 2023 and 2022 (in thousands):

	2023	2022
Other receivables	$ 483	$ 1,679
Derivative financial instruments [1]	—	1,333
Total	$ 483	$ 3,012

(1) For additional information refer to "Note 15. Derivative Financial Instruments."

Note 13. Inventories

The following table presents the composition of inventories as of 31 December 2023 and 2022 (in thousands):

	2023	2022
Raw materials	$ 81,878	$ 70,027
Work-in-process	12,901	15,508
Finished goods	53,108	43,844
Total	$ 147,887	$ 129,379

Inventory charged to cost of sales for the years ended 31 December 2023 and 2022 totalled $282.0 million and $238.9 million, respectively. Inventories are reported net of the provision for obsolescence which totalled $24.4 million and $8.2 million as of 31

Note 13. Inventories

December 2023 and 31 December 2022, respectively. The provisions for obsolescence at 31 December 2023 and 2022 reflect normal obsolescence and includes components that are phased out or expired.

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Note 14. Trade Receivables and Other Receivables

The following table presents the composition of net trade receivables as of 31 December 2023 and 2022 (in thousands):

	2023	2022
Trade receivables from third parties	$ 227,091	$ 194,972
Expected credit loss provision	(12,019)	(11,862)
Total	$ 215,072	$ 183,110

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 following table presents the changes in the expected credit loss provision for the years ended 31 December 2023 and 2022 (in thousands):

	2023	2022
Beginning of year	$ (11,862)	$ (13,511)
Additions to provision	(399)	(186)
Utilisation	662	1,175
Currency translation (loss) / gain	(420)	660
End of year	$ (12,019)	$ (11,862)

The following table presents the composition of other receivables as of 31 December 2023 and 2022 (in thousands):

	2023	2022
Prepaid assets and other current receivables	$ 18,233	$ 16,709
Deposit and advances to suppliers	7,722	5,778
Guarantee deposits	744	822
Total	$ 26,699	$ 23,309

Note 15. 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 2025 Capped Calls associated with the 2025 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. These derivatives are intended to serve as economic hedges and follow the cash flows of the economic hedged item. The cash flows from these derivative contracts are reported as operating activities on LivaNova's consolidated statements of cash flows.

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 statement of (loss) as shown in the tables below, and interest rate swap gains and losses in AOCI are reclassified to finance expenses on LivaNova's consolidated statement of (loss). 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 2023 and 2022, was $223.4 million and $154.5 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 loss for these freestanding derivatives of

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$1.3 million and net gain of $4.5 million for the years ended 31 December 2023 and 2022, respectively. These gains and (losses) are included in net foreign exchange and other income/(expense) on the Company's consolidated statement of (loss).

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 2025 Capped Calls 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 2025 Capped Calls 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 utilised FX derivative contracts, designed as cash flow hedges, to hedge the variability of cash flows associated with LivaNova's 12-month US 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 realised on the FX derivative contracts at the time of invoicing. Upon the settlement of LivaNova's foreign currency cash flow hedges in 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. Historically, LivaNova entered into interest rate swaps associated with the Initial Term Facility, which qualified for and were designated as cash flow hedges. The Company's interest rate swaps expired on 6 April 2023. LivaNova elected not to renew the interest rate swaps as finance expenses associated with the Initial Term Facility is principally offset by holding a significant portion of the Initial Term Facility in a depository account, which earns a floating rate of interest.

There was no hedge ineffectiveness or component of FX derivative contracts excluded in the measurement of hedge effectiveness during the years ended 31 December 2023 and 31 December 2022.

The gross notional amounts of open derivative contracts designated as cash flow hedges for interest rate swap contracts as of 31 December 2023 and 2022 was nil and $0.2 million, respectively.

The after-tax net gain (loss) associated with derivatives designated as cash flow hedges for interest rate swap contracts 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 2023 and 2022 was nil and $1.0 million, respectively.

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 2023 and 2022 (in thousands):

		2023	
Description of Derivative Contract	**Location in Earnings of Reclassified Gain or Loss**	**Loss Recognised in OCI**	**Gain Reclassified from AOCI to Earnings**
Interest rate swap contracts	Finance expenses	$ (433)	$ 533
Total		$ (433)	$ 533

		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	Net foreign exchange and other income/ (expense)	$ (4,602)	$ (382)
FX derivative contracts	SG&A	—	(5,165)
Interest rate swap contracts	Finance expenses	914	(52)
Total		$ (3,688)	$ (5,599)

Note 15. Derivative Financial Instruments

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 2023 and 2022 (in thousands):

2023	Asset Derivatives		Liability Derivatives	
Derivatives Not Designated as Hedging Instruments	**Balance Sheet Location**	**Fair Value [1]**	**Balance Sheet Location**	**Fair Value [1]**
Capped call derivatives	Long-term financial derivative assets	$ 38,496		
FX derivative contracts			Accrued liabilities and other	$ 3,883
Embedded exchange feature			Long-term financial derivative liabilities	45,569
Total derivatives not designated as hedging instruments		38,496		49,452
Total		$ 38,496		$ 49,452

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

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	Prepaid expenses and other current assets	$ 1,333		
Total derivatives designated as hedging instruments		1,333		
Derivatives Not Designated as Hedging Instruments				
FX derivative contracts			Accrued liabilities and other	$ 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		$ 55,726		$ 91,561

(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 16. Shareholders' Equity

LivaNova is incorporated in England and Wales as a public company limited by shares. The principal legislation under which LivaNova operates is the Companies Act 2006, and regulations made thereunder. LivaNova Ordinary Shares were registered under the US 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 the Nasdaq under the ticker symbol "LIVN."

The following table presents LivaNova PLC's authorised share capital as of 31 December 2023 and 2022 (in number of shares):

	2023	2022
Authorised share capital, Ordinary Shares of £1 each, unlimited shares authorised		
Issued [1]	53,942,151	53,851,979
Outstanding	53,918,222	53,564,664

(1) Allotted, fully paid and issued.

Preferred shares. LivaNova may issue preferred shares by special resolution or by determination by the Board of LivaNova.

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

Note 16. Shareholders' Equity

£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 EBT are issued to employees and directors at exercise of share-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 2023 or 31 December 2022. As of 31 December 2023 and 2022, LivaNova held 23,929 and 287,315 shares in treasury.

AOCI. The table below presents the change in each component of AOCI, net of tax and the reclassifications out of AOCI into accumulated losses (in thousands). Taxes were not provided for foreign currency translation adjustments for the years ended 31 December 2023 and 2022 as translation adjustment related to earnings are intended to be reinvested in the countries where earned.

	Change in Unrealised (Loss) Gain on Derivatives	Foreign Currency Translation Adjustments	Revaluation of Net (Asset) Liability for Defined Benefits	Total
Beginning Balance - 1 January 2022	$ (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 loss from accumulated other comprehensive loss, before tax	5,599	—	—	5,599
Tax effect	—	—	—	—
Reclassification of loss from accumulated other comprehensive loss, after tax	5,599	—	—	5,599
Net other comprehensive income (loss), net of tax	1,911	(22,170)	953	(19,306)
Ending Balance - 31 December 2022	966	(24,376)	(1,180)	(24,590)
Other comprehensive (loss) income before reclassifications, before tax	(433)	12,045	(190)	11,422
Tax benefit	—	—	9	9
Other comprehensive (loss) income before reclassifications, net of tax	(433)	12,045	(181)	11,431
Reclassification of gain from accumulated other comprehensive loss, before tax	(533)	—	—	(533)
Tax effect	—	—	—	—
Reclassification of gain from accumulated other comprehensive loss, after tax	(533)	—	—	(533)
Net other comprehensive (loss) income, net of tax	(966)	12,045	(181)	10,898
Ending Balance - 31 December 2023	$ —	$ (12,331)	$ (1,361)	$ (13,692)

Note 17. Financial Liabilities

The following table presents the outstanding principal amounts of LivaNova's unsecured long-term debt facilities as of 31 December 2023 and 2022 (in thousands, except interest rates):

	2023	2022	Maturity	Interest Rate
Term Facilities	$ 328,459	$ 289,294	July 2027	9.02%
2020 Cash Exchangeable Senior Notes	255,500	239,568	December 2025	3.00%
Bank of America, US [1]	1,500	1,500	January 2025	8.09%
Bank of America Merrill Lynch Banco Múltiplo S.A.	—	6,462	N/A	16.2%
Mediocredito Italiano	—	1,601	N/A	0.50% - 3.47%
Other	542	511		
Total long-term facilities	586,001	538,936		
Less current portion of long-term debt	17,484	20,892		
Total long-term debt obligations	$ 568,517	$ 518,044		

(1) Represents borrowings with a LIBOR-based variable interest rate that has not yet transitioned to SOFR or an alternative interest rate benchmark.

Note 17. Financial Liabilities

The following table presents the movements associated with the outstanding principal amounts of LivaNova's long-term debt for the year ended 31 December 2023 (in thousands):

	Beginning of Fiscal Year 2023	Borrowing	Scheduled Principal Reductions	Amortisation of Prepaid Loan Fees	FX - Translation and Other	End of Fiscal Year 2023
Term Facilities	$ 289,294	$ 50,000	$ (12,813)	$ 1,978	$ —	$ 328,459
2020 Cash Exchangeable Senior Notes	239,568	—	—	15,932	—	255,500
Bank of America, US	1,500	—	—	—	—	1,500
Bank of America Merrill Lynch Banco Múltiplo S.A.	6,462	—	(7,143)	—	681	—
Mediocredito Italiano	1,601	—	(1,668)	—	67	—
Other	511	—	—	—	31	542
Total	$ 538,936	$ 50,000	$ (21,624)	$ 17,910	$ 779	$ 586,001

The following table presents the movements associated with the outstanding principal amounts of LivaNova's long-term debt for the year ended 31 December 2022 (in thousands):

	Beginning of Fiscal Year 2022	Net Borrowings	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, US	1,500	—	—	—	—	1,500
Bridge Loan Facility	—	215,480	(220,000)	4,520	—	—
Other	600	—	—	—	(89)	511
Total	$ 236,732	$ 505,857	$ (223,469)	$ 19,740	$ 76	$ 538,936

Revolving Credit

The outstanding principal amount of LivaNova's short-term unsecured revolving credit agreements and other agreements with various banks was $0.6 million and $2.5 million as of 31 December 2023 and 2022, respectively, with an average interest rate of 4.94% and loan terms ranging from overnight to 364 days as of 31 December 2023.

On 13 August 2021, LivaNova PLC and its wholly-owned subsidiary, LivaNova USA as 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, referred to as the 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 US 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, as defined in the agreement. 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 2023 and 2022, the applicable commitment fee percentage was 0.5% per annum. 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 2023, LivaNova was in compliance with the financial covenants contained in its 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 2023 and 2022.

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

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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 sheets as of 31 December 2023 and 2022 was $311.4 million and $301.4 million, respectively. For additional information regarding the SNIA litigation, please refer to "Note 24. Commitments and Contingencies."

Debt discounts and issuance costs related to the Bridge Loan Facility were approximately $4.5 million. Amortisation 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 expenses on the consolidated statement of (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 Incremental Facility Amendment No. 2, which 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. On 6 April 2023, LivaNova drew $50 million under the Delayed Draw Term Facility for general corporate purposes.

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 2025 Notes, or set aside an amount of cash equal to the then-outstanding principal amount of the 2025 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 2023, the applicable margin over adjusted term 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 Term Facilities are subject to quarterly principal repayment, based on the following amortisation schedule: (i) during the first year from the initial funding date: 1.9%; (ii) year two: 5.0%; (iii) 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 Term Facilities at of 31 December 2023 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, both 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 2023 , the Company was in compliance with the financial covenants contained in the 2021 First Lien Credit Agreement.

Debt discounts and issuance costs related to the Initial Term Facility were approximately $9.6 million. Amortisation of debt discount and issuance costs for the Initial Term Facility was $2.0 million and $0.8 million for the years ended 31 December 2023 and 2022, respectively, and is included in finance expenses on the consolidated statement of (loss). The unamortised discount and issuance costs related to the Initial Term Facility as of 31 December 2023 and 2022 was $6.8 million and $8.7 million, respectively. Issuance costs related to the Delayed Draw Term Facility were approximately $1.6 million. Amortisation of issuance costs for the Delayed Draw Term Facility was $0.5 million and $1.1 million for the years ended 31 December 2023 and 2022, respectively, and is included in finance expenses on the consolidated statement of (loss). The issuance costs related to the Delayed Draw Term Facility were fully amortized as of 31 December 2023. The unamortised 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 sheets.

2020 Cash Exchangeable Senior Notes

On 17 June 2020, LivaNova's wholly-owned subsidiary, LivaNova USA, issued the 2025 Notes by private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The sale of the 2025 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 2025 Notes as of 31 December 2023 was 9.95%. The 2025 Notes mature on 15 December 2025 unless earlier exchanged, repurchased, or redeemed.

Debt discounts and issuance costs related to the 2025 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 2025 Notes related to legal, bank and accounting fees. Amortisation of debt discount and issuance costs for the 2025 Notes was $15.9 million and $14.4 million for the years ended 31 December 2023 and 2022, respectively, and is included in finance expenses on

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the consolidated statement of (loss). The unamortised discount related to the 2025 Notes as of 31 December 2023 and 2022 was $32.0 million and $47.9 million, respectively.

Holders of the 2025 Notes are entitled to exchange the 2025 Notes at any time during specified periods, at their option. This includes the right to exchange the 2025 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 2023. As a result, the Company has included its obligations from the 2025 Notes and the associated embedded exchange feature derivative as a long-term liability on the consolidated balance sheets as of 31 December 2023. Additionally, the exchange condition was not satisfied on 31 March 2024. As such, the 2025 Notes are not currently exchangeable. The 2025 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 2025 Notes is 16.3980 ordinary shares per $1,000 principal amount of 2025 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 2024 Indenture.

The Company may redeem the 2025 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 2025 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. Additionally, the Company may redeem the 2025 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 2025 Notes requires bifurcation from the 2025 Notes and is accounted for as a derivative liability. The fair value of the 2025 Notes' embedded exchange feature derivative at the time of issuance was $75.0 million and was recorded as debt discount on the 2025 Notes. This discount is amortised as finance expenses using the effective interest method over the term of the 2025 Notes. The 2025 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 unrealised gain or loss reflected within net gain on embedded exchange feature and capped call derivatives on the consolidated statement of (loss). The fair value of the embedded exchange feature derivative liability was $45.6 million and $85.7 million as of 31 December 2023 and 2022, respectively.

Capped Call Transactions

In connection with the pricing of the 2025 Notes, the Company entered into 2025 Capped Calls with certain of the initial purchasers of the 2025 Notes or their respective affiliates. The 2025 Capped Calls cover, subject to anti-dilution adjustments substantially similar to those applicable to the 2025 Notes, the number of LivaNova's ordinary shares underlying the 2025 Notes and are expected generally to offset any cash payments the Company is required to make upon exchange of the 2025 Notes in excess of the principal amount thereof in the event that the market value per ordinary share, as measured under the 2025 Capped Calls, is greater than the strike price of the 2025 Capped Calls, with such offset being subject to an initial cap price of $100.00 per share. If the Company's share price exceeds the cap price, the proceeds under the 2025 Capped Calls would not fully offset the excess principal amount due to the holders of the 2025 Notes. The 2025 Capped Calls expire on 15 December 2025 and must be settled in cash. If the 2025 Capped Calls are converted or redeemed early, settlement occurs at their termination value, which is equal to their fair value at the time of the conversion or redemption. The 2025 Capped Calls 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 on embedded exchange feature and capped call derivatives on the consolidated statement of (loss). The fair value of the capped call derivative assets was $38.5 million and $54.4 million as of 31 December 2023 and 2022, respectively. As of 31 December 2023, the capped call derivative assets were classified as long-term.

Note 18. 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 15 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.

Note 18. Leases

Right-of-Use Assets and Lease Liabilities

The following table presents the changes in ROU assets and lease liabilities by class of assets for the years ended 31 December 2023 and 2022 (in thousands):

	Real Estate	Vehicles	Others	Total ROU Assets	Lease Liabilities
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)	NA
Disposals, modifications and other	375	(16)	4	363	(2,479)
Finance expenses	—	—	—	—	1,461
Lease payments	NA	NA	NA	NA	(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
Additions	24,148	1,332	649	26,129	26,009
Depreciation expense [1]	(8,430)	(1,596)	(265)	(10,291)	NA
Disposals, modifications and other	(1,597)	(118)	(15)	(1,730)	(1,830)
Finance expenses	—	—	—	—	1,573
Lease payments	NA	NA	NA	NA	(11,687)
Currency translation adjustments	577	82	6	665	853
Balance as of 31 December 2023	$ 46,861	$ 2,182	$ 522	$ 49,565	$ 53,843

(1) Depreciation expense is included in the consolidated statement of (loss) in cost of sales, R&D and SG&A.

Contractual maturities of LivaNova's lease liabilities as of 31 December 2023 were as follows (in thousands):

2024	$ 10,938
2025	9,517
2026	6,888
2027	5,997
2028	5,139
Thereafter	32,167
Total lease payments	70,646
Less: Amount representing finance charges	(16,803)
Net present value of lease liabilities	$ 53,843

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

Note 18. Leases

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 2023 and 2022 relating to payments not included in the measurement of lease liabilities is as follows (in thousands):

	2023	2022
Short-term leases	$ 751	$ 468
Lease of low value	707	508
Variable lease payments	884	580
Total	$ 2,342	$ 1,556

At 31 December 2023 and 2022, LivaNova was committed to future lease payments of approximately $3.6 million and $2.5 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 2023 and 2022, respectively.

Note 19. Other Liabilities

The following table presents the composition of non-current other liabilities as of 31 December 2023 and 2022 (in thousands):

	2023	2022
Amounts due to employees	$ 8,336	$ 7,224
Contract liabilities	4,608	3,829
Other	231	642
Total	$ 13,175	$ 11,695

The following table presents the composition of current other liabilities as of 31 December 2023 and 2022 (in thousands):

	2023	2022
Accrued employee-related charges	$ 62,935	$ 50,361
Amounts due to employees	27,033	17,754
Legal and administrative expenses	17,794	8,700
Contract liabilities	10,725	10,226
Current lease liabilities [(1)]	8,369	9,312
Interest payable	7,840	—
Amounts due to health and social security institutions	4,662	4,076
Provisions for agents, returns and other	4,464	517
Royalty accrual	4,441	3,950
Derivative financial instruments [(2)]	3,883	5,886
Research and development costs	2,462	7,020
Current advances from customers	1,923	1,907
Other current liabilities and accrued expenses	21,718	27,037
Total	$ 178,249	$ 146,746

(1) For additional information refer to "Note 18. Leases."

(2) For additional information refer to "Note 15. Derivative Financial Instruments."

Note 20. Contingent Consideration, 3T Litigation Provision Liability and Other Provisions

The following table presents the composition of non-current provisions as of 31 December 2023 and 2022 (in thousands):

	2023	2022
Contingent consideration [(1)]	$ 80,902	$ 85,292
Saluggia site remediation [(2)]	42,184	37,654
Litigation provision liability [(2)]	3,104	3,006
Other reserves [(3)]	657	2,251
Total	$ 126,847	$ 128,203

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Note 20. Contingent Consideration, Litigation Provision Liability and Other Provisions

(1) For additional information refer to "Note 5. Fair Value Measurements."
(2) For additional information refer to "Note 24. Commitments and Contingencies."
(3) Other reserves includes provisions for uncertain tax positions (inclusive of penalties and interest), and restructuring.

The following table presents the composition of current provisions as of 31 December 2023 and 2022 (in thousands):

	2023	2022
Contingent consideration [1]	$ 13,750	$ —
Litigation provision liability [2]	17,156	29,481
Italian medical device payback law [2]	8,223	6,414
Other reserves [3]	4,717	3,532
Total	$ 43,846	$ 39,427

(1) For additional information refer to "Note 5. Fair Value Measurements."
(2) For additional information refer to "Note 24. Commitments and Contingencies."
(3) Other reserves includes provisions for contractual warranty obligation, product remediation, Saluggia site remediation, restructuring, and other individually immaterial items.

The following table presents the changes in the non-current provisions for the years ended 31 December 2023 and 2022 (in thousands):

	Contingent Consideration [1]	Saluggia Site Remediation [2]	Litigation Provision Liability [2]	Other Reserves [3]	Total
1 January 2022	$ 86,830	$ 43,460	$ 6,625	$ 2,020	$ 138,935
Change in fair value	(18,329)	(2,869)	—	—	(21,198)
Additions to provision	16,791	—	—	345	17,136
Reclassifications (to) from current	—	(428)	(3,449)	—	(3,877)
Currency translation gains	—	(2,509)	(170)	(114)	(2,793)
31 December 2022	85,292	37,654	3,006	2,251	128,203
Change in fair value	6,893	1,468	—	—	8,361
Additions to provision	—	2,269	—	(230)	2,039
Release of provisions	—	—	—	(1,404)	(1,404)
Reclassifications (to) / from current	(11,283)	(430)	171	—	(11,542)
Currency translation losses / (gains)	—	1,223	(73)	40	1,190
31 December 2023	$ 80,902	$ 42,184	$ 3,104	$ 657	$ 126,847

(1) For additional information refer to "Note 5. Fair Value Measurements."
(2) For additional information refer to "Note 24. Commitments and Contingencies."
(3) Other reserves includes provisions for uncertain tax positions (inclusive of penalties and interest), and restructuring.

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Note 20. Contingent Consideration, Litigation Provision Liability and Other Provisions

The following table presents the changes in the current provisions for the years ended 31 December 2023 and 2022 (in thousands):

	Contingent Consideration [1]	Litigation Provision Liability [2]	Italian Medical Device Payback Law [2]	Other Reserves [3]	Total
1 January 2022	$ 11,552	$ 32,845	$ 5,533	$ 3,231	$ 53,161
Change in fair value	(11,552)	—	—	—	(11,552)
Additions to provision	—	22,309	881	1,314	24,504
Utilisation	—	(28,867)	—	(979)	(29,846)
Release of provisions	—	—	—	24	24
Reclassifications from non-current	—	3,449	—	428	3,877
Currency translation gains	—	(255)	—	(486)	(741)
31 December 2022	—	29,481	6,414	3,532	39,427
Change in fair value	2,467	—	—	—	2,467
Additions to provision	—	40,921	1,809	3,179	45,909
Utilisation	—	(53,652)	—	(2,711)	(56,363)
Release of provision	—	—	—	37	37
Reclassifications from / (to) non-current	11,283	(171)	—	430	11,542
Currency translation losses	—	577	—	250	827
31 December 2023	$ 13,750	$ 17,156	$ 8,223	$ 4,717	$ 43,846

(1) For additional information refer to "Note 5. Fair Value Measurements."

(2) For additional information refer to "Note 24. Commitments and Contingencies."

(3) Other includes provisions for contractual warranty obligation, product remediation, Saluggia site remediation, restructuring, and other individually immaterial items.

Note 21. Share-Based Plans

Share-Based Plans

On 16 October 2015, LivaNova 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'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 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, SARs, RS, RSUs, other share and cash-based awards and dividend equivalents.

During the year ended 31 December 2023, LivaNova issued share-based compensatory awards with terms approved by the Compensation Committee of LivaNova's Board of Directors. The awards with service conditions generally vest ratably 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 2025 relative to the total shareholder returns for a peer group of companies. The adjusted FCF and ROIC operating performance-based awards that were issued, cliff vest after three years subject to the achievement of certain thresholds of cumulative results for the three-year period ending 31 December 2025.

As of 31 December 2023 and 2022, there were approximately 12,098 and 317,200 shares available for future grants to the Company's Non-Executive Directors under the 2015 Plan and 1,422,656 and 1,900,000 shares pursuant to Options or Stock Appreciation Rights and 902,967 and 1,137,785 shares pursuant to other types of awards available for future grants to the Company's employees under the 2022 Plan, respectively. In June 2023, the Company's shareholders approved the A&R 2022 Plan. The A&R 2022 Plan increases the aggregate number of ordinary shares that can be issued under the 2022 Plan pursuant to options or SARs from 1,900,000 to 2,250,000 and the number of ordinary shares that can be issued pursuant to awards other than options or SARs from 1,200,000 to 1,500,000.

The Company also provides a ESPP. Compensation expense related to the ESPP for the years ended 31 December 2023 and 2022 was $1.1 million and $1.2 million, respectively.

Note 21. Share-Based Plans

Share-Based Compensation

The following table presents the amounts of share-based compensation recognised in the consolidated statement of (loss), by expense category for the years ended 31 December 2023 and 2022 (in thousands):

	2023	2022
Cost of sales	$ 883	$ 1,447
Selling, general and administrative	26,857	35,442
Research and development	5,444	7,673
Total	$ 33,184	$ 44,562

The following table presents the amounts of equity-settled share-based compensation expense recognised in the consolidated statement of (loss) by type of arrangement for the years ended 31 December 2023 and 2022 (in thousands):

	2023 [1]	2022
Service-based stock appreciation rights	$ 12,440	$ 13,967
Service-based restricted stock units	18,595	21,414
Market performance-based restricted stock units	866	4,651
Operating performance-based restricted stock units	162	3,338
ESPP	1,121	1,192
Total	$ 33,184	$ 44,562

(1) For information regarding the forfeiture of share-based compensation awards of Damien McDonald, LivaNova's former CEO, refer to the Remuneration Report on pages 53 to 74, which forms part of these financial statements.

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 during the years ended 31 December 2023 and 2022:

	2023	2022
Weighted average share price	$42.71	$82.04
Exercise price	$42.71	$82.04
Dividend yield [1]	—	—
Risk-free interest rate - based on grant date [2]	3.7%	2.5%
Expected option term - in years per group of employees/consultants [3]	5.3	5.3
Expected volatility at grant date [4]	45.1%	42.2%

(1) LivaNova has not paid dividends and no future dividends have been approved.

(2) LivaNova uses yield rates on US 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 Material Accounting Policies - Share-Based Compensation" for further information regarding expected volatility.

Note 21. Share-Based Plans

The following tables present the activity for service-based SARs and stock option awards during the years ended 31 December 2023 and 2022:

	2023		2022	
	Number of Optioned Shares	Wtd. Avg. Exercise Price	Number of Optioned Shares	Wtd. Avg. Exercise Price
Outstanding – beginning of year	2,806,836	$ 68.46	2,634,373	$ 65.94
Granted	974,204	$ 42.71	553,050	$ 82.04
Exercised	(232,980)	$ 44.24	(93,191)	$ 48.86
Forfeited	(297,831)	$ 56.67	(150,881)	$ 67.46
Expired	(295,927)	$ 75.12	(136,515)	$ 89.41
Outstanding – end of year	2,954,302	$ 62.40	2,806,836	$ 68.46
Fully vested and exercisable – end of year	1,455,930	$ 69.81	1,460,162	$ 67.43
Fully vested and expected to vest – end of year [1]	2,883,388	$ 62.67	2,756,467	$ 68.35

(1) Includes the impact of expected future forfeitures.

The weighted average remaining contractual life for the share options and SARs outstanding at 31 December 2023 and 2022 is 6.85 years and 6.67 years, respectively.

The aggregate intrinsic value of the options and SARs outstanding at 31 December 2023 and 2022 is $12.0 million and $10.1 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 following table presents outstanding options and SARs by exercise price range as of 31 December 2023 and 2022 (in number of shares):

	2023	2022
$31–50	1,382,590	835,090
$51–70	246,905	343,994
$71–90	1,033,883	1,271,084
$91–110	288,562	353,364
$111–130	2,362	3,304
Total	2,954,302	2,806,836

	Year Ended 31 December	
	2023	2022
Weighted average grant date fair value of SARs granted during the year (per share)	$ 19.44	$ 34.13
Aggregate intrinsic value of SARs and stock options exercised during the year (in thousands)	$ 1,905	$ 2,143

Restricted Share and Restricted Share Units Awards

The following tables detail the activity for service-based RS and RSUs awards for the years ended 31 December 2023 and 2022:

	2023		2022	
	Number of Shares	Wtd. Avg. Grant Date Fair Value	Number of Shares	Wtd. Avg. Grant Date Fair Value
Non-vested shares beginning of year	741,892	$ 68.02	791,157	$ 64.53
Granted	528,128	$ 43.31	328,980	$ 76.35
Vested	(333,013)	$ 66.37	(298,865)	$ 68.11
Forfeited	(154,470)	$ 56.09	(79,380)	$ 64.85
Non-vested shares end of year	782,537	$ 54.40	741,892	$ 68.02

	Year Ended 31 December	
	2023	2022
Weighted average grant date fair value of service-based RSUs issued during the year (per share)	$ 43.31	$ 76.35
Aggregate fair value of RSUs that vested during the year (in thousands)	$ 14,853	$ 22,793

Note 21. Share-Based Plans

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 for the years ended 31 December 2023 and 2022:

	2023		2022	
	Number of Shares	Wtd. Avg. Grant Date Fair Value	Number of Shares	Wtd. Avg. Grant Date Fair Value
Non-vested shares beginning of year	330,534	$ 70.45	345,944	$ 68.36
Granted	189,117	$ 40.63	88,354	$ 92.53
Vested	(75,877)	$ 40.94	(11,340)	$ 95.13
Forfeited	(171,804)	$ 65.83	(11,474)	$ 41.70
Performance adjustments [1]	(64,950)	$ 42.52	(80,950)	$ 91.58
Non-vested shares end of year	207,020	$ 66.84	330,534	$ 70.45

(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	
	2023	2022
Weighted average grant date fair value of performance-based restricted share units granted during the year (per share)	$ 40.63	$ 92.53
Aggregate fair value of performance-based restricted share units that vested during the year (in thousands)	$ 3,641	$ 877

Note 22. Employee Retirement Plans

LivaNova sponsors several defined benefit pension plans, which include plans in the US, Italy, Germany, Japan and France. The Company maintains a frozen cash balance retirement plan in the US 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 27. Related Parties"

As of 31 December 2023 and 2022, the total net liability of LivaNova's US and non-US defined benefit pension plans was $9.0 million and $9.6 million, respectively.

As of 31 December 2023 and 2022, the US defined benefit pension plan was partially funded, with an net liability of $2.6 million and $4.3 million, respectively.

As of 31 December 2023 and 2022, the Non-US defined benefit pension plans for Italy and France were unfunded, with an net liability totalling $5.3 million and $5.6 million respectively.

As of 31 December 2023 and 2022, the Non-US 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 2023 and 2022, the Non-US defined benefit pension plan for Japan was wholly funded, with a net surplus position of nil and $1.4 million, respectively. LivaNova has no right to the Japan pension asset surplus. As such, an asset ceiling is applied and no surplus assets are recognized.

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.

Note 22. Employee Retirement Plans

The change in benefit obligations and funded status of LivaNova's US and non-US pension benefits are as follows (in thousands):

	US Pension Benefits					
	2023			2022		
	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	$ 9,790	$ (5,516)	$ 4,274	$ 12,578	$ (8,020)	$ 4,558
Interest cost	409	—	409	254	—	254
Total amount recognised in the statement of (loss) income	409	—	409	254	—	254
Actuarial gain	(416)	—	(416)	(1,361)	—	(1,361)
Actual return on plan assets	—	(598)	(598)	—	1,189	1,189
Total amount recognised in other comprehensive income	(416)	(598)	(1,014)	(1,361)	1,189	(172)
Employer contributions	—	(1,118)	(1,118)	—	(367)	(367)
Payments from plan:						
Plan settlements	(245)	245	—	(1,369)	1,369	—
Benefits paid	(316)	316	—	(312)	313	1
End of year	$ 9,222	$ (6,671)	$ 2,551	$ 9,790	$ (5,516)	$ 4,274
Amounts recognised on the consolidated balance sheet consist of:						
Non-current [2]	$ 2,551			$ 4,274		
Recognised liability	$ 2,551			$ 4,274		

	Non-US Pension Benefits [1]					
	2023			2022		
	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	$ 8,532	$ (3,232)	$ 5,300	$ 10,817	$ (3,142)	$ 7,675
Current service cost	239	—	239	259	—	259
Interest cost	239	—	239	83	—	83
Total amount recognised in the statement of (loss) income	478	—	478	342	—	342
Actuarial loss/(gain)	86	—	86	(831)	—	(831)
Actual return on plan assets	—	78	78	—	80	80
Total amount recognised in other comprehensive income	86	78	164	(831)	80	(751)
Foreign currency exchange rate changes and other	136	101	237	(736)	58	(678)
Employer contributions	—	(263)	(263)	—	(265)	(265)
Benefits paid	(972)	26	(946)	(1,060)	37	(1,023)
End of year	$ 8,260	$ (3,290)	$ 4,970	$ 8,532	$ (3,232)	$ 5,300
Amounts recognised on the consolidated balance sheet consist of:						
Non-current [2]	$ 6,367			$ 5,300		
Recognised liability	$ 6,367			$ 5,300		

(1) In certain non-US 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.

Note 22. Employee Retirement Plans

The following table presents the composition of actuarial (gain)/loss for LivaNova's US and non-US pension plans during the years ended 31 December 2023 and 2022 (in thousands):

	2023		2022	
	US Pension Benefits	Non-US Pension Benefits	US Pension Benefits	Non-US Pension Benefits
Financial assumption	$ (443)	$ 200	$ (1,632)	$ (1,184)
Demographic assumption	(69)	36	26	108
Experience	96	(150)	245	245
Total	$ (416)	$ 86	$ (1,361)	$ (831)

The following table presents the major actuarial assumptions used in determining the benefit obligations and net periodic benefit costs for LivaNova's significant US and Non-US defined benefit plans as weighted averages for the years ended 31 December 2023 and 2022:

	2023		2022	
	US Pension Benefits	Non-US Pension Benefits	US Pension Benefits	Non-US Pension Benefits
Actuarial assumptions used to determine benefit obligation:				
Discount rate	4.93%	0.96% – 3.20%	5.10%	0.45% – 3.70%
Rate of compensation increase	N/A	2.50% – 3.50%	N/A	2.50% – 3.00%
Actuarial assumptions used to determine net periodic benefit cost:				
Discount rate	5.10%	0.96% – 3.20%	2.41%	0.45% – 3.70%
Rate of compensation increase	N/A	3.38% – 3.50%	N/A	2.50% – 3.50%
Expected return on plan assets	5.00%	N/A	5.00%	N/A

To determine the discount rate for LivaNova's US benefit plan, the Company used the FTSE Above Median Pension Discount Curve. For the discount rate used for the other non-US benefit plans the Company considers local market expectations of long-term returns, primarily utilising 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 US 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 US, the Company has an account that holds the defined benefit frozen balance pension plan assets. The Plan Committee sets investment guidelines for US pension plans with the assistance of an external consultant. The plan assets in the US are invested in accordance with sound investment practices that emphasize long-term fundamentals. The investment objectives for the plan assets in the US 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 US, 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.

Note 22. Employee Retirement Plans

The following table presents LivaNova's US and Non-US pension plan target allocations by asset category as of 31 December 2023 and 2022:

	2023		2022	
	US Pension Benefits	Non-US Pension Benefits	US Pension Benefits	Non-US Pension Benefits
Equity Securities	29%	1%	29%	1%
Debt Securities	70%	85%	70%	84%
Other	1%	14%	1%	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 US retirement benefit plan assets that are measured at fair value, as defined by IFRS as of 31 December 2023 and 2022 (in thousands). Refer to "Note 5. Fair Value Measurements" for discussion of the fair value measurement terms of Levels 1, 2, and 3.

		Fair Value Measurement Using Inputs Considered as:		
	2023	Level 1	Level 2	Level 3
Equity mutual funds	$ 1,882	$ —	$ 1,882	$ —
Fixed income mutual funds	4,571	—	4,571	—
Money market funds	85	85	—	—
Total	$ 6,538	$ 85	$ 6,453	$ —

		Fair Value Measurement Using Inputs Considered as:		
	2022	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	$ —

The following tables provide information by level for the Non-US retirement benefit plan assets that are measured at fair value, as defined by IFRS as of 31 December 2023 and 2022 (in thousands). Refer to "Note 5. Fair Value Measurements" for discussion of the fair value measurement terms of Levels 1, 2, and 3.

		Fair Value Measurement Using Inputs Considered as:		
	2023	Level 1	Level 2	Level 3
Equity mutual funds	$ 23	$ —	$ 23	$ —
Fixed income mutual funds	1,530	—	1,530	—
Money market funds	340	340	—	—
Total	$ 1,893	$ 340	$ 1,553	$ —

		Fair Value Measurement Using Inputs Considered as:		
	2022	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	$ —

Note 22. Employee Retirement Plans

Retirement Benefit Funding Plan

LivaNova has the policy to make the minimum required contribution to fund the US pension plan as determined by MAP – 21 and the Highway and Transportation Funding Act of 2014. LivaNova contributed $1.4 million and $0.6 million to the pension plans (US and non-US) during the years ended 31 December 2023 and 2022, respectively. LivaNova anticipates that the Company will make contributions to the US pension plan of approximately $0.2 million during fiscal year 2024. Contributions to the non-US pension plans in fiscal year 2023 are not expected to be material. The weighted average duration of the defined benefit plans is approximately 8 years and 10 years for US plan and Non-US plans respectively.

Benefit payments, including amounts to be paid from LivaNova's assets, and reflecting expected future service, as appropriate, as of 31 December 2023, were expected to be paid as follows (in thousands):

	US Plan	Non-US Plans
2024	$ 3,495	$ 514
2025	829	537
2026	877	657
2027	667	594
2028	509	664
2029 - 2033	2,105	3,886
Above 2033	740	1,408
Total	$ 9,222	$ 8,260

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):

	US Plan	Non-US 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

Defined Contribution Plans. LivaNova sponsors defined contribution plans, including the Cyberonics, Inc. Employee Retirement Savings Plan, which qualifies under Section 401(k) of the US Internal Revenue Code, covering US employees, the Cyberonics, Inc. Non-Qualified Deferred Compensation Plan, covering certain US 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 $11.1 million and $9.0 million for the years ended 31 December 2023 and 31 December 2022, respectively.

Note 23. Income Taxes Expense

The following table presents the composition of income tax expense for the years ended 31 December 2023 and 2022 (in thousands):

	2023	2022
Current Tax:		
Charge in respect to current period	$ (9,762)	$ (6,293)
Charge in respect to prior period	(7,073)	(3,216)
Total current tax expense	(16,835)	(9,509)
Deferred Tax:		
Relating to the origination and reversal of temporary differences	(857)	4,927
Relating to changes in tax rates and legislation	1,905	2,394
Total deferred tax credit	1,048	7,321
Income tax expense	$ (15,787)	$ (2,188)

Note 23. Income Taxes Expense

The following table presents a reconciliation of the statutory income tax rate to LivaNova's effective income tax rate expressed as a percentage of income before income taxes for the years ended 31 December 2023 and 2022:

	2023	2022
Statutory tax rate at UK rate	23.5 %	19.0 %
Change in unrecognised deferred tax assets [(1)]	(35.9)	(1.5)
Foreign tax rate differential	6.0	9.5
US state and local tax provision, net of federal benefit	(3.4)	(2.3)
Impairment of goodwill and intangible assets [(1)]	(3.0)	(27.5)
Consulting Fees	(2.5)	(0.4)
Effect of changes in tax rate	1.5	3.3
Research and development tax credits	0.3	1.1
Base erosion anti-abuse tax	0.4	(2.6)
Other, net	(5.6)	(1.2)
Effective tax rate	(18.7)%	(2.6)%

(1) During the years ended 31 December 2023 and 2022, ACS impairments increased the tax rate by $21.0 million and $24.6 million, respectively. For additional information, refer to "Note 30. Exceptional Items."

LivaNova continues to monitor the adoption of Pillar Two by the taxing jurisdictions in which it operates. The UK has enacted legislation providing for a minimum effective tax rate of 15% through a "multinational top-up tax" and a "domestic top-up tax" for accounting periods beginning on or after 31 December 2023. Draft UK legislation has also been published for an UTPR to be introduced, although not before accounting periods beginning on or after 31 December 2024. A UTPR would be a backstop rule intended to ensure that amounts of multinational top-up tax that are not collected under foreign global minimum tax rules can in certain circumstances be collected instead in the UK.

As required by the amendments to IAS 12, the Company has applied the exception and will neither recognise nor disclose information about deferred tax assets and liabilities relating to Pillar Two income taxes. The Company does not expect the adoption of Pillar Two to have a significant impact. Refer to "Note 2. Basis of Preparation, Use of Accounting Estimates and Material Accounting Policies."

Deferred Tax Assets and Liabilities

The following table presents the change in net deferred tax assets (liabilities) as recognised in the balance sheet during the years ended 31 December 2023 and 2022 (in thousands):

	2023	2022
At the beginning of the year	$ 103,406	$ 100,318
Deferred tax benefit, net	1,048	7,321
Deferred tax recorded in equity	(176)	(4,233)
At the end of the year	$ 104,278	$ 103,406

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 2023 and 2022 (in thousands):

	2023	2022
Within the next 12 months	$ 36,351	$ 26,019
After the next 12 months	67,927	77,387
Net deferred tax assets	$ 104,278	$ 103,406

Note 23. Income Taxes Expense

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

	31 December 2023	Activity During the Year Ended 31 December 2023: Consolidated Statement of (Loss)	Tax Rate Change [1]	Shareholders' Equity	1 January 2023
Deferred tax assets:					
NOLs	$ 82,693	$ 6,163	$ 1,066	$ 169	$ 75,295
Tax credit carryforwards	764	477	—	12	275
Deferred compensation	6,956	(1,473)	(267)	(617)	9,313
Accruals and reserves	85,307	(5,080)	(814)	642	90,559
Inventory	10,397	893	(97)	(281)	9,882
Other	4,331	(3,789)	712	97	7,311
Gross deferred tax assets [2]	190,448	(2,809)	600	22	192,635
Deferred tax liabilities:					
Gain on sale of intellectual property	—	12,603	207	—	(12,810)
Property, equipment & intangible assets	(85,525)	(10,069)	1,161	(198)	(76,419)
Other	(645)	(582)	(63)	—	—
Gross deferred tax liabilities	(86,170)	1,952	1,305	(198)	(89,229)
Deferred tax assets (liabilities), net	$ 104,278	$ (857)	$ 1,905	$ (176)	$ 103,406

Reported in the consolidated balance sheet (after jurisdictional netting):			
Net deferred tax assets	$ 113,364		$ 110,734
Deferred tax liabilities	(9,086)		(7,328)
Deferred tax assets, net [2]	$ 104,278		$ 103,406

(1) UK tax rate to increase to 25%, effective 1 April 2023. The change in tax rate for 2023 was primarily due to the NOLs generated during 2023 net of group relief being measured to a tax rate 19%.

(2) During the year ended 31 December 2023, the net deferred tax assets increased from net operating losses in the UK less amortisation of intangibles.

	31 December 2022	Activity During the Year Ended 31 December 2022: Consolidated Statement of (Loss)	Tax Rate Change [1]	Shareholders' Equity	1 January 2022
Deferred tax assets:					
Net operating loss carryforwards	$ 75,295	$ 12,995	$ 3,075	$ (14,257)	$ 73,482
Tax credit / (expense) carryforwards	275	(550)	—	—	825
Deferred compensation	9,313	(1,967)	(1,800)	(9,795)	22,875
Accruals and reserves	90,559	(1,682)	(1,166)	19,893	73,514
Inventory	9,882	987	(214)	265	8,844
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:					
(Loss) / 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) / assets	(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

(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 US.

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 realised. 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.

As required by the amendments to IAS 12, the Company has applied the exception and will neither recognise nor disclose information about deferred tax assets and liabilities relating to Pillar Two income taxes.

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 2023 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	$ 426,244	$ 100,818	$ —	Unlimited
US Federal	$ 32,100	$ 35	$ 6,706	2028
US State	$ 182,335	$ 2,349	$ 8,493	2023
Rest of World	$ 23,206	$ 7,578	$ 128	2025

LivaNova had the following NOL carryforwards as of 31 December 2022 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	$ 429,156	$ 104,075	$ —	Unlimited
US Federal	$ 112,259	$ 8,474	$ 15,100	2023
US State	$ 180,411	$ 2,349	$ 8,727	2023
Rest of World	$ 11,609	$ 3,437	$ 306	2025

Included in the table above are deferred tax assets that have not been recognised with respect of the following items as of 31 December 2023 and 2022 (in thousands):

	2023	2022
Tax loss carryforwards	$ 43,415	$ 67,173
Tax credits	38,486	40,648
Rest of World tax credits	481	996
Accruals and reserves	65,625	—
Other deferred tax assets [(1)]	29,760	40,477
Total	$ 177,767	$ 149,294

(1) Other deferred tax assets includes property, equipment, intangible assets, inventory, and other items.

Note 23. Income Taxes Expense

For losses incurred after April 2017 in the UK, the Company anticipates a recoverability of these operating loss carryforwards beginning in 2025 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 10 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, interest income, and decreased amortisation of intangible assets beginning in 2024.

No provision has been made for income taxes on undistributed earnings of foreign subsidiaries as of 31 December 2023 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. These unrecognised differences are not expected to reverse in the foreseeable future.

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 2023 were recognised, $0.5 million would impact the Company's effective tax rate and $4.9 million would be in the form of an unrecognised net operating loss carryforward. LivaNova believes it is reasonably possible that, within the next twelve months, there will not be any settlement of uncertain tax positions with various tax authorities nor the expiration of statutes of limitations, and recognised tax benefits should not decrease.

Accrued interest related to uncertain tax positions totalled $0.7 million and $0.3 million as of 31 December 2023 and 31 December 2022, 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 as of 31 December 2023 are as follows:

Jurisdiction	Earliest Year Open
US - federal and state	2020
Italy	2018
Germany	2019
England and Wales	2019
Canada	2019

Note 24. Commitments and Contingencies

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 National Inspectorate for Nuclear Safety and Radiation Protection, a sub-body of the ISIN 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.

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Although there is no legal obligation to begin any work or deliver the hazardous substances, as the performance of these obligations is contingent on the construction of the as-yet unbuilt national repository, 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 2020, LivaNova recognised a $49.5 million provision for this matter, which is included within other operating expenses on the consolidated statement of (loss). The provision was determined utilising the middle of the estimated range of loss of $39.7 million to $50.5 million. The estimated liability as of 31 December 2023 and 2022 was $42.7 million and $38.1 million, respectively. The increase in the Saluggia site remediation provision from 31 December 2022 was due to adjustments associated with expected disposal costs resulting from inflation, as well as a decrease in the discount rate applied. 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 20. Contingent Consideration, 3T Litigation Provision Liability and Other Provisions" for additional information.

SNIA Environmental Liability

Sorin was created as a result of a spin-off from SNIA in 2004, and in 2015, Sorin was merged into LivaNova. SNIA subsequently became insolvent, and the Public Administrations, sought compensation from SNIA in an aggregate amount of approximately $3.8 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 $323,000 as of 31 December 2023) 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 $633.1 million as of 31 December 2023). 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 $502.0 million as of 31 December 2023). 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 LivaNova providing a first demand bank guarantee of €270.0 million (approximately $298.8 million as of 31 December 2023) 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 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, which is expected in 2024, 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 final decision from the Supreme Court is not expected until at least 2025.

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, LivaNova (in addition to Caffaro Brescia, and other non-LivaNova entities) received an administrative order from the Italian Ministry of the Environment requiring the Company to ensure the maintenance of the environmental measures and to guarantee that such works remain fully operational, the annual management and maintenance for

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which is estimated at approximately €1 million per year. The 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 because any potential loss is not currently probable.

Product Liability Litigation

The Company continues to be involved in litigation involving LivaNova's 3T device. The litigation includes the cases remaining in the US District Court for the Middle District of Pennsylvania, various US state court cases, and in jurisdictions outside the US. As of 25 April 2024, the Company was aware of approximately 70 filed and unfiled claims worldwide. 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 2023 and 2022 LivaNova recorded an additional liability of $40.9 million and $22.3 million, respectively, due to new information received about the nature of certain claims. As of 31 December 2023, the provision for these matters was $20.3 million. While the amount accrued represents LivaNova'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 the Company is currently aware, the actual liability for resolution of these matters may vary from the Company's provision. 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 US 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 transcatheter mitral valve replacement program and the Company's 20 November 2019 announcement that it was ending the 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, and in June 2023, the Eighth Circuit Court of Appeals affirmed the decision. The Company now considers Caisson's claim against LivaNova to be closed.

Mitral Demand Letter

On 29 July 2022, LivaNova received a demand letter from Mitral for approximately €20.8 million ($23.0 million as of 31 December 2023) 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. On 22 March 2023, Mitral served a formal claim on LivaNova 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, and the Company filed its Defense on 17 May 2023. In November 2023, the Company entered into a settlement agreement with Mitral regarding the aforementioned matter pursuant to which the Company paid to Mitral less than €1.0 million ($1.1 million as of 31 December 2023), including costs. The Company now considers this matter closed.

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. In response, 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. LivaNova also filed appeals against the regions requesting payments. In August 2023, the Administrative Court upheld LivaNova's request to suspend the effect of the requests for payment by the regions, pending the decision by the court on the merits of the case. In November 2023, the Administrative Court, in a separate matter, asked the Constitutional Court whether the payback law is compliant with the Italian Constitution and pending the decision by the Constitutional Court, all cases brought by medical device companies in this matter are suspended. The Company has accrued for the "payback" law since 2015 based on market and product information. As of 31 December 2023 and 2022, the total amount reserved for this matter was $8.2 million and $6.4 million, respectively; however, the actual liability could vary.

Note 24. Commitments and Contingencies

Other Matters

Additionally, LivaNova is the subject of various pending or threatened legal actions and proceedings 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 LivaNova's consolidated net income, financial position or liquidity.

Note 25. 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 for the years ended 31 December 2023 and 2022 (in thousands of shares, except per share amounts):

	2023	2022
Numerator:		
Loss attributable to owners of the parent	$ (100,382)	$ (86,294)
Denominator:		
Basic weighted average shares outstanding	53,939	53,472
Add effects of share-based compensation instruments[(1)]	273	—
Diluted weighted average shares outstanding.	54,212	53,472
Basic loss per share	$ (1.86)	$ (1.61)
Diluted loss per share	$ (1.85)	$ (1.61)

(1) Excluded from the computation of diluted EPS for the years ended 31 December 2023 and 31 December 2022 were stock options, SARs and RSUs totalling 3.0 million and 3.9 million, respectively, because to include them would have been anti-dilutive.

Note 26. Segment and Geographic Information

Segment Information

LivaNova identifies operating segments based on how it manages, evaluates and internally reports its business activities to the Company's CODM, who is the CEO of LivaNova, for purposes to allocate resources, develop and execute its strategy and assess performance. For the periods presented herein, LivaNova has three reportable segments: Cardiopulmonary, Neuromodulation and Advanced Circulatory Support. Net revenue of the Company's reportable segments includes revenues from the sale of products that each reportable segment develops and manufactures or distributes. For exceptional items, please refer to "Note 30. Exceptional Items."

LivaNova's Cardiopulmonary segment is engaged in the design, development, manufacture, marketing and selling 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, manufacture, marketing and selling of devices that deliver neuromodulation therapy for treating DRE and DTD. Neuromodulation products include the VNS Therapy System, which consists of an implantable pulse generator, a lead that connects the generator to the vagus nerve, and other accessories. 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 costs associated with LivaNova's former heart failure program, which the Company began to wind down during 2023.

LivaNova's ACS segment was engaged in the design, development, manufacture, marketing and selling of temporary life support products. ACS's products, which comprise the LifeSPARC and Hemolung systems, and standalone cannulae and accessories, including ProtekDuo and transseptal (TandemHeart) cannulae, simplify temporary extracorporeal cardiopulmonary life support solutions for critically ill patients. For additional information, please refer to "Note 33. Subsequent Events."

Note 26. Segment and Geographic Information

Geographic Information

LivaNova operates under three geographic regions: United States, Europe, and Rest of World. The table below presents net revenue by operating segment and geographic region for the years ended 31 December 2023 and 2022 (in thousands):

	2023	2022
Cardiopulmonary		
United States	$ 188,299	$ 159,489
Europe [1]	156,606	127,064
Rest of World	244,072	213,761
	588,977	500,314
Neuromodulation		
United States	407,493	374,542
Europe [1]	57,435	50,291
Rest of World	54,782	52,160
	519,710	476,993
Advanced Circulatory Support		
United States	39,252	37,527
Europe [1]	751	1,447
Rest of World	319	327
	40,322	39,301
Other Revenue [2]	4,536	5,197
Totals		
United States	635,044	571,558
Europe [1]	214,792	178,802
Rest of World	303,709	271,445
Total [3] [4]	$ 1,153,545	$ 1,021,805

(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) Other revenue primarily includes rental income not allocated to segments.

(3) Net revenue to external customers includes $41.5 million and $32.3 million in the UK, LivaNova's country of domicile, for the years ended 31 December 2023 and 2022, respectively.

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