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ÅRSREDOVISNING

2022-01-01 -- 2022-12-31

för

LivaNova Scandinavia AB
556441-1618

Årsredovisningen omfattar:	**Sida**
Förvaltningsberättelse	1
Resultaträkning	2
Balansräkning	3
Kassaflödesanalys	5
Noter	6

FASTSTÄLLELSEINTYG

Undertecknad styrelseledamot intygar härmed, dels att denna kopia av årsredovisningen överensstämmer med originalet, dels att resultat- och balansräkningen fastställts på ordinarie bolagsstämma den ...12/5 2023. Stämman beslöt tillika godkänna styrelsens förslag till resultatdisposition.

Sollentuna 22/5 2023

Carl Oorts

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ÅRSREDOVISNING

2022-01-01 -- 2022-12-31

för

LivaNova Scandinavia AB
556441-1618

Årsredovisningen omfattar:	**Sida**
Förvaltningsberättelse	1
Resultaträkning	2
Balansräkning	3
Kassaflödesanalys	5
Noter	6

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LivaNova Scandinavia AB
556441-1618

ÅRSREDOVISNING FÖR LIVANOVA SCANDINAVIA AB

Styrelsen för LivaNova Scandinavia AB avger härmed årsredovisning för räkenskapsåret 2022-01-01 – 2022-12-31.

FÖRVALTNINGSBERÄTTELSE

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.

Väsentliga händelser under räkenskapsåret

24 februari 2022 invaderade Ryssland Ukraina. Bolaget har ingen verksamhet i de länderna men följer löpande utvecklingen.
I slutet av 2022 lanserade koncernen nya generationens hjärtlungmaskin, Essenz. Första patienten använde denna i december.

Ägarförhållanden

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

Flerårsöversikt

	2022	2021	2020	2019
Nettoomsättning	101 541 868	77 993 434	82 232 214	92 156 489
Rörelseresultat	6 838 750	2 847 944	5 543 341	3 494 956
Resultat e. finansiella poster	7 010 968	2 990 322	5 568 833	3 530 302
Balansomslutning	62 458 198	45 078 690	48 062 655	47 066 325
Soliditet (1)	61,5%	71,6%	60,9%	50,4%

(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	24 937 369	2 990 322	32 277 691
Resultatdisposition enligt årsstämman			2 990 322	-2 990 322	0
Årets resultat				6 138 093	6 138 093
Belopp vid årets utgång	**2 100 000**	**2 250 000**	**27 927 691**	**6 138 093**	**38 415 784**

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	27 927 691
Årets resultat	6 138 093
Summa	**34 065 784**

Styrelsen föreslår att vinstmedlen, 34 065 784 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

	Not	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Rörelseintäkter, lagerförändringar mm			
Nettoomsättning	2	101 541 868	77 993 434
Övriga rörelseintäkter	3	518 423	228 552
		102 060 291	**78 221 986**
Rörelsekostnader			
Handelsvaror	2	-64 951 292	-50 421 763
Övriga externa kostnader	4,5	-17 548 267	-13 653 022
Personalkostnader	6	-12 684 202	-11 154 997
Av-och nedskrivningar av materiella och immateriella anläggningstillgångar	9,10	-37 780	-2 787
Summa rörelsekostnader		**-95 221 541**	**-75 232 569**
Rörelseresultat		**6 838 750**	**2 989 417**
Finansiella poster			
Övriga ränteintäkter och liknande resultatposter	7	206 654	65 467
Räntekostnader och liknande resultatposter	8	-34 436	-64 562
Resultat efter finansiella poster		**7 010 968**	**2 990 322**
Resultat före skatt		**7 010 968**	**2 990 322**
Skatter			
Skatt på årets resultat	12	-872 875	0
ÅRETS RESULTAT		**6 138 093**	**2 990 322**

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LivaNova Scandinavia AB
556441-1618

BALANSRÄKNING

	Not	2022-12-31	2021-12-31
TILLGÅNGAR			
Anläggningstillgångar			
Immateriella anläggningstillgångar			
SAP, Orange telefonsystem, Cyberonics	9	0	0
Summa immateriella anläggningstillgångar		**0**	**0**
Materiella anläggningstillgångar			
Inventarier och datorer	10	1 775 647	0
Summa materiella anläggningstillgångar		**1 775 647**	**0**
Finansiella anläggningstillgångar			
Andelar i koncernföretag	11	4 592 781	4 592 781
Summa finansiella anläggningstillgångar		**4 592 781**	**4 592 781**
Summa anläggningstillgångar		**6 368 428**	**4 592 781**
Omsättningstillgångar			
Varulager m m			
Färdiga varor och handelsvaror		919 891	656 271
Summa Varulager		**919 891**	**656 271**
Kortfristiga fordringar			
Kundfordringar		19 129 588	3 472 221
Fordringar hos koncernföretag		24 385 385	30 535 819
Övriga fordringar		290 746	98 971
Förutbetalda kostnader och upplupna intäkter	13	1 044 448	573 966
Summa kortfristiga fordringar		**44 850 167**	**34 680 977**
Kassa och bank			
Kassa och bank	15	10 319 712	5 148 661
Summa omsättningstillgångar		**56 089 770**	**40 485 909**
SUMMA TILLGÅNGAR		**62 458 198**	**45 078 690**

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LivaNova Scandinavia AB
556441-1618

BALANSRÄKNING

	Not	2022-12-31	2021-12-31
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		27 927 691	24 937 369
Årets resultat	18	6 138 093	2 990 322
Summa fritt eget kapital		**34 065 784**	**27 927 691**
Summa eget kapital		**38 415 784**	**32 277 691**
Avsättningar			
Övriga avsättningar		0	0
		0	**0**
Kortfristiga skulder			
Leverantörsskulder		5 227 082	1 842 836
Skulder till koncernföretag		11 219 185	6 555 359
Skatteskulder		902 730	2 767
Övriga skulder		3 400 927	1 569 812
Upplupna kostnader och förutbetalda intäkter	14	3 292 490	2 830 225
Summa kortfristiga skulder		**24 042 414**	**12 800 999**
SUMMA EGET KAPITAL OCH SKULDER		**62 458 198**	**45 078 690**

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LivaNova Scandinavia AB
556441-1618

KASSAFLÖDESANALYS	Not	2022-12-31	2021-12-31
Löpande verksamhet			
Rörelseresultat		6 838 750	2 989 417
Återläggning avskrivningar		37 780	2 787
Erhållen ränta		206 654	65 467
Erlagd ränta		-34 436	-64 562
Betald inkomstskatt		25 161	0
Kassaflöde från den löpande verksamheten före förändringar av rörelsekapital		**7 073 909**	**2 993 109**
Förändring rörelsekapital			
Förändring lager		-263 620	-16 851
Förändring kundfordringar		-15 657 367	5 166 670
Förändring kortfristiga fordringar		5 488 177	-1 001 521
Förändring leverantörsskulder		3 384 246	150 978
Förändring korfristiga skulder		6 959 133	-6 125 265
Kassaflöde rörelsekapital		**-89 431**	**-1 825 989**
Kassaflöde från den löpande verksamheten		**6 984 478**	**1 167 120**
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		-1 813 427	0
Avyttring av materiella anläggningstillgångar		0	0
Förvärv finansiella anläggningstillgångar		0	0
Avyttring finansiella anläggningstillgångar		0	0
Kassaflöde investeringsverksamhet		**-1 813 427**	**0**
ÅRETS KASSAFLÖDE		***5 171 051***	***1 167 120***
Likvida medel vid årets början	15		
Likvida medel vid årets början		5 148 661	3 981 541
Likvida medel vid årets slut		**10 319 712**	**5 148 661**

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NOTER

Not 1 Redovisnings- och värderingsprinciper

Årsredovisningen är upprättad i enlighet med Årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).
Redovisningspricniperna är oförändrade jämfört med föregående år.

Fordringar har upptagits till de belopp varmed de beräknas inflyta.

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

	2022-12-31	2021-12-31
Inköp	72,0%	69,0%
Försäljning	13,0%	14,0%

Not 3 Övriga Rörelseintäkter

	2022-12-31	2021-12-31
Vinst vid försäljning finansiell leasing	0	87 079
Valutaintäkter	962 407	400 798
Valutaförluster	-443 984	-259 325
	518 423	**228 552**

Omklassificering av valutadifferenser jämfört med Årsredovisning 2021.

Not 4 Operationella Leasingavtal

	2022-12-31	2021-12-31
Framtida minimileaseavgifter som ska erläggas avseende icke uppsägningsbara leasingavtal		
Förfaller till betalning inom ett år	462 640	511 440
Förfaller till betalning senare än ett år men inom 5 år	293 040	749 800
	755 680	**1 261 240**
Under perioden kostnadsförda leasingavgifter	676 363	617 070
Under perioden redovisade variabla leasingavgifter	152 187	83 891
	828 550	**700 961**

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Not 5 Ersättning till revisorer

	2022-12-31	2021-12-31
Öhrlings PricewaterhouseCoopers AB		
Revisionsuppdraget	185 000	167 000

Not 6 Anställda och personalkostnader

Medelantal anställda

	2022-12-31	2021-12-31
Kvinnor	3	4
Män	3	3

Löner och andra ersättningar

Styrelse och verkställande direktör	0	0
Övriga anställda	8 370 712	7 282 535
	8 370 712	**7 282 535**

Sociala kostnader

Pensionskostnader för styrelse och verkställande direktör	0	0
Pensionskostnader för övriga anställda	1 396 334	1 284 500
Övriga sociala avgifter enligt lag och avtal	2 901 834	2 568 252
	4 298 168	**3 852 752**

Totala löner, ersättningar, sociala avgifter och pensionskostnader	**12 668 880**	**11 135 287**

Not 7 Övriga ränteintäkter och liknande resultatposter

	2022-12-31	2021-12-31
Utdelningar	0	0
Räntor	*206 654*	*65 468*
	206 654	**65 468**

Omklassificering av valutadifferenser jämfört med Årsredovisning 2021.

Not 8 Räntekostnader och liknande resultatposter

	2022-12-31	2021-12-31
Räntekostnader	34 436	64 562
	34 436	**64 562**

Omklassificering av valutadifferenser jämfört med Årsredovisning 2021.

Not 9 Immateriella anläggningstillgångar

	2022-12-31	2021-12-31
Ingående anskaffningsvärde	5 327 358	5 327 358
Inköp	0	0
Försäljningar/utrangeringar	-5 327 358	0
Utgående anskaffningsvärden	**0**	**5 327 358**
Ingående avskrivningar	-5 327 358	-5 327 358
Återförda avskrivningar på försäljningar resp utrangeringar	5 327 358	0
Utgående avskrivningar	**0**	**-5 327 358**
Redovisat värde	**0**	**0**

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Not 10 Materiella anläggningstillgångar

	2022-12-31	2021-12-31
Ingående anskaffningsvärde	26 750	26 750
Inköp	1 813 427	0
Försäljningar/utrangeringar	-26 750	0
Omklassificeringar	0	0
Utgående anskaffningsvärden	**1 813 427**	**26 750**
Ingående avskrivningar	-26 750	-23 963
Återförda avskrivningar på försäljningar resp utrangeringar	26 750	0
Omklassificeringar	0	0
Årets avskrivningar	-37 780	-2 787
Utgående avskrivningar	**-37 780**	**-26 750**
Redovisat värde	**1 775 647**	**0**

Not 11 Andelar i koncernföretag

	2022-12-31	2021-12-31
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

	2022-12-31	2021-12-31
Aktuell skatt	872 875	0
Uppskjuten skatt	0	0
Skatt på årets reslutat	**872 875**	**0**

	2022-12-31	2021-12-31
Redovisat resultat före skatt	7 010 968	2 990 322
Outnyttjat underskott från tidigare år	-2 820 736	-5 842 913
Ej avdragsgilla kostnader	47 026	31 855
Beskattningsbart resultat	**4 237 258**	**-2 820 736**
Skatt beräknad enligt gällande skattesats (20,6%)	863 188	0
Skatteeffekt av ej avdragsgilla kostnader	9 687	0
Redovisad skattekostnad	**872 875**	**0**

Not 13 Förutbetalda kostnader och upplupna intäkter

	2022-12-31	2021-12-31
Föutbetalda hyror	138 520	16 800
Förutbetalda försäkringar	152 548	142 010
Övriga poster	753 380	415 156
	1 044 448	**573 966**

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Not 14 Upplupna kostnader och förutbetalda intäkter

	2022-12-31	2021-12-31
Upplupna lönekostnader	1 369 734	739 954
Upplupna semesterlöner	774 605	919 023
Upplupna sociala avgifter	823 716	660 757
Övriga poster	324 435	510 491
	3 292 490	**2 830 225**

Not 15 Likvida medel

	2022-12-31	2021-12-31
Banktillgodohavanden	10 319 712	5 148 661

Not 16 Väsentliga händelser efter räkenskapsårets slut

Nya generationens hjärtlungmaskin, Essenz, kom till Sverige och testas nu på ett antal olika sjukhus.

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	27 927 691
Årets resultat	6 138 093
Summa vinstmedel	**34 065 784**

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

Zaventem 14/4 2023

Carl Oorts

Zaventem 14/4 2023

Philippe Blancquaert

Milano 14/4 2023

Marco Di Marco

Vår revisionsberättelse har lämnats den 3/5 -2023
Öhrlings PricewaterhouseCoopers AB

Magnus Lagerberg
Auktoriserad revisor

20230523000411

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 2022.

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 2022 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 2022 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.

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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
- 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 3 maj 2023

Öhrlings PricewaterhouseCoopers AB

Magnus Lagerberg
Auktoriserad revisor

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LIVANOVA PLC AND SUBSIDIARIES

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LIVANOVA PLC AND SUBSIDIARIES

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

	Note	Year Ended 31 December 2022	2021
Net revenue	28	$ 1,021,805	$ 1,035,365
Costs and expenses:			
Cost of sales	30	314,206	329,184
Selling, general and administrative	30	463,829	477,260
Research and development		155,650	183,485
Exceptional items	32	174,526	71,850
Operating loss		(86,406)	(26,414)
Finance expense		(49,709)	(51,691)
Net gain/(loss) on embedded exchange feature and capped call derivatives	4	43,789	(25,617)
Loss on debt extinguishment	18	—	(60,238)
Foreign exchange and other income/(expense)	30	8,273	13,637
Share of loss from equity accounted investments		(53)	(148)
Loss before tax		(84,106)	(150,471)
Income tax (expense) benefit	25	(2,188)	13,032
Loss attributable to owners of the parent		$ (86,294)	$ (137,439)
Basic loss per share	27	$ (1.61)	$ (2.71)
Diluted loss per share	27	$ (1.61)	$ (2.71)
Shares used in computing basic loss per share	27	53,472	50,633
Shares used in computing diluted loss per share	27	53,472	50,633

See accompanying notes to the consolidated financial statements

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LIVANOVA PLC AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income
(In thousands)

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

See accompanying notes to the consolidated financial statements

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LIVANOVA PLC AND SUBSIDIARIES

Consolidated Balance Sheet
(In thousands)

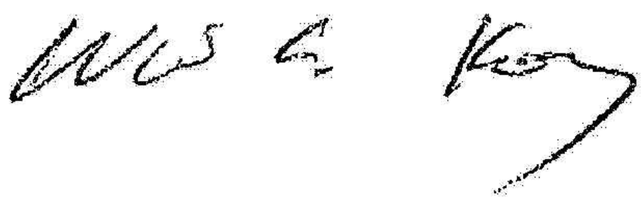
	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	10	$ 132,300	$ 141,100
Intangible assets	11	383,370	408,523
Goodwill	11	453,794	579,762
Right-of-use assets	19	34,792	40,120
Equity investments in associates		1,978	787
Financial assets	13	22,431	24,640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

LIVANOVA PLC AND SUBSIDIARIES
Consolidated Balance Sheet

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

See accompanying notes to the consolidated financial statements

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



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

Company Number: 09451374

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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	Other Comprehensive Income (Loss)	Accumulated Losses	Total Shareholders' Equity
Balance at 1 January 2021		49,447	$ 76,300	$ 1,729,764	$ 27,361	$ (1,034)	$ 3,013	$ (986,413)	$ 848,991
Share issuances		4,182	5,808	316,733	—	—	—	—	322,541
Share-based compensation plans	23	133	187	—	5,896	384	—	32,540	39,007
Total transactions with owners recognised directly in shareholders' equity		4,315	5,995	316,733	5,896	384	—	32,540	361,548
Net loss		—	—	—	—	—	—	(137,439)	(137,439)
Other comprehensive loss	17	—	—	—	—	—	(8,297)	—	(8,297)
Total comprehensive loss for the year		—	—	—	—	—	(8,297)	(137,439)	(145,736)
Balance at 31 December 2021		53,762	82,295	2,046,497	33,257	(650)	(5,284)	(1,091,312)	1,064,803
Share-based compensation plans	23	90	129	—	3,774	275	—	30,729	34,907
Total transactions with owners recognised directly in shareholders' equity		90	129	—	3,774	275	—	30,729	34,907
Net loss		—	—	—	—	—	—	(86,294)	(86,294)
Other comprehensive loss	17	—	—	—	—	—	(19,306)	—	(19,306)
Total comprehensive loss for the year		—	—	—	—	—	(19,306)	(86,294)	(105,600)
Balance at 31 December 2022		53,852	$ 82,424	$ 2,046,497	$ 37,031	$ (375)	$ (24,590)	$ (1,146,877)	$ 994,110

See accompanying notes to the consolidated financial statements

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LIVANOVA PLC AND SUBSIDIARIES

Consolidated Statement of Cash Flows
(In thousands)

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

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

See accompanying notes to the consolidated financial statements

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LIVANOVA PLC AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 1. Nature of Operations

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

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

Description of the business. LivaNova is a global medical device company. The Company designs, develops, manufactures and sells innovative products and therapies that are consistent with LivaNova's mission to provide hope for patients and their families through innovative medical technologies, delivering life-changing improvements for both the Head and Heart.

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

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

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

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

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

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

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

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

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

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

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

In February 2022, Russia launched an invasion in Ukraine which caused us to assess LivaNova's ability to sell in the market due to international sanctions, to consider the potential impact of raw material sourced from the region, and to determine whether the Company is able to transact in a compliant fashion. Although the region represented only 1.0% of LivaNova's total net revenue for 2022, the Russian invasion of Ukraine has increased economic uncertainties, and a significant escalation or continuation of the conflict could have a material, global impact on the Company's operating results. In addition, LivaNova's Russian employees and local subsidiary are subject to evolving laws and regulations imposed by the Russian authorities in response to international sanctions.

On 17 June 2020, LivaNova's wholly-owned subsidiary, LivaNova USA, issued $287.5 million in aggregate principal amount of 3.00% the 2020 Cash Exchangeable Senior Notes (the "Notes"). Holders of the Notes are entitled to exchange the Notes at any time during specified periods, at their option. This includes the right to exchange the Notes during any calendar quarter, if the last reported sale price of LivaNova's ordinary shares, with a nominal value of £1.00 per share, is greater than or equal to 130% of the exchange price, or $79.27 per share for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter. The exchange condition was not satisfied on 31 December 2022. The Notes are exchangeable solely into cash and are not exchangeable into ordinary shares of LivaNova or any other security under any circumstances. The initial exchange rate for the Notes is 16.3980 ordinary shares per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $60.98 per share). The exchange rate is subject to adjustment in certain circumstances, as set forth in the indenture governing the Notes. If holders elect to exchange their Notes during any future periods in the event an exchange condition is met, LivaNova would be required to settle the exchange obligation through the payment of cash, which could adversely affect the Company's liquidity. Refer to "Note 18. Financial Liabilities" for further information.

On 21 February 2022, the Court of Appeal in Milan ("Court of Appeal") notified the Company that it granted the Company a suspension with respect to the payment of damages in the amount of €453.6 million (approximately U.S. $484.9 million at 31 December 2022) in the SNIA litigation until a decision has been reached on the Company's appeal to the Italian Supreme Court. This suspension was subject to providing a first demand bank guarantee of €270.0 million (approximately U.S. $288.6 million at 31 December 2022) the SNIA Litigation Guarantee within 30 calendar days.

On 24 February 2022, LivaNova PLC and its wholly-owned subsidiary, LivaNova USA, Inc. entered into an Incremental Facility Amendment No. 1 to the 2021 First Lien Credit Agreement, relating to a €200 million bridge loan facility (the "Bridge Loan Facility"). On 16 March 2022, LivaNova entered into Amendment No. 2 to the 2021 First Lien Credit Agreement, which converted the available borrowings under the Bridge Loan Facility from €200 million to $220.0 million and converted the EURIBOR rate in the 2021 First Lien Credit Agreement to Secured Overnight Financing Rate ("SOFR"). LivaNova delivered a borrowing notice for $220.0 million in connection with the Bridge Loan Facility, which was funded on 17 March 2022. LivaNova used the proceeds of the Bridge Loan Facility to post a portion of the cash collateral supporting the SNIA Litigation Guarantee.

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On 18 March 2022, LivaNova PLC, acting through its Italian branch, entered into an Indemnity Letter and an Account Pledge Agreement with Barclays, further to which Barclays issued the €270.0 million SNIA Litigation Guarantee. As security for the SNIA Litigation Guarantee, LivaNova is required to grant cash collateral to Barclays in U.S. Dollars in an amount equal to the USD equivalent of 105% of the amount of the SNIA Litigation Guarantee calibrated on a biweekly basis. At 31 December 2022, the cash collateral classified as restricted cash on the consolidated balance sheet was $301.4 million.

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

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

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

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

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

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

Goodwill. LivaNova allocates amounts the Company pays for an acquisition to the assets the Company acquires and liabilities LivaNova assumes based on their fair values at the date of acquisition, including property, plant and equipment, inventories, accounts receivable, long-term debt, and identifiable intangible assets which either arise from a contractual or legal right or are separable from goodwill. LivaNova bases the fair value of identifiable intangible assets acquired in a business combination, including in-process research and development, on detailed valuations that use information and assumptions provided by management, which consider management's best estimates of inputs and assumptions that a market participant would use. LivaNova allocates any excess purchase price over the fair value of the net tangible and identifiable intangible assets acquired to goodwill. Transaction costs associated with these acquisitions are expensed as incurred and are reported as selling, general and administrative on the consolidated statement of (loss) income. LivaNova recognises adjustments to the provisional amounts identified during the measurement period with a corresponding adjustment to goodwill in the reporting year in which the adjustment amounts are determined. The effect on earnings of changes in depreciation, amortisation or other income effects, if any, as a result of the change to the provisional amounts are recorded in the same year's consolidated financial statements, calculated as if the accounting had been completed at the acquisition date.

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

LivaNova evaluates its finite-lived and indefinite-lived intangible assets each reporting year to determine whether events and circumstances indicate either a different useful life or impairment, respectively. For finite-lived intangible assets, if LivaNova changes its estimate of the useful life of an asset, the Company amortises the carrying amount over the revised remaining useful life.

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

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

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

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

	Weighted Average Rate Euro	Closing Rate Euro	Weighted Average Rate GBP	Closing Rate GBP
Year ended 31 December 2022	0.951016	0.935410	0.811283	0.827990
Year ended 31 December 2021	0.845433	0.881410	0.726888	0.739740

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

(a) *Financial Assets*

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

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

Financial Assets at Fair Value Through Profit or Loss. Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for trading if they are acquired for the purpose of selling or re-purchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. LivaNova uses freestanding derivative forward contracts to offset exposure to the variability of the value associated with assets and liabilities denominated in a foreign currency. These derivatives are not designated as hedges, and therefore changes in the value of these forward contracts are recognised in the consolidated statement of (loss) income, thereby offsetting the current net income (loss) effect of the related change in value of foreign currency denominated assets and liabilities.

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

Trade Receivables and Other Financial Assets. Trade receivables and other financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the consolidated statement of (loss) income. The receivable balance consists of trade receivables from direct customers and distributors and loans issued. LivaNova maintains an expected credit loss provision for expected credit losses based on the Company's estimates of the ability of customers to make required payments, historical credit experience, existing economic conditions and expected future trends. The Company's writes off uncollectable accounts against the provision when all reasonable collection efforts have been exhausted. Loans, together with the associated provision are written off when

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there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. The losses arising from impairment are recognised in the consolidated statement of (loss) income in cost of sales or other operating expenses for receivables.

Collection periods for trade receivables vary significantly due to the nature of a customer (e.g. government or private) and its geographic location. LivaNova may utilize non-recourse and with-recourse factoring arrangements as a part of its funding policy; however, as of 31 December 2022 and 31 December 2021, there are no factoring arrangements outstanding.

Refer to "Note 15. Trade Receivables and Other Receivables" for further information.

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

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

(b) *Financial Liabilities*

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

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

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

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

Financial Liability Derecognition. A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of (loss) income.

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

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

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In order to minimise income statement and cash flow volatility resulting from currency exchange rate changes, historically the Company has entered into derivative instruments, principally forward currency exchange rate contracts. These contracts are designed to hedge anticipated foreign currency transactions and changes in the value of specific assets and liabilities and of some revenue. At inception of the forward contract, the derivative is designated as either a freestanding derivative or a cash flow hedge. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of AOCI (loss) and reclassified to the consolidated statement of (loss) income to offset exchange differences originated by the hedged item or to adjust the value of net income (loss). Upon the settlement of LivaNova's foreign currency cash flow hedges in the fourth quarter of 2022 and following an in-depth analysis of the utility of the Company's cash flow hedging program, the Company discontinued its foreign currency cash flow hedging program. LivaNova does not enter into currency exchange rate derivative contracts for speculative purposes.

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

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

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

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

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

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

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

The estimated useful lives for all classes of depreciable PP&E, except for land and capital investment in process which are not depreciated, as of 31 December 2022 were as follow:

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

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

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

Where there are any internal or external indications that the value of an item of PP&E may be impaired, the recoverable amount of the group of cash generating unit(s) ("CGU(s)") to which it belongs is calculated. If the recoverable amount is less than the carrying amount of the group of CGUs, a provision for impairment is recorded. PP&E is reviewed for impairment annually on 31 December.

Impairment of Goodwill and Long-lived Assets. The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The methodology applied to LivaNova's CGUs is fair value less costs of disposal, reflecting past experience and external sources of information, includes Board approved five-year budgets based on cash flows which are extended to trend the expected revenue growth rate at the end of the budgeted period down to the estimated long-term growth rate in a linear manner. The methodology applied to the Company's fair value less cost of disposal calculations is based on projected periods and includes a discounted cash flow model test, utilizing discount rates and a long-term growth rate. Goodwill impairment evaluations are highly subjective. They involve expectations of future cash flows that reflect LivaNova's judgements and assumptions regarding future industry conditions and operations. The estimates, and assumptions used in the application of the Company's goodwill impairment policies reflect both historical experience and an assessment of current operational, industry, market, economic and political environments. Quantitative factors used to determine the fair value less cost of disposal of the CGU reflect the Company's best estimates, and the Company believes they are reasonable. Future declines in the CGU's operating performance or LivaNova's anticipated business outlook may reduce the estimated fair value of LivaNova's CGU and result in additional impairment. Factors that could have a negative impact on the fair value of the reporting units include, but are not limited to:

- Decreases in revenue as a result of the inability of the Company's sales force to effectively market and promote the Company's products;
- Increased competition, patent expirations or new technologies or treatments;
- Declines in anticipated growth rates;
- The outcome of litigation, legal proceedings, investigations or other claims resulting in significant cash outflows; and
- Increases in the market-participant risk-adjusted weighted average cost of capital ("WACC")

Refer to "Note 11. Goodwill and Intangible Assets" for a discussion of the sensitivity analyses performed for the discount rate, the expected revenue growth rate and a one-year delay in the OSA CGU's commercialisation date.

Generally, for intangible assets with a definite useful life, the Company uses cash flow projections for the whole useful life of these assets with a terminal value based on cash flow projections usually in line with or lower than inflation rates for later years.

Discount rates used are based on the Company's estimated WACC adjusted for specific country and currency risks associated with cash flow projections as an approximation of the weighted average cost of capital of a comparable market participant. Due to the above factors, actual cash flows and values could vary significantly from forecasted future cash flows and related values derived using discounting techniques.

Goodwill is tested for impairment annually as of 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future years.

LivaNova conducts impairment testing of its indefinite-lived intangible assets on 31 December each year. The Company tests indefinite-lived intangible assets for impairment between annual tests if an event occurs or circumstances change that would indicate the carrying amount may be impaired. An impairment loss is recognised when the asset's carrying value exceeds its fair value.

Research and Development. Research costs are recognised as an expense for the year in which they are incurred. R&D includes costs of basic research activities as well as engineering and technical effort required to develop a new product or make significant improvement to an existing product or manufacturing process. R&D costs also include regulatory and clinical study expenses, including post-market clinical studies.

Inventories. LivaNova states its inventories at the lower of cost, using the first-in first-out ("FIFO"), and net realizable value. The Company's calculation of cost includes the acquisition cost of raw materials and components, direct labour and overhead.

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LivaNova reduces the carrying value of inventories for those items that are potentially excess, obsolete or slow moving based on changes in customer demand, technology developments or other economic factors.

Revenue Recognition. Refer to "Note 3. Revenue Recognition."

Defined Benefit Pension Plans and Other Post-Employment Benefits. The Company sponsors various retirement benefit plans, including defined benefit pension plans (pension benefits), defined contribution savings plans and termination indemnity plans, covering substantially all U.S. employees and employees outside the U.S. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated balance sheet with a corresponding debit or credit to retained earnings through OCI in the year in which they occur. Re-measurements are not reclassified to the consolidated statement of (loss) income in subsequent years.

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

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under cost of sales and selling, general and administrative expenses in the consolidated statement of (loss) income (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailment and non-routine settlements
- Net finance expense or income

Provision for severance indemnity is mandatory for Italian companies and is considered:

- a defined benefit plan with respect to amounts vested up to 31 December 2006 and amounts vesting from 1 January 2007 for employees who have chosen to maintain the Trattamento di Fine Rapporto ("TFR") at the Company, for companies with 50 or fewer employees;
- a defined contribution plan with respect to amounts vesting as from 1 January 2007 for employees who have opted for supplementary pensions or who have chosen to maintain the TFR at the Company, for companies with more than 50 employees.

As a defined benefit plan, the TFR is measured using the unit credit projection method based on actuarial assumptions (demographic assumptions: mortality, turnover, disability of the population included in the above plan; financial assumptions: discount rate, benefit growth rate, capitalisation rate). The increase in the present value of the TFR is included in personnel expense, with the exception of the revaluation of the net liability, which is recorded among items of OCI. The cost of TFR accrued through 31 December 2006 no longer includes the component related to future salary increases. Payments of TFR, as a defined contribution plan, are also included in personnel expense, and until they are settled financially, they have a balancing entry in the statement of financial position in the form of current payables.

Share-Based Compensation. LivaNova grants share-based awards to directors, officers and key employees. The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair market value of the award. The cost of equity-settled transactions is recognised in employee benefits expense, together with a corresponding increase in Retained earnings over the period in which the service and the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. LivaNova issues new shares upon stock option exercises, otherwise issuance of stock for vesting of restricted stock, restricted stock units, market performance-based restricted share units, operating performance-based restricted share units or exercises of stock appreciation rights are issued from treasury shares. LivaNova has the right to elect to pay the cash value of vested restricted stock units in lieu of the issuance of new shares. The social security contributions on employee share-based payment awards are accrued over the service period.

The following share-based awards are offered by the Company:

- *Share Appreciation Rights ("SARs").* A SAR confers upon an employee the contractual right to receive an amount of cash, share, or a combination of both that equals the appreciation in the Company's common share from an award's grant date to the exercise date. SARs may be exercised at the employee's discretion during the exercise period and do not give the employee an ownership right in the underlying share. The SARs may be settled in LivaNova shares and/or cash, as determined by LivaNova and as set forth in the individual award agreements. SARs do not involve payment of an exercise

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price. LivaNova use the Black-Scholes option pricing methodology to calculate the grant date fair market value of SARs. The Company determines the expected volatility on historical volatility.

- *Restricted Share ("RS") and Restricted Share Units ("RSUs").* LivaNova may grant RS and RSUs at no purchase cost to the grantee. The grantees of unvested RSUs have no voting rights or rights to dividends. Sale or transfer of the stock and stock units is restricted until they are vested. The fair market value of service-based RS and RSUs is determined using the market closing price on the grant date, and compensation is expensed ratably over the vesting period. Calculation of compensation for stock awards requires estimation of employee turnover and forfeiture rates. LivaNova has the right to elect to pay the cash value of vested restricted share units in lieu of the issuance of new shares. Under LivaNova's share-based compensation plans the Company re-purchases a portion of these shares from LivaNova's employees to permit LivaNova's employees to meet their minimum statutory tax withholding requirements on vesting of their restricted share.
- *Market Performance-Based Restricted Share Units.* LivaNova may grant market performance-based RSUs at no purchase cost to the grantee. The grantees of the units have no voting rights or rights to dividends. Sale or transfer of the units is restricted until they are vested. The number of shares that are ultimately transferred to the grantee is dependent upon the Company's percentile rank of Total Shareholder Return ("TSR") relative to a peer group. The fair market value of market performance-based RSUs is determined utilizing a Monte Carlo simulation on the grant date and compensation is expensed ratably over the service period. Calculation of compensation for market performance-based stock awards requires estimation of employee turnover, historical volatility and forfeiture rates.
- *Operating Performance-Based Restricted Share Units.* LivaNova may grant operating performance-based RSUs at no purchase cost to the grantee. The grantees of the units have no voting rights or rights to dividends. Sale or transfer of the units is restricted until they are vested. The number of shares that are ultimately transferred to the grantee is dependent upon the Company's achievement of certain thresholds for cumulative adjusted free cash flow ("FCF") and adjusted return on invested capital ("ROIC"). Adjusted ROIC was introduced as an additional performance indicator in 2021. The fair market value of operating performance-based RSUs is determined using the market closing price on the grant date. Compensation is expensed ratably over the service period and adjusted based upon the percent achievement of cumulative adjusted FCF. Calculation of compensation expense for operating performance-based stock awards requires estimation of employee turnover, adjusted FCF, adjusted ROIC and forfeiture rates.

Income Taxes. The tax expense for the year comprises current and deferred tax. Current and deferred tax is recognised in the consolidated statement of (loss) income, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the Company's subsidiaries and associates operate and generate taxable income. The Company is subject to taxation on earnings in several countries under various tax regulations. Calculation of taxes on a global scale requires the use of estimates and assumptions developed based on the information available at the balance sheet date. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes are recognised by the liability method for temporary differences between the carrying amount of assets and liabilities in the consolidated balance sheet and their tax base. They are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Adjustments to deferred taxes resulting from changes in tax rates are recognised in the consolidated statement of (loss) income. A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. At each year-end, the Company reviews the recoverable value of deferred tax assets of tax entities holding significant loss carryforwards. This value is based, by tax entity, on the strategy for recoverability of the tax loss carryforwards. Deferred taxes are charged or credited directly to equity when the tax relates to items that are recognised directly in equity, such as gains and losses on cash flow hedges and actuarial gains and losses on defined benefit plan obligations. Deferred tax assets and liabilities are set off when they are levied on the same taxable entity (legal entity or tax group) by the same taxation authority and the entity has a legally enforceable right of set off. Deferred taxes are recognised for all temporary differences associated with investments in subsidiaries and associates, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax balances are not discounted.

Leases. LivaNova has leases primarily for (i) real estate, including office space and manufacturing, warehouse and research and development facilities and (ii) vehicles. LivaNova determines if an arrangement is or contains a lease at its inception or when the terms and conditions of a contract are significantly changed. Right-of-use ("ROU") assets and lease liabilities are recognised based on the present value of the future minimum lease payments over the lease term at the latter of the Company's lease standard effective date for adoption or the lease commencement date. LivaNova does not record an operating lease asset and corresponding liability for leases with terms of 12 months or less. LivaNova recognizes the lease payments for such short-term leases within

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profit and loss on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or rate, such as variable common area rent, maintenance charges and utility fees not known upon lease commencement, are not included in the determination of the minimum lease payments and are expensed in the period in which the obligation for those payments is incurred. Variable lease payments that depend on an index or rate are initially measured using the index or rate as of the commencement date. As most of the Company's leases do not provide a readily determinable implicit rate, LivaNova uses its incremental borrowing rate ("IBR") based on the information available at the lease commencement date in determining the present value of future payments. LivaNova's IBR is determined using a risk-free rate adjusted for factors such as credit rating and borrowing currency, and represents an estimate of the interest rate the Company would incur at lease commencement to borrow the funds necessary to obtain an asset of similar value to the ROU asset over the term of a lease. The ROU lease asset also includes any lease payments made in advance and excludes lease incentives. LivaNova's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. ROU assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Lease payments are allocated between the liability and finance costs. Finance costs are recorded as an expense in the Company statement of (loss) income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Certain of LivaNova's leases provide for tenant improvement allowances that have been recorded as ROU assets and amortised, using the straight-line method, over the life of the lease.

LivaNova applies certain practical expedients on an ongoing basis, including the practical expedient for short-term leases and leases of low-value assets pursuant to which a lessee is permitted to make an accounting policy election by class of underlying asset not to recognise a lease liability and lease asset. A short-term lease is defined as a lease with a term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. In exception to vehicles as it relates to the low-value lease asset policy, the Company has applied these accounting policies to all asset classes in the Company's portfolio and will recognise the lease payments for such short-term leases and leases of low-value assets within the consolidated statement of (loss) income on a straight-line basis over the lease term.
Accounting for leases has no impact on the actual cash flows. However, lease accounting requires the capitalisation, and subsequent depreciation, of costs that were previously expenses as paid, which impacts disclosures of cash flows within the cash flow statement.

From a lessor perspective, certain of LivaNova's agreements that allow the customer to use, rather than purchase, the Company's medical devices meet the criteria of being a lease.

For additional information refer to "Note 19. Leases."

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

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

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

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

The Company offers a product warranty on various products. The Company estimates the costs that may be incurred under warranties and records a liability in the amount of such costs at the time the product is sold. The amount of the reserve recorded is equal to the net costs to repair or otherwise satisfy the claim. The warranty obligation is included in current provisions on the consolidated balance sheet. Warranty expense is recorded in cost of sales in the consolidated statement of (loss) income.

Contingent Consideration. Contingent consideration is recognised at fair value at the date of acquisition based on the consideration expected to be transferred and estimated as the probability of future cash flows, discounted to present value in accordance with accepted valuation methodologies. The discount rate used is a benchmark yield curve for U.S. healthcare companies, determined at the time of measurement. Contingent consideration is remeasured each reporting year with the change in fair value, including accretion for the passage of time, recorded in the consolidated statement of (loss) income. The change in fair

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value of contingent consideration based on the achievement of regulatory milestones is recorded as research and development expense while the change in fair value of sales-based earnout contingent consideration is recorded as cost of sales.

Product Liability Accruals. Accruals for product liability claims are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. Accruals for product liability claims are adjusted periodically as additional information becomes available. The Company accrues an estimate of the legal defense costs needed to defend each matter when those costs are probable and can be reasonably estimated.

Contingencies. The Company is subject to product liability claims, government investigations and other legal proceedings in the ordinary course of business. Legal fees and other expenses related to litigation are expensed as incurred and included in selling, general and administrative expenses in the consolidated statement of (loss) income. Contingent accruals are recorded when the Company determines that a loss is both probable and reasonably estimable. Due to the fact that legal proceedings and other contingencies are inherently unpredictable, LivaNova's assessments involve significant judgement regarding future events.

Earnings Per Share ("EPS"). Basic (loss) EPS is calculated by dividing the (loss) income for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year. Diluted EPS is calculated by dividing the income (loss) attributable to equity holders of the parent by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into shares. However, for the calculation of diluted EPS for the years ended 31 December 2021 and 2020 there is no dilution because to do so would be antidilutive due to the Company being in a net loss position during these years. Refer to "Note 27. Earnings Per Share" for additional information.

Critical Estimates and Judgements. The preparation of LivaNova's consolidated financial statements in conformity with IFRS requires management to make estimates and judgements that affect the amounts reported in such financial statements and accompanying notes. These estimates and judgements are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results could differ materially from those estimates. Application of the following accounting policies requires certain judgements and estimates that have the potential for the most significant impact on LivaNova's consolidated financial statements:

Critical Estimates

- *3T Litigation and Saluggia Site Hazardous Substances Provisions.* Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Estimates are used in assessing the likelihood of a loss being incurred and when determining a reasonable estimate of the loss for each claim. Final settlement amounts may be materially different from the provision recorded. For the 3T litigation provision, given the nature of the estimate, no sensitivities are applicable. For further discussions on the Company's 3T Litigation and Saluggia Site Hazardous Substances Provisions, please refer to "Note 26. Commitments and Contingencies, including the sensitivity to discount rates and the range of outcomes for the Saluggia site hazardous substances provision."
- *Goodwill and Intangible Assets - In-process research and development.* Goodwill and in-process R&D were recognised as part of the Company's past merger and acquisition activities based on detailed valuations that use information and assumptions provided by management. These valuations consider management's best estimates of inputs and assumptions that a market participant would use. The key estimates in the valuations include the discount rate as well as the expected revenue growth rate and the OSA CGU's commercialisation date. For a discussion of impairments recognised and sensitivity analyses performed, refer to "Note 11. Goodwill and Intangible Assets."
- *Embedded Exchange Feature and Capped Call Derivatives.* In June 2020, the Company issued cash exchangeable senior notes and entered into related capped call transactions. The cash exchangeable senior notes include an embedded exchange feature that is bifurcated from the cash exchangeable senior notes. The embedded exchange feature derivative is measured at fair value using a binomial lattice model and discounted cash flows that utilize observable and unobservable market data. The capped call derivative is measured at fair value using the Black-Scholes model utilizing observable and unobservable market data, including stock price, remaining contractual term, expected volatility, risk-free interest rate and expected dividend yield, as applicable. The Company uses historical volatility and implied volatility from options traded to determine expected stock price volatility which is an unobservable input that is significant to the valuation. For additional information, please refer to "Note 4. Financial Risk Management" for a sensitivity analysis of expected stock price volatility and "Note 18. Financial Liabilities."
- *Deferred Tax Recoverability.* Management has made estimates regarding the recoverability of deductible temporary differences and tax losses carried forward to be utilized from future taxable profits. The Group has decided not to recognise UK deferred tax assets relating to losses where UK group relief is not permitted, and other timing differences due to the uncertainty involved in determining the future profitability of the Group. LivaNova performed a sensitivity analysis

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

Critical Judgements

- *Commitments and Contingencies.* A number of LivaNova subsidiaries are involved in various government and other investigations and legal proceedings (product liability, commercial, employment, environmental claims, etc.) arising out of the normal conduct of their businesses. The outcome of these matters is not certain and judgement is required in determining whether these matters require the recognition of a liability. The most significant matters considered relate to the Company's 3T device, the SNIA litigation and the Company's Saluggia site. For more information, see "Note 26. Commitments and Contingencies."

Note 3. Revenue Recognition

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

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

LivaNova recognises revenue when a performance obligation is satisfied by transferring the control of a product or providing service to a customer. Some of the Company's contracts include the purchase of multiple products and/or services. In such cases, the Company allocates the transaction price based upon the relative estimated stand-alone price of each product and/or service sold. LivaNova records state and local sales taxes net, that is, the Company excludes sales tax from revenue. Typically, the Company's contracts do not have a significant financing component. LivaNova did not apply the practical expedient under IFRS *15 which provides that an entity is not required to adjust the transaction price for the effects of a significant financing component* if, at contract inception, it expects the period between customer payment and the transfer of goods or services to be one year or less.

LivaNova incurs incremental commission fees paid to the sales force associated with the sale of products. The Company applies the practical expedient within IFRS 15 and have elected to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset the entity would otherwise recognise is one year or less. As a result, no commissions have been capitalised as contract costs since adoption of IFRS 15.

The following is a description of the principal activities (separated by reportable segments) from which the Company generates its revenue. For more detailed information about LivaNova's reportable segments including disaggregated revenue results by operating segment, major product line and primary geographic market, see "Note 28. Segment and Geographic Information."

Cardiopulmonary Products and Services

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

Cardiopulmonary products may include performance obligations associated with assembly and installation of equipment. Accordingly, the Company allocates a portion of the sales prices to installation obligations and recognises that revenue when the service is provided. LivaNova recognises revenue for equipment and accessory product sales when control of the equipment or product passes to the customer.

Technical services include installation, repair and maintenance of cardiopulmonary equipment under service contracts or upon customer request. Technical service agreements generally provide for upfront payments in advance of rendering services or periodic billing over the contract term. Amounts billed in advance are deferred and recognised as revenue when the performance obligation is satisfied. Technical services are not a significant component of Cardiopulmonary revenue and have been presented with the related equipment and accessories revenue.

Note 3. Revenue Recognition

Neuromodulation Products

Neuromodulation products are comprised of Neuromodulation therapy systems for the treatment of drug-resistant epilepsy ("DRE") and difficult-to-treat depression ("DTD"). LivaNova's Neuromodulation product line includes the Vagus Nerve Stimulation Therapy ("VNS Therapy") System, which consists of an implantable pulse generator, a lead that connects the generator to the vagus nerve, and other accessories. LivaNova recognises revenue for Neuromodulation product sales when control passes to the customer.

Advanced Circulatory Support Products

Advanced Circulatory Support ("ACS") products are comprised of the LifeSPARC platform, ProtekDuo cannula kits and the Hemolung Respiratory Assist System ("Hemolung RAS"). The LifeSPARC platform includes a common console and pump that provides temporary support for emergent rescue patients in a variety of settings. The platform is accompanied by four specialised ProtekDuo cannula kits designed to support diverse cannulation strategies. The Hemolung RAS, which was acquired in May 2022 as part of the acquisition of ALung Technologies, Inc. ("ALung"), is the only FDA-cleared platform designed specifically for low-flow extracorporeal carbon dioxide removal for acute respiratory failure. Advanced Circulatory Support revenue is recognised when control passes to the customer, usually at the point of shipment.

Contract Balances

Due to the nature of LivaNova's products and services, revenue producing activities may result in the recognition of contract assets and contract liabilities. These activities relate primarily to Cardiopulmonary technical services contracts for short-term and multi-year service agreements. Contract assets are primarily comprised of unbilled revenues, which occur when a performance obligation has been completed, but not billed to the customer. Contract liabilities are made up of deferred revenue, which occurs when a customer pays for a service, before a performance obligation has been completed. Contract assets are included within prepaid expenses and other current assets on the consolidated balance sheet and were insignificant as of 31 December 2022 and 2021. As of 31 December 2022 and 2021, contract liabilities of $14.1 million and $9.8 million, respectively, were included within other payables and other long-term liabilities on the consolidated balance sheet.

Note 4. Financial Risk Management

Management of Financial Risk

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

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

Liquidity Risk

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

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

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Contractual undiscounted cash outflows were as follows (in thousands):

	31 December 2022				
	Due Within 1 Year	1-2 Years	2-5 Years	Over 5 Years	Total
Non-derivative financial instruments					
Trade payables	$ 72,403	$ —	$ —	$ —	$ 72,403
Financial liabilities	23,456	15,092	559,486	229	598,263
Total	$ 95,859	$ 15,092	$ 559,486	$ 229	$ 670,666
Financial derivative liabilities					
- on exchange rate risk	$ 5,886	$ —	$ —	$ —	$ 5,886
- on equity price risk [1]	—	85,675	—	—	85,675
Total	$ 5,886	$ 85,675	$ —	$ —	$ 91,561

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

	31 December 2021				
	Due Within 1 Year	1-2 Years	2-5 Years	Over 5 Years	Total
Non-derivative financial instruments					
Trade payables	$ 66,754	$ —	$ —	$ —	$ 66,754
Financial liabilities	4,493	9,395	287,620	331	301,839
Total	$ 71,247	$ 9,395	$ 287,620	$ 331	$ 368,593
Financial derivative liabilities					
- on exchange rate risk	$ 1,409	$ —	$ —	$ —	$ 1,409
- on equity price risk [1]	—	—	181,700	—	181,700
Total	$ 1,409	$ —	$ 181,700	$ —	$ 183,109

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

Equity Price Risk

In June 2020, the Company issued $287.5 million in cash exchangeable senior notes and entered into related capped call transactions. The cash exchangeable senior notes include an embedded exchange feature that is bifurcated from the cash exchangeable senior notes. Please refer to "Note 18. Financial Liabilities" for further details. The embedded exchange feature derivative is measured at fair value using a binomial lattice model and discounted cash flows that utilize observable and unobservable market data. The capped call derivative is measured at fair value using the Black-Scholes model utilizing observable and unobservable market data, including stock price, remaining contractual term, expected volatility, risk-free interest rate and expected dividend yield, as applicable.

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

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

The fair value of the embedded exchange feature derivative liability and the capped call derivative assets were $181.7 million and $106.6 million, respectively, as of 31 December 2021, and the stock price volatility as of 31 December 2021 was 33%. As of 31 December 2021, a 10% lower volatility, holding other inputs constant, would result in approximate fair value for the embedded exchange feature derivative of $166.1 million and a 10% higher volatility, holding other inputs constant, would result in approximate fair value of $200.0 million. As of 31 December 2021, a 10% lower volatility, holding other inputs constant would

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result in approximate fair value for the capped call derivatives of $119.6 million and a 10% higher volatility, holding other inputs constant, would result in approximate fair value of $95.8 million.

Foreign Currency Exchange Rate Risk

Foreign currency exchange rate ("FX") risk is the risk that reported financial performance of the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. LivaNova operates in many countries and currencies and therefore currency fluctuations may impact LivaNova's financial results. In the ordinary course of business, LivaNova is exposed to foreign currency exchange rate fluctuations, particularly between the USD, Euro, Canadian Dollar, GBP and Japanese Yen. LivaNova is exposed to currency risk in the following areas:

- Transaction exposures, related to anticipated sales and purchases and on-balance-sheet receivables/payables resulting from such transactions
- Translation exposure of foreign-currency intercompany and external debt
- Translation exposure of net income in foreign entities
- Translation exposure of foreign-currency denominated equity invested in consolidated companies

Due to the global nature of LivaNova's operations, the Company is exposed to foreign currency exchange rate fluctuations. Historically, the Company has maintained a foreign currency exchange rate risk management strategy that utilizes cash flow hedges and freestanding foreign currency derivatives to reduce the Company's exposure to unanticipated fluctuations in forecasted revenue and costs, inter-company debt, deposits and accounts receivable caused by changes in foreign currency exchange rates. Additionally, foreign currency exchange rate exposure is partly balanced by purchasing of goods, commodities and services in the respective currencies, as well as production activities in the local markets. LivaNova's operating units are prohibited from borrowing or investing in foreign currencies on a speculative basis. Upon the settlement of LivaNova's foreign currency cash flow hedges in the fourth quarter of 2022 and following an in-depth analysis of the utility of the Company's cash flow hedging program, LivaNova discontinued its foreign currency cash flow hedging program. LivaNova continues to use freestanding derivative forward contracts to offset exposure to the variability of the value associated with assets and liabilities denominated in a foreign currency.

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

With regard to financial instruments denominated in currencies other than the currency of account of the companies holding them, the currencies involving the greatest exposure are the USD, Euro, GBP and Japanese Yen as indicated below (in thousands):

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

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

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	31 December 2021					
	EUR	USD	JPY	GBP	Other	Total
Assets						
Cash and cash equivalents denominated in foreign currency	$ —	$ 92,161	$ 9,755	$ 2,037	$ 13,359	$ 117,312
Trade receivables denominated in foreign currency	1,140	28,864	—	—	5,682	35,686
Other assets denominated in foreign currency	10,808	458	—	215	178	11,659
Total assets	11,948	121,483	9,755	2,252	19,219	164,657
Liabilities						
Trade payables denominated in foreign currency	12	2,262	277	40	368	2,959
Financial liabilities denominated in foreign currency	—	229	—	3,835	220	4,284
Other liabilities denominated in foreign currency	7	1,536	—	8,990	226	10,759
Total liabilities	19	4,027	277	12,865	814	18,002
Net exposure	$ 11,929	$ 117,456	$ 9,478	$ (10,613)	$ 18,405	$ 146,655
Financial derivative assets						
- for hedging	$ —	$ —	$ —	$ —	$ —	$ —
Total assets	—	—	—	—	—	—
Financial derivative liabilities						
- not for hedging [1]	138	271	(174)	(101)	232	366
- for hedging	1,197	—	(243)	88	—	1,042
Total liabilities	1,335	271	(417)	(13)	232	1,408
Net exposure	$ (1,335)	$ (271)	$ 417	$ 13	$ (232)	$ (1,408)

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

Interest Rate Risk

The Company's main interest rate risk arises from long-term debt with variable rates, which expose the Company to cash flow interest rate risk. LivaNova's policy is to hedge, case by case, medium-long term loans from a floating to a fixed rate, to avoid the impact on net earnings of any potential increase of interest rates. During the years ended 31 December 2022, the Company's debt at variable rates was denominated both in EUR and in USD.

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

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

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

As at 31 December 2021, LivaNova Group had the following variable rate financing denominated in USD:

- a local credit facility in favour of LivaNova Colombia Sas for $1.5 million.

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

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

Credit Risk

LivaNova trade receivables represent potential concentrations of credit risk. This risk is limited due to the large number of customers and their dispersion across a number of geographic areas, as well as the Company's efforts to control LivaNova's exposure to credit risk by monitoring the Company's receivables, the use of credit approvals and credit limits. Refer to "Note 15. Trade Receivables and Other Receivables" for more details. In addition, LivaNova has historically had strong collections and minimal write-offs. While the Company believes that its reserves for credit losses are adequate, essentially all of the Company's trade receivables are concentrated in the hospital and healthcare sectors worldwide, and accordingly, LivaNova is exposed to their respective business, economic and country-specific variables. Although LivaNova does not currently foresee a concentrated credit

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risk associated with these receivables, repayment is dependent on the financial stability of these industry sectors and the respective countries' national economies and healthcare systems.

The maximum theoretical credit risk exposure for LivaNova is an aggregate carrying amount of financial assets at each reporting year date (in thousands):

	31 December 2022	31 December 2021
Financial assets	$ 22,431	$ 24,640
Other assets	8,087	4,274
Trade receivables	183,110	185,354
Financial derivative assets	55,726	106,629
Other financial assets	1,679	5,503
Cash and cash equivalents	214,172	207,993
Guarantees	30,050	35,072
Total	$ 515,255	$ 569,465

The risk related to cash and cash equivalents, financial assets and financial derivatives assets is limited since all bank and financial counter-parties have a high rating.

The guarantees issued by LivaNova are primarily due to unconditional bank guarantees, irrevocable letters of credit, bid bonds, guarantees to the governmental tax authorities and tenancy guarantees, and thus, the related credit risk is remote and has been remote as viewed on a historical basis.

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

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum investment grade credit rating are accepted.

For customers, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external information in accordance with limits set by the Company's Treasury Group. The compliance with and authorisation of credit limits by customers is regularly monitored by line management. Additionally, the Company established a policy for expected credit loss provisions based on lifetime expected credit losses, which provides the methodology to be used to calculate an addition to the provision for uncollectible receivables for past-due receivables for each LivaNova entity and the ageing of each receivable.

Changes in provisions for uncollectible receivables are explained in "Note 15. Trade Receivables and Other Receivables."

For the purposes of disclosing the credit risk to which LivaNova is exposed, below is a breakdown of trade receivables by due dates (in thousands):

	Expected Loss Rate [1]	31 December 2022	31 December 2021
Trade receivables			
Performing	0.04% - 6.0%	$ 156,107	$ 150,071
Less than 30 days past due	0.38% - 12.0%	15,445	13,245
31-120 days past due	0.38% - 30.0%	11,558	13,708
121-365 days past due	0.38% - 30.0%	—	8,330
Total		$ 183,110	$ 185,354

(1) Expected loss rates are applied based upon risk-ranked groupings of countries where the underlying sales are made.

Trade receivables that are past due were $27.0 million and $35.3 million at 31 December 2022 and 31 December 2021, respectively. Of this amount, 30.0% and 25.0% at 31 December 2022 and 31 December 2021, respectively, were receivables from certain government hospitals that pay their suppliers in 1-2 years on average, and the remaining are receivables from private customers, clinics and distributors, some of which have agreed to repayment plans through the renegotiation of payment terms.

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Note 4. Financial Risk Management

At 31 December 2022 and 31 December 2021, the amount of performing receivables that were from government (public) hospitals were 13.0% and 11.0% of total performing receivables, respectively, as indicated in the following table (in thousands):

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

Concentrations of risk by region are provided below to further assess the risk related to the trade receivables (in thousands except days of sales outstanding ("D.S.O.")):

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

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

The average collection period decreased from 66 days at 31 December 2021 to 60 at 31 December 2022. The D.S.O., or average collection period, is calculated as the ratio of total receivables at the end of the year to revenues generated in the 12 preceding months. D.S.O. = (Trade receivables/Revenues) * 365.

For comparability, the revenue amounts include VAT.

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

Capital management

LivaNova maintains a sufficient amount of capital to meet its development needs, fund the business units' operations and ensure the Company continues to be a going concern. The equilibrium of sources of funding, which is also aimed at minimising overall capital costs, is achieved by balancing risk capital contributed on a permanent basis by shareholders, and debt capital, which is in turn diversified and structured with several due dates and in other currencies. To this end, changes in debt levels in relation to both equity and operating profit, and the generation of cash by the business units are constantly kept under control. Please refer to the sections above titled "*Management of Financial Risk,*" "*Liquidity Risk,*" "*Foreign Currency Exchange Rate Risk,*" "*Interest Rate Risk,*" "*Credit Risk*" and "Note 18. Financial Liabilities."

Note 5. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The guidance also establishes a hierarchy for inputs used in measuring fair value that maximises the use of observable inputs and minimises the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability, based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. The categorisation of financial assets and financial liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy is broken down into three levels defined as follows:

- Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities

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- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly
- Level 3 – Inputs are unobservable for the asset or liability

No assets or liabilities are classified as Level 1. Financial assets and liabilities that are classified as Level 2 include derivative instruments, primarily forward and option currency contracts and interest rate swap contracts, which are valued using standard calculations and models that use readily observable market data as their basis. At 31 December 2022, Level 3 assets include investments in private companies, the capped call derivatives associated with the Company's 2020 cash exchangeable senior notes and convertible notes receivable primarily associated with LivaNova's investment in ALung. At 31 December 2022, level 3 liabilities include the embedded exchange feature of the Company's cash exchangeable senior notes and contingent consideration recognised as a result of the acquisitions of ImThera and ALung.

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

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

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

		Fair Value Measurements Using Inputs Considered as:		
	2021	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value	$ 15,811	$ —	$ —	$ 15,811
Derivative Assets – for hedging (exchange rates)	243	—	243	—
Derivative Assets – not for hedging (exchange rates)	61	—	61	—
Derivative Assets – capped call derivatives	106,629	—	—	106,629
Convertible notes receivable	2,767	—	—	2,767
Total assets	$ 125,511	$ —	$ 304	$ 125,207
Liabilities				
Derivative Liabilities – for hedging (exchange rates)	$ 1,286	$ —	$ 1,286	$ —
Derivative Liabilities – not for hedging (exchange rates)	427	—	427	—
Derivative Liabilities – embedded exchange feature	181,700	—	—	181,700
Earnout for contingent payments	98,382	—	—	98,382
Total Liabilities	$ 281,795	$ —	$ 1,713	$ 280,082

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

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

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

(1) In April 2021, Zoll Medical Corporation acquired Respicardia Inc. As a result of the acquisition we received proceeds of $23.1 million for our investment and loan receivable with carrying values of $17.7 million and $0.8 million as of 31 December 2020, respectively. The Company recorded a gains of $4.1 million and $0.5 million during the 2021 to adjust the investment and loans receivable to fair value, respectively, which is included in foreign exchange and other income / (expense) on the consolidated statements of (loss) income for the year ended 31 December 2021.

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

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

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

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

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

Level 2

To measure the fair value of its derivative transactions (transactions to hedge exchange risk), LivaNova calculates the mark-to-market of each transaction using prices quoted in active markets (e.g. the spot exchange rate of a currency for forward exchange transactions) and observable market inputs processed for the measurement (e.g. the fair value of an interest rate swap using the interest rate curve), or the measurement of an exchange rate option (with the processing of listed prices and observable variables such as volatility).

For all level 2 valuations, LivaNova uses the information provided by a third-party as a source for obtaining quoted observable prices and to process market variables. In particular, for forward exchange rate transactions, fair value is calculated using the forward market exchange rate on the reporting date for each contract. The difference calculated between this amount and the contractual forward rate is discounted (present value) to the same reporting date.

The derivative valuation models incorporate the credit quality of counterparts, adjustments for counterparts' credit risk and the Company's own non-performance risk.

Level 3

Financial assets at fair value consist of investments in equity shares, convertible preferred shares and convertible notes receivable of privately held companies for which there are no quoted market prices. These investments fall within Level 3 of the fair value

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hierarchy due to the use of significant unobservable inputs to determine fair value as the investments are privately held entities without quoted market prices. To determine the fair value of these investments management used all pertinent financial information available related to the entities including valuation reports prepared by third parties. Refer to "Note 13. Financial Assets" for a further discussion of the Company's investments.

The embedded exchange feature and capped call derivatives are classified as Level 3 as the Company uses historical volatility and implied volatility from options traded to determine expected stock price volatility, an unobservable input that is significant to the valuation.

Earnout for contingent payments related to LivaNova's acquisitions of ImThera and ALung represents the Company's contingent consideration liability as of 31 December 2022. This liability falls within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs to determine fair value as the liability is estimated as the probability of future cash flows, discounted to present value in accordance with accepted valuation methodologies. The discount rate used is determined at the time of measurement. Refer to "Note 21. Contingent Consideration, Litigation Provision Liability and Other Provisions" for a reconciliation of the changes in the fair value of the Company's contingent consideration liability.

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

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

The ImThera business combination involved contingent consideration arrangements composed of potential cash payments upon the achievement of a certain regulatory milestone and a sales-based earnout associated with sales of products. The sales-based earnout is valued using projected sales from LivaNova's internal strategic plan. These arrangements are Level 3 fair value measurements and include the following significant unobservable inputs as of 31 December 2022:

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

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

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

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

Transfers

LivaNova reviews the fair value hierarchy classification on a quarterly basis. Changes in the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. The Company's policy is to recognise transfers into and out of levels within the fair value hierarchy at the end of the fiscal quarter in which the actual event or change in

Note 5. Fair Value Measurements

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circumstances that caused the transfer occurs. There were no transfers between Level 1, Level 2 or Level 3 during the years ended 31 December 2022 and 2021. When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value.

Assets and Liabilities that are Measured at Fair Value on a Non-recurring Basis

Non-financial assets such as goodwill, intangible assets and property, plant and equipment are usually measured at fair value computed using the fair value less cost of disposal when there is an indicator of impairment and recorded at fair value only when impairment is recognised. Financial assets such as investments in shares are held at cost, which LivaNova believes it is an appropriate estimate of fair value unless more recent information is available sufficient to measure fair value. The fair values of these non-financial assets are based on the Company's own judgements about the assumptions that market participants would use in pricing the asset and on observable market data, when available. The Company classifies these measurements as Level 3 within the fair value hierarchy.

Financial Instruments Not Measured at Fair Value

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

The carrying value of LivaNova's long-term debt including the current portion, as of 31 December 2022, and 2021 was $541.4 million and $239.4 million, respectively. The fair value of the Company's Notes as of 31 December 2022, and 2021 was $328.1 million and $465.7 million, respectively. For all other long-term debt obligations, the Company believes the carrying value approximates fair value.

Note 6. Financial Instruments

The Group uses several instruments to fund its operating activities including short and long-term debt from credit institutions and other lenders and short-term bank loans. The Group's other financial instruments consist of trade payables and receivables resulting from operating activities, investments in other companies, assets and liabilities for financial derivatives (primarily interest rate swaps and forward foreign currency contracts) and other receivables and payables other than those related to staff, tax authorities and welfare agencies.

Classification of financial instruments

The classification of financial instruments measured at fair value changed from being measured through OCI to being measured in the profit or loss. With regard to classification of financial instruments on the basis of the types as specified in IFRS 9, the following should be noted:

- Assets and liabilities for financial derivatives related to contracts entered into to mitigate exchange risk on imports and exports are classified under "Financial assets/liabilities at fair value through OCI" when they meet the requirements for being recognised as hedge accounting instruments, and under "Financial assets/liabilities at fair value through profit or loss" when these requirements are not met.

Note 6. Financial Instruments

	Classification of Financial Instruments at 31 December 2022								
	Classification					Carrying Amount			
(in thousands)	Financial Assets/ Liabilities at Fair Value Through Profit or Loss	Receivables and Loans Measured at Amortised Cost	Financial Assets Measured at Amortised Cost	Financial Liabilities at Amortised Cost	Financial Assets/ Liabilities at Fair Value Through OCI	Total	Current Portion	Non-Current Portion	Fair Value
Assets									
Financial assets	$ 14,288	$ 1,884	$ 6,259	$ —	$ —	$ 22,431	$ —	$ 22,431	$ 22,431
Other assets	—	8,087	—	—	—	8,087	—	8,087	8,087
Trade receivables	—	183,110	—	—	—	183,110	183,110	—	183,110
Financial derivative assets	55,726	—	—	—	—	55,726	1,333	54,393	55,726
Other financial assets	—	1,679	—	—	—	1,679	1,679	—	1,679
Cash, cash equivalents and restricted cash	—	515,618	—	—	—	515,618	515,618	—	515,618
Total financial assets	$ 70,014	$ 710,378	$ 6,259	$ —	$ —	$ 786,651	$ 701,740	$ 84,911	$ 786,651
Liabilities									
Financial liabilities	$ —	$ —	$ —	$ 538,936	$ —	$ 538,936	$ 20,892	$ 518,044	$ 636,344
Lease liabilities	—	—	—	38,925	—	38,925	9,312	29,613	38,925
Other liabilities	—	—	—	4,471	—	4,471	—	4,471	4,471
Trade payables	—	—	—	72,403	—	72,403	72,403	—	72,403
Other payables	—	—	—	61,526	—	61,526	61,526	—	61,526
Financial derivative liabilities	90,518	—	—	—	1,043	91,561	5,886	85,675	91,561
Other financial liabilities	—	—	—	2,727	—	2,727	2,727	—	2,727
Total financial liabilities	$ 90,518	$ —	$ —	$ 718,988	$ 1,043	$ 810,549	$ 172,746	$ 637,803	$ 907,957

	Classification of Financial Instruments at 31 December 2021								
	Classification					Carrying Amount			
(in thousands)	Financial Assets/ Liabilities at Fair Value Through Profit or Loss	Receivables and Loans Measured at Amortised Cost	Financial Assets Measured at Amortised Cost	Financial Liabilities at Amortised Cost	Financial Assets/ Liabilities at Fair Value Through OCI	Total	Current Portion	Non-Current Portion	Fair Value
Assets									
Financial assets	$ 15,811	$ 2,167	$ 6,662	$ —	$ —	$ 24,640	$ —	$ 24,640	$ 24,640
Other assets	—	4,274	—	—	—	4,274	—	4,274	4,274
Trade receivables	—	185,354	—	—	—	185,354	185,354	—	185,354
Financial derivative assets	106,629	—	—	—	—	106,629	106,629	—	106,629
Other financial assets	—	5,503	—	—	—	5,503	5,503	—	5,503
Cash and cash equivalents	—	207,993	—	—	—	207,993	207,993	—	207,993
Total financial assets	$ 122,440	$ 405,291	$ 6,662	$ —	$ —	$ 534,393	$ 505,479	$ 28,914	$ 534,393
Liabilities									
Financial liabilities	$ —	$ —	$ —	$ 236,732	$ —	$ 236,732	$ 226,946	$ 9,786	$ 299,148
Lease liabilities	—	—	—	47,364	—	47,364	11,281	36,083	47,364
Other liabilities	—	—	—	2,472	—	2,472	—	2,472	2,472
Trade payables	—	—	—	66,754	—	66,754	66,754	—	66,754
Other payables	—	—	—	59,876	—	59,876	59,876	—	59,876
Financial derivative liabilities	182,066	—	—	—	1,043	183,109	183,109	—	183,109
Other financial liabilities	—	—	—	2,727	—	2,727	2,727	—	2,727
Total financial liabilities	$ 182,066	$ —	$ —	$ 415,925	$ 1,043	$ 599,034	$ 550,693	$ 48,341	$ 661,450

Note 7. Business Combinations

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

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 synergies anticipated between ALung and LivaNova's ACS business. The assets acquired, including goodwill, are recognized in LivaNova's ACS segment. The goodwill for the ACS reporting unit was fully impaired during the year ended 31 December 2022. Please refer to "Note 11. Goodwill and Intangible Assets" for further details.

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

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

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

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

Note 8. Divestiture of Heart Valve Business

Heart Valves

On 2 December 2020, LivaNova entered into a Heart Valve Purchase Agreement with Mitral Holdco S.à r.l. (Mitral), a company incorporated under the laws of Luxembourg and wholly-owned and controlled by funds advised by Gyrus Capital S.A., a Swiss private equity firm. The Purchase Agreement provided for the divestiture of certain of LivaNova's subsidiaries as well as certain other assets and liabilities relating to the Company's Heart Valve business and site management operations conducted by the Company's subsidiary LSM at the Company's Saluggia campus for $64.1 million. On 9 April 2021, LivaNova and the Purchaser entered into an Amended & Restated Purchase Agreement to, among other things, defer the closing of the sale and purchase of LSM by up to two years and include or amend certain additional terms relating to such deferral, including certain amendments relating to the potential hazardous substances liabilities of LSM and the related expense reimbursement provisions. On 9 April 2023, Mitral provided notice to LivaNova, pursuant to the Amended & Restated Purchase Agreement, that they would not exercise their right to purchase LSM.

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

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Note 8. Divestiture of Heart Valve Business

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

In conjunction with the sale, LivaNova entered into a transition services agreement to provide certain support services generally for up to twelve months from the closing date of the sale. These services include, among others, accounting, information technology, human resources, quality assurance, regulatory affairs, supply chain, clinical affairs and customer support. During the year ended 31 December 2021, the Company recognised income of $1.9 million, for providing these services. Income recognised related to the transition services agreements is recorded as a reduction to the related expenses in the associated expense line items in the consolidated statements of (loss) income.

Note 9. Restructuring

LivaNova initiates restructuring plans to leverage economies of scale, streamline distribution and logistics and strengthen operational and administrative effectiveness in order to reduce overall costs. A restructuring provision is recorded when a plan is approved and communicated to employees.

During 2020, the Company initiated a reorganisation plan (the "2020 Plan") to reduce LivaNova's cost structure. LivaNova incurred restructuring expenses of $5.3 million during the year ended 31 December 2020, primarily associated with severance costs for approximately 54 employees, and $9.7 million during 2021, primarily associated with severance costs for 27 additional employees during 2021 under the 2020 Plan and lease abandonment costs. The 2020 Plan was completed during 2022.

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

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

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

(1) The restructuring plans' liabilities are recorded in the Consolidated Balance Sheet as $0.4 million within provisions and $0.4 million within other payables as of 31 December 2021.

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

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

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

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Note 10. Property, Plant and Equipment

(in thousands)	Land	Buildings and Building Improvements	Equipment, Other, Furniture, Fixtures	Capital Investment in Process	Total
At 31 December 2022					
Gross amount	$ 14,637	$ 80,611	$ 174,352	$ 7,355	$ 276,955
Accumulated depreciation and impairment	—	(26,301)	(118,354)	—	(144,655)
Net amount	$ 14,637	$ 54,310	$ 55,998	$ 7,355	$ 132,300
At 31 December 2021					
Gross amount	$ 15,099	$ 79,475	$ 170,814	$ 10,203	$ 275,591
Accumulated depreciation and impairment	—	(23,107)	(111,384)	—	(134,491)
Net amount	$ 15,099	$ 56,368	$ 59,430	$ 10,203	$ 141,100

Changes during the year in the net amount of each category of property, plant and equipment are indicated below (in thousands):

	Land	Buildings and Building Improvements	Equipment, Other, Furniture, Fixtures	Capital Investment in Process	Total
Net Amount at 31 December 2020	$ 15,750	$ 56,713	$ 64,281	$ 19,531	$ 156,275
Additions	—	1,329	9,234	9,218	19,781
Disposals	—	(607)	(2,037)	(815)	(3,459)
Depreciation	—	(4,819)	(15,867)	—	(20,686)
Currency translation loss	(651)	(2,330)	(4,925)	1,321	(6,585)
Reclassifications [1]	—	6,082	8,744	(19,052)	(4,226)
Net Amount at 31 December 2021	15,099	56,368	59,430	10,203	141,100
Acquisition of ALung	—	—	44	—	44
Additions	—	823	6,703	9,887	17,413
Disposals	—	(21)	(892)	(197)	(1,110)
Impairment	—	—	(325)	(363)	(688)
Depreciation	—	(4,365)	(14,130)	—	(18,495)
Currency translation loss	(462)	(1,546)	(2,672)	(487)	(5,167)
Reclassifications [1]	—	3,051	7,840	(11,688)	(797)
Net Amount at 31 December 2022	$ 14,637	$ 54,310	$ 55,998	$ 7,355	$ 132,300

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

Note 11. Goodwill and Intangible Assets

(in thousands)	Goodwill	Developed Technology	Customer Relationships	Trade Names	In-Process R&D	Other Intangible Assets	Software	Total
At 31 December 2022								
Gross amount	$ 453,794	$ 217,205	$ 184,397	$ 24,368	$ 112,000	$ 762	$ 45,080	$ 583,812
Accumulated amortisation	—	(80,219)	(72,820)	(16,483)	—	(650)	(30,270)	(200,442)
Net amount	$ 453,794	$ 136,986	$ 111,577	$ 7,885	$ 112,000	$ 112	$ 14,810	$ 383,370
At 31 December 2021								
Gross amount	$ 579,762	$ 219,706	$ 192,800	$ 25,154	$ 112,000	$ 623	$ 35,951	$ 586,234
Accumulated amortisation	—	(68,488)	(65,106)	(16,500)	—	(505)	(27,112)	(177,711)
Net amount	$ 579,762	$ 151,218	$ 127,694	$ 8,654	$ 112,000	$ 118	$ 8,839	$ 408,523

Note 11. Goodwill and Intangible Assets

The changes in the net carrying value of each class of intangible assets during the year are indicated below (in thousands):

	Goodwill	Developed Technology	Customer Relationships	Trade Names	In-Process R&D	Other Intangible Assets	Software	Total
Net Amount at 31 December 2020	$ 591,639	$ 170,314	$ 145,759	$ 9,424	$ 112,000	$ 138	$ 7,531	$ 445,166
Additions	—	—	—	—	—	11	1,037	1,048
Amortisation	—	(14,201)	(11,512)	(770)	—	(33)	(3,765)	(30,281)
Currency translation (loss) gain	(11,877)	(4,895)	(6,553)	—	—	2	(190)	(11,636)
Reclassifications [1]	—	—	—	—	—	—	4,226	4,226
Net Amount at 31 December 2021	579,762	151,218	127,694	8,654	112,000	118	8,839	408,523
Acquisition	26,870	2,900	—	—	—	—	—	2,900
Additions	—	—	—	—	—	6	9,185	9,191
Amortisation	—	(13,833)	(10,540)	(769)	—	(56)	(3,846)	(29,044)
Impairment	(144,990)	—	—	—	—	—	—	—
Currency translation loss	(7,848)	(3,299)	(5,577)	—	—	(6)	(115)	(8,997)
Reclassifications [1]	—	—	—	—	—	50	747	797
Net Amount at 31 December 2022	$ 453,794	$ 136,986	$ 111,577	$ 7,885	$ 112,000	$ 112	$ 14,810	$ 383,370

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

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

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

	Minimum Life in Years	Maximum Life in Years
Developed technology [1]	14	17
Customer relationships [1]	8	18
Trade names	15	15
Software	3	5

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

The amortisation periods for LivaNova's finite-lived intangible assets as of 31 December 2021 were as follows:

	Minimum Life in Years	Maximum Life in Years
Developed technology [1]	14	17
Customer relationships [1]	8	18
Trade names	15	15
Software	3	10

(1) As at 31 December 2021, developed technology from the Merger had a remaining useful life of 9 to 12 years, customer relationships from the Merger had a remaining useful life of 12 years and developed technology from the TandemLife acquisition had a remaining useful life of 12 years.

Note 11. Goodwill and Intangible Assets

Impairment of Goodwill and Intangible Assets

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

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

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

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

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

Additionally, as of 31 December 2022, LivaNova performed a quantitative assessment of the IPR&D recognised in conjunction with the acquisition of ImThera. The fair value less cost of disposal calculation was based on a projection period of 22 years. The assessment included a discounted cash flow model test that included a discount rate of 19.0% and an expected revenue growth rate range of 2.0-710.2%. Based on the assessment performed, the Company determined that the IPR&D asset was not impaired. The fair value less cost of disposal of the IPR&D asset recognised in conjunction with the acquisition of ImThera exceeded its carrying value by approximately 23.7% or $26.5 million as of 31 December 2022.

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

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Note 11. Goodwill and Intangible Assets

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

Note 12. Investments in Subsidiaries

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

	Registered Office	Country of Incorporation	% Consolidated Group Ownership
LivaNova PLC (Italian Branch)	Via Enrico Cialdini, 16, 20161 Milano Italy	Italy	100
ALung Technologies, Inc.	2500 Jane St., Ste 100, Pittsburgh, PA 15203	U.S.	100
Caisson Interventional, LLC	6500 Wedgwood Rd., Maple Grove, MN 55311	U.S.	100
CardiacAssist, Inc. Dba TandemLife	620 Alpha Drive, Ste 200, Pittsburgh, PA 15238	U.S.	100
Cyberonics Holdings LLC [1]	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
Cyberonics Netherlands CV [1]	100 Cyberonics Boulevard, Houston, TX 77058 USA	Netherlands	100
ImThera Medical, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
LivaNova Australia PTY Limited	Unit 1, 63 Wells Road, Chelsea Heights VIC 3196	Australia	100
LivaNova Austria GmbH	Millennium Tower, Handelskai 94-96, 1200 Wien	Austria	100
LivaNova Belgium NV	Ikaroslaan 83, 1930 Zaventem, Belgium	Belgium	100
LivaNova Brasil Comércio e Distribuição de Equipamentos Médico-hospitalares Ltda	Rua Liege, 54 – Vila Vermelha, 04298-070 – São Paulo - SP - Brasil	Brazil	100
LivaNova Canada Inc.	8-280 Hillmount Road Markham, ON L6C 3A1	Canada	100
LivaNova Cayman Limited	Cannon Place, Grand Cayman, Cayman Islands	Cayman Islands	100
LivaNova Chile SpA	Santiago, Chile	Chile	100
LivaNova Colombia Sas	Avenida Calle 80 No. 69-70 Bodega 37, Bogotá, Colombia	Colombia	100
LivaNova Deutschland GmbH	Lindberghstrasse 25, D - 80939 München, Germany	Germany	100
LivaNova España, S.L.	Avenida Diagonal 123, planta 10, 08005, Barcelona, Spain	Spain	100
LivaNova Finland OY	c/o Kalliolaw Asianajotoimisto Oy, Södra kajen 12, 00130 Helsinki, Finland	Finland	100
LivaNova Holding S.r.l.	Via Enrico Cialdini, 16, 20161 Milano Italy	Italy	100
LivaNova Hong Kong Limited	4008-4009, 40/F, One Pacific Place, 88 Queensway, Hong Kong	Hong Kong	100
LivaNova Hungary Limited Liability Company	H-1062 Budapest, Váci út 1-3, A épület, 6. em.	Hungary	100
LivaNova, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
LivaNova India Private Limited	603-A, Copia Corporate Suites, Building #09, Jasola District Centre, New Delhi, India 110025	India	100
LivaNova IP Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100
LivaNova Japan K.K.	11-1 Nagatacho 2 chome, Chiyoda-ku, Tokyo, 100-6110 Japan	Japan	100
LivaNova (Thailand) Ltd	999, Gaysorn Building, 5th Floor, Unit 5B-1, Room no 535 ,509-510 Ploenchit Rd., Lumpini, Patumwan, Bangkok 103304	Thailand	100
LivaNova (China) Medical Technology Co. Ltd	Room 3006, 30F, C Building, SML Centre, No. 610 Xujiahui Road, Huangpu District, Shanghai, 200025, China	China	100
LivaNova Malaysia Sdn. Bhd.	Unit A-3-6, TTDI Plaza, Jalan Wan Kadir 3, Taman Tun Dr Ismail, 60000 Kuala Lumpur, Malaysia	Malaysia	100
LivaNova Nederland N.V.	Westerdoksdijk 423, 1013 BX, Amsterdam, Netherlands	Netherlands	100
LivaNova Norway AS	c/o AmestoAccounthouse AS, Smeltedigelen 1, 0195 Oslo, Norway	Norway	100
LivaNova Poland Sp. Z o.o.	Park Postepu Bud A Ul. Postepu 21 PL-02 676 Warszawa, Poland	Poland	100
LivaNova SAS	Issy-les-Moulineaux (92130), 24 rue du Gouverneur Général Éboué, France	France	100
LivaNova Scandinavia AB	Djupdalsvägen 16, 192 51 Sollentuna, Sweden	Sweden	100
LivaNova Singapore Pte Ltd	11 North Buona Vista Drive #13-09, The Metropolis, Singapore 138589	Singapore	100
LivaNova Site Management S.r.l.	Via Enrico Cialdini, 16, 20161 Milano Italy	Italy	100
LivaNova Switzerland SA	Rue du Grand-Pont 12, 1003 Lausanne	Switzerland	100
LivaNova Taiwan Co. Ltd	2F., No. 101, Songren Rd., Xinyi Dist., Taipei City, 11073, Taiwan (R.O.C.)	Taiwan	100
LivaNova Turkey Medikal Limited Sirketi	Nart E-office, Pol Center Ecza Sok. No.4 Levent Istanbul	Turkey	100
LivaNova UK Limited	1370 Montpellier Court, Gloucester Business Park, Gloucester, Gloucestershire, GL3 4AH, United Kingdom	United Kingdom	100
LivaNova USA, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100
LIVN Irishco 2 UC	Deloitte, 6 Lapps Quay, Cork, T12 TA48, Ireland	Ireland	100
LIVN Luxco 2 sarl	15 Rue Edward Steichen L-2540 Luxembourg	Luxembourg	100
LIVN UK 2 Co Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100
LIVN UK Holdco Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100
LIVN US 3, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100

Note 12. Investments in Subsidiaries

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

(1) Cyberonics Netherlands CV, Cyberonics Holdings LLC and LIVN Irishco Unlimited were liquidated during 2022.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of Ordinary Shares held.

Operating performance of the main group companies - 5% and greater of external net revenue:

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

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

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

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

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

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

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

Note 13. Financial Assets

Non-Current Financial Assets

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

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Note 13. Financial Assets

The table below lists LivaNova's non-current financial assets of investments in equity instruments in privately-held companies held at cost, which the Company believes it is an appropriate estimate of fair value unless more recent information is available sufficient to measure fair value, in the consolidated balance sheet (in thousands):

	Percent Ownership 31 December 2022	Percent Ownership 31 December 2021	Security	Address	Fair Value 31 December 2022	Fair Value 31 December 2021
ShiraTronics, Inc.	13.4%	14.9%	Series A Preferred Shares	9210 Wyoming Ave. N., Suite 275, Brooklyn Center, MN 55445	$ 5,000	$ 3,331
Noctrix Health, Inc.	10.5%	10.5%	Series A Preferred Shares	724 Brannan St., San Francisco, CA 94103	3,159	3,159
ALung Technologies, Inc. (1)	100.0%	3.0%	Series C Preferred Shares	2500 Jane St., Pittsburgh, PA 15203	—	3,000
Ceribell, Inc.	3.0%	3.0%	Series B Preferred Shares	2483 Old Middlefield Way #120, Mountain View, CA 94043	3,000	3,000
MD Start II (2)	9.3%	9.3%	Series A Shares	7-11 bd Haussmann, 75009 Paris, France	1,069	1,135
Rainbow Medical Ltd.	1.6%	1.6%	Ordinary Shares	85 Medinat Hayehudim St., Business Park, G Building, Herzeliya Pituach, Israel	1,047	1,111
Highlife SAS	7.0%	7.0%	Series A Preferred Shares	168 rue de Grenelle, 75007 Paris, France	1,013	1,075
					$ 14,288	$ 15,811

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

(2) During the second quarter of 2021 the Company received a cash dividend from its investment in MD Start II of $3.1 million, which is included in foreign exchange and other income/(expense) on the consolidated statements of (loss) income for the year ended 31 December 2021.

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

	Percent Ownership 31 December 2022	Percent Ownership 31 December 2021	Address
MD Start I K.G.	23.4%	23.4%	7-11 bd Haussmann, 75009 Paris, France
Enopace Biomedical Ltd.	34.5%	34.5%	15 Alon ha-Tavor Street, Caesarea, Haifa District, Israel
Cardiosolutions, Inc.	35.3%	35.3%	375 West Street, West Bridgewater, MA 02379
La Bouscarre S.C.I.	50.0%	50.0%	Route de Revel, 31450 Fourquevaux, France
MD Start III (1)	10.4%	10.4%	7-11 bd Haussmann, 75009 Paris, France

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

Current Financial Assets:

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

Note 14. Inventories

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

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

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

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Note 14. Inventories

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

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Note 15. Trade Receivables and Other Receivables

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

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

LivaNova's customers consist of hospitals, other healthcare institutions, distributors, organised purchase groups and government and private entities. Actual collection periods for trade receivables vary significantly as a function of the nature of the customer (e.g. government or private) and its geographic location.

Trade receivables are reported net of the expected credit loss provision, the changes in which are provided below (in thousands):

	31 December 2022	31 December 2021
Beginning of year	$ (13,511)	$ (10,310)
Additions to provision	(186)	(5,206)
Utilisation	1,175	1,204
Currency translation gains	660	801
End of year	$ (11,862)	$ (13,511)

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

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

Note 16. Derivative Financial Instruments

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

LivaNova is also exposed to equity price risk in connection with the Company's Notes, including exchange and settlement provisions based on the price of LivaNova's Ordinary Shares at exchange or maturity of the Notes. In addition, the capped call transactions associated with the Notes also include settlement provisions that are based on the price of LivaNova's Ordinary Shares, subject to a capped price per share. The Company does not enter into derivative contracts for speculative purposes.

LivaNova measures all outstanding derivatives each period end at fair value and report the fair value as either financial assets or liabilities on the consolidated balance sheets. At inception of the contract, the derivative is designated as either a freestanding derivative or a hedge. Derivatives that are not designated as hedging instruments are referred to as freestanding derivatives with changes in fair value included in earnings.

If the derivative qualifies for hedge accounting, changes in the fair value of the derivative will be recorded in AOCI until the hedged item is recognised in earnings upon settlement/termination. FX derivative gains and losses in AOCI are reclassified to LivaNova's consolidated statements of (loss) income as shown in the tables below, and interest rate swap gains and losses in AOCI are reclassified to finance expense on LivaNova's consolidated statements of (loss) income. The Company evaluates hedge effectiveness at inception. Cash flows from derivative contracts are reported as operating activities on the Company's consolidated statements of cash flows.

Freestanding FX Derivative Contracts

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

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

Counterparty Credit Risk

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

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

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

Cash Flow Hedges

Foreign Currency Risk

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

Interest Rate Risk

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

There was no hedge ineffectiveness or component of the FX derivative contracts excluded in the measurement of hedge effectiveness during the years ended 31 December 2022 and 31 December 2021.

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

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

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

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

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

Note 16. Derivative Financial Instruments

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Presentation in Financial Statements

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

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

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

LivaNova offsets fair value amounts associated with the Company's derivative instruments on its consolidated balance sheets that are executed with the same counterparty under master netting arrangements. The Company's netting arrangements include a right to set off or net together purchases and sales of similar products in the settlement process.

The following tables present the fair value, and the location of, derivative contracts reported on the consolidated balance sheets as of 31 December 2022 and 2021 (in thousands):

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

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

Note 16. Derivative Financial Instruments

2021	Asset Derivatives		Liability Derivatives	
Derivatives Designated as Hedging Instruments	**Balance Sheet Location**	**Fair Value [1]**	**Balance Sheet Location**	**Fair Value [1]**
FX derivative contracts	Current financial derivative liabilities	$ 243	Current financial derivative liabilities	$ 1,286
Total derivatives designated as hedging instruments		243		1,286
Derivatives Not Designated as Hedging Instruments				
FX derivative contracts	Current financial derivative liabilities	61	Current financial derivative liabilities	427
Capped call derivatives	Current financial derivative asset	106,629		
Embedded exchange feature			Current financial derivative liabilities	181,700
Total derivatives not designated as hedging instruments		106,690		182,127
Total derivatives		$ 106,933		$ 183,413

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

Note 17. Shareholders' Equity

LivaNova is incorporated in England and Wales as a public company limited by shares. The principal legislation under which LivaNova operates is the Companies Act 2006, and regulations made thereunder. LivaNova Ordinary Shares were registered under the U.S. Securities Act, pursuant to the Registration Statement on Form S-4 (File No. 333-203510), as amended, filed with the SEC by LivaNova and declared effective on 19 August 2015. LivaNova's Ordinary Shares are listed on Nasdaq under the ticker symbol "LIVN."

The Company's authorised share capital is as follows:

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

(1) Allotted, fully paid and issued.

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

Treasury shares. Shares held by the Employee Benefit Trust ("EBT") are issued to employees and directors at exercise of stock-based compensation grants. The balance of shares in the EBT are reported as treasury shares. LivaNova did not issue any additional shares to the Company's EBT during the years ended 31 December 2022 or 31 December 2021.

Group reconstruction reserve. The 'Group reconstruction reserve' represents the excess of value attributed to shares and share appreciation rights issued during the acquisition of Sorin S.p.A on 19 October 2015 over the nominal value of those shares and share rights. Additionally, on 6 August 2021, the Company closed an offering and issued 4,181,818 ordinary shares, par value £1.00 per share, at an offering price of $82.50 per share. Net proceeds from the offering were approximately $322.5 million, after deducting underwriting discounts, commissions and offering expenses, of which $316.7 million was recognised as group reconstruction reserve.

Treasury shares. Shares held by the Employee Benefit Trust ("EBT") are issued to employees and directors at exercise of stock-based compensation grants. The balance of shares in the EBT are reported as treasury shares. LivaNova PLC did not issue any additional shares to the Company's EBT during the years ended 31 December 2022 or 31 December 2021. As of 31 December 2022 and 2021, LivaNova held 287,315 and 498,213 shares in treasury.

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

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

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Note 17. Shareholders' Equity

(in thousands)	Change in Unrealised Gain (Loss) on Derivatives	Foreign Currency Translation Adjustments	Revaluation of Net Liability (Asset) for Defined Benefits	Total
Beginning Balance - 31 December 2020	$ 2,319	$ 3,759	$ (3,065)	$ 3,013
Other comprehensive (loss) income before reclassifications, before tax	(3,922)	(5,965)	1,095	(8,792)
Tax benefit (expense)	719	—	(163)	556
Other comprehensive (loss) income before reclassifications, net of tax	(3,203)	(5,965)	932	(8,236)
Reclassification of gain from accumulated other comprehensive loss, before tax	(75)	—	—	(75)
Tax effect	14	—	—	14
Reclassification of gain from accumulated other comprehensive loss, after tax	(61)	—	—	(61)
Net other comprehensive loss, net of tax	(3,264)	(5,965)	932	(8,297)
Ending Balance - 31 December 2021	(945)	(2,206)	(2,133)	(5,284)
Other comprehensive (loss) income before reclassifications, before tax	(3,688)	(22,170)	915	(24,943)
Tax benefit	—	—	38	38
Other comprehensive (loss) income before reclassifications, net of tax	(3,688)	(22,170)	953	(24,905)
Reclassification of income from accumulated other comprehensive loss, before tax	5,599	—	—	5,599
Tax effect	—	—	—	—
Reclassification of income from accumulated other comprehensive loss, after tax	5,599	—	—	5,599
Net other comprehensive loss, net of tax	1,911	(22,170)	953	(19,306)
Ending Balance - 31 December 2022	**$ 966**	**$ (24,376)**	**$ (1,180)**	**$ (24,590)**

Note 18. Financial Liabilities

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

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

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

Note 18. Financial Liabilities

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

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

Movements associated with the outstanding principal amounts of LivaNova's long-term debt for the year ended 31 December 2021 included the following (in thousands):

	Beginning of Fiscal Year 2021	Scheduled Principal Reductions	Early Extinguishment	Amortisation of Prepaid Loan Fees	FX - Translation and Other	End of Fiscal Year 2021
2020 Senior Secured Term Loan	$ 424,002	$ —	$ (426,951)	$ 2,949	$ —	$ —
2020 Cash Exchangeable Senior Notes	212,073	—	—	13,067	—	225,140
Bank of America Merrill Lynch Banco Múltiplo S.A.	6,515	—	—	—	(402)	6,113
Mediocredito Italiano	5,406	(1,680)	—	—	(347)	3,379
Bank of America, U.S.	2,019	—	(519)	—	—	1,500
Other	660	(57)	—	—	(3)	600
Totals	$ 650,675	$ (1,737)	$ (427,470)	$ 16,016	$ (752)	$ 236,732

Revolving Credit

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

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

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

On 12 August 2021, the Company terminated its previous $50.0 million revolving credit facility agreement with ACF FINCO I LP, which was undrawn, resulting in a loss on debt extinguishment of $1.6 million recognised during the year ended 31 December 2021 primarily associated with the write-off of unamortised debt issuance costs, and is included within loss on debt extinguishment on the consolidated statements of (loss) income.

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Bridge Loan Facility

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

On 18 March 2022, LivaNova PLC, acting through its Italian branch, entered into an Indemnity Letter and an Account Pledge Agreement with Barclays, further to which Barclays issued the SNIA Litigation Guarantee. As security for the SNIA Litigation Guarantee, LivaNova is required to grant cash collateral to Barclays in USD in an amount equal to the USD equivalent of 105% of the amount of the SNIA Litigation Guarantee calibrated on a biweekly basis. The proceeds of the Bridge Loan Facility were used by LivaNova to post a portion of the cash collateral supporting the SNIA Litigation Guarantee. Cash collateral classified as restricted cash on the consolidated balance sheet as of 31 December 2022 was $301.4 million. For additional information regarding the SNIA litigation, please refer to "Note 26. Commitments and Contingencies."

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

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

Term Facilities

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

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

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

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

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

2020 Cash Exchangeable Senior Notes

On 17 June 2020, LivaNova's wholly-owned subsidiary, LivaNova USA, issued $287.5 million aggregate principal amount of 3.00% Notes by private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The sale of the Notes resulted in approximately $278.0 million in net proceeds to the Company after deducting issuance costs. Interest is payable semiannually in arrears on 15 June and 15 December of each year. The EIR of the Notes as of 31 December 2022 was 9.95%. The Notes mature on 15 December 2025 unless earlier exchanged, repurchased, or redeemed.

Debt discounts and issuance costs related to the Notes were approximately $82.0 million and included $75.0 million of discount attributable to the embedded exchange feature, discussed below, and $7.0 million of allocated issuance costs to the Notes related to legal, bank and accounting fees. Amortisation of debt discount and issuance costs was $14.4 million and $13.1 million for the years ended 31 December 2022 and 2021, respectively, and is included in finance expense on the consolidated statement of income (loss). The unamortised discount related to the Notes as of 31 December 2022 and 2021 was $47.9 million and $62.4 million, respectively.

Holders of the Notes are entitled to exchange the Notes at any time during specified periods, at their option. This includes the right to exchange the Notes during any calendar quarter, if the last reported sale price of LivaNova's Ordinary Shares, with a nominal value of £1.00 per share, is greater than or equal to 130% of the exchange price, or $79.27 per share for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter. The exchange condition was not satisfied on 31 December 2022. As a result, LivaNova has included the Company's obligations from the Notes and the associated embedded exchange feature derivative as a long-term liability on the consolidated balance sheet as of 31 December 2022. The exchange condition was not satisfied during the quarterly period ending 31 March 2022. As such, the Notes are not currently exchangeable. The Notes are exchangeable solely into cash and are not exchangeable into ordinary shares of LivaNova or any other security under any circumstances. The initial exchange rate for the Notes is 16.3980 ordinary shares per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $60.98 per share). The exchange rate is subject to adjustment in certain circumstances, as set forth in the indenture governing the Notes.

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

Embedded Exchange Feature

The embedded exchange feature of the Notes requires bifurcation from the Notes and is accounted for as a derivative liability. The fair value of the Notes' embedded exchange feature derivative at the time of issuance was $75.0 million and was recorded as debt discount on the Notes. This discount is amortised as finance expense using the effective interest method over the term of the Notes. The Notes' embedded exchange feature derivative is carried on the consolidated balance sheets at its estimated fair value and is adjusted at the end of each reporting period, with the unrealized gain or loss reflected within net gain/(loss) on embedded exchange feature and capped call derivatives on the consolidated statements of (loss) income. The fair value of the embedded exchange feature derivative liability was $85.7 million and $181.7 million as of 31 December 2022 and 2021, respectively.

Capped Call Transactions

In connection with the pricing of the Notes, the Company entered into privately negotiated capped call transactions with certain of the initial purchasers of the Notes or their respective affiliates. The capped call transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the Notes, the number of LivaNova's Ordinary Shares underlying the Notes, and are generally expected to offset any cash payments the Company is required to make upon exchange of the Notes in excess of the principal amount thereof in the event that the market value per ordinary share, as measured under the capped call transactions, is greater than the strike price of the capped call transactions, with such offset being subject to an initial cap price of $100.00 per share. The capped call transactions expire on 15 December 2025 and must be settled in cash. If the capped call transactions are converted or redeemed early, settlement occurs at their termination value, which is equal to their fair value at the time of the redemption. The capped call transactions are carried on the consolidated balance sheets as a derivative asset at their estimated fair value and are adjusted at the end of each reporting period, with unrealised gain or loss reflected within net gain/(loss) on embedded exchange feature and capped call derivatives on the consolidated statement of income (loss). The fair value of

Note 18. Financial Liabilities

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

2020 Senior Secured Term Loan

The Company used the net proceeds from the 2020 senior secured term loan, together with a portion of the net proceeds of the Notes, after fees, discounts, commissions and other expenses, to repay outstanding indebtedness under the Company's 2017 European Investment Bank loan, 2014 European Investment Bank loan, Banca Nazionale del Lavoro S.p.A loan, and 2019 Debt Facility and related expenses. The Company repaid approximately $528.0 million in aggregate outstanding principal, accrued interest and associated fees, including breakage fees and legal fees. The Company recognised a loss on debt extinguishment of $1.4 million during the year ended 31 December 2020. The loss on debt extinguishment was recognised in foreign exchange and other income/(expense) in the consolidated statements of (loss) income. The remainder of the proceeds from the concurrent financing transactions were used to pay the cost of capped call transactions and for general corporate purposes.

On 12 August 2021, the Company repaid in full and terminated its previously outstanding $450 million 2020 senior secured term loan, resulting in a loss on debt extinguishment of $58.6 million recognised during the year ended 31 December 2021, which is comprised of a $35.6 million make-whole premium and $23.0 million associated with the write-off of unamortised debt issuance costs, and is included within loss on debt extinguishment on the consolidated statements of (loss) income. For additional information, please refer to "Note 17. Shareholders' Equity."

Note 19. Leases

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

Right-of-Use Assets and Lease Liabilities

The movement in the ROU assets and lease liabilities by class of assets is as follows (in thousands):

	Real Estate	Vehicles	Others	Total ROU Assets	Lease Liabilities
Balance as of 1 January 2021	$ 45,854	$ 4,139	$ 385	$ 50,378	$ 53,501
Additions	6,668	2,610	190	9,468	9,457
Depreciation expense [1]	(13,678)	(2,011)	(230)	(15,919)	—
Disposals, modifications and other	(370)	(932)	(141)	(1,443)	(1,425)
Finance expense	—	—	—	—	1,552
Lease payments	—	—	—	—	(13,182)
Currency translation adjustments	(2,069)	(287)	(8)	(2,364)	(2,539)
Balance as of 31 December 2021	36,405	3,519	196	40,120	47,364
Additions	6,125	1,019	203	7,347	7,339
Depreciation expense [1]	(8,597)	(1,757)	(249)	(10,603)	—
Disposals, modifications and other	375	(16)	4	363	(2,479)
Finance expense	—	—	—	—	1,461
Lease payments	—	—	—	—	(12,441)
Currency translation adjustments	(2,145)	(283)	(7)	(2,435)	(2,319)
Balance as of 31 December 2022	$ 32,163	$ 2,482	$ 147	$ 34,792	$ 38,925

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

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Note 19. Leases

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

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

Contractual maturities of LivaNova's lease liabilities as of 31 December 2021 were as follows (in thousands):

2022	$	12,635
2023		10,146
2024		7,861
2025		5,011
2026		3,803
Thereafter		13,023
Total lease payments		52,479
Less: Amount representing finance charges		(5,115)
Net present value of lease liabilities	$	47,364

Lease Payments not Recognised as a Liability

LivaNova has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments (i.e., variable maintenance and utility expenses) are not permitted to be recognised as lease liabilities and are expensed as incurred. Expenses recognised during 2022 and 2021 relating to payments not included in the measurement of lease liabilities is as follows (in thousands):

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

At 31 December 2022 and 2021, LivaNova was committed to future lease payments of approximately $2.5 million and $2.8 million, respectively, relating to short-term leases and leases of low value assets that are not reflected in the measurement of lease liabilities. These payments will generally be made ratably over the next 3 to 5 years.

Furthermore, lessor lease revenue constituted less than 0.5% and less than 0.5% of total net revenue for the year ended 31 December 2022 and 2021, respectively.

Note 20. Other Non-Current Liabilities

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

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

Current Provisions

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

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

Non-Current Provisions

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

Product Remediation and Litigation Provision Liability.

On 29 December 2015, LivaNova received an FDA Warning Letter (the Warning Letter) alleging certain violations of FDA regulations applicable to medical device manufacturing at the Company's Munich, Germany and Arvada, Colorado facilities. On 13 October 2016, the Centers for Diseases Control and Prevention (CDC) and FDA separately released safety notifications regarding 3T devices in response to which LivaNova issued a Field Safety Notice Update for U.S. users of LivaNova's 3T devices to proactively and voluntarily contact facilities to facilitate implementation of the CDC and FDA recommendations.

On 31 December 2016, LivaNova recognised a liability for a product remediation plan related to LivaNova's 3T device. The remediation plan consisted primarily of a modification of the 3T device design to include internal sealing and the addition of a vacuum system to new and existing devices to address regulatory actions and to reduce further the risk of possible dispersion of aerosols from 3T devices in the operating room. LivaNova concluded that it was probable that a liability had been incurred upon management's approval of the plan and the commitments made by management to various regulatory authorities globally in November and December 2016, and furthermore, the cost associated with the plan was reasonably estimable.

In April 2017, LivaNova obtained CE Mark in Europe for the design change of the 3T device, and in October 2018, the FDA concluded that the Company could commence the vacuum canister and internal sealing upgrade program in the U.S. On 25 February 2020, LivaNova received clearance for K191402, a 510(k) for the 3T devices that addressed issues contained in the 2015 Warning Letter along with design changes that further mitigate the potential risk of aerosolization. Concurrent with this clearance, (1) 3T devices manufactured in accordance with K191402 will not be subjected to the import alert and (2) LivaNova initiated a correction to distribute the updated Operating Instructions cleared under K191402. In December 2022, LivaNova received a close-out letter from the FDA for the Warning Letter the Company received on 29 December 2015. Closure of the 2015 Warning Letter represents the culmination of LivaNova's corrective actions implemented at its Munich manufacturing facility and to the 3T Heater-Cooler device design.

LivaNova recognised product remediation expenses during the years ended 31 December 2022 and 2021 of nil and $0.8 million, respectively. In addition to changes to the estimated product remediation liability, product remediation expenses include internal labour costs, costs to remediate certain inspectional observations made by the FDA at the Company's Munich facility and costs associated with the incorporation of the modification of the 3T device design into the next generation 3T device. These costs and related legal costs are expensed as incurred and are not included within the product remediation liability presented above. As of 31 December 2022 and 2021, the liability related to the litigation involving the 3T device was $32.5 million and $39.5 million, respectively. LivaNova's related legal costs are expensed as incurred. For further information, please refer to "Note 26. Commitments and Contingencies."

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

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

Decommissioning Provision. Refer to "Note 26. Commitments and Contingencies" for more details.

The changes in the carrying value of current provisions during the year are indicated below (in thousands):

	Litigation Provision Liability[1]	Contingent Consideration [2]	Product Remediation	Restructuring Reserve [3]	Contractual Warranty Reserve	Decommissioning Provision [1]	Other Reserves	Total
31 December 2020	$ 31,625	$ 13,968	$ 1,056	$ 4,856	$ 879	$ 539	$ 6,781	$ 59,704
Change in fair value	—	3,163	—	—	—	—	—	3,163
Additions to provision	35,055	—	712	4,363	53	—	1,251	41,434
Utilisation	(34,808)	(6,000)	(880)	(7,869)	(119)	(488)	(985)	(51,149)
Release of provisions	—	—	—	(115)	—	—	(496)	(611)
Reclassification	—	—	—	(664)	—	—	—	(664)
Reclassifications from non-current	1,013	421	—	—	—	486	—	1,920
Currency translation gains (losses)	(40)	—	(81)	(206)	(46)	(41)	(222)	(636)
31 December 2021	32,845	11,552	807	365	767	496	6,329	53,161
Change in fair value [4]	—	(11,552)	—	—	—	—	—	(11,552)
Additions to provision	22,309	—	—	1,102	(130)	—	1,223	24,504
Utilisation	(28,867)	—	(15)	(432)	(100)	(437)	5	(29,846)
Release of provision	—	—	—	—	—	—	24	24
Reclassifications from non-current	3,449	—	—	—	—	428	—	3,877
Currency translation gains (losses)	(255)	—	(47)	(18)	(17)	(29)	(375)	(741)
31 December 2022	$ 29,481	$ —	$ 745	$ 1,017	$ 520	$ 458	$ 7,206	$ 39,427

(1) For additional information refer to "Note 26. Commitments and Contingencies."
(2) For additional information refer to "Note 5. Fair Value Measurements."
(3) For additional information refer to "Note 9. Restructuring."
(4) For utilization during 2021, LivaNova paid $6.0 million under the contingent consideration arrangement for the acquisition of TandemLife. Additionally, LivaNova made final payments under contingent consideration arrangements resulting from the acquisitions of two distributors.

The changes in the carrying value of non-current provisions during the year are indicated below (in thousands):

	Litigation Provision Liability [1]	Decommissioning Provision [1]	Contingent Consideration [2]	Liability for Uncertain Tax Provisions [3]	Restructuring Reserve [4]	Total
31 December 2020	$ 7,878	$ 49,871	$ 89,850	$ 3,871	$ 37	$151,507
Change in fair value	—	(2,169)	(2,599)	—	—	(4,768)
Release of provisions	—	—	—	(1,594)	—	(1,594)
Reclassifications (to) from current	(1,013)	(486)	(421)	—	—	(1,920)
Currency translation losses	(240)	(3,756)	—	(294)	—	(4,290)
31 December 2021	6,625	43,460	86,830	1,983	37	138,935
Change in fair value	—	(2,869)	(18,329)	—	—	(21,198)
Additions to provision	—	—	16,791	66	279	17,136
Reclassifications (to) from current	(3,449)	(428)	—	—	—	(3,877)
Currency translation losses	(170)	(2,509)	—	(114)	—	(2,793)
31 December 2022	$ 3,006	$ 37,654	$ 85,292	$ 1,935	$ 316	$128,203

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

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Note 22. Other Payables

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

(1) The amount payable to Gyrus Capital S.A. as of 31 December 2021 primarily represents the purchase price adjustment liability from the sale of our Heart Valve business. For additional information refer to "Note 8. Divestiture of Heart Valve Business."

Note 23. Share-Based Plans

Share-Based Plans

On 16 October 2015, LivaNova approved the adoption of the Company's 2015 Incentive Award Plan (the "2015 Plan"), which was previously approved by the Board of the Company on 14 September 2015 subject to such shareholder approval. The 2015 Plan was adopted in order to facilitate the grant of cash and equity incentives to non-employee directors, employees (including the Company's named executive officers) and consultants of the Company and certain of LivaNova's affiliates and to enable the Company and certain of LivaNova's affiliates to obtain and retain services of these individuals. The Plan became effective as of 19 October 2015. The 2022 Incentive Award Plan (the "2022 Plan") was adopted by the Board of Directors on 20 April 2022 and approved by the shareholders of LivaNova PLC on 13 June 2022. Awards may be granted under the 2015 Plan and 2022 Plan in the form of share options, share appreciation rights, restricted share, restricted share units, other share and cash-based awards and dividend equivalents.

During the year ended 31 December 2022, LivaNova issued stock-based compensatory awards with terms approved by the Compensation Committee of LivaNova's Board. The awards with service conditions vest ratably, generally over four years, and are subject to forfeiture unless service conditions are met. The market performance-based awards that were issued cliff vest after three years subject to the rank of LivaNova's total shareholder return for the three-year period ending 31 December 2024 relative to the total shareholder returns for a peer group of companies. The adjusted FCF and adjusted ROIC operating performance-based awards that were issued cliff vest after three years subject to the achievement of certain thresholds of cumulative results for those metrics for the three-year period ending 31 December 2024.

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

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

Share-Based Compensation

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

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

Note 23. Share-Based Plans

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

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

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

Share Appreciation Rights and Share Options

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

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

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

(2) LivaNova uses yield rates on U.S. Treasury securities for a period that approximated the expected term of the award to estimate the risk-free interest rate.

(3) The Company estimated the expected term of the awards granted using historic data of actual time elapsed between the date of grant and the exercise or forfeiture of options or SARs for employees. For consultants, the expected term is the remaining time until expiration of the option or SAR.

(4) Refer to "Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies - Share-Based Compensation" for further information regarding expected volatility.

The following tables present the activity for service-based SARs and stock option awards:

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

(1) Includes the impact of expected future forfeitures.

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

The aggregate intrinsic value of the options and SARs outstanding at 31 December 2022 and 31 December 2021 is $10.1 million and $61.7 million, respectively. The aggregate intrinsic value of options and SARs is based on the difference between the fair

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market value of the underlying share at the end of the year using the market closing share price, and exercise price for in-the-money awards.

The range of exercise prices for stock options and SARs outstanding year end are categorised in exercise price ranges as follows:

Outstanding Options	31 December 2022	31 December 2021
$31–50	835,090	955,163
$51–70	343,994	376,676
$71–90	1,271,084	868,723
$91–110	353,364	430,084
$111–130	3,304	3,727
Total	2,806,836	2,634,373

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

Restricted Share and Restricted Share Units Awards

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

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

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

Note 23. Share-Based Plans

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

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

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

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

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

Note 24. Employee Retirement Plans

LivaNova sponsors several defined benefit pension plans, which include plans in the U.S., Italy, Germany, Japan and France. The Company maintains a frozen cash balance retirement plan in the U.S. that is a contributory, defined benefit plan designed to provide the benefit in terms of a stated account balance dependent on the employer's promised interest-crediting rate. In Italy and France the Company maintains a severance pay defined benefit plan that obligates the employer to pay a severance payment in case of resignation, dismissal or retirement. In other jurisdictions LivaNova sponsors non-contributory, defined benefit plans designated to provide a guaranteed minimum retirement benefits to eligible employees. Certain members of the Company's key management participate in the Company's defined benefit pension plans. Please refer to "Note 29. Related Parties"

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

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

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

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

As of 31 December 2022 and 2021, the Non-U.S. defined benefit pension plan for Japan was wholly funded, with a net surplus position of $1.4 million and $1.3 million, respectively.

Risks Related to Defined-benefit Plans

The defined benefit plans expose the Group to various demographic and economic risks such as longevity risk, investment risks, currency and interest rate risk and in some cases inflation risk. The latter plays a role in the assumed wage increase and in some smaller plans where indexation is mandatory. Pension fund Trustees are responsible for and have full discretion over the investment strategy of the plan assets. In general Trustees manage pension fund risks by diversifying the investments of plan assets and by (partially) matching interest rate risk of liabilities.

The Company has an active de-risking strategy in which it constantly looks for opportunities to reduce the risks associated with its defined benefit plans. The plans are governed by Trustees who have a legal obligation to evenly balance the interests of all stakeholders and operate under the local regulatory framework.

Note 24. Employee Retirement Plans

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

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

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

(1) In certain non-U.S. countries, fully funding pension plans is not a common practice. Consequently, certain pension plans have been partially funded.

(2) These amounts are included within provision for employee severance indemnities and other employee benefit provisions on the consolidated balance sheet as well as social security taxes payable associated with LivaNova's share-based incentive plans.

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Note 24. Employee Retirement Plans

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

	Year Ended 31 December			
	2022		2021	
	U.S. Pension Benefits	Non-U.S. Pension Benefits	U.S. Pension Benefits	Non-U.S. Pension Benefits
Actuarial assumptions used to determine benefit obligation:				
Discount rate	5.10%	0.45% – 3.70%	2.41%	0.15% – 1.00%
Rate of compensation increase	N/A	2.50% – 3.00%	N/A	2.50% – 3.00%
Actuarial assumptions used to determine net periodic benefit cost:				
Discount rate	2.41%	0.45% – 3.70%	1.91%	0.15% – 1.00%
Rate of compensation increase	N/A	2.50% – 3.50%	N/A	2.50% – 3.00%
Expected return on plan assets	5.00%	N/A	5.00%	N/A

To determine the discount rate for LivaNova's U.S. benefit plan, the Company used the FTSE Above Median Pension Discount Curve. For the discount rate used for the other non-U.S. benefit plans the Company considers local market expectations of long-term returns, primarily utilizing the Iboxx Corporate Index Bond rating AA, duration higher than 10 years. The resulting discount rates are consistent with the duration of plan liabilities.

The expected long-term rate of return on plan assets assumption for LivaNova's U.S. benefit plan was derived from a study conducted by the Company's investment managers. The study includes a review of anticipated future long-term performance of individual asset classes and consideration of the appropriate asset allocation strategy given the anticipated requirements of the plan to determine the average rate of earnings expected on the funds invested to provide for the pension plan benefits.

Retirement Benefit Plan Investment Strategy

In the U.S., the Company has an account that holds the defined benefit frozen balance pension plan assets. The Qualified Plan Committee ("Plan Committee") sets investment guidelines for U.S. pension plans with the assistance of an external consultant. The plan assets in the U.S. are invested in accordance with sound investment practices that emphasize long-term fundamentals. The investment objectives for the plan assets in the U.S. are to achieve a positive rate of return that would be expected to close the current funding deficit and so enable us to terminate the frozen pension plan at a reasonable cost. These guidelines are established based on market conditions, risk tolerance, funding requirements and expected benefit payments. The Plan Committee also oversees the investment allocation process, selects the investment managers, and monitors asset performance. The investment portfolio contains a diversified portfolio of fixed income and equity index funds. Securities are also diversified in terms of domestic and international securities, short- and long-term securities, growth and value styles, large cap and small cap stocks.

Outside the U.S., pension plan assets are typically managed by decentralized fiduciary committees. There is a significant variation in policy asset allocation from country to country. Local regulations, local funding rules, and local financial and tax considerations are part of the funding and investment allocation process in each country.

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

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Equity Securities	29%	29%	1%	1%
Debt Securities	70%	70%	84%	84%
Other	1%	1%	15%	15%

Retirement Benefit Fair Values

The following is a description of the valuation methodologies used for retirement benefit plan assets measured at fair value:

Equity Mutual Funds: Valued based on the year-end net asset values of the investment vehicles. The net asset values of the investment vehicles are based on the fair values of the underlying investments of the partnerships valued at the closing price reported in the active markets in which the individual security is traded. Equity mutual funds have a daily reported net asset value and LivaNova classifies these investments as Level 2.

Fixed Income Mutual Funds: Valued based on the year-end net asset values of the investment vehicles. The net asset values of the investment vehicles are based on the fair values of the underlying investments of the partnerships valued based on inputs other than quoted prices that are observable.

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Money Markets: Valued based on quoted prices in active markets for identical assets.

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

(in thousands)	Fair Value as of 31 December 2022	Fair Value Measurement Using Inputs Considered as Level 1	Level 2	Level 3
Equity mutual funds	$ 1,591	$ —	$ 1,591	$ —
Fixed income mutual funds	3,843	—	3,843	—
Money market funds	68	68	—	—
Total	$ 5,502	$ 68	$ 5,434	$ —

(in thousands)	Fair Value as of 31 December 2021	Fair Value Measurement Using Inputs Considered as Level 1	Level 2	Level 3
Equity mutual funds	$ 2,341	$ —	$ 2,341	$ —
Fixed income mutual funds	5,587	—	5,587	—
Money market funds	82	82	—	—
Total	$ 8,010	$ 82	$ 7,928	$ —

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

(in thousands)	Fair Value as of 31 December 2022	Fair Value Measurement Using Inputs Considered as Level 1	Level 2	Level 3
Equity mutual funds	$ 42	$ —	$ 42	$ —
Fixed income mutual funds	2,742	—	2,742	—
Money market funds	448	448	—	—
Total	$ 3,232	$ 448	$ 2,784	$ —

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

Retirement Benefit Funding Plan

LivaNova has the policy to make the minimum required contribution to fund the U.S. pension plan as determined by MAP – 21 and the Highway and Transportation Funding Act of 2014. LivaNova contributed $0.6 million and $0.7 million to the pension plans (U.S. and non-U.S.) during the years ended 31 December 2022 and 2021, respectively. LivaNova anticipates that the Company will make contributions to the U.S. pension plan of approximately $0.5 million during fiscal year 2023. Contributions to the non-U.S. pension plans in fiscal year 2022 are not expected to be material. The weighted average duration of the defined benefit plans is approximately 8 years and 10 years for U.S. plan and Non-U.S. plans respectively.

Note 24. Employee Retirement Plans

Benefit payments, including amounts to be paid from LivaNova's assets, and reflecting expected future service, as appropriate, as of 31 December 2022, were expected to be paid as follows (in thousands):

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

Benefit payments, including amounts to be paid from LivaNova's assets, and reflecting expected future service, as appropriate, as of 31 December 2021, were expected to be paid as follows (in thousands):

(in thousands)	U.S. Plan	Non-U.S. Plans
2022	$ 4,487	$ 476
2023	744	738
2024	764	526
2025	928	572
2026	941	786
2027 - 2031	2,633	4,981
Above 2031	2,081	2,738
Total	$ 12,578	$ 10,817

Sensitivity Analysis

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

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

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected until credit method at the end of the reporting year) has been applied as when calculating the defined benefit liability recognised in the consolidated balance sheet.

Defined Contribution Plans. LivaNova sponsors defined contribution plans, including the Cyberonics, Inc. Employee Retirement Savings Plan, which qualifies under Section 401(k) of the IRC, covering U.S. employees, the Cyberonics, Inc. Non-Qualified Deferred Compensation Plan, covering certain U.S. middle and senior management and the Belgium Defined Contribution Pension Plan for Cyberonics's Belgium employees. LivaNova incurred expenses for LivaNova's defined contribution plans of $9.0 million and $10.2 million for the years ended 31 December 2022 and 31 December 2021, respectively.

Note 25. Income Taxes

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

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

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Note 25. Income Taxes

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

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

Due to the change in law effective 1 April 2023, which received royal assent in July 2021, and provided for the UK tax rate to increase to 25%, there was a revaluation to increase deferred taxes of $25.0 million in 2021. During 2022, ACS goodwill impairment increased the tax rate reconciliation by $24.6 million.

Deferred Tax Assets and Liabilities

The change in net deferred tax assets (liabilities) as recognised in the balance sheet can be analysed as follows (in thousands):

	Year Ended 31 December	
	2022	2021
At the beginning of the year	$ 100,318	$ 73,193
Deferred tax benefit, net	7,321	21,321
Deferred tax recorded in equity	(4,233)	1,352
Changes from divestitures	—	4,452
At the end of the year	$ 103,406	$ 100,318

The following table provides the net deferred tax assets expected to be recognised within the next 12 months and after the next 12 months as of 31 December 2022 and 31 December 2021 (in thousands):

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

Note 25. Income Taxes

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

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

		Activity During the Year Ended 31 December 2021			
	31 December 2021	Consolidated Statement of Loss) Income	Tax Rate Change [1]	Shareholders' Equity	31 December 2020
Deferred tax assets					
Net operating loss carryforwards	$ 73,482	$ 6,202	$ 6,715	$ (46,420)	$ 106,985
Tax credit carryforwards	825	(3,233)	55	(177)	4,180
Deferred compensation	22,875	1,182	2,411	8,203	11,079
Accruals and reserves	73,514	(536)	1,268	13,321	59,461
Inventory	8,844	(1,243)	(47)	6,385	3,749
Investments	—	—	—	(512)	512
Other	17,929	3,677	81	(2,066)	16,237
Gross deferred tax assets [2]	197,469	6,049	10,483	(21,266)	202,203
Deferred tax liabilities					
Gain on sale of intellectual property	(26,597)	13,263	1,205	3	(41,068)
Property, equipment & intangible assets	(70,554)	(14,613)	4,935	27,066	(87,942)
Gross deferred tax liabilities	(97,151)	(1,350)	6,140	27,069	(129,010)
Deferred tax assets (liabilities), net	$ 100,318	$ 4,699	$ 16,623	$ 5,803	$ 73,193
Reported in the consolidated balance sheet (after jurisdictional netting)					
Net deferred tax assets	$ 107,869				$ 82,551
Deferred tax liabilities	(7,551)				(9,358)
Deferred tax assets, net [2]	$ 100,318				$ 73,193

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(1) UK received royal assent in July 2021 and provided for the UK tax rate to increase to 25%, effective 1 April 2023, there was a revaluation to increase deferred taxes in 2021. The change in tax rate for 2022 was primarily due to losses and other tax assets generated during 2022 and remeasured to 1 April 2023 tax rate of 25%.
(2) During the year ended 31 December 2022, the net deferred tax assets increased from net operating losses in the UK offset by increased unrecognised deferred tax assets in U.S.

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

LivaNova periodically assesses the recoverability of the Company's deferred tax assets by considering whether it is probable that some or all of the actual benefit of those assets will be realized. To the extent that realization does not meet the "probable" criterion, the Company does not recognise a deferred tax asset. LivaNova periodically reviews the adequacy and necessity of unrecognised deferred tax assets by considering significant positive and negative evidence relative to the Company's ability to recover deferred tax assets and to determine the timing and amount of the unrecognised deferred tax assets that should be released. This evidence includes: profitability in the most recent quarters; internal forecast profitability and expected utilization period; size of deferred tax asset relative to estimated profitability; the potential effects on future profitability from increasing competition, healthcare reforms and overall economic conditions; limitations and potential limitations on the use of LivaNova's NOLs due to ownership changes; and the implementation of prudent and feasible tax planning strategies, if any.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Net Operating Loss Carryforwards

LivaNova had the following NOL carryforwards as of 31 December 2022 which can be used to reduce LivaNova's income tax payable in future years (in thousands):

Region	Gross Amount	Tax Effected Amount Without Expiration	Tax Effected Amount With Expiration	Starting Expiration Year
Europe	$ 429,156	$ 104,075	$ —	Unlimited
U.S. Federal	$ 112,259	$ 8,474	$ 15,100	2023
U.S. State	$ 180,411	$ 2,349	$ 8,727	2023
Rest of World	$ 11,609	$ 3,437	$ 306	2025

LivaNova had the following NOL carryforwards as of 31 December 2021 which can be used to reduce our income tax payable in future years (in thousands):

Region	Gross Amount	Tax Effected Amount Without Expiration	Tax Effected Amount With Expiration	Starting Expiration Year
Europe	$ 395,360	$ 94,613	$ 60	2026
U.S. Federal	$ 169,127	$ 4,456	$ 31,061	2023
U.S. State	$ 275,780	$ 2,673	$ 12,761	2022
Rest of World	$ 21,204	$ 6,187	$ 674	2025

Included in the table above are deferred tax assets that have not been recognised with respect of the following items (in thousands):

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

For losses incurred after April 2017 in the UK, the Company anticipates a recoverability of these operating loss carryforwards beginning in 2028 as the Company expects an increase in taxable income due to the full amortisation of certain intangible assets. The Company is relying on estimated future income projections and judgement on the growth of the projected income for the recoverability of the deferred tax assets corresponding the NOLs. The Company estimates it will be able to recover its tax loss in less than 15 years through UK Group relief, as the UK Group will realize substantially an increase of taxable income as a result of increased revenues from royalty income and decreased amortisation of intangible assets beginning in 2028.

No provision has been made for income taxes on undistributed earnings of foreign subsidiaries as of 31 December 2022 because it is the Company's intention to indefinitely reinvest undistributed earnings of the Company's foreign subsidiaries. In the event of the distribution of those earnings in the form of dividends, a sale of the subsidiaries, or certain other transactions, the Company

Note 25. Income Taxes

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may be liable for income taxes. There should be no material tax liability on future distributions as most jurisdictions with undistributed earnings have various participation exemptions / no withholding tax. As of 31 December 2022, it was not practicable to determine the exact amount of the deferred income tax liability related to those investments.

Uncertain Tax Positions

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

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

Other Matters

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

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

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

Note 26. Commitments and Contingencies

FDA Warning Letter

On 29 December 2015, the FDA issued a Warning Letter alleging certain violations of FDA regulations applicable to medical device manufacturers at LivaNova's Munich, Germany and Arvada, Colorado facilities. LivaNova took actions to remediate the alleged violations and related inspectional observations, and on 12 December 2022, the Company received a close-out letter from the FDA, dated 28 November 2022, indicating that the FDA considers the Warning Letter closed.

Saluggia Site Hazardous Substances

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

In 2020, LSM received correspondence from ISIN (a sub-body of the Italian Ministry of Economic Development) requesting that within five years, LSM demonstrate the financial capacity to meet its obligations under Italian law to clean and dismantle any contaminated buildings and equipment as well as to deliver hazardous substances to a national repository. This repository will be built by the Italian government at a location and time yet to be determined. ISIN subsequently published Technical Guide n. 30, which identifies the technical criteria, and general safety and protection requirements for the design, construction, operation and dismantling of temporary storage facilities for the hazardous substances. In January 2021, a list of 67 potential sites for the national repository was published.

Although there is no legal obligation to being any work or deliver the hazardous substances, as the performance of these obligations is contingent on the construction of the as-yet unbuilt national repository, based on the aforementioned factors, the Company concluded its obligation to clean, dismantle, and deliver any hazardous substances to a national repository is probable and reasonably estimable. Accordingly, in the fourth quarter of 2020, the Company recognised a $49.5 million provision for this

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matter. The provision was determined utilising the middle of the estimated range of loss of $43.0 million to $55.0 million. The estimated liability as of 31 December 2022 and 2021 was $38.1 million and $44.0 million, respectively. The decrease in the liability was primarily due to an increase in the discount rate applied to the liability, as well as the effects of foreign currency changes during the years ended 31 December 2022 and 2021. A 0.5% increase or decrease in the discount rate applied would not have a material impact on the provision. The timing of any cash outflows associated with this provision is uncertain given the factors noted above, however LivaNova does not currently expect to incur significant cash outflows associated with this matter in the next two years. Refer to "Note 21. Contingent Consideration, Litigation Provision Liability and Other Provisions" for additional information.

SNIA Environmental Liability

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

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

In 2012, SNIA filed a civil action against Sorin in the Civil Court of Milan asserting joint liability of a parent and a spun-off Company; the Public Administrations entered voluntarily into the proceeding, asking Sorin, as jointly liable with SNIA, to pay compensation for SNIA's environmental damages. In 2016, the Court of Milan dismissed all legal actions of SNIA and of the Public Administrations further requiring the Public Administrations to pay Sorin approximately €292,000 (approximately $312,000 as of 31 December 2022) for legal fees. The Public Administrations appealed the 2016 Decision to the Court of Appeal. On 5 March 2019, the Court of Appeal issued a partial decision on the merits declaring Sorin/LivaNova jointly liable with SNIA for SNIA's environmental liabilities in an amount up to the fair value of the net worth received by Sorin because of the Sorin spin-off, an estimated €572.1 million (approximately $611.6 million as of 31 December 2022). LivaNova appealed the partial decision on liability to the Italian Supreme Court in August 2019.

In November 2021, the Court of Appeal delivered the remainder of its decision, ordering LivaNova to pay damages of approximately €453.6 million (approximately $484.9 million as of 31 December 2022). LivaNova appealed the decision on damages in December 2021. On 21 February 2022, the Court of Appeal notified the Company that it granted the Company a suspension with respect to the payment of damages until a decision has been reached on the appeal to the Italian Supreme Court. This suspension was subject to the Company providing a first demand bank guarantee of €270.0 million (approximately U.S. $288.6 million as of 31 December 2022) within 30 calendar days, and on 21 March 2022, LivaNova delivered the guarantee, thereby satisfying the condition.

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

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

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

Product Liability Litigation

The Company is currently involved in litigation involving LivaNova's 3T device. The litigation includes federal multi-district litigation in the U.S. District Court for the Middle District of Pennsylvania, various U.S. state court cases and cases in jurisdictions outside the U.S. On 29 March 2019, LivaNova announced a settlement framework that provides for a comprehensive resolution of the personal injury cases pending in the multi-district litigation in U.S. federal court, the related class action in federal court, as well as certain cases in state courts across the United States. The agreement, which makes no admission of liability, is subject to certain conditions, including acceptance of the settlement by individual claimants and provides for a total payment of up to $225 million to resolve the claims covered by the settlement. Per the agreed upon terms, the second and final payment of $90 million was paid into a qualified settlement fund in January 2020.

Cases in state courts in the U.S. and in jurisdictions outside the U.S. continue to progress. As of 27 April 2023, including the cases encompassed in the settlement framework described above that have not yet been dismissed, LivaNova was aware of approximately 85 filed and unfiled claims worldwide, with the majority of the claims in various federal or state courts throughout the United States. This number includes four cases in the process of settling in the U.S. The complaints generally seek damages and other relief based on theories of strict liability, negligence, breach of express and implied warranties, failure to warn, design and manufacturing defect, fraudulent and negligent misrepresentation or concealment, unjust enrichment, and violations of various state consumer protection statutes.

During the years ended 31 December 2022 and 2021 the Company recorded an additional liability of $22.3 million and $38.1 million, respectively, due to new information received about the nature of certain claims. As of 31 December 2022, the provision for these matters was $32.5 million. While the amount accrued represents the Company's best estimate for those filed and unfiled claims that LivaNova believes are both probable and estimable at this time, and which are a subset of the filed and unfiled claims worldwide of which LivaNova is currently aware, the actual liability for resolution of these matters may vary from LivaNova's estimate. The remaining claims for which a provision has not been recorded are remote or the potential loss is not estimable at this time.

Caisson Contract Litigation

On 25 November 2019, LivaNova received notice of a lawsuit initiated by former members of Caisson, a subsidiary of the Company acquired in 2017. The lawsuit, Todd J. Mortier, as Member Representative of the former Members of Caisson Interventional, LLC v. LivaNova USA, Inc., was filed in the U.S. District Court for the District of Minnesota. The complaint alleged (i) breach of contract, (ii) breach of the covenant of good faith and fair dealing and (iii) unjust enrichment in connection with the Company's operation of Caisson's TMVR program and the Company's 20 November 2019 announcement that it was ending the TMVR program at the end of 2019. The lawsuit sought damages arising out of the 2017 acquisition agreement, including various regulatory milestone payments. In May 2022, the District Court granted LivaNova's motion for summary judgment; in response, Caisson filed an appeal to the Eighth Circuit Court of Appeal. LivaNova intends to vigorously defend this claim. The Company has not recognised a liability related to this matter because any potential loss is not currently probable or reasonably estimable.

Mitral Demand Letter

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

Italian MedTech Payback Measure

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

Note 26. Commitments and Contingencies

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

Other Matters

Additionally, LivaNova is the subject of various pending or threatened legal actions and proceedings and ongoing government and other regulatory investigations that arise in the ordinary course of LivaNova's business. These matters are subject to many uncertainties and outcomes that are not predictable and that may not be known for extended periods of time. Since the outcome of these matters cannot be predicted with certainty, the costs associated with them could have a material adverse effect on the Company's consolidated net income, financial position or liquidity.

Note 27. Earnings Per Share

Basic EPS is calculated by dividing the profit for the year attributable to owners of the parent by the weighted average number of Ordinary Shares outstanding during the year. Diluted EPS is calculated by dividing the net profit attributable to owners of the parent by the weighted average number of Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on conversion of all the dilutive potential Ordinary Shares into Ordinary Shares.

The following table sets forth the basic and diluted weighted-average shares outstanding used in the computation of basic and diluted EPS (in thousands of shares, except per share amounts):

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

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

Note 28. Segment and Geographic Information

Segment Information

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

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

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

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

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

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

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

Geographic Information

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

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

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

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

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

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

Note 28. Segment and Geographic Information

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

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

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

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

(1) Other includes corporate capital expenditures. For the year ended 31 December 2021, Other also includes capital expenditures of LivaNova's Heart Valve business, which was divested on 1 June 2021.

The following table presents non-current assets, net of accumulated depreciation, amortisation and impairment, by primary geographic market. Non-current assets for this purpose consist of property, plant and equipment, intangible assets, goodwill and ROU assets (in thousands):

	31 December 2022	31 December 2021
United States [(1)]	$ 629,647	$ 774,096
Europe	336,599	362,602
Rest of World	38,010	32,807
Total	$ 1,004,256	$ 1,169,505

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

Note 29. Related Parties

Interests in subsidiaries are set out in "Note 12. Investments in Subsidiaries." Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The following receivable balance arose from financing transactions with equity investments (in thousands):

Consolidated Balance Sheet	31 December 2022	31 December 2021
Financial assets - non-current		
Noctrix Health, Inc.	$ 285	$ 272
Other financial assets - current		
ALung Technologies, Inc.	$ —	$ 2,495

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Note 29. Related Parties

The following financing transaction was entered into with an equity investment during the years as follows (in thousands):

	Year Ended 31 December	
Consolidated Statement of (Loss) Income	2022	2021
Finance income		
Noctrix Health, Inc.	$ 13	$ 12
ALung Technologies, Inc.	—	(20)
Respicardia, Inc.	—	(79)
	$ 13	$ (87)

Total compensation in respect of key management, who are defined as the Board and certain members of senior management, is considered to be a related party transaction.

The total compensation in respect of key management was as follows (in thousands):

	Year Ended 31 December	
	2022	2021
Salaries and short term benefits	$ 7,792	$ 9,527
Post-employment long-term benefits	712	857
Share-based compensation	12,012	10,272
Total	$ 20,516	$ 20,656

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

There were no other related party transactions in the year.

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

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

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

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

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

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

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

Note 31. Employee Compensation Costs

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

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

Employee numbers

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

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

(1) The 2021 monthly average number of employees includes the employees of LivaNova's Heart Valve business through 1 June 2021, the date on which the business was disposed.

Note 32. Exceptional Items

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

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

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

Note 32. Exceptional Items

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

Restructuring expenses. LivaNova has initiated several restructuring plans to leverage economies of scale, streamline distribution and logistics and strengthen operational and administrative effectiveness in order to reduce overall costs. LivaNova identifies costs incurred and liabilities assumed for the restructuring plans. Refer to "Note 9. Restructuring" for more details.

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

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

Note 33. Auditors' Remuneration

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

Note 34. New Accounting Pronouncement

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

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

Amendment to IAS 1 Presentation of Financial Statements. An Amendment to IAS 1 'Presentation of Financial Statements' was issued in January 2020 and further clarified in October 2022, with the objective of clarifying that liabilities are classified as current or non-current, depending on the rights that exist at the end of the period. The classification is not affected by the entity's expectations or events after the reporting date. The amendments also clarify what "settlement" of a liability refers to under IAS 1. The amendments to IAS 1 are effective as of 1 January 2023. The group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies. An Amendment to IAS 1 and IFRS Practice Statement 2 - 'Disclosure of Accounting Policies' was issued in February 2021 the IASB issued a new amendment to IAS 1 on disclosure of "material" accounting policies rather than "significant" accounting policies. The amendments define what "material accounting policy information" is and explain how to identify it. It also clarifies that immaterial accounting policy information does not need to be disclosed, but if so, it should not obscure the relevant accounting information. To support this change, the IASB also amended the "IFRS Practice Statement 2 Making Materiality Judgments" to provide guidance on how to apply the concept of materiality to accounting policy disclosures. This amendment is effective as of 1 January 2023. The group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 8 - Accounting Policies, Change in Estimate and Error Rectification. An Amendment to IAS 8 - 'Accounting Policies, Change in Estimate and Error Rectification' was issued in February 2021 clarifies how entities must distinguish changes in accounting policies from changes in accounting estimates, as changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events, as well as to the current period. This amendment is effective as of 1 January 2023. The group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 12 - Income Taxes. An Amendment to IAS 12 - 'Income Taxes' was issued in May 2021 and requires entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This typically applies to lease transactions (right-of-use assets and lease liabilities) and decommissioning and restoration obligations, as an example, and will require the recognition of additional deferred tax assets and liabilities. This amendment is effective as of 1 January 2023. The group is currently assessing the impact of the new amendment to its results of operations.

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Note 35. Subsequent Events

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

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

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

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

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LIVANOVA PLC

Company Statement of Income (Loss)
(In thousands)

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

See accompanying notes to the parent company financial statements

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LIVANOVA PLC

Company Statement of Comprehensive Income
(In thousands)

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

See accompanying notes to the parent company financial statements

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LIVANOVA PLC
Company Balance Sheet
(In thousands)

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

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LIVANOVA PLC
Company Balance Sheet

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

Registration number 09451374

See accompanying notes to the parent company financial statements

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

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

LIVANOVA PLC

Company Statement of Changes in Equity
(In thousands)

	Note	Ordinary Shares: Number of Shares	Ordinary Shares: Share Capital	Merger Relief Reserve	Share Premium	Capital Redemption Reserve	Treasury Shares	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Shareholders' Equity
Balance at 1 January 2021		49,447	76,300	66,446	27,361	1,897	(1,034)	48,872	2,320,553	2,540,395
Share-based compensation plans	13	133	187	—	5,896	—	384	—	35,534	42,001
Issuance of shares		4,182	5,808	316,733	—	—	—	—	—	322,541
Total transactions with owners, recognised directly in shareholders' equity		4,315	5,995	316,733	5,896	—	384	—	35,534	364,542
Loss for the year		—	—	—	—	—	—	—	(32,981)	(32,981)
Other comprehensive loss		—	—	—	—	—	—	(38,610)	—	(38,610)
Total comprehensive loss for the year		—	—	—	—	—	—	(38,610)	(32,981)	(71,591)
Balance at 31 December 2021		53,762	82,295	383,179	33,257	1,897	(650)	10,262	2,323,106	2,833,346
Share-based compensation plans	13	90	129	—	3,774	—	275	—	29,546	33,724
Total transactions with owners, recognised directly in shareholders' equity		90	129	—	3,774	—	275	—	29,546	33,724
Net income for the year		—	—	—	—	—	—	—	2,014	2,014
Other comprehensive loss		—	—	—	—	—	—	(32,227)	—	(32,227)
Total comprehensive loss (income) for the year		—	—	—	—	—	—	(32,227)	2,014	(30,213)
Balance at 31 December 2022		53,852	$ 82,424	$ 383,179	$ 37,031	$ 1,897	$ (375)	$ (21,965)	$ 2,354,666	$ 2,836,857

See accompanying notes to the parent company financial statements

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LIVANOVA PLC

Notes to the Financial Statements

Note 1. Nature of Operations

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

Background. LivaNova PLC was organized under the laws of England and Wales on 20 February 2015 for the purpose of facilitating the business combination of Cyberonics, Inc., a Delaware corporation and Sorin S.p.A., a joint stock company organized under the laws of Italy. As a result of the business combination, LivaNova PLC, headquartered in London, became the holding company of the combined businesses of Cyberonics and Sorin. The business combination became effective in October 2015. LivaNova's Ordinary Shares are listed for trading on Nasdaq under the symbol "LIVN." As part of the Mergers, Sorin undertook a cross-border legal entity merger with LivaNova (the Sorin merger) under which LivaNova was the surviving ultimate holding company.

Description of the business. LivaNova PLC, headquartered in London, is a global medical device company. The Company designs, develops, manufactures and sells innovative products and therapies that are consistent with our mission to provide hope for patients and their families through innovative medical technologies, delivering life-changing improvements for both the Head and Heart. LivaNova is comprised of three reportable segments: Cardiopulmonary, Neuromodulation and Advanced Circulatory Support, corresponding to our primary business units.

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

Basis of Preparation. The separate financial statements of LivaNova PLC have been prepared on a going concern basis under the historical cost convention, except for derivative financial instruments and share-based compensation plans that have been measured at fair value in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The financial statements are presented in U.S. dollars and all values are rounded to the nearest thousands, except when otherwise indicated. LivaNova PLC's accounting policies have been applied consistently in 2022 as compared to 2021, other than where new policies have been adopted.

Going Concern. Based on LivaNova PLC's current business plan, the Company believes that its existing cash and cash equivalents and future cash generated from operations will be sufficient to fund LivaNova PLC's expected operating needs, working capital requirements, capital expenditures and debt service requirements for a period of at least 12-months from the issuance of these financial statements. LivaNova PLC regularly reviews its capital needs and consider various investing and financing alternatives to support the Company's requirements. Therefore, it is appropriate to adopt the going concern basis in preparing these consolidated financial statements. In addition, the LivaNova PLC Consolidated Group (Consolidated Group) conditions may impact the value of the Company's investments in its subsidiaries and the Company's ability to recover amounts due from subsidiaries. As such, please refer to the Consolidated Group's going concern assessment included with "Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies" to the Consolidated Group financial statements in this Annual Report.

Reclassifications. LivaNova PLC has reclassified certain prior year amounts on the Company statement of income (loss) for comparative purposes. These reclassifications did not have a material effect on the Company's financial condition, results of operations.

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NOTES TO THE FINANCIAL STATEMENTS

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

The financial statements for the years ended 31 December 2022 and 31 December 2021 of LivaNova have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The following exemptions from the requirements of International Financial Reporting Standards ("IFRS") have been applied in the preparation of these financial statements, in accordance with FRS 101:

Standard Disclosure	Exemption
The following paragraphs of IAS 1, 'Presentation of financial statements'	10(d) – statement of cash flows; 16 – statement of compliance with all IFRS; 38A – requirement for minimum of two primary statements, including cash flow statements; 38B-D – additional comparative information; 111 – statement of cash flow information; and 134 to136 – capital management disclosures.
IFRS 7, 'Financial Instruments: Disclosures'	Full exemption.
The following paragraphs of IFRS 13, 'Fair Value Measurement'	91 to 99 – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities.
IAS 7, 'Statement of Cash Flows'	Full exemption.
The following paragraphs of IFRS 2, 'Share-based Payment'	45(b) and 46 to 52 – details of the number and weighted average exercise prices of share options, and the fair value of services received is determined.
The following paragraphs of IAS 8, 'Accounting policies, changes in accounting estimates and errors'	30 and 31 – requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective.
The following paragraphs of IAS 24, 'Related Party Disclosures'	17 – key management compensation; 18A – key management services provided by a separate management entity; and the requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

New Accounting Pronouncements.

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

Amendment to IAS 1 Presentation of Financial Statements. An Amendment to IAS 1 'Presentation of Financial Statements' was issued in January 2020 and further clarified in October 2022, with the objective of clarifying that liabilities are classified as current or non-current, depending on the rights that exist at the end of the period. The classification is not affected by the entity's expectations or events after the reporting date. The amendments also clarify what "settlement" of a liability refers to under IAS 1. The amendments to IAS 1 are effective as of 1 January 2023. The Group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies. An Amendment to IAS 1 and IFRS Practice Statement 2 - 'Disclosure of Accounting Policies' was issued in February 2021 the IASB issued a new amendment to IAS 1 on disclosure of "material" accounting policies rather than "significant" accounting policies. The amendments define what "material accounting policy information" is and explain how to identify it. It also clarifies that immaterial accounting policy information does not need to be disclosed, but if so, it should not obscure the relevant accounting information. To support this change, the IASB also amended the "IFRS Practice Statement 2 Making Materiality Judgments" to provide guidance on how to apply the concept of materiality to accounting policy disclosures. This amendment is effective as of 1 January 2023. The Company does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 8 - Accounting Policies, Change in Estimate and Error Rectification. An Amendment to IAS 8 - 'Accounting Policies, Change in Estimate and Error Rectification' was issued in February 2021 clarifies how entities must distinguish changes in accounting policies from changes in accounting estimates, as changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events, as well as to the current period. This amendment is effective as of 1 January 2023. The Company does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 12 - Income Taxes. An Amendment to IAS 12 - 'Income Taxes' was issued in May 2021 and requires entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This typically applies to lease transactions (right-of-use assets and lease liabilities) and decommissioning and restoration obligations, as an example, and will require the recognition of additional deferred tax assets and liabilities. This amendment is effective as of 1 January 2023. The Company is currently assessing the impact of the new amendment to its results of operations.

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

Investments in Subsidiaries. Investments in subsidiaries are accounted for at cost less any provision for impairment. LivaNova PLC assesses at each reporting date, whether there is an indication that an investment may be impaired. If any indication exists, the Company estimates the investment's recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Foreign Currency. LivaNova PLC's functional currency is the U.S. dollar; however, a portion of the revenues earned, and expenses incurred are denominated in currencies other than the U.S. dollar. LivaNova PLC determines the functional currency of the Company's subsidiaries that exist and operate in different economic and currency environments based on the primary economic environment in which the subsidiary operates, that is, the currency of the environment in which an entity primarily generates and expends cash.

The Euro is the functional currency of LivaNova PLC - Italian Branch, a branch of LivaNova PLC, and the assets, liabilities and equity of this branch are translated into U.S. dollars based on a combination of both current and historical exchange rates, while their revenues earned and expenses incurred are translated into U.S. dollars at average period exchange rates. Translation adjustments are included as Accumulated Other Compensation Income ("AOCI") on the Company balance sheet. Gains and losses arising from transactions denominated in a currency different from an entity's functional currency are included in Foreign Exchange ("FX") and other losses on LivaNova PLC's Company statement of income (loss). Taxes are not provided on cumulative translation adjustments, as substantially all translation adjustments are related to earnings which are intended to be indefinitely reinvested in the countries where earned.

The Euro exchange rate to the U.S. dollar (" USD") used in preparing the Company financial statements was as follows:

	Weighted Average Rate Euro	Closing Rate Euro
Year ended 31 December 2022	0.951016	0.935410
Year ended 31 December 2021	0.845433	0.881410

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

(a) *Financial Assets*

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

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

Financial Assets at Fair Value through Profit or Loss. Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for trading if they are acquired for the purpose of selling or re-purchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. LivaNova PLC uses freestanding derivative forward contracts to offset exposure to the variability of the value associated with assets and liabilities denominated in a foreign currency. These derivatives are not designated as hedges, and therefore changes in the value of these forward contracts are recognised in the Company statement of income (loss), thereby offsetting the current net income (loss) effect of the related change in value of foreign currency denominated assets and liabilities. Changes in the fair value of LivaNova PLC's derivatives designated as hedges are recognised through Other Comprehensive Income ("OCI").

Trade Receivables and Other Financial Assets. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Company statement of income (loss). The receivable balance consists primarily of trade receivables from LivaNova PLC's subsidiaries as a result of intercompany re-charges, services and management fees. LivaNova PLC maintains an expected credit loss provision for expected credit losses based on the Company's estimates of the ability of LivaNova PLC's subsidiaries and third-party customers to make required payments, historical credit experience, existing economic conditions and expected future trends. LivaNova PLC writes off uncollectable accounts against the provision when all

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reasonable collection efforts have been exhausted. Loans, together with the associated provision are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. The losses arising from impairment are recognised in the Company's statement of income (loss). Refer to "Note 7. Trade and Other Receivables and Expected Credit Loss Provision" for further information.

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

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

(b) *Financial Liabilities*

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

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

Financial Liabilities at Fair Value through Profit or Loss. Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39, which the Company has elected to apply. Gains or losses on liabilities held-for-trading are recognised in the Company statement of income (loss). Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Company has not designated any financial liabilities at fair value through profit or loss.

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

Financial Liability Derecognition. A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Company statement of income (loss).

Derivative financial instruments and hedge accounting. LivaNova PLC uses currency exchange rate derivative contracts to manage the impact of currency exchange rate changes on the Company statement of income (loss) and cash flows. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. LivaNova PLC evaluates hedge effectiveness at inception and on an ongoing basis. If a derivative is no longer expected to be highly effective, hedge accounting is discontinued. Hedge ineffectiveness, if any, is recorded in the Company statement of income (loss). Cash flows from derivative contracts are reported as operating activities in the consolidated statement of cash flows.

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

In order to minimise income statement and cash flow volatility resulting from currency exchange rate changes, historically LivaNova PLC has entered into derivative instruments, principally forward currency exchange rate contracts. These contracts are designed to hedge anticipated foreign currency transactions and changes in the value of specific assets and liabilities and of some revenue. At inception of the forward contract, the derivative is designated as either a freestanding derivative or a cash flow hedge. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of AOCI and reclassified to the Company statement of income (loss) to offset

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exchange differences originated by the hedged item or to adjust the value of loss. Upon the settlement of LivaNova PLC's foreign currency cash flow hedges in the fourth quarter of 2022 and following an in-depth analysis of the utility of LivaNova PLC's cash flow hedging program, the Company discontinued its foreign currency cash flow hedging program. LivaNova PLC does not enter into currency exchange rate derivative contracts for speculative purposes.

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

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

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

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

Leasehold improvements are depreciated over the shorter of the useful life of an asset or the lease term.

The estimated useful lives for all classes of depreciable PP&E, as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Leasehold improvements	up to 10	up to 10
Equipment, furniture, fixtures	up to 3	up to 3

Where there are any internal or external indications that the value of an item of PP&E may be impaired, the recoverable amount of the group of Cash Generating Units ("CGUs") to which it belongs is calculated. If the recoverable amount is less than the carrying amount of the group of CGUs, a provision for impairment is recorded. PP&E is reviewed for impairment annually on 31 of December.

Impairment of Long-Lived Assets. The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Revenue. Revenue largely consists of intercompany re-charges, services and management fees. Revenue is measured at the fair value of the consideration received or receivable. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met.

Leases. LivaNova PLC has leases primarily for (i) real estate, including office space and manufacturing, warehouse and research and development facilities and (ii) vehicles. LivaNova PLC determines if an arrangement is or contains a lease at its inception or when the terms and conditions of a contract are significantly changed. Right of Use ("ROU") assets and lease liabilities are recognised based on the present value of the future minimum lease payments over the lease term at the latter of LivaNova PLC's lease standard effective date for adoption or the lease commencement date. LivaNova PLC does not record an operating lease asset and corresponding liability for leases with terms of 12 months or less. The Company recognizes the lease payments for such short-term leases within profit and loss on a straight-line basis over the lease term. Variable lease payments that do not depend on

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an index or rate, such as variable common area rent maintenance charges and utility fees not known upon lease commencement, are not included in the determination of the minimum lease payments and are expensed in the period in which the obligation for those payments is incurred. Variable lease payments that depend on an index or rate are initially measured using the index or rate as of the commencement date. As most of LivaNova PLC's leases do not provide a readily determinable implicit rate, LivaNova PLC uses the Company's incremental borrowing rate ("IBR") based on the information available at the lease commencement date in determining the present value of future payments. LivaNova PLC's IBR is determined using a risk-free rate adjusted for factors such as credit rating and borrowing currency, and represents an estimate of the interest rate the Company would incur at lease commencement to borrow the funds necessary to obtain an asset of similar value to the ROU asset over the term of a lease. The ROU lease asset also includes any lease payments made in advance and excludes lease incentives. LivaNova PLC's lease terms may include options to extend or terminate the lease when it is reasonably certain that LivaNova PLC will exercise that option. ROU assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Lease payments are allocated between the liability and finance costs. Finance costs are recorded as an expense in the Company statement of income (loss) over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Certain of the Company's leases provide for tenant improvement allowances that have been recorded as ROU assets and depreciated, using the straight-line method, over the life of the lease.

LivaNova PLC applies certain practical expedients on an ongoing basis, including the practical expedient for short-term leases and leases of low-value assets pursuant to which a lessee is permitted to make an accounting policy election by class of underlying asset not to recognise a lease liability and lease asset. A short-term lease is defined as a lease with a term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. In exception to vehicles as it relates to the low-value lease asset policy, the Company has applied these accounting policies to all asset classes in LivaNova PLC's portfolio and will recognise the lease payments for such short-term leases and leases of low-value assets within the Company statement of income (loss) on a straight-line basis over the lease term.

Accounting for leases has no impact on the actual cash flows. However, lease accounting requires the capitalisation, and subsequent depreciation, of costs that were previously expenses as paid, which impacts disclosures of cash flows within the cash flow statement.

From a lessor perspective, certain of LivaNova PLC's agreements that allow the customer to use, rather than purchase, the Company's medical devices meet the criteria of being a lease.

For additional information refer to "Note 11. Leases."

Share-Based Compensation Plans. LivaNova PLC grants share-based awards to directors, officers and key employees during each fiscal year. LivaNova PLC measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair market value of the award. The cost of equity-settled transactions is recognised in employee benefits expense, together with a corresponding increase in equity over the period in which the service and the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. LivaNova PLC issues new shares upon stock option exercises, otherwise issuance of stock for vesting of restricted stock, restricted stock units, market performance-based restricted share units, operating performance-based restricted share units or exercises of stock appreciation rights are issued from treasury shares. LivaNova PLC has the right to elect to pay the cash value of vested restricted stock units in lieu of the issuance of new shares. The social security contributions on employee share-based payment awards are accrued over the service period.

The following share-based awards are offered by the Company:

- *Share Appreciation Rights ("SAR").* A SAR confers upon an employee the contractual right to receive an amount of cash, share, or a combination of both that equals the appreciation in the Company's common share from an award's grant date to the exercise date. Stock Appreciation Rights ("SARs") may be exercised at the employee's discretion during the exercise period and do not give the employee an ownership right in the underlying share. The SARs may be settled in LivaNova PLC shares and/or cash, as determined by LivaNova PLC and as set forth in the individual award agreements. SARs do not involve payment of an exercise price. LivaNova PLC uses the Black-Scholes option pricing methodology to calculate the grant date fair market value of SARs. The Company determines the expected volatility on historical volatility.
- *Restricted Share (RS) and Restricted Share Units ("RSU").* LivaNova PLC may grant RS and RSUs at no purchase cost to the grantee. The grantees of unvested RSUs have no voting rights or rights to dividends. Sale or transfer of the stock and stock units is restricted until they are vested. The fair market value of service-based RS and RSUs is determined using the market closing price on the grant date, and compensation is expensed ratably over the vesting period. Calculation of compensation for stock awards requires estimation of employee turnover and forfeiture rates. LivaNova PLC has the right to elect to pay the cash value of vested restricted share units in lieu of the issuance of new shares. Under LivaNova PLC's share-based compensation plans the Company re-purchases a portion of these shares from LivaNova PLC's

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employees to permit the Company's employees to meet their minimum statutory tax withholding requirements on vesting of their restricted share.

- *Market Performance-Based Restricted Share Units.* LivaNova PLC may grant market performance-based RSUs at no purchase cost to the grantee. The grantees of the units have no voting rights or rights to dividends. Sale or transfer of the units is restricted until they are vested. The number of shares that are ultimately transferred to the grantee is dependent upon the Company's percentile rank of Total Shareholder Return ("TSR") relative to a peer group. The fair market value of market performance-based RSUs is determined utilizing a Monte Carlo simulation on the grant date and compensation is expensed ratably over the service period. Calculation of compensation for market performance-based stock awards requires estimation of employee turnover, historical volatility and forfeiture rates.
- *Operating Performance-Based Restricted Share Units.* LivaNova PLC may grant operating performance-based RSUs at no purchase cost to the grantee. The grantees of the units have no voting rights or rights to dividends. Sale or transfer of the units is restricted until they are vested. The number of shares that are ultimately transferred to the grantee is dependent upon the Company's achievement of certain thresholds for cumulative adjusted Free Cash Flow ("FCF") and adjusted return on invested capital ("ROIC"). Adjusted ROIC was introduced as an additional performance indicator in 2021. The fair market value of operating performance-based RSUs is determined using the market closing price on the grant date. Compensation is expensed ratably over the service period and adjusted based upon the percent achievement of cumulative adjusted FCF. Calculation of compensation expense for operating performance-based stock awards requires estimation of employee turnover, adjusted FCF, adjusted ROIC and forfeiture rates.

Income Taxes. The tax expense for the year comprises current and deferred tax. Current and deferred tax is recognised in the Company statement of income (loss), except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes are recognised by the liability method for temporary differences between the carrying amount of assets and liabilities in the balance sheet and their tax base. They are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Adjustments to deferred taxes resulting from changes in tax rates are recognised in the Company statement of income (loss). A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. At each year-end, the Company reviews the recoverable value of deferred tax assets of tax entities holding significant loss carryforwards. This value is based, by tax entity, on the strategy for recoverability of the tax loss carryforwards. Deferred taxes are charged or credited directly to equity when the tax relates to items that are recognised directly in equity, such as gains and losses on cash flow hedges and actuarial gains and losses on defined benefit plan obligations. Deferred tax assets and liabilities are set off when they are levied on the same taxable entity by the same taxation authority and the entity has a legally enforceable right of set off. Deferred taxes are recognised for all temporary differences associated with investments in subsidiaries and associates, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax balances are not discounted.

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

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

Contingencies. The Company is subject to product liability claims, government investigations and other legal proceedings in the ordinary course of business. Legal fees and other expenses related to litigation are expensed as incurred and included in selling, general and administrative expenses in the Company statement of income (loss). Contingent accruals are recorded when the Company determines that a loss is both probable and reasonably estimable. Due to the fact that legal proceedings and other contingencies are inherently unpredictable, LivaNova PLC's assessments involve significant judgement regarding future events.

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

Critical Estimates and Judgements. The preparation of LivaNova PLC's financial statements in conformity with FRS 101 requires management to make judgements that affect the amounts reported in such financial statements and accompanying notes. These estimates and judgements are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results could differ materially from those estimates. Application of the following accounting policies requires certain judgements and estimates that have the potential for the most significant impact on the Company's financial statements:

Critical Estimates

- *Impairment of Investments in Subsidiaries.* LivaNova PLC performed impairment trigger assessments wherein the Company compared the net assets of LivaNova PLC's subsidiaries with their respective carrying values as of 31 December 2022. Where a trigger was identified, the Company performed impairment assessments utilizing the discounted cash flow models used in the assessment of the Group's CGUs for impairment. LivaNova PLC performed a sensitivity analysis, as of 31 December 2022, for each of these assumptions, for each of the Group's CGU, and for LivaNova PLC's investments in Sorin Group Italia S.r.l., LivaNova Canada, Inc. and LivaNova USA, Inc., and determined that an increase of 0.5% in the discount rate used, or a decrease of 0.5% in the expected revenue growth rate, which the Company considers to be reasonably possible changes, would not result in an impairment of goodwill associated with any of the Group's CGU's or the Company's investments in exception to the ACS and OSA CGUs. Refer to the consolidated financial statements "Note 11. Goodwill and Intangible Assets" under section "Impairment of Goodwill and Intangible Assets" for key assumptions and a sensitivity analysis over these key assumptions.
- *Deferred Tax Recoverability.* Management has made estimates regarding the recoverability of deductible temporary differences and tax losses carried forward to be utilized from future taxable profits. The Company has decided not to recognise UK deferred tax assets relating to losses where UK group relief is not permitted, and other timing differences due to the uncertainty involved in determining the future profitability of the Company. LivaNova PLC performed a sensitivity analysis concerning the recoverability of the Company's deferred tax assets as of 31 December 2022, utilizing the discounted cash flow models used in the assessment of the Group's CGUs for impairment. The Company determined that a decrease of 0.5% in the expected revenue growth rate used, which LivaNova PLC considers to be a reasonably possible change, would result in a one-year delay in the expected timing of deferred tax asset utilization. For additional information, please refer to "Note 14. Income Taxes."

Critical Judgements

- *Commitments and Contingencies.* Due to the fact that legal proceedings and other contingencies are inherently unpredictable, LivaNova PLC's assessments involve significant judgement regarding future events. See "Note 15. Commitments and Contingencies."

Note 3. Property, Plant and Equipment

(in thousands)	Leasehold Improvements	Equipment, Furniture & Fixtures	Total
At 31 December 2022			
Gross amount	$ 1,378	$ 3,401	$ 4,779
Accumulated depreciation	(739)	(3,157)	(3,896)
Net amount	$ 639	$ 244	$ 883
At 31 December 2021			
Gross amount	$ 1,099	$ 3,429	$ 4,528
Accumulated depreciation	(638)	(3,286)	(3,924)
Net amount	$ 461	$ 143	$ 604

Note 3. Property, Plant and Equipment

Changes during the year in the net amount of each category of property, plant and equipment are indicated below:

(in thousands)	Leasehold Improvements	Equipment, Furniture & Fixtures	Total
Net Amount at 31 December 2020	$ 1,023	$ 62	$ 1,085
Additions with currency translation	390	118	508
Disposals	(830)	—	(830)
Depreciation [1]	(122)	(37)	(159)
Net Amount at 31 December 2021	461	143	604
Additions with currency translation	306	155	461
Disposals	(16)	—	(16)
Depreciation [1]	(112)	(54)	(166)
Net Amount at 31 December 2022	$ 639	$ 244	$ 883

(1) Depreciation costs charged to the Company statement of income (loss), within operating expenses, totalled $0.2 million for the years ended 31 December 2022 and 31 December 2021.

Note 4. Intangible Assets

(in thousands)	Patents	Licenses	Software and Other	Total
At 31 December 2022				
Gross amount	$ 7,119	$ 1,213	$ 8,132	$ 16,464
Accumulated amortisation	(7,119)	(1,213)	(7,283)	(15,615)
Net amount	$ —	$ —	$ 849	$ 849
At 31 December 2021				
Gross amount	$ 7,555	$ 1,288	$ 8,196	$ 17,039
Accumulated amortisation	(7,555)	(1,288)	(7,143)	(15,986)
Net amount	$ —	$ —	$ 1,053	$ 1,053

The changes in the net carrying value of each class of intangible assets during the year are indicated below:

(in thousands)	Licenses	Software and Other	Total
Net amount at 31 December 2020	$ 28	$ 829	$ 857
Additions with currency translation	—	576	576
Reclassifications	(28)	28	—
Disposals	—	(26)	(26)
Amortisation [1]	—	(354)	(354)
Net Amount at 31 December 2021	—	1,053	1,053
Additions with currency translation	—	325	325
Amortisation [1]	—	(529)	(529)
Net Amount at 31 December 2022	$ —	$ 849	$ 849

(1) Amortisation costs were charged to the Company statement of income (loss) within operating expenses during the years ended 31 December 2022 and 31 December 2021.

Amortisation is charged on a straight-line basis. The amortisation periods for LivaNova PLC's finite-lived intangible assets as of 31 December 2022 and 2021 were as follows:

	Minimum Life in Years	Maximum Life in Years
Licenses	5	5
Software and other	5	5

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Note 5. Investments in Subsidiaries

(in thousands)	31 December 2022	31 December 2021
Gross amount	$ 2,938,074	$ 2,978,918
Net book value	$ 2,938,074	$ 2,978,918

(in thousands)	Cost
Net Amount at 31 December 2020	$ 2,939,233
Additions [1]	272,472
Disposals [2]	(183,274)
Other	1,428
Currency translation	(50,941)
Net Amount at 31 December 2021	2,978,918
Disposals	(1,117)
Other	1,592
Currency translation	(41,319)
Net Amount at 31 December 2022	$ 2,938,074

(1) 2021 Additions - During 2021, LivaNova PLC invested $12.5 million in LivaNova Canada Inc, which represents the portion of LivaNova's Canada business that remained upon the divestiture of Heart Valve ("HV"). LivaNova PLC also increased the Company's investment in LivaNova Canada Corp by $74.3 million and increased LivaNova PLC's investment in Sorin Group Italia S.r.l. by $89.6 million. As part of LivaNova PLC's initiative to streamline the Company's group structure and reduce administration costs, LivaNova PLC underwent a reorganization which increased the Company's ownership in LIVN UK Holdco Limited from 42.07% at 31 December 2020 to 100% at 31 December 2021 (this took place through several transactions which resulted in a total increase of $9.4 million and decrease of $42.5 million). LivaNova PLC also increased the Company's investments in LivaNova, Inc by $43.4 million (subsequently contributed in exchange for new shares of LivaNova USA, Inc) and LivaNova USA, Inc by $43.4 million (in exchange for the investment in LivaNova, Inc).

(2) 2021 Disposals - During 2021, as part of the HV divestiture, LivaNova PLC disposed of the Company's investment in LivaNova Canada Corp of $74.3 million, net of accumulated impairment at 31 December 2020 for $73.8 million. LivaNova PLC also reduced the Company's investment in Cyberonics Netherlands CV by $23.0 million due to LivaNova PLC's continuing post-merger integration. Also, as part of LivaNova PLC's reorganization, as explained in Note 3, LivaNova PLC decreased the Company's investment in LivaNova, Inc by $43.4 million and LIVN UK Holdco for $42.5 million, net of accumulated impairment at 31 December 2020 for $150.1 million (in exchange for LivaNova, Inc shares).

The detail of investments in subsidiary undertakings as of 31 December 2022 and 2021 is shown as follows (in thousands, except ownership percent):

	Percent Ownership [1]		Investments in Subsidiaries	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
LIVN UK Holdco Limited	100.00	100.00	$ 3,884	$ 3,884
LIVN Irishco Unlimited Company [2]	100.00	100.00	—	401
LivaNova Canada Inc.	100.00	100.00	12,522	12,516
LivaNova USA, Inc.	100.00	100.00	1,080,330	1,079,549
LivaNova Nederland N.V.	100.00	100.00	109,422	109,239
LivaNova Switzerland SA	100.00	100.00	6,325	6,322
LivaNova IP Limited	100.00	100.00	—	—
Cyberonics Netherlands CV [2]	100.00	99.00	—	207
Cyberonics Holdings LLC [2]	100.00	100.00	—	93
LivaNova Cayman Limited	100.00	100.00	950,020	950,020
LivaNova Hungary Limited Liability Company	100.00	100.00	100,202	100,202
Sorin Group Italia S.r.l.	98.98	98.98	658,066	698,122
LivaNova Site Management S.r.l.	86.42	86.42	17,303	18,363
			$ 2,938,074	$ 2,978,918

(1) The Company's voting right percentage is equal to its ownership percentage.

(2) Cyberonics Netherlands CV, Cyberonics Holdings LLC and LIVN Irishco Unlimited were liquidated during 2022.

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NOTES TO THE FINANCIAL STATEMENTS
Note 5. Investments in Subsidiaries

The Company had the following directly and indirectly owned subsidiaries as of 31 December 2022:

	Registered Office	Country of Incorporation	% Consolidated Group Ownership	Parent Name	Parent % Ownership
LivaNova PLC (Italian Branch)	Via Enrico Cialdini, 16, 20161 Milano Italy	Italy	100		
ALung Technologies, Inc.	2500 Jane St., Ste 100, Pittsburgh, PA 15203	U.S.	100	LivaNova USA, Inc.	100
Caisson Interventional, LLC	6500 Wedgwood Rd., Maple Grove, MN 55311	U.S.	100	LivaNova USA, Inc.	100
CardiacAssist, Inc. Dba TandemLife	620 Alpha Drive, Ste 200, Pittsburgh, PA 15238	U.S.	100	LivaNova USA, Inc.	100
Cyberonics Holdings LLC * (1)	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LivaNova PLC	100
Cyberonics Netherlands CV * (1)	100 Cyberonics Boulevard, Houston, TX 77058 USA	Netherlands	100	LivaNova PLC *Cyberonics Holdings LLC*	99 *1*
ImThera Medical, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LivaNova USA, Inc.	100
LivaNova Australia PTY Limited	Unit 1, 63 Wells Road, Chelsea Heights VIC 3196	Australia	100	LivaNova Nederland N.V.	100
LivaNova Austria GmbH	Millennium Tower, Handelskai 94-96, 1200 Wien	Austria	100	LivaNova Nederland N.V.	100
LivaNova Belgium NV	Ikaroslaan 83, 1930 Zaventem, Belgium	Belgium	100	LivaNova Nederland N.V.	100
LivaNova Brasil Comércio e Distribuição de Equipamentos Médico-hospitalares Ltda	Rua Liege, 54 – Vila Vermelha, 04298-070 – São Paulo - SP - Brasil	Brazil	100	Sorin Group Italia S.r.l.	100
LivaNova Canada, Inc. *	8-280 Hillmount Road Markham, ON L6C 3A1	Canada	100	LivaNova PLC	100
LivaNova Cayman Limited *	Cannon Place, Grand Cayman, Cayman Islands	Cayman Islands	100	LivaNova PLC	100
LivaNova Chile SpA	Santiago, Chile	Chile	100	LivaNova UK Limited	100
LivaNova Colombia Sas	Avenida Calle 80 No. 69-70 Bodega 37, Bogotá, Colombia	Colombia	100	Sorin Group Italia S.r.l.	100
LivaNova Deutschland GmbH	Lindberghstrasse 25, D - 80939 München, Germany	Germany	100	Sorin Group Italia S.r.l.	100
LivaNova España, S.L.	Avenida Diagonal 123, planta 10, 08005, Barcelona, Spain	Spain	100	LivaNova Nederland N.V.	100
LivaNova Finland OY	c/o Kalliolaw Asianajotoimisto Oy, Södra kajen 12, 00130 Helsinki, Finland	Finland	100	Sorin Group Italia S.r.l.	100
LivaNova Holding S.r.l.	Via Enrico Cialdini, 16, 20161 Milano Italy	Italy	100	Sorin Group Italia S.r.l.	100
LivaNova Hong Kong Limited	4008-4009, 40/F, One Pacific Place, 88 Queensway, Hong Kong	Hong Kong	100	LivaNova Nederland N.V.	100
LivaNova Hungary Limited Liability Company *	H-1062 Budapest, Váci út 1-3, A épület, 6. em.	Hungary	100	LivaNova PLC	100
LivaNova, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LivaNova USA, Inc.	100
LivaNova India Private Limited	603-A, Copia Corporate Suites, Building #09, Jasola District Centre, New Delhi, India 110025	India	100	LivaNova Nederland N.V.	100
LivaNova IP Limited *	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100	LivaNova PLC	100
LivaNova Japan K.K.	11-1 Nagatacho 2 chome, Chiyoda-ku, Tokyo, 100-6110 Japan	Japan	100	LivaNova Nederland N.V.	100
LivaNova (Thailand) Ltd	999, Gaysorn Building, 5th Floor, Unit 5B-1, Room no 535 ,509-510 Ploenchit Rd., Lumpini, Patumwan, Bangkok 103304	Thailand	100	LivaNova Nederland N.V.	100
LivaNova (China) Medical Technology Co. Ltd	Room 3006, 30F, C Building, SML Centre, No. 610 Xujiahui Road, Huangpu District, Shanghai, 200025, China	China	100	LivaNova Holding S.r.l.	100
LivaNova Malaysia Sdn. Bhd.	Unit A-3-6, TTDI Plaza, Jalan Wan Kadir 3, Taman Tun Dr Ismail, 60000 Kuala Lumpur, Malaysia	Malaysia	100	LivaNova Nederland N.V.	100
LivaNova Nederland N.V. *	Westerdoksdijk 423, 1013 BX, Amsterdam, Netherlands	Netherlands	100	LivaNova PLC	100
LivaNova Norway AS	c/o AmestoAccounthouse AS, Smeltedigelen 1, 0195 Oslo, Norway	Norway	100	Sorin Group Italia S.r.l.	100
LivaNova Poland Sp. Z o.o.	Park Postepu Bud A Ul. Postepu 21 PL-02 676 Warszawa, Poland	Poland	100	LivaNova Nederland N.V.	100
LivaNova SAS	Issy-les-Moulineaux (92130), 24 rue du Gouverneur Général Eboué, France	France	100	LivaNova Nederland N.V.	100
LivaNova Scandinavia AB	Djupdalsvägen 16, 192 51 Sollentuna, Sweden	Sweden	100	Sorin Group Italia S.r.l.	100
LivaNova Singapore Pte Ltd	11 North Buona Vista Drive #13-09, The Metropolis, Singapore 138589	Singapore	100	LivaNova Nederland N.V.	100
LivaNova Site Management S.r.l. *	Via Enrico Cialdini, 16, 20161 Milano Italy	Italy	100	LivaNova PLC Sorin Group Italia S.r.l.	86 14
LivaNova Switzerland SA *	Rue du Grand-Pont 12, 1003 Lausanne	Switzerland	100	LivaNova PLC	100
LivaNova Taiwan Co. Ltd	2F., No. 101, Songren Rd., Xinyi Dist., Taipei City, 11073, Taiwan (R.O.C.)	Taiwan	100	LivaNova Nederland N.V.	100
LivaNova Turkey Medikal Limited Sirketi	Nart E-office, Pol Center Ecza Sok. No.4 Levent Istanbul	Turkey	100	LivaNova Nederland N.V.	100
LivaNova UK Limited	1370 Montpellier Court, Gloucester Business Park, Gloucester, Gloucestershire, GL3 4AH, United Kingdom	United Kingdom	100	LivaNova Nederland N.V.	100
LivaNova USA, Inc. *	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LivaNova PLC	100

Note 5. Investments in Subsidiaries

	Registered Office	Country of Incorporation	% Consolidated Group Ownership	Parent Name	Parent % Ownership
LIVN Irishco 2 UC	Deloitte, 6 Lapps Quay, Cork, T12 TA48, Ireland	Ireland	100	LIVN UK Holdco Limited	100
LIVN Luxco 2 sarl	15 Rue Edward Steichen L-2540 Luxembourg	Luxembourg	100	LIVN UK Holdco Limited	100
LIVN UK 2 Co Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100	LIVN US 5, LLC	100
LIVN UK Holdco Limited *	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	United Kingdom	100	LivaNova PLC	100
LIVN US 3, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LivaNova, Inc.	100
LIVN US 5, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	U.S.	100	LIVN US 3, LLC	100
Sorin Group Italia S.r.l. *	Via Enrico Cialdini, 16, 20161 Milano Italy	Italy	100	LivaNova PLC LivaNova Holding S.r.l.	99 1
Sorin Group Rus LLC	Marshal Proshlyakov str. 30 office 304 123458 Moscow, Russia	Russia	100	Sorin Group Italia S.r.l.	100

* *Represents a direct investment of LivaNova PLC.*

(1) Cyberonics Netherlands CV and Cyberonics Holdings LLC were liquidated during 2022.

Note 6. Other Financial Assets

LivaNova PLC's current financial assets in the balance sheet include the following:

(in thousands)	31 December 2022	31 December 2021
Due in less than 12 months		
Due from subsidiaries [(1)]	$ 54,635	$ 399,012
Other	950	12
	$ 55,585	$ 399,024

(1) LivaNova PLC, in the management of LivaNova centralized treasury and acting as in-house bank of the Group, loans excess cash to subsidiaries. Interest accrues and is paid quarterly at LIBOR plus 1.5% per annum. Principal amounts are due on demand with 10 day notice.

Note 7. Trade and Other Receivables and Expected Credit Loss Provision

Trade receivables consisted of the following:

(in thousands)	31 December 2022	31 December 2021
Trade receivables due from third parties	$ 274	$ 369
Trade receivables due from LivaNova subsidiaries [(1)]	11,658	6,759
Expected credit loss provision	(246)	(269)
Total	$ 11,686	$ 6,859

(1) Trade receivables due from subsidiaries are paid within 90 days and no interest is charged.

Trade receivables are reported net of the expected credit loss provision, the changes in which are provided below:

(in thousands)	31 December 2022	31 December 2021
Beginning of year	$ 269	$ 291
Utilization	(7)	—
Currency translation gains/losses	(16)	(22)
End of year	$ 246	$ 269

Below is a summary of other receivables:

(in thousands)	31 December 2022	31 December 2021
Prepaid assets	$ 2,271	$ 1,362
Deposit and advances to suppliers	4,704	15,102
Guarantee deposits	158	52
Total	$ 7,133	$ 16,516

Note 8. Derivative Financial Instruments

LivaNova PLC enter into FX derivative contracts and interest rate swap contracts to reduce the impact of foreign currency exchange rate and interest rate fluctuations, respectively, on earnings and cash flow. For additional details refer to LivaNova

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Note 8. Derivative Financial Instruments

PLC's accounting policy "Derivatives" included within "Note 2. Basis of Preparation, Use of Accounting Estimates and Significant Accounting Policies."

Freestanding FX Derivative Contracts

The gross notional amount of FX derivative contracts, not designated as hedging instruments, outstanding as of 31 December 2022 and 31 December 2021 was $154.5 million and $136.7 million, respectively. These derivative contracts are designed to offset the FX effects in earnings of various intercompany loans and trade receivables.

Cash Flow Hedges

Foreign Currency Risk

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

Interest Rate Risk

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

The amount and location of the gains (losses) in the Company statement of income (loss) related to derivative instruments, not designated as hedging instruments, are as follows (in thousands):

		Year Ended 31 December	
Derivatives Not Designated as Hedging Instruments	**Location**	**2022**	**2021**
Foreign currency exchange rate contracts	Foreign exchange and other income/(expense)	$ 4,479	$ 10.944
Interest rate swap contracts	Finance expense	$ 966	$ —

Presentation in Financial Statements

The following tables present the fair value, and the location of, derivative contracts reported in the Company balance sheet (in thousands):

31 December 2022	Asset Derivatives		Liability Derivatives	
Derivatives Not Designated as Hedging Instruments	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Interest rate swap contracts	Current financial derivative assets	$ 1,333		
FX derivative contracts			Current financial derivative liabilities	$ 5,886
Total derivatives not designated as hedging instruments		1,333		5,886
Total derivatives		$ 1,333		$ 5,886

31 December 2021	Asset Derivatives		Liability Derivatives	
Derivatives Designated as Hedging Instruments	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
FX derivative contracts	Current financial derivative liabilities	$ 243	Current financial derivative liabilities	$ 1,286
Total derivatives designated as hedging instruments		243		1,286
Derivatives Not Designated as Hedging Instruments				
FX derivative contracts	Current financial derivative liabilities	61	Current financial derivative liabilities	427
Total derivatives not designated as hedging instruments		61		427
Total derivatives		$ 304		$ 1,713

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Note 9. Shareholders' Equity

Share capital

LivaNova PLC's authorised share capital is as follows:

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

(1) Allotted, fully paid and issued.

Preferred shares

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

Treasury shares

Shares held by the Employee Benefit Trust ("EBT") are issued to employees and directors at exercise of stock-based compensation grants. The balance of shares in the EBT are reported as treasury shares. LivaNova PLC did not issue any additional shares to the Company's EBT during the years ended 31 December 2022 or 31 December 2021. As of 31 December 2022 and 2021, LivaNova held 287,315 and 498,213 shares in treasury.

Reserves

Merger relief reserve. On 19 October 2015 pursuant to the Mergers, the merger relief reserve was recognised in the amount of $2,649.6 million as a result of the share exchange transaction of the Sorin and Cyberonics Mergers with and into the Company. During the year ended 31 December 2016, the Company capitalised $2,583.1 million of the reserves in order to create distributable reserves in the financial statement of the Company. Additionally, on 6 August 2021, the Company closed an offering and issued 4,181,818 ordinary shares, par value £1.00 per share, at an offering price of $82.50 per share. Net proceeds from the offering were approximately $322.5 million, after deducting underwriting discounts, commissions and offering expenses, of which $316.7 million was recognised as merger relief reserve. The reserves may be used for any corporate purpose of the Company for which realized profits are required.

Capital redemption reserve

The capital redemption reserve represents transfers from distributable reserves in accordance with the Company's legislation upon the redemption of ordinary share capital.

Accumulated Other Comprehensive (Loss) Income

The table below presents the change in each component of AOCI, net of tax and the reclassifications out of AOCI into net earnings:

(in thousands)	Foreign currency translation adjustments	Revaluation of net (asset) liability for defined benefits	Total
Opening Balance - 31 December 2020	$ 48,907	$ (35)	$ 48,872
Reclassification of (loss) gain from accumulated other comprehensive income, before tax	(38,615)	5	(38,610)
Tax effect	—	—	—
Reclassification of (loss) gain from accumulated other comprehensive income, after tax	(38,615)	5	(38,610)
Net other comprehensive (loss) income, net of tax	(38,615)	5	(38,610)
Ending Balance - 31 December 2021	$ 10,292	(30)	10,262
Reclassification of (loss) gain from accumulated other comprehensive income, before tax	(32,237)	10	(32,227)
Tax effect	—	—	—
Reclassification of (loss) gain from accumulated other comprehensive income, after tax	(32,237)	10	(32,227)
Net other comprehensive (loss) income, net of tax	(32,237)	10	(32,227)
Ending Balance - 31 December 2022	$ (21,945)	$ (20)	$ (21,965)

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Note 10. Financial Liabilities

The outstanding principal amount of long-term debt consisted of the following (in thousands, except interest rates):

	31 December 2022	31 December 2021
Notes payable to LivaNova subsidiaries [1]	$ 509,849	$ 509,849
Total long-term facilities	509,849	509,849
Less current portion of long-term debt	—	—
Total long-term debt	$ 509,849	$ 509,849

(1) On 15 October 2020, LivaNova PLC entered into a $509.8 million Promissory Note with LivaNova USA, Inc. at 4.75% fixed interest rate per annum with accrued interest and principal due 14 October 2030. This note was subsequently assigned to LivaNova Hungary Limited Liability Company in 2020.

The outstanding principal amount of current debt consisted of the following (in thousands):

	31 December 2022	31 December 2021
Due to LivaNova subsidiaries [1]	$ 229,678	$ 302,686
Short-term facilities	60	82
Total short-term facilities	229,738	302,768
Current portion of long-term debt	—	—
Total current debt	$ 229,738	$ 302,768

(1) LivaNova PLC, in the management of LivaNova centralized treasury and acting as in-house bank of the Group, holds cash on deposit from subsidiaries. Interest accrues and is paid quarterly on balances at LIBOR less 0.5%.

Finance expense. Finance expense of $27.7 million and $25.8 million for the years ended 31 December 2022 and 31 December 2021, respectively, consisted primarily of interest on the Company's debt facilities. Refer to the Company statement of income (loss). Finance expense associated with subsidiary debt amounted to $26.7 million and $25.4 million for the years ended 31 December 2022 and 31 December 2021, respectively.

Note 11. Leases

LivaNova PLC has leases primarily for (i) real estate, including office space and manufacturing, warehouse and research and development facilities and (ii) vehicles. LivaNova PLC's leases have remaining lease terms up to 12 years, some of which include options to extend the leases, and some of which include options to terminate the leases at the Company's sole discretion.

Right-of-Use Assets and Lease Liabilities

The movement in the ROU assets and lease liabilities since adoption by class of assets is as follows (in thousands):

	Real Estate	Vehicles	Right-of-Use Assets	Lease Liabilities
Balance as of 31 December 2020	$ 5,748	$ 253	$ 6,001	$ 6,119
Additions	—	25	25	25
Depreciation expense	(3,187)	(65)	(3,252)	—
Disposals	—	(100)	(100)	(98)
Finance expense	—	—	—	97
Lease payments	—	—	—	(1,800)
Currency translation adjustments	(161)	(15)	(176)	(169)
Balance as of 31 December 2021	2,400	98	2,498	4,174
Additions	3,791	26	3,817	3,816
Depreciation expense	(949)	(56)	(1,005)	—
Disposals	—	(11)	(11)	(11)
Finance expense	—	—	—	189
Lease payments	—	—	—	(1,537)
Currency translation adjustments	(5)	(8)	(13)	(44)
Balance as of 31 December 2022	$ 5,237	$ 49	$ 5,286	$ 6,587

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

Note 11. Leases

2023	$	1,107
2024		1,325
2025		976
2026		615
2027		447
Thereafter		3,277
Total lease payments		7,747
Less: Amount representing finance charges		(1,160)
Net present value of lease liabilities	$	6,587

Contractual maturities of LivaNova PLC's lease liabilities as of 31 December 2021 are as follows (in thousands):

2022	$	1,489
2023		920
2024		1,110
2025		640
2026		187
Thereafter		—
Total lease payments		4,346
Less: Amount representing finance charges		(172)
Net present value of lease liabilities	$	4,174

Lease payments of approximately $1.5 million were made during the year ended 31 December 2022 in connection with lease agreements of which $1.3 million represents the principal portion classified in financing activities and $0.2 million for interest classified in operating activities.

Lease payments of approximately $1.8 million were made during the year ended 31 December 2021 in connection with lease agreements of which $1.7 million represents the principal portion classified in financing activities and $0.1 million for interest classified in operating activities.

Note 12. Other Payables

(in thousands)	31 December 2022	31 December 2021
Accrued expenses- employee-related charges	$ 5,706	$ 8,159
Other accrued expenses	5,006	4,073
Other current liabilities with subsidiaries	1,542	2,236
Amount payable to Gyrus Capital S.A. [(1)]	—	7,105
Other liabilities	899	1,141
Other amounts due to health and social security institution	569	516
Amounts due to employees	491	378
Total	$ 14,213	$ 23,608

(1) The amount payable to Gyrus Capital S.A. as of 31 December 2021 primarily represents the purchase price adjustment liability from the sale of LivaNova PLC's Heart Valve business, which was settled during 2022. For additional information refer to "Note 8. Divestiture of Heart Valve Business" in the Consolidated Group financial statements in this Annual Report.

Note 13. Share-Based Compensation Plans

Share-Based Compensation Plans

On 16 October 2015, LivaNova PLC approved the adoption of the Company's 2015 Plan, which was previously approved by the Board of the Company on 14 September 2015 subject to such shareholder approval. The 2015 Plan was adopted in order to facilitate the grant of cash and equity incentives to non-employee directors, employees (including the Company's named executive officers) and consultants of the Company and certain of LivaNova PLC's affiliates and to enable the Company and certain of LivaNova PLC's affiliates to obtain and retain services of these individuals. The Plan became effective as of 19 October 2015. The 2022 Incentive Award Plan (the "2022 Plan") was adopted by the Board of Directors on 20 April 2022 and approved by the shareholders of LivaNova PLC on 13 June 2022. Awards may be granted under the 2015 Plan and 2022 Plan in the form of stock options, SARs, RS, RSUs and other stock-based awards. The awards with service conditions generally vest ratably from two to four years and are subject to forfeiture unless service conditions are met. The market performance-based awards that were issued

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cliff vest after three years subject to the rank of LivaNova's total shareholder return for the three-year period ending 31 December 2024 relative to the total shareholder returns for a peer group of companies. The adjusted FCF and adjusted ROIC operating performance-based awards that were issued cliff vest after three years subject to the achievement of certain thresholds of cumulative results for those metrics for the three-year period ending 31 December 2024. As of 31 December 2022, there were approximately 317,200 shares available for future grants under the 2015 Plan, respectively and 1,900,000 shares pursuant to Options or Stock Appreciation Rights and 1,137,785 shares pursuant to other types of awards available for future grants to LivaNova PLC's employees under the 2022 Plan.

Share Options and Share Appreciation Rights

	Year Ended 31 December			
	2022		2021	
Options and SARs	Number of Optioned Shares	Wtd. Avg. Exercise Price	Number of Optioned Shares	Wtd. Avg. Exercise Price
Exercised	7,067	$ 45.55	59,501	$ 54.79
Outstanding - end of year	797,842	$ 63.94	756,142	$ 61.97

The weighted average remaining contractual life for the share options and SARs outstanding at 31 December 2022 and 31 December 2021 was 5.9 years and 6.4 years, respectively.

The aggregate intrinsic value of the options and SARs outstanding at 31 December 2022 and 31 December 2021 was $3.6 million and $20.2 million. respectively. The aggregate intrinsic value of options and SARs is based on the fair market value of the underlying share at the end of the year using the difference between the market closing share price, and exercise price for in-the-money awards.

The range of exercise prices for options and SARs outstanding at year end are categorised in exercise price ranges as follows:

Outstanding Options	31 December 2022	31 December 2021
$41-50	303,421	325,080
$51-60	135,173	138,566
$61-70	—	—
$71-80	109,485	114,787
$81-90	174,247	91,344
$91-100	75,025	85,374
$101-110	—	500
$121-130	491	491
Total	797,842	756,142

Restricted Share and Restricted Share Units Awards

The following tables detail the activity for service-based restricted share and restricted share unit awards:

	Year Ended 31 December			
	2022		2021	
	Number of Shares	Wtd. Avg. Grant Date Fair Value	Number of Shares	Wtd. Avg. Grant Date Fair Value
Non-vested at end of year	157,400	$ 67.57	175,304	$ 64.96

	Year Ended 31 December	
(in thousands)	2022	2021
Aggregate fair value of service-based share grants that vested during the year (in thousands)	$ 5,247	$ 5,787

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Note 14. Income Taxes

Deferred income tax assets and liabilities are summarised as follows:

(in thousands)	31 December 2022	Activity During the Year Ended 31 December 2022			31 December 2021
		Company Statement of Income (Loss)	Tax Rate Change	Shareholders' Equity	
Net operating loss carryforwards	$ 70,173	$ 9,351	$ 2,489	$ —	$ 58,333
Accruals and reserves	66	—	—	—	66
Share-based compensation	4,235	(992)	—	(3,270)	8,497
Lease assets and other	17,040	4,594	1,844	62	10,540
Total deferred tax assets	91,514	12,953	4,333	(3,208)	77,436
Lease liabilities and other	1,027	852	—	62	113
Total deferred tax liabilities	1,027	852	—	62	113
Total deferred tax assets, net	$ 90,487	$ 12,101	$ 4,333	$ (3,270)	$ 77,323

(in thousands)	31 December 2021	Activity During the Year Ended 31 December 2021			31 December 2020
		Company Statement of Income (Loss)	Tax Rate Change [1]	Shareholders' Equity	
Net operating loss carryforwards	$ 58,333	$ 9,443	$ 13,480	$ —	$ 35,410
Accruals and reserves	66	—	—	—	66
Share-based compensation	8,497	(1,428)	137	5,086	4,702
Lease assets and other	10,540	1,995	2,323	1,044	5,178
Total deferred tax assets	77,436	10,010	15,940	6,130	45,356
Lease liabilities and other	113	(772)	263	(554)	1,176
Total deferred tax liabilities	113	(772)	263	(554)	1,176
Total deferred tax assets, net	$ 77,323	$ 10,782	$ 15,677	$ 6,684	$ 44,180

(1) UK received royal assent in July 2021, and provided for the UK tax rate to increase to 25%, effective 1 April 2023, there was a revaluation to increase deferred taxes in 2021.

Deferred tax assets have not been recognised as of 31 December 2022 with respect of the following items (in thousands):

Region	Gross Amount	Tax Benefit	Amount with No Expiration	Carryforward Period
UK NOL	$ 40,437	$ 10,109	$ 10,109	Unlimited
Non UK NOL	2,878	691	691	Unlimited
Total NOL	$ 43,315	$ 10,800	$ 10,800	

Deferred tax assets have not been recognised as of 31 December 2021 with respect of the following items (in thousands):

Region	Gross Amount	Tax Benefit	Amount with No Expiration	Carryforward Period
UK NOL	$ 40,437	$ 10,109	$ 10,109	Unlimited
Non UK NOL	2,459	590	590	Unlimited
Total NOL	$ 42,896	$ 10,699	$ 10,699	

For losses incurred after April 2017 in the UK, the Company anticipates a recoverability of these operating loss carryforwards beginning in 2028 as the Company expects an increase in taxable income due to the full amortisation of certain intangible assets. The Company is relying on estimated future income projections and judgement on the growth of the projected income for the recoverability of the deferred tax assets corresponding the NOLs. The Company estimates it will be able to recover its tax loss in less than 15 years through UK Group relief, as the UK Group will realize substantially an increase of taxable income as a result of increased revenues from royalty income and decreased amortisation of intangible assets beginning in 2028.

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Note 15. Commitments and Contingencies

Refer to "Note 26. Commitments and Contingencies" of the LivaNova consolidated financial statements in this Annual Report.

Certain subsidiaries of LivaNova PLC have entered into agreements with Bank of America, including for the issuance of credit cards and local credit facilities, for which LivaNova PLC has provided an indemnity letter up to $40 million to Bank of America covering the liabilities of the subsidiaries under the agreements.

Note 16. Related Parties

Interests in subsidiaries are set out in "Note 5. Investments in Subsidiaries." Receivables from subsidiaries are set out in "Note 6. Other Financial Assets." Trade receivables due from LivaNova subsidiaries are set out in "Note 7. Trade and Other Receivables and Expected Credit Loss Provision." Other assets on the Company balance sheet represent long-term receivables from subsidiaries associated with the Company's share-based incentive plans. Notes payable to LivaNova subsidiaries are set out in "Note 10. Financial Liabilities." Other current liabilities with subsidiaries are set out in "Note 12. Other Payables." Refer to the consolidated financial statements "Note 29. Related Parties" for key management personnel and related parties. Refer to consolidated financial statements "Note 13. Financial Assets" for related party financial assets.

Note 17. Company Statement of Income (Loss) - Expenses by Nature

	Year Ended 31 December	
(in thousands)	2022	2021
Revenue	$ 28,996	$ 27,663
Cost of materials and services used	(49,065)	(52,661)
Personnel expense	(35,136)	(46,014)
Amortisation and depreciation	(1,663)	(3,772)
Operating loss	(56,868)	(74,784)
Finance expense	(27,688)	(25,819)
Income from subsidiary undertakings	60,925	47,722
Finance income	10,983	6,109
Losses on disposal of investments, net	(282)	(13,963)
Foreign exchange and other income/(expense)	(1,673)	(1,918)
Loss before taxes	(14,603)	(62,653)
Income tax benefit	16,617	29,672
Income (loss) for the financial year	$ 2,014	$ (32,981)

Note 18. Employee Compensation Costs

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

Employee numbers

The average monthly employee numbers on a full-time equivalent basis, including executive directors were 68 and 83 for the years ended 31 December 2022 and 2021, respectively. LivaNova PLC's employees are principally engaged in Corporate activities.

The below table presents Employee compensation costs of LivaNova PLC:

	Year Ended 31 December	
(in thousands)	2022	2021
Wages and salaries	$ 14,355	$ 21,047
Share-based payments	14,119	13,076
Other employee costs	6,662	11,891
	$ 35,136	$ 46,014

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Note 19. Auditors' Remuneration

(in thousands)	Year Ended 31 December 2022	2021
Fees payable to the Company's Auditors for the audit of parent company financial statements [1]	$ 82	$ 76

(1) Refer to "Note 33. Auditors' Remuneration" of the LivaNova consolidated financial statements in this Annual Report for non-audit fees.

Note 20. Subsequent Events

Refer to "Note 35. Subsequent Events" to the Consolidated Group financial statements in this Annual Report.

Independent auditors' report to the members of LivaNova PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- LivaNova PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's loss, the Company's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the 2022 UK Annual Report (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheet as at 31 December 2022; the Consolidated Statement of (Loss) Income, the Company Statement of Income (Loss), the Consolidated Statement of Comprehensive Income and Company Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated Statement of Changes in Equity and Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Context

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

Overview

Audit scope

- The components where we conducted audit procedures, together with work performed at corporate functions and over consolidation adjustments, accounted for approximately 66% of the Group's net revenue and 91% of the Group's loss before tax on an absolute basis.

Key audit matters

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

Materiality

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

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The scope of our audit

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

Key audit matters

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

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

The key audit matters below are consistent with last year.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LIVANOVA PLC

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

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Recoverability of the carrying value of investments in subsidiaries (Company) *Refer to Notes 2 and 5 in the Company financial statements* Investments in subsidiaries of $2,938 million (2021: $2,978 million) are accounted for at cost less impairment in the Company's Balance Sheet at 31 December 2022. Investments in subsidiaries are assessed for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the Company Statement of (Loss) Income. Management assessed each investment individually for impairment. An impairment indicator was determined to be present if the carrying value of the investment exceeded the subsidiary's net assets. Where an indicator was identified, management determined whether the carrying value of the investment can be supported by the recoverable amount, being the higher of fair value less cost of disposal or value in use where the net present value of future cash flows are estimated based on the continued use of the asset in the business. The assessment utilised the discounted cash flow analyses developed as part of the Group's goodwill impairment assessment. The key assumptions included in those estimates were the cash flow projections, revenue growth rates and discount rates. As the determination of the recoverable amount requires the application of significant judgement and estimates, particularly in determining the key assumptions to be applied in preparing cash flow projections, this represents an area of heightened risk.	For each investment in the subsidiary, we evaluated the management assessment of whether any indicators of impairment existed. Where an investment's carrying value was greater than the net assets of the subsidiary, which was determined to be an impairment indicator, we reviewed the detailed estimates prepared by management to support the carrying value of the investment held. The substantive audit procedures we performed included: • verifying the mathematical integrity of the impairment model; • evaluating the appropriateness of the assumptions used in the model, including the cash flow projections, revenue growth rates, terminal growth rates, and discount rates, in conjunction with our goodwill impairment testing; and • evaluating and reperforming management's sensitivity analysis to understand the impact of reasonable possible changes to key assumptions. Management concluded that it was appropriate not to recognise any impairment charges on the basis that the carrying values of the investments in subsidiaries held by the Company are supportable. Based on our procedures, we agree with their conclusion. We have also assessed the management's disclosures within the Company financial statements in Note 2 and 5 and consider them to be appropriate. We noted no material exceptions through performing these procedures.

How we tailored the audit scope

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

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

We conducted a full scope audit at two financially significant components: the US and Italy. In addition, in order to achieve the required coverage, we performed audit and/or specified procedures over key financial statement line items at an additional one material and two other components, including cost of sales, selling, general and administrative expenses, cash and cash equivalents, restricted cash, inventory, tax receivable and deferred taxes. In addition, audit procedures were performed centrally in relation to various Group functions, including goodwill and IPR&D intangible assets, share-based payments, financial liabilities, contingent considerations, investments, leases, litigation matters, consolidation and GAAP adjustments.

Our oversight procedures included the issuance of formal written instructions to component auditors setting out the work to be performed at each location and regular communication throughout the audit cycle including regular component video conferences and calls, and review of component auditor work papers for financially significant and material components including onsite review of Italy component.

The components where we conducted audit procedures, together with work performed at corporate functions and over consolidation adjustments, accounted for 66% of the Group's net revenue and 91% of the Group's loss from continuing operations before tax on an absolute basis.

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

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The impact of climate risk on our audit

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

Materiality

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

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

	Financial statements – Group	Financial statements - Company
Overall materiality	$8 million (2021: $6 million).	$36 million (2021: $37 million).
How we determined it	Based on approximately 0.8% of the total net revenue	Based on approximately 1% of the total assets
Rationale for benchmark applied	As the Group has been loss-making from a statutory perspective for the past five years, with no dividends paid since the merger date and the Group has no immediate intention to declare and pay dividends for 2022. Further, a revenue based performance indicator is the most heavily weighted metric in the determination of directors' remuneration. Accordingly, total net revenue is used as the benchmark.	As the Company's principal activity is to hold investments in subsidiaries, the Company is not profit-oriented. Therefore, total assets are used as the benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $4 million and $7.9 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to $6 million (2021: $4.5 million) for the Group financial statements and $27 million (2021: $27 million) for the company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above $0.8 million (Group audit) (2021: $0.4 million) and $3.6 million (Company audit) (2021: £1.7 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Directors' Remuneration

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material

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misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to product safety (including but not limited to environmental laws and regulations and the US Food and Drug Administration regulation), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financials results and potential management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

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

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or

- the Company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Nigel Comello (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 April 2023

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