LivaNova

Health innovation that matters

2023 UK Annual Report

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DEFINITIONS

In this LivaNova PLC 2023 UK Annual Report, the following terms and abbreviations have the meanings listed below. "LivaNova," the "Company," and "Group," "we," "us" and "our" refer to LivaNova PLC and its consolidated subsidiaries.

Abbreviation	Definition
2015 Plan	LivaNova PLC 2015 Incentive Award Plan
2021 First Lien Credit Agreement	First Lien Credit Agreement for $125 million between LivaNova PLC and its wholly-owned subsidiary, Borrower, and Goldman Sachs Bank USA, as First Lien Administrative Agent and First Lien Collateral Agent, entered into on 13 August 2021
2022	The year ended 31 December 2022
2022 Plan	LivaNova PLC 2022 Incentive Award Plan
2023	The year ended 31 December 2023
2023 LTIP	2023 Long-Term Incentive Plan
2023 STIP	2023 Short-Term Incentive Plan
2024 AGM	2024 Annual General Meeting
2024 LTIP	2024 Long-Term Incentive Plan
2024 Restructuring Plan	A plan, initiated in 2024, to enhance LivaNova's focus on its core Cardiopulmonary and Neuromodulation segments
2025 Capped Calls	Privately negotiated capped call transactions entered into with certain of the initial purchasers of the 2025 Notes or their respective affiliates
2025 Indenture	The indenture governing the 2025 Notes
2025 Notes	$287.5 million aggregate principal amount of 3.00% senior notes due December 2025, issued June 17, 2020
2029 Capped Calls	Privately negotiated capped call transactions entered into with certain of the initial purchasers of the 2029 Notes and another financial institution, or their respective affiliates
2029 Indenture	The indenture governing the 2029 Notes
2029 Notes	$345 million aggregate principal amount of 2.50% senior notes due March 2029, issued March 8, 2024
A&R 2022 Plan	Amended and Restated LivaNova PLC 2022 Incentive Award Plan
ACS	Advanced Circulatory Support
Aggressive Climate Action	Scenario with a 1.5°C increase in global average temperatures above pre-industrial levels
AGM	Annual General Meeting
ALung	ALung Technologies, Inc.
Annual Report	2023 UK Annual Report
AOCI	Accumulated other comprehensive income
APAC	Asia-Pacific
ASMs	Anti-seizure medications
Audit Committee	LivaNova's Audit and Compliance Committee
Auditor	Statutory Auditor
Barclays	Barclays Bank Ireland PLC
BEPS	Base Erosion and Profit Shifting
Board	LivaNova Board of Directors
Borrower	LivaNova USA, Inc.
Bridge Loan Facility	Incremental Facility Amendment No. 1 to the 2021 First Lien Credit Agreement, relating to a €200 million bridge loan facility, dated 24 February 2022, and repaid on 6 July 2022
Capped Call Transactions	The 2025 Capped Calls and the 2029 Capped Calls
CARES Act	Coronavirus Aid, Relief and Economic Security Act
CCPA	California Consumer Privacy Act
CE Mark	*Conformité Européenne, French for "European Conformity"*
CECs	Comprehensive Epilepsy Centers
CED	Coverage with Evidence Development
CEO	Chief Executive Officer
CFD	UK Climate-related Finance Disclosure
CFO	Chief Financial Officer

Abbreviation	Definition
CGU	Cash generating unit
CHCM Committee	Compensation and Human Capital Management Committee
CISO	Chief Information Security Officer
CLO	Chief Legal Officer
CMS	The US Centers for Medicare & Medicaid Services
CO2e	The number of metric tons of carbon dioxide emissions with the same global warming potential as one metric ton of another greenhouse gas
Code of Conduct	LivaNova PLC's Code of Ethics and Business Conduct
CODM	Chief Operating Decision Maker
Companies Act 2006	Companies Act 2006 of England and Wales
Convertible Notes Measurement Period	The five business day period after any ten consecutive trading day period
Court of Appeal	Court of Appeal in Milan
CPAP	Continuous positive airway pressure
CPB	Cardiopulmonary bypass
CRO	Chief Risk Officer
Current Climate Action	"Business-as-usual" scenario indicating a continuation of current warming trends
Cyberonics	Cyberonics, Inc.
D.S.O.	Days of sales outstanding
D23 study	The longest and largest naturalistic study on treatments for patients experiencing chronic and severe DTD, published by the American Journal of Psychiatry in 2017
DEFRA	UK Department for Environment, Food and Rural Affairs
Delayed Draw Term Facility	$50 million delayed draw term facility under the 2021 First Lien Credit Agreement resulting from the Incremental Facility Amendment No. 2
DRE	Drug-resistant epilepsy
DSMC	Data and Safety Monitoring Committee
DTC	Depository Trust Company
DTD	Difficult-to-treat depression
E&I	Ethics and Integrity
EBT	Employee Benefit Trust
ECJ	European Court of Justice
ECMO	Extracorporeal membrane oxygenation
EIR	Effective interest rate
ELT	Executive Leadership Team
EPA	US Environmental Protection Agency
EPS	Earnings per share
ESG	Environmental, Social and Governance
ESPP	Global Employee Share Purchase Plan
EtO	Ethylene oxide
EU	European Union
False Claims Act	US False Claims Act
FCF	Free Cash Flow
FCPA	US Foreign Corrupt Practices Act of 1977
FDA	US Food and Drug Administration
FIFO	First-in-first-out
FX	Foreign currency exchange rate
GAAP	Generally Accepted Accounting Principles
GDPR	General Data Protection Regulation
GHG	Greenhouse Gas
Hemolung RAS	Hemolung Respiratory Assist System
HHS	The US Department of Health & Human Services
HIPAA	Health Insurance Portability and Accountability Act of 1996

Abbreviation	Definition
HITECH	Health Information Technology and Clinical Health Act
HLM	Heart-lung machine
HSE	Health, Safety and Environment
IBR	Incremental borrowing rate
IEA	International Energy Agency
IFRS	UK-adopted International Accounting Standards
ILBM	In-line blood monitor
ImThera	ImThera Medical, Inc., acquired by LivaNova in 2018, a company developing an implantable neurostimulation device system for the treatment of obstructive sleep apnea
Incremental Facility Amendment No. 2	An incremental facility amendment to the 2021 First Lien Credit Agreement, dated 6 July 2022
Incremental Facility Amendment No. 3	An incremental facility amendment to the 2021 First Lien Credit Agreement, dated 8 March 2024
Incremental Revolving Facility	The Incremental Facility Amendment No. 3 provides for LivaNova USA, Inc. to, among other things, obtain commitments for a new revolving facility from a syndicate of lenders in an aggregate principal amount of $225 million
Indentures	The 2025 Indenture and the 2029 Indenture
Initial Term Facility	$225 million revolving facility under the 2021 First Lien Credit Agreement resulting from the Incremental Facility Amendment No. 3
IPCC	Intergovernmental Panel on Climate Change
IPR&D	In-Process Research and Development
IS	Information security
ISDA	International Swaps and Derivatives Association, Inc.
ISIN	National Inspectorate for Nuclear Safety and Radiation Protection, a sub-body of the Italian Ministry of Economic Development
ISMS	Information Security Management System
ISO	International Organization for Standardization
IT	Information technology
KPIs	Key performance indicators
LivaNova PLC	A public limited company organized under the laws of England and Wales on 20 February 2015
LivaNova USA	LivaNova USA, Inc.
LSM	LivaNova Site Management S.r.l.
MDD	Medical Device Directive
MDR	EU Medical Device Regulation
Merger	Business combination of Cyberonics and Sorin
Mitral	Mitral Holdco S.à r.l.
MRI	Magnetic resonance imaging
Nasdaq	Nasdaq Global Market
NCD	Non-coverage determination
NCG	Nominating and Corporate Governance
NED	Non-executive director
NIST	National Institute of Standards and Technology
NOLs	Net operating loss carryforwards
NOPAT	Net operating profit after taxes
Note Repurchases	The transaction by which LivaNova USA, Inc., entered into separate and individually negotiated transactions with certain holders of LivaNova USA, Inc.'s existing Cash Exchangeable Senior Notes, issued by LivaNova USA, Inc. and guaranteed by LivaNova, to repurchase $230 million aggregate principal amount of the Cash Exchangeable Senior Notes for an aggregate cash amount of approximately $270.5 million (including accrued and unpaid interest)
Notes	The 2025 Notes and the 2029 Notes
OCI	Other comprehensive income
OECD	Organization for Economic Co-operation and Development
Option Counterparties	Certain financial institutions with whom LivaNova USA or LivaNova PLC, as applicable, has entered into the 2025 Capped Calls and 2029 Capped Calls

Abbreviation	Definition
Order	Administrative order from the Italian Ministry of the Environment received by LivaNova in 2021
OSA	Obstructive sleep apnea
OSPREY clinical trial	LivaNova's clinical trial, "Treating Obstructive Sleep Apnea using Targeted Hypoglossal Neurostimulation"
Pearl Meyer	Pearl Meyer & Partners, LLC
Pillar Two	OECD BEPS Pillar Two
Plan Committee	Qualified Plan Committee
PMA	Pre-market approval
PP&E	Property, plant and equipment
PSUs	Performance stock units
Public Administrations	The Italian Ministry of the Environment and other Italian government agencies
R&D	Research and Development
RECOVER clinical study	LivaNova's clinical study "A Prospective, Multi-center, Randomized Controlled Blinded Trial Demonstrating the Safety and Effectiveness of VNS Therapy System as Adjunctive Therapy Versus a No Stimulation Control in Subjects With Treatment-Resistant Depression"
Remuneration Policy	UK remuneration policy
ROIC	Return on Invested Capital
ROU	Right-of-use
RS	Restricted share
RSUs	Service-based restricted share units
rTSR	Relative Total Shareholder Return
S&P	Standard & Poor's
SARs	Service-based stock appreciation rights
SDRT	UK Stamp Duty Reserve Tax
SEC	US Securities and Exchange Commission
SECR	Streamlined Energy and Carbon Reporting
Securities Act	US Securities Act of 1933, as amended
Settlement Agreement	Settlement agreement between LivaNova and Mr. Damien McDonald, dated 14 April 2023
SG&A	Selling, general and administrative expenses
SNIA	SNIA S.p.A.
SNIA Litigation Guarantee	A first demand bank guarantee of €270.0 million in connection with the SNIA litigation
SOFR	Secured Overnight Financing Rate
Sorin	Sorin S.p.A.
Sorin spin-off	The spin-off of Sorin from SNIA in 2004
SteerCo	ESG Steering Committee
Term Facilities	The Initial Term Facility, together with the Delayed Draw Term Facility
TFR	Trattamento di Fine Rapporto
Third Party Code of Conduct	Third Party Code of Ethics and Business Conduct
Trust	LivaNova PLC Employee Benefit Trust
TSR	Total Shareholder Return
UK	United Kingdom
UK Act	Finance (No.2) Act 2023
UK Bribery Act	UK Bribery Act of 2010
United Kingdom Accounting Standards, comprising FRS 101	United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework")
US	United States of America
US GAAP	Accounting principles generally accepted in the US
US GAAP	Generally Accepted Accounting Principles in the US
USD	US dollar
UTPR	Undertaxed profits rule

Abbreviation	Definition
VNS	Vagus nerve stimulation
VNS Therapy	LivaNova Vagus Nerve Stimulation Therapy
VP LL	Vice President, Legal Leader, Corporate & Securities
WACC	Weighted average cost of capital

This Annual Report of LivaNova PLC comprises the Strategic Report, Directors' Report, Remuneration Report, and the LivaNova PLC consolidated Financial Statements prepared in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 101 and applicable law), in respect of the year ended 31 December 2023 contained herein.

This Annual Report has been prepared to satisfy the reporting requirements of the Companies Act 2006 and will be included in the 2024 AGM materials made available to shareholders.

Cautionary Statement

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

Trademarks

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

- Trademarks for the Company's Neuromodulation systems, the VNS Therapy™ System, the VITARIA™ System and our proprietary pulse generator products: Model 102 (Pulse™), Model 102R (Pulse Duo™), Model 103 (Demipulse™), Model 104 (Demipulse Duo™), Model 106 (AspireSR™), Model 1000 (SenTiva™), Model 1000-D (SenTiva™ Duo), Model 7103 (VITARIA™ and TitrationAssist™) and Model 8103 (Symmetry™).
- Trademarks for our Cardiopulmonary product systems: Essenz™, S5™, S3™, S5 Pro™, B-Capta™, Inspire™, Heartlink™, XTRA™, 3T Heater-Cooler™, Connect™ and Revolution™.
- Trademarks for our advanced circulatory support systems: TandemLife™, TandemHeart™, TandemLung™, ProtekDuo™, LifeSPARC™, ALung™, Hemolung™, Respiratory Dialysis™ and ActivMix™.
- Trademarks for our obstructive sleep apnea system: ImThera™ and aura6000™.

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STRATEGIC REPORT

Business Overview

Our Global Business Model

LivaNova PLC is a market-leading global medical technology company. The Company designs, develops, manufactures, markets and sells products and therapies that are consistent with LivaNova's mission to provide hope for patients and their families through innovative medical technologies that deliver life-changing improvements. LivaNova is a public limited company organized under the laws of England and Wales and is headquartered in London, England. LivaNova's ordinary shares are listed for trading on the Nasdaq under the symbol "LIVN."

For the periods presented herein, LivaNova was comprised of three reportable segments: Cardiopulmonary, Neuromodulation and ACS. "Other" includes non-allocated corporate expenses for the years ended 31 December 2022 and 31 December 2023. 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.

During the first quarter of 2024, the Company reorganised its operating and reporting structure upon initiating the 2024 Restructuring Plan as further described below. In 2024, LivaNova's ACS segment will be included within "Other," excluding the ACS standalone cannulae and accessories business, which will be included within the Cardiopulmonary reportable segment.

Neuromodulation

LivaNova's Neuromodulation segment is engaged in the design, development, manufacture, marketing and selling of devices that deliver neuromodulation therapy for treating DRE and DTD. LivaNova's principal Neuromodulation product, the VNS Therapy System, consists of an implantable pulse generator and connective lead that stimulates the vagus nerve; surgical equipment to assist with the implant procedure; equipment and instruction manuals enabling a treating physician to set parameters for a patient's pulse generator; and for epilepsy, magnets to manually suspend or induce nerve stimulation. The lead does not need to be removed to replace a generator with a depleted battery.

The Neuromodulation segment is also engaged in the development and management of clinical testing for LivaNova's aura6000 System for treating OSA. The aura6000 device stimulates the hypoglossal nerve, which engages specific tongue and palate muscles to open the airway while a patient sleeps.

LivaNova's Neuromodulation segment also includes costs associated with the Company's former Heart Failure program, which the Company began winding down during the first quarter of 2023.

Epilepsy

There are several broad types of treatment available to patients with epilepsy: multiple ASMs; various forms of the ketogenic diet; VNS; resective and ablative brain surgery; and intracranial neurostimulation. ASMs typically serve as a first-line treatment and are prescribed for virtually all patients diagnosed with epilepsy. After two ASMs fail to deliver seizure control, the epilepsy is characterized as drug-resistant. At this point, adjunctive non-drug options are considered, including VNS therapy, ketogenic diet, resective or ablative surgery and other neuromodulation therapies.

In 1997, LivaNova's VNS Therapy System was the first medical device treatment approved by the FDA for the treatment of DRE, and today is the only neuromodulation device approved for use in the US in DRE patients as young as four years of age with partial onset, or focal, seizures. Other worldwide regulatory bodies have also approved the VNS Therapy System for treating patients with DRE, many without age or seizure-type restrictions. In 2020, CMS expanded reimbursement for VNS Therapy use in the treatment of Dravet Syndrome and, in January 2022, expanded reimbursement for VNS Therapy use in the treatment of Lennox-Gastaut Syndrome.

LivaNova distributes multiple VNS Therapy Systems for the treatment of epilepsy, including Model 103 (Demipulse), Model 104 (Demipulse Duo), Model 106 (AspireSR), Model 1000 (SenTiva) and Model 1000D (SenTiva Duo) pulse generators. LivaNova's AspireSR and SenTiva generators provide the traditional benefits of VNS Therapy but add an additional stimulation capability: closed loop stimulation (AutoStim) which responds to detection of changes in heart rate potentially indicative of a seizure. The SenTiva generator is the smallest and lightest VNS device capable of delivering responsive therapy for epilepsy and includes the additional flexibility of LivaNova's Scheduled Programming and Day & Night Programming capabilities. In 2017, the SenTiva, AspireHC and AspireSR VNS Therapy devices were approved by the FDA for expanded MRI access and similar CE Mark approval followed shortly thereafter.

Depression

In 2005, the FDA approved the VNS Therapy System for the adjunctive treatment of chronic or recurrent depression for patients 18 years or older who are experiencing a major depressive episode and have not had an adequate response to four or more antidepressant treatments. In 2007, CMS issued a non-coverage determination with respect to reimbursement of the VNS Therapy System for patients with DTD, significantly limiting access for most patients. In 2020, LivaNova's VNS Therapy System, Symmetry received CE mark approval for the treatment of DTD.

In 2017, the American Journal of Psychiatry published the results of the longest and largest naturalistic study on treatments for patients experiencing chronic and severe DTD. The findings showed that the addition of the VNS Therapy System to traditional treatment was effective in significantly reducing symptoms of depression and well-tolerated compared with traditional treatment alone. Following publication of the D23 study, LivaNova requested that CMS reconsider its previous NCD, and in 2018, CMS published a tracking sheet to reconsider.

In 2019, CMS produced a final decision providing coverage for the VNS Therapy System for Medicare beneficiaries through CED when offered in a CMS-approved, double-blind, randomized, placebo-controlled trial with a follow-up duration of at least one year, as well as coverage of VNS Therapy System device replacement. The CED also includes the possibility to extend the study to a prospective longitudinal registry.

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

In March 2023, LivaNova randomized the 500th unipolar depression patient into the RECOVER clinical study and subsequently completed all unipolar implants in May. Upon receipt of the 12-month follow-up data for all 500 patients, the Company expects to conduct a final analysis for the unipolar cohort, potentially culminating in publication of the study results for that cohort.

In June 2023, LivaNova randomized the 150th bipolar depression patient into the RECOVER clinical study. The RECOVER clinical study's protocol allows for a minimum of 150 and a maximum of 500 bipolar depression patients to be randomized into the study. Upon randomizing the 150th bipolar patient, a series of interim analyses are being conducted every 25 patients by an independent Statistical Analysis Committee to assess if predictive probability of success has been reached for the bipolar cohort of the study. If any analysis reveals that the predictive probability of success has been reached, recruitment into the bipolar arm of the study will cease and LivaNova will notify CMS and initiate the prospective open-label longitudinal study for future bipolar Medicare patients. After the last patient enrolled into the RECOVER clinical study has completed 12 months of follow- up, a final analysis will be conducted on the complete bipolar dataset.

The RECOVER clinical study, if successful, may potentially be used to support a peer-reviewed publication and reconsideration of reimbursement for the VNS Therapy System by CMS for the treatment of DTD. The reconsideration process will happen independently for the unipolar and bipolar cohorts.

Obstructive Sleep Apnea

In 2018, LivaNova acquired full ownership of ImThera, a company developing an implantable neurostimulation device system for the treatment of obstructive sleep apnea. The device stimulates the hypoglossal nerve, which engages specific tongue and palate muscles to open the airway while a patient sleeps.

In 2021, LivaNova received approval from the FDA to proceed with its investigational device exemption clinical study, the OSPREY clinical trial, and the first patient was implanted in March 2022. The OSPREY clinical trial seeks to confirm the safety and effectiveness of the aura6000 System. In March 2024, the Company announced that the OSPREY clinical study had achieved a positive predictive outcome and would conclude enrollment sooner than expected. This means there is a greater than 97.5% probability that the OSPREY trial will successfully meet its primary endpoint.

Heart Failure

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

Cardiopulmonary

LivaNova's Cardiopulmonary segment is engaged in the design, development, manufacture, marketing and selling of cardiopulmonary products, including HLMs, oxygenators, autotransfusion systems, perfusion tubing systems, cannulae and other related accessories. It includes the Essenz Perfusion System, the Company's next-generation HLM with an embedded patient monitor for tailored patient care strategies and sensing technology for data-driven decision making during CPB procedures.

CPB is commonly used in many operations involving the heart. This technique enables the surgical team to oxygenate and circulate the patient's blood, thus enabling the surgeon to operate on the heart. The most commonly performed procedures requiring CPB are conventional coronary artery bypass grafting and valve surgeries. LivaNova's products enable CPB for neonatal, pediatric, and adult patients.

Heart-lung Machines

The HLM product group includes HLMs, heater-coolers, related cardiac surgery equipment and maintenance, and technical services. HLMs temporarily take over the work of the heart and/or lungs, providing blood and oxygen to the body. HLMs are most often used during procedures that require the heart to be stopped. Heater-coolers are used during surgeries to warm or cool patients as part of their care. They are especially important during surgeries involving the heart and lungs.

In March 2023, LivaNova announced it had received FDA 510(k) clearance for its Essenz HLM, which enabled the commercial launch of Essenz in the US. In the same month, LivaNova also initiated a broad commercial release of Essenz in Europe following a successful limited commercial release that supported more than 200 adult, pediatric and neonatal patients in that region. Approvals in various other countries have followed.

In August 2023, LivaNova announced it had received FDA 510(k) clearance and CE Mark for its Essenz ILBM, which provides continuous measurement of essential blood parameters to perfusionists throughout CPB procedures. The ILBM is integrated into the Essenz Perfusion System, which enables perfusionists to access and manage reliable blood parameters without the need for additional monitors or holders.

Oxygenators and Perfusion Tubing Systems

The oxygenators product group is comprised of disposable devices for extracorporeal circulation, including the Inspire systems. The Inspire range of products is comprised of 12 models that provide perfusionists with a customizable approach for the benefit of patients. Oxygenators exchange oxygen and carbon dioxide in the blood of patients during surgical procedures and are utilized by perfusionists during cardiac surgery in conjunction with a HLM and can also be utilized in ECMO.

Autotransfusion Systems

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

Cannulae

The cannulae product group in the Cardiopulmonary segment is used to connect the extracorporeal circulation system to the heart of the patient during cardiac surgery. During the first quarter of 2024, as a result of the 2024 Restructuring Plan as further described below, the Company will transition all ACS standalone cannulae and accessories, including ProtekDuo and transseptal (TandemHeart) cannulae, into its Cardiopulmonary segment. The ACS cannulae are designed and used for temporary unloading of the right ventricle, for supporting the left ventricle and for connecting ECMO systems.

Advanced Circulatory Support

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

On 5 January 2024, the Board of Directors of LivaNova PLC approved the 2024 Restructuring Plan to enhance the Company's focus on its core Cardiopulmonary and Neuromodulation segments. The main component of this plan is to wind down the ACS segment, which the Company anticipates will be substantially complete by the end of 2024. During the first quarter of 2024, the Company reorganized its operating and reporting structure upon initiating the 2024 Restructuring Plan and transitioned all ACS standalone cannulae and accessories, including ProtekDuo and transseptal (TandemHeart) cannulae, into its Cardiopulmonary segment. Operations for other ACS products, including LifeSPARC and Hemolung systems, will be discontinued by the end of 2024. For additional information, please refer to "Note 8. Restructuring" in LivaNova's consolidated financial statements included in this Report.

Our Strategy: Overview of 2023 and Looking Forward to 2024

In 2023, the Company achieved double-digit growth in both revenue and adjusted operating income. This performance was achieved while investing in critical capabilities for the Company including manufacturing infrastructure and IT modernization as well as managing the impact to business operations as a result of the cybersecurity incident. The Company also took actions to conclude the heart failure clinical program and the wind down of the ACS segment. Both actions will result in a positive contribution to adjusted operating income in 2024 and allow the Company to dedicate additional focus to the core Cardiopulmonary segment and Epilepsy business.

Core Businesses

LivaNova's core businesses include Epilepsy, the primary driver of the Neuromodulation segment, as well as the Cardiopulmonary segment. The markets for these segments are significant and growing, and the Company has strong leadership positions in both. To drive value in 2023, the Company focused on advancing its leadership positions and generating consistent, profitable revenue growth in Epilepsy and Cardiopulmonary.

Epilepsy

In the U.S., the Company has made progress on its goal to build VNS Therapy treatment pathways in both CECs and community health systems to improve patient access to care, drive physician advocacy and cultivate networks of health systems to deliver VNS Therapy. In 2023, this progress resulted in revenue and total patient implant growth.

The Company's distinct focus on CECs forms the core of the Company's commercial strategy, whereby the Company utilizes a multidisciplinary team approach to meet the varied needs of these large customer segments. This approach involves utilizing dedicated teams who deliver improved outcomes by bringing expertise in the areas of clinical research, education and training, and community outreach.

The Company's mission for this business is to drive greater awareness of all surgical interventions, including VNS Therapy, as a treatment option for DRE, versus cycling through drugs. To achieve its mission, the Company is expanding its partnerships with its physician base, including its first scientific advisory meeting in February 2024. The Company believes that it can build upon its leadership position to deliver sustainable profitable growth.

Cardiopulmonary

In 2023, LivaNova's Cardiopulmonary segment delivered strong revenue growth, reflecting the post-pandemic recovery of cardiac procedures and increased capital placements. The Company also gained market share in its disposable products, benefiting from competitor quality and supply challenges. Notably, in 2023, the Company launched its next generation HLM, the Essenz Perfusion System, in the U.S. and in Europe. Capitalising on its user-centric design approach, the Essenz system was developed to modernize the practice of perfusion. The new device enables users to more easily tailor patient care strategies and supports continuous improvement of clinical practice. The system is based on a near 50-year legacy of proven safety and reliability. The Essenz Perfusion System comprises the next generation HLM, a comprehensive range of sensing technology, the intuitive Essenz patient monitor, and a service offering. The launch of Essenz meaningfully contributed to revenue growth in the Cardiopulmonary segment in 2023.

In 2024, LivaNova will continue the roll-out of Essenz to drive growth for the Cardiopulmonary segment. The Company estimates that approximately one-third of its installed base of 7,000 units are past their average lifetime use of approximately 10 years. The Company is initially targeting these older systems in the U.S. and in Europe with particular emphasis on large accounts. The Company is encouraged by the Essenz launch so far and has been successful in both evaluations and placements including shipments to highly prestigious hospital systems.

Strategic Portfolio Initiatives

The foundation of the Company's profit-generating core businesses supports investments into the Company's two SPIs: DTD and OSA. The respective RECOVER Study and OSPREY Trial both target medical conditions with high unmet needs.

Depression

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

The RECOVER clinical study aims to further demonstrate the safety and efficacy of VNS treatment for DTD beyond existing studies. RECOVER will include up to 500 unipolar and up to 500 bipolar patients at a maximum of 100 sites in the U.S..

The RECOVER clinical study continues to steadily progress. On 23 March 2023, LivaNova randomized the 500th unipolar patient into the study. After the last patient enrolled into the RCT has completed 12 months of follow-up, a final analysis will be conducted on the complete dataset for that respective cohort. Recruitment for the bipolar cohort is ongoing, and the first interim analysis was initiated upon the 150th bipolar patient being randomized in June 2023. The study is currently under way as part of a Coverage with Evidence Development framework per the CMS National Coverage Determination process. The study, if successful, may potentially be used to support a peer-reviewed article and reconsideration of reimbursement for VNS Therapy by the U.S. Centers for Medicare & Medicaid Services for the treatment of depression that is difficult to treat.

Obstructive Sleep Apnea

LivaNova continues to make progress with its IDE clinical trial, OSPREY, Treating Obstructive Sleep APnea Using TaRgEted HYpoglossal Neurostimulation. OSPREY is the first randomized control trial to confirm efficacy of hypoglossal nerve stimulation for OSA. Specifically, the clinical trial will determine if the apnea-hypopnea index responder rate of patients stimulated via the device is statistically higher than the rate of those without stimulation. The patient population is comprised of adults with moderate to severe OSA who do not achieve results from a traditional CPAP machine or have declined its use. In March 2024, the Company announced that the OSPREY clinical trial had achieved a positive predictive outcome and would conclude enrollment sooner than expected. This means there is a greater than 97.5% probability that the OSPREY trial will successfully meet its primary endpoint.

Focused on 2024

In 2023, the Company positioned itself for success through maintaining investment in its pipeline initiatives, investing in critical capabilities for the Company, including manufacturing infrastructure and IT modernization, and taking actions related to portfolio optimization. 2024 is a critical inflection point for LivaNova due to significant data milestones for each SPI that will occur during the course of the year. The core Cardiopulmonary segment and Epilepsy business are well positioned for targeted innovation, sustained growth and value creation. LivaNova is focused on maintaining the Company's momentum and achieving the Company's commitments to serving patients while creating shareholder value.

Human Capital Management

LivaNova has approximately 2,900 employees worldwide, representing 75 nationalities and located in 32 countries. These employees are crucial in achieving the Company's mission to provide hope to its patients and their families. LivaNova encourages its employees to live by LivaNova's five core values: patients first, meaningful innovation, act with agility, commitment to quality and integrity, and collaborative culture. LivaNova evaluates itself against these values and, ultimately, achieves success through them as an organization.

Compensation and Benefits

To meet the needs of LivaNova's patients and customers, the Company strives to attract, retain, develop and reward exceptional talent. LivaNova's proactive talent acquisition strategies, competitive compensation and benefits, collaborative and rewarding work environment, leadership development programs, and professional training opportunities have been a significant driver of the Company's success. In addition to base pay, LivaNova's rewards, compensation, and benefits programs may include, depending on jurisdiction, annual performance bonuses, stock awards, pensions, health and wellbeing programs, paid time off and parental leave, financial assistance for education-related purposes, flexible working schedules, hybrid and remote working, employee stock purchase plans, and employee rewards programs, among others.

Culture

LivaNova seeks to foster a culture of continuous learning, where open and direct communication is valued. Accordingly, LivaNova regularly conducts employee engagement surveys, called LivaNova4You, to measure overall employment engagement and satisfaction and to provide the Company with actionable data for potential opportunities for improvement.

The 2023 LivaNova4You survey results saw an increase in overall employee engagement since the last survey in 2021. With over 90% of employees completing the survey, the results indicate an increase in employee satisfaction and motivation. In response to feedback from the survey results, the executive leadership team has committed to improving, among other things, the digitization of work systems and the Company's branding.

Performance Management, Leadership Development and Professional Training

LivaNova's annual performance management process is designed to build employee skills and capabilities and develop and retain enterprise leaders for the future. It includes training to increase the quality of employee/manager talent review discussions and employee performance calibrations among leaders to drive consistency. All employees, which include full-time and part-time employees, start the year creating performance-aligned goals which are reviewed with their managers at both mid-year and year-end performance evaluation reviews.

Employees have access to an extensive training library called LivaNova University, which contains modules covering different aspects of the business. In addition, LivaNova has a range of tailored programs in place to develop and enhance employees' career paths. The LivaNova Leadership Academy is a program that promotes development through three different learning forums, Manager Fundamentals, Emerging Leaders and Advanced Leadership, to accelerate the development and succession readiness for employees chosen for the program.

LivaNova also supports the continuing education of its employees externally. In the US and internationally, eligible employees can access financial aid through education reimbursement programs for approved courses and certifications completed independently. Additionally, the Company sponsors professional growth opportunities.

Finally, LivaNova offers internships and apprenticeships across functions around the globe, in partnership with universities and institutions, which regularly lead to full-time employment at the Company.

Diversity, Equity and Inclusion

LivaNova recognizes the value in fostering a diverse, equitable and inclusive work environment and strives to provide a workplace free of harassment or discrimination. Accordingly, the Company closely monitors its gender metrics on a regular basis. As of 31 December 2023, LivaNova had nine Directors on its Board, of whom three (33%) are female and six (67%) are male. The executive leadership team at the end of 2023 consisted of twelve individuals, of whom two (17%) are female and ten (83%) are male. Of the Company's senior leadership team, which includes the executive team, vice presidents and directors, as of 31 December 2023, approximately 30% are female and approximately 70% are male. Finally, as of 31 December 2023, of LivaNova's approximately 2,900 employees, 51% are female and 49% are male.

LivaNova's strategy for accelerating diversity begins with creating new ways to find extraordinary talent. Examples of the Company's efforts include networking with historically black colleges and universities, posting job listings on diverse sites, ensuring diversity-focused interview panels, and training interviewers on how to conduct a fair, unbiased interview process.

In addition, LivaNova supports internal diversity affinity initiatives, including the Global Women's Network which consists of female employees across the globe that convene to discuss topics that unite and celebrate the strength of diversity in the workplace. Similarly, the LivaNova Women's Network, a mentorship program created by women and for women, facilitates pairings between mentors and mentees in the US and Latin America. Topics range from career and financial advice to performance management and connection to the Company's strategy. These programs provide members with new perspectives, more personalized development, and an opportunity to network with other women across the organization.

Non-Financial & Sustainability Information Statement

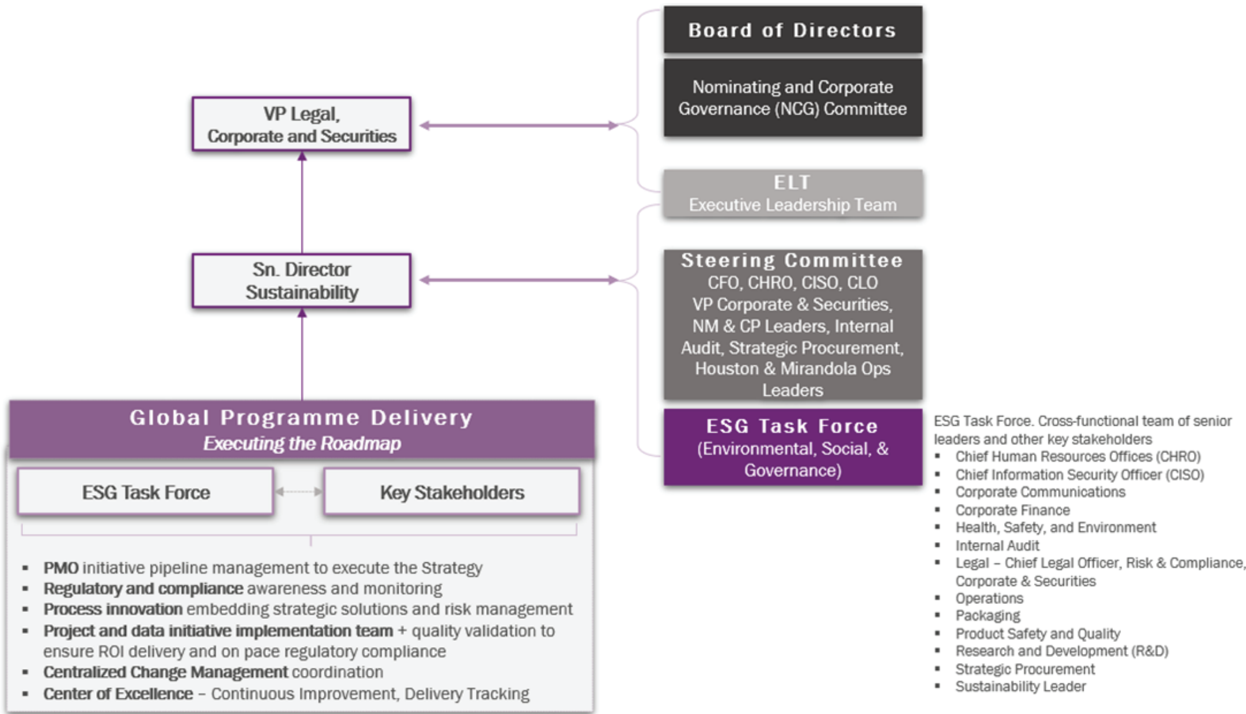
LivaNova recognizes the increasing risk that climate change can pose to its business. LivaNova has utilized climate scenario modelling, consistent with guidance from the Department of Business, Energy, and Industrial Strategy on mandatory climate-related financial disclosures, to assess its exposure to climate-related (both physical and transition) risks and opportunities, including likelihood and impacts, to evaluate the resilience of LivaNova's business model and strategy to these risks. This initial 2023 exercise starts what will be a multi-year process to assess the potential impact of climate risks and opportunities and the associated climate risk management process.

Based on its 2023 qualitative climate scenario analysis, LivaNova has identified the principal climate-related physical and transition risks, as well as opportunities, to its business. Over the next two years, LivaNova plans to expand its understanding of the principal climate-related risks and opportunities, as well as any impacts by completing a quantitative climate scenario analysis.

Governance

At LivaNova, the oversight and management of climate-related risks and opportunities occurs at different levels of the organization and includes: the Board, the Executive Leadership Team (ELT), the SteerCo, the VP Legal, Corporate, and Securities (VP LCS), the Senior Director of Sustainability, and the ESG Task Force. As an example, the identification of climate-related physical risks and opportunities to LivaNova in 2023 was led by the Senior Director of Sustainability in collaboration with the ESG Taskforce which includes the VP LCS. It was subsequently shared and discussed with the Board and ELT, and guided by consideration of all of LivaNova's stakeholders, including patients, employees, regulators, investors and third-party frameworks such as the TCFD All-Sector Guidance, among others.

LivaNova's governance of sustainability and climate-related risks and opportunities is evolving and is an area that LivaNova expects to continue refining over the course of 2024 and beyond as the organization matures and climate risk is embedded into its ways of working (e.g., integration of climate risks into its planning and risk governance).



Board-Level

The NCG Committee of LivaNova's Board oversees the Company's ESG matters, as codified in its charter. The NCG Committee receives a report on the ESG Task Force's activities at each of its quarterly meetings along with a verbal discussion led by the VP LCS. The quarterly update includes progress on the Company's climate-related risks and opportunities. The full Board receives the same report in their meeting materials as well. In April 2023, at the recommendation of the NCG Committee, the Board reviewed and approved LivaNova's Carbon Reduction Plan, which included the Company's carbon reduction initiatives and 2050 Net Zero target. In December 2023 and February 2024, the results of LivaNova's first climate scenario analysis were shared and discussed with the NCG Committee and subsequently, full Board. In April 2024, at the recommendation of the NCG Committee, the Board reviewed and approved the updated Carbon Reduction Plan, which is available on the Company's Sustainability webpage.

ELT

The ELT is involved in defining LivaNova's sustainability vision and strategy, monitoring progress on LivaNova's sustainability journey, and periodically discussing LivaNova's principal climate risks. The ELT receives regular updates on LivaNova's sustainability activities and moving into 2024, includes progress on LivaNova's principal climate-related risks and opportunities. For example, the ELT was updated throughout the process of the climate scenario analysis exercise and was involved in a discussion of potential next steps.

ESG Task Force & Senior Director of Sustainability

LivaNova's ESG Task Force consists of leaders and executives from: Human Resources, Legal (including the VP LCS and Senior Director of Sustainability), IT (including Information Security), Corporate Communications, Investor Relations, Corporate Finance, HSE, Internal Audit, Operations, Packaging, Product Safety and Quality, Research and Development, and Strategic Procurement. The ESG Task Force defines and executes upon LivaNova's Sustainability strategy, vetting and executing the Company's sustainability goals and overarching strategy, including the management of principal climate-related risks and opportunities.

Members of the Task Force engage directly with ELT stakeholders to support execution of ESG tasks and to ensure timely reporting on relevant compliance updates, such as reporting on climate risks and opportunities. In addition, the Senior Director of Sustainability leads monthly meetings with the ESG Steering Committee (which includes key members of the ELT) to ensure alignment on vision and purpose and to confer regarding progress in LivaNova's Sustainability and ESG journey.

Risk Management

As LivaNova embarks on its sustainability and climate risk management journey, the approach to climate-related risk and opportunity identification and management is expected to evolve in phases. The approach followed in 2023 focused on completing a qualitative climate scenario analysis and leveraging cross-functional collaboration from key members of the ESG Task Force. The climate scenario analysis, which identified and assessed LivaNova's climate-related risks, was consistent with, but not integrated into, LivaNova's existing enterprise risk management framework. Starting in 2024, LivaNova intends to embark upon a quantitative climate scenario analysis and align climate risk with its enterprise risk management process.

In 2023 the Senior Director of Sustainability and the ESG Task Force participated in a qualitative climate scenario analysis comprised of the following five main steps:

1. Developing an extensive list of potential climate-related risks and opportunities based on industry research and stakeholder engagement (including interviewing and surveying over 100 LivaNova cross-functional stakeholders across geographies) to identify a holistic view of the perceived and potential climate risks and opportunities to LivaNova across the globe.
2. Mapping the list of potential climate risks and opportunities to LivaNova's global value chain, to surface dependencies and critical nodes at risk across LivaNova's global operations. This allows LivaNova to better assess its exposure to each of these risks and the potential vulnerability of the business to them.
3. Conducting a qualitative climate scenario analysis on the climate-related risks and opportunities (see "Approach to climate-related scenario analysis" below), leveraging reports produced by the IPCC and the IEA to assess the level of impact of each climate-related risk and opportunity.
4. Prioritizing the identified climate-related risks and opportunities, leveraging LivaNova's enterprise risk management framework to identify principal climate risks and opportunities based on the probability of occurrence and potential consequences of each climate risk and opportunity.
5. Evaluating potential mitigation strategies for principal risks and strategies to leverage principal opportunities. Once aligned on the path forward and resource requirement, the Senior Director of Sustainability presented the risk mitigation strategy and resource requirements to the ELT for approval.

Within the approach of 2023, climate-related risks were mitigated on a case-by-case basis. LivaNova, by way of the ESG Task Force, plans on reviewing its risk governance approach in 2024, including the incorporation of climate-related risks into the risk taxonomy, risk management process, and enterprise risk management tools.

Strategy

Principal Climate Risks and Opportunities

Based on the qualitative climate scenario analysis conducted in 2023, the following have been identified as the principal climate risks and opportunities to LivaNova's business:

	Risk	Risk description	Potential impact on business	Timeframe	Actions to mitigate risk
Physical Risks	Chronic and acute risks *(rising temperatures, more frequent / intense hurricanes, flooding, drought, extreme temperatures)*	Asset closures, supply chain disruptions, and damage to assets / facilities	• **Lost revenue** due to the closure of LivaNova or suppliers' assets and the subsequent supply chain disruptions, resulting in either the limitation of output or the inability to produce and provide certain products to customers (e.g., the facility of LivaNova's supplier of fiber flooding and shutting down, limiting LivaNova's production capacity during that time period) • **Increased repair costs** to address damage caused by acute physical risks (e.g., hurricanes, floods) • **Increased costs** associated with asset / facility rehabilitation or relocation or to address damage caused by acute physical risks (e.g., hurricanes, floods) • **Increased property insurance cost** following a LivaNova facility being closed down due to an acute climate event or from the increased likelihood of such events	Across time horizons, with frequency and impact expected to increase over time	• **Undertook operational changes** to limit the impact on its inventory • **Incorporated inventory stockpiling** for single-sourced inputs within its supply chain management process • Current **insurance includes property coverage for natural hazards**, in addition to **a risk improvement service** which estimates loss scenarios and provides risk improvement advice related to natural hazards • **Evaluating different asset hardening / resilience** investments • **Exploring measures to reduce single-sourced materials** (including evaluating diversifying suppliers, considering R&D investment to reformulate products, and exploring in-sourcing) • **Will implement an internal risk mitigation process and controls framework** to evaluate site-specific vs. global actions • **Will incorporate climate scenario analysis in capital planning /** footprint expansion exercises • **Will review contracts** with customers to ensure sufficient force majeure clauses
		Negative impacts on employees (reduced productivity, absenteeism)	• **Lost revenue** due to **reduced employee productivity** as a result of extreme heat • **Lost revenue** due to **employee absenteeism** resulting from increased prevalence of heat-related illnesses or employees taking time off work to respond to acute climate events that impacted them • **Increased costs associated with employee health insurance** for employees in areas with increased incidence of climate related health risks • **Increased costs associated with employee attraction and retention** due to employees' growing desire to relocate from areas heavily-impacted by climate change (either due to direct impacts such as health issues or indirect impacts such as growing cost of living in those areas)	Medium to long term	• **Started building redundancy in production** by securing additional contractors and alternative sites • **Embedded flexible and remote ways of working with employees** through engagement with Work Councils in response to unplanned downtime • **Started to upgrade production facilities** to limit impact on employees (e.g., expanding AC installation) • **Increasing monitoring of potential impacts of climate change** especially in areas with needed on-site employees by site leaders • **Considering opportunities to implement automation measures** to support employee productivity • **Will incorporate climate scenario analysis in capital planning /** footprint expansion exercises
Transition Risks	Market	**Changing customer behavior /** preferences (e.g., packaging, data on product lifecycle assessment)	• **Lost revenue due to not meeting changing customer requirements** around sustainability (e.g., the National Health Service's (NHS) Carbon Reduction Plan (CRP) requirement, customers increasingly incorporating sustainability questions in tenders) • **Increased costs associated with adjusting products to meet changing customer preferences** (e.g., the cost of changing inputs to more sustainable alternatives, incorporating more sustainable or lower emission processes and any required R&D investment)	Medium to long term	• **Started exploring creating a formal feedback channel for Sales team to inform R&D** of shifting sustainability requirements • **Will evolve sustainability communication protocols** to both educate internal and external stakeholders, including Sales team and customers (e.g., creating FAQs) in line with the emerging ESG strategy • **Will increase visibility and monitoring of procurement trends and data** (e.g., tender requests with sustainability metrics or questions)
		Changing dynamics in raw material & utility markets	• **Increased cost of inputs** and raw materials, driven by reduced availability of certain inputs driven by climate change (e.g., water scarcity in certain regions impacting the cost of key inputs) • **Increased cost of utilities**, driven by market responses to policies (such as carbon taxes), reduced availability of certain resources (e.g., water scarcity), and rising temperatures	Medium to long term	• **Started monitoring commodity and input prices** • **Will consider incorporating geospatial analysis** of the supply chain and key locations to better understand climate risk hot spots • **Will evaluate incorporating hedging** into the procurement process • **Will enhance procurement** and energy resilience strategy

	Opportunity	Opportunity description	Potential impact on business	Timeframe	Activities to leverage opportunity
Transition opportunities	Market	**Increased supply chain resilience**	• **Increased revenue and market share** due to the reliability of and resilience of LivaNova's supply chain relative to competitors	Medium to long term	• **Started diversifying suppliers** and building in **production redundancies** • **Started monitoring potential impacts of climate change** especially in areas with needed on-site employees • **Evaluating different asset hardening / resilience** investments • **Exploring measures to reduce single-sourced materials** (including evaluating diversifying suppliers, considering R&D investment to reformulate products, and exploring in-sourcing)
		Reduced sensitivity to carbon pricing	• **Decreased cost sensitivity** due to compliance with carbon taxes and levies as they increase regionally or globally	Long term	• **Will explore opportunities to reduce emissions** associated the transportation of goods, production, and supply chain (purchased goods) • **Will further revise travel policy and procurement considerations** • **Will integrate sustainability considerations** into product development approach and packaging
	Technology	**Reduced packaging and packaging waste management**	• **Reduced costs due to the need for fewer materials and lower transportation costs** due to the ability to transport more units in the same freight space	Medium to long term	• **Will explore third party partnerships** for packaging and disposal of products • Will **explore circular processes** and/or pilots to reduce waste streams and need for additional materials • Will **consider developing sustainable packaging** guidelines for internal teams to reduce waste and encourage more sustainable processes

The analysis defined the short-term as being up to 3 years (in line with the planned refresh frequency of LivaNova's climate scenario analysis and the short/medium time risk management time horizons used by LivaNova's Risk team), medium-term as being between 3-10 years (encompassing two risk management planning cycles – each 5 years), and long-term as being 10-30 years (aligning with the overall life of LivaNova's assets).

Given the medium to long term onset of the identified principal risks to LivaNova and the additional insulation afforded to companies in the medical space, the impact of the identified principal risks on LivaNova's business model and strategy are negligible in the short term. Nonetheless, LivaNova is starting to take action due to the long lead time associated with some of the mitigation actions and LivaNova's evolving sustainability strategy.

Approach to Climate-Related Scenario Analysis

The above risks and opportunities were identified by leveraging two climate scenarios, which were informed by internationally recognized data sets and models developed by the IPCC and the IEA, and were guided by the non-binding guidance of the Department for Business, Energy & Industrial Strategy for CFD and scenarios that peers in have used in their climate scenario analysis. The two scenarios are varied and align with the guidance of including an Aggressive Climate Action scenario and a Current Climate Action scenario.

a. Aggressive Climate Action scenario: 1.5°C warming by 2100[1]
    i. Emission reductions in line with Paris Agreement, marked by global collaboration among governments, industry, and society, leading to steep decarbonization.
    ii. Global collaboration to start reducing emissions now in an aggressive way to meet Paris Agreement goals
b. Current Climate Action scenario: ~4°C warming by 2100
    i. Emissions continue to increase with no changes to current policies, doing very little, if anything to avert the physical risks
    ii. Baseline of how global emissions would evolve if governments made no changes to their existing policies.[2]

Metrics and Targets

As noted above, LivaNova is in the early stages of this exercise. This Non-Financial and Sustainability Information Statement commences a multi-year process to assess the potential impact of climate risks and opportunities and the associated climate risk management process. The Company maintains its commitment to achieving Net Zero GHG emissions by 2050, while recognizing the data collection and diligence required to fully implement that plan. To track initial progress, LivaNova has adopted the following near-term targets:

- **Scope 1 and Scope 2**: 55% reduction by 2033, relative to 2022 GHG emissions baseline
- **Scope 3**: 28% reduction by 2033, relative to 2022 GHG emissions baseline

LivaNova is in the process of completing the baseline of its Scope 3 emissions and automating the carbon accounting process over the coming 12 months.

In addition, LivaNova is examining metrics and targets to further support its sustainability strategy and monitor its exposure to climate risks. These metrics include but are not limited to:

- Energy intensity
- Energy from renewable sources
- Days of unplanned downtime due to climate-related events
- Number of workday equivalents lost due to climate-event related absenteeism
- Reduction in waste to landfill

Ethics and Integrity

Code of Conduct & Related Policies

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

Relatedly, the Company believes that LivaNova's business can only succeed where the rights of all workers involved in the value chain of LivaNova's business are protected and respected, and the Company aims to conduct business with third parties who share the Company's commitment to operating in a responsible and ethical manner. To that end, LivaNova also maintains a Third Party Code of Conduct outlining the minimum standards in a variety of areas in which LivaNova requires the Company's partners to

[1] IPCC1 SSP1-2.6 (Physical risk) and IEA2 Sustainable Development Scenario (SDS) and Net Zero Emissions by 2050 (NZE2050) (Transition risk)
[2] IPCC[1] SSP5-8.5 (Physical) and IEA[2] Current Policies Scenarios (CPS) (Transition)

comply when doing business with or for LivaNova – including the areas of human rights & labour conditions, conflict minerals, environment & sustainability, anti-bribery & anti-corruption, anti-trust & fair competition, trade compliance, confidentiality & data privacy, and intellectual property - in addition to all applicable laws, regulations and industry standards.

The E&I Committee, which consists of the CEO, CFO, Chief Legal Officer, Chief E&I Officer, Chief HR Officer and Head of Internal Audit, oversees the Company's global ethics and compliance program.

The Speak Up global ethics and compliance program is the Company's ensemble of all policies, procedures, systems, awareness/ educational initiatives and monitoring activities that relate to LivaNova's efforts to allow and encourage employees and third parties to report / speak up about alleged misconduct, as well as the investigative procedures & corrective measures in place to resolve and remediate any confirmed issues. In managing Speak Up matters, investigations, LivaNova is committed to putting the protection of bona fide reporters and victims at the forefront, while maintaining confidentiality and anonymity as required and allowed by local laws.

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

Training and Awareness

The E&I function is committed to dedicating significant efforts to training and education. In 2023, the Company conducted more than 80 compliance-related educational initiatives or update sessions with the business, including face-to-face or virtual instructor-led sessions, online attestations, system-based procedure trainings, newsletters and email communications/announcements.

The Company's 2023 Annual Certification process was offered both online and offline, depending on the resources available to the employees. With oversight and support from all levels of executive leadership, the Company recorded a one hundred percent completion rate amongst eligible online employees. The assignment required each employee to (1) reiterate their commitment to the principles of the Company's Code of Conduct, (2) attest to the Company's Business Integrity Policy, and (3) the Speak Up and Non-Retaliation Policy and, in addition to the policy attestations, employees completed a scenario-based survey to self-assess their knowledge and understanding of company policies and how they apply to real-life situations.

Ethics Line and Investigations

The Company has multiple reporting channels for employees as well as business partners to report concerns about potential violations of the Company's Code of Conduct, Company policies and procedures, or applicable laws and regulations. LivaNova's Ethics Line is available 24/7 across multiple time-zones and languages, and employees are encouraged to speak up in good faith over alleged misconduct. Every claim received is addressed per the Company's internal investigation procedure and remediated where substantiated. In 2023, the Company investigated reports of alleged misconduct across different countries, resulting in several follow-up corrective actions including, but not limited to, process reviews and improvements, additional training and coaching, or disciplinary measures for some of the involved parties. On a quarterly basis, the Chief E&I Officer reports all Serious Reportable Matters to the Audit Committee. Immediate escalations and referrals directly to the Chair of the Audit Committee are handled in accordance with the Company's internal investigation procedure.

Information Security

Cyber Risk Management and Strategy

LivaNova's enterprise risk management process consists of risk identification, evaluation, control and monitoring, and documentation. The LivaNova Board oversees risk management within the Company, and the CRO provides the framework to identify and reduce risks that may materially impact the Company's business. As part of the CRO's enterprise risk management process, regular inquiries and discussions are held with the CISO, Chief Information Officer, Chief Privacy Officer, and their respective teams to review the cybersecurity risk landscape.

LivaNova's CISO has a Master of Science in Accountancy with a specialization in risk management, in addition to over 15 years of experience in the IT Risk Advisory sector. The CISO leads the Company's information security team, identifies cybersecurity threats, and implements countermeasures in the cybersecurity realm, considering both internal operations and the external landscape. As part of his duties, the CISO provides relevant information to the CRO in their regular discussions. The CISO also manages the Company's ISMS program. Guided by the principles of various industry-leading standards, such as the NIST cybersecurity framework and ISO 27001, the objective of the ISMS program is to continue to strengthen LivaNova's cyber resiliency in connection with its information systems.

As part of LivaNova's cyber resiliency strategy and in an effort to mitigate potential cybersecurity risks, the Company employs various measures, including employee training, systems monitoring, testing and maintenance of protective systems, and contingency plans. In addition, the CISO manages a structured cyber incident response program where periodic simulation exercises are performed to prepare and train the Company's cybersecurity incident responders. The Company deploys security tools to help bolster its defense detection capabilities, such as endpoint detection and response tools, security information and event management tools, and 24/7 monitoring. LivaNova regularly evaluates itself for appropriate business continuity and disaster recovery planning, with test scenarios that include simulations and penetration tests.

In addition, LivaNova routinely engages with third-party service providers to conduct evaluations of its security controls, whether through penetration testing or consulting on best practices to address new challenges. The Company receives threat intelligence from industry peers, government agencies, industry-specific information sharing and analysis centers, and cybersecurity associations. The Company relies heavily on its supply chain to deliver products and services to its customers, and a cybersecurity incident at a supplier, subcontractor, or service provider could materially adversely impact the Company. The Company assesses third-party cybersecurity controls through its information security program and includes security and privacy addendums to its contracts where applicable.

Historically, risks from cybersecurity threats have not materially affected the Company's business strategy, results of operations or financial condition. As previously reported, in November 2023, the Company initiated its cyber response protocol in response to a cybersecurity incident that resulted in a disruption of portions of its information technology systems. Promptly after detecting the issue and per LivaNova's cyber response protocol, the Company began an investigation with assistance from external cybersecurity consultants and coordinated with law enforcement. The Company continues to assess the nature and scope of the affected data and analyse its legal notification obligations, and the Company is notifying affected individuals and regulators as required by applicable law. As of 31 March 2024, LivaNova had incurred direct costs totalling approximately $5.4 million in connection with this cybersecurity incident. While the Company has taken and will continue to take actions to enhance its information security framework, LivaNova cannot fully determine at this time the extent of the impact from this event on its business, results of operations, cash flows, or financial condition. For further information, please refer to section entitled "Business Review" of this Report.

Cyber Governance

On a quarterly basis, the CISO presents key security metrics to the Company's IT Advisory Council, which is composed of functional leaders across the Company and is responsible for IT governance oversight in the Company. Specifically, this IT Advisory Council is responsible for establishing program strategies in alignment with LivaNova's business objectives, as well as providing guidance on the implementation of appropriate and necessary security controls in alignment with the Information Security Policy. Among other things, the IT Advisory Council reviews summaries of information security incidents, audit findings, or other test reports, and ensures appropriate root-cause analyses are performed and corrective actions are taken. It also establishes year-over-year goals, security objectives, and priorities for the information security program. On an annual basis, the CISO reviews the information security program achievements and reports to the Company's IS Executive Committee, which is a cross-functional group composed of the CEO, the CFO, the CLO, and other executive leaders of the Company. Among other things, the IS Executive Committee approves the information security policy and the allocation of budget and resources to information security program initiatives, performs the annual management review of the security program, and reviews corrective action to improve the program.

As codified in its charter, the Audit & Compliance Committee is responsible for reviewing the processes by which cybersecurity risks are managed and reporting any issues that arise out of such reviews to the Board. The CISO provides key security metrics to the Audit Committee on a quarterly basis, and directly to the chair of the Audit Committee on a case-by-case basis, as needed, at any time during the quarter. The Audit Committee reviews these reports, which include, among other things, external events impacting the Company, security incidents, user training statistics, and evaluations of user readiness to address cyber incidents. Notwithstanding the Company's approach to cybersecurity, the Company may not be successful in preventing or mitigating future cybersecurity incidents that could have a material adverse effect on the Company. While LivaNova maintains cybersecurity insurance, the costs related to cybersecurity threats or disruptions may not be fully insured. For more information on risks related to cybersecurity and data security, please refer to the "Risk and Uncertainties" section under the heading entitled Risks Relating to the Company's Business and Operations in this Strategic Report.

Sustainability

LivaNova has always focused on delivering strong financial results and is committed to doing so in a way that respects the communities and environments in which the Company operates.

LivaNova has established a Sustainability strategy delivery program with global coordination to respond to regulatory requirements and commercial needs. In 2023 and in coordination with the Company's executive team, LivaNova's cross-functional ESG Task Force developed the Company's Sustainability commitment and associated actions (see Figure 1:

LivaNova's Sustainability Commitment). The Sustainability commitment encompasses the Company's Sustainability Focus Areas – People, Products, and Planet.

Sustainability Governance

Through the Nominating and Corporate Governance Committee of the LivaNova Board of Directors, the Board oversees the Company's Sustainability efforts. Within the organization, the Company's sustainability efforts are managed by the Head of Sustainability. The Sustainability governance structure includes a quarterly executive team partnership for vision and purpose calibration, a monthly engagement with a Steering Committee body (sponsored by the CFO) to drive corporate strategy awareness and goal setting alignment, and the cross-functional ESG Task Force for unified execution of priorities. The ESG Task Force is comprised of senior leaders and other key stakeholders across the Company who lead ESG focus areas or whose work is impacted by ESG.

Embedding Sustainability within LivaNova's Ways of Working

The Senior Director of Sustainability drives the governance structure and is accountable for successful prioritization and execution of the strategy and associated initiatives noted above, including regular and transparent education and awareness of Sustainability progress among the Company's stakeholders, both internally and externally; monitoring relevant regulations in markets worldwide to enable LivaNova to meet ESG and Sustainability performance expectations and requirements; and embedding sustainability impact, risks and opportunity analysis into the Company's strategic plan.

During 2023, sustainability strategy highlights included:

- Onboarding a Senior Director of Sustainability.
- Conducted the Company's LivaNova4You employee engagement survey to measure overall employment engagement and satisfaction and to provide the Company with actionable data for potential opportunities for improvement. The 2023 LivaNova4You survey results saw an increase in overall employee engagement since the last survey in 2021. With over 90% of employees completing the survey, the results indicated an increase in employee satisfaction and motivation. In response to feedback from the survey results, the executive leadership team has committed to improving, among other things, the digitization of work systems and the Company's branding.
- Publication of its Board-approved Carbon Reduction Plan, which includes the Company's carbon reduction initiatives and net zero targets, based on the absolute contraction approach of science-based target setting. LivaNova continues implementing energy and resource optimization initiatives to reduce greenhouse gas emissions and waste. LivaNova's Carbon Reduction Plan is published on the LivaNova Sustainability webpage, Planet.
- Updating the LivaNova Sustainability webpage, Products, to include quality, safety and performance statistics relating to Warning Letters and recalls. The LivaNova Sustainability webpage, Products, provides details of the Company's quality commitment and global impact.

- Retaining a third-party consultant to assist in preparing the Company's CFD, which involved a qualitative climate scenario analysis to identify principle climate risks and opportunities. For more information on LivaNova's CFD, please refer to the section entitled " Non-Financial & Sustainability Statement" in this Strategic Report.

2023 Greenhouse Gas Report

LivaNova is committed to conducting business in a manner that is respectful of the environment and the Company's natural resources. Throughout the Company's operations, LivaNova utilizes environmental management systems and safety programs to protect the environment and employees. Some of the regulations and governmental agencies with which LivaNova comply are as follows: the EPA; the European Union Registration, Evaluation, Authorisation and Restriction of Chemicals; the DEFRA; the UK Environment Agency; Companies Act 2006, Regulations 2013 and the Companies and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018; the UK Energy Savings Opportunity Scheme; and Italian regulations under the IEA.

LivaNova believes that sound environmental, health and safety performance contribute to the Company's competitive strength while benefiting the Company's customers, employees and shareholders. LivaNova is focused on continuous improvement in these areas by working to reduce pollution, depletion of natural resources and the Company's overall environmental footprint. Specifically, the Company works to optimize energy and resource usage, ultimately reducing greenhouse gas emissions and waste. Whether in response to ESG Task Force projects, LBS ideas or employee initiative, the Company is supportive of projects, big and small, that move us towards being a "greener" Company.

In compliance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, LivaNova reports on the Company's Scope 1 and 2 emissions from seven manufacturing sites, LivaNova site management operations in Saluggia, the global vehicle fleet, the global commercial offices, and the UK-specific emissions in line with the SECR requirements. Scopes 1, 2 and 3 are broken down as follows:

- scope 1 (direct emissions): Activities owned by the organisation that release emissions directly into the atmosphere, for example the combustion of fuels in company owned equipment, employees leveraging fuel cards and fugitive emissions.
- scope 2 (indirect emissions): Emissions released into the atmosphere associated with the consumption of purchased electricity, heat, and steam used at LivaNova manufacturing sites and commercial offices.
- scope 3 (other indirect emissions): These include emissions relating to travel for business purposes in assets not owned or directly operated by LivaNova and mileage for business purposes in cars owned by employees.

Methodology and Approach

In reporting the emissions data as shown in the table herein, LivaNova and its third party consultant used the operational control approach, covering the reporting period from 1 January 2023 to 31 December 2023, in line with the Company's financial year.

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

The Company has applied the emission factors most relevant to the source data, including DEFRA - UK Government GHG Conversion Factors for Company Reporting 2022 for UK locations, all gas, oil, heat, fugitive emissions and transport, Emissions & Generation Resource Integrated Database 2021 published by the EPA for US locations, and the IEA electricity emission factors 2023 for all other locations.

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

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

a. carbon dioxide (CO_2),
b. methane (CH_4),
c. nitrous oxide (N_2O),
d. hydrofluorocarbons (HFCs),
e. perfluorocarbons (PFCs), and
f. sulphur hexafluoride (SF_6).

LivaNova does not use any nitrogen trifluoride (NF_3).

Energy Efficiency Measures

In LivaNova's efforts to reduce the Company's carbon footprint, LivaNova continues to implement energy efficiency and low-carbon energy measures as they relate to Scope 1 and Scope 2 emissions, for example, in LivaNova's Munich and Houston facilities, LivaNova's electricity contract requires the use of 100% clean energy sources. In addition, we continue to retrofit lighting systems to LED lighting.

Also, while not reflected in the total emission numbers, LivaNova allows certain non-essential office employees to continue working in a hybrid remote environment, directly decreasing the energy required for employees to commute to and from work. LivaNova's leased vehicle program includes both hybrid cars and electric vehicles, with the Company looking to add electric vehicles in the years to come. Lastly, LivaNova maintains and continues to install EV charging stations at multiple sites, supporting those employees and visitors who want to commute using electric vehicles.

Future efforts include (1) reviewing and updating key business policies and procedures to ensure that business practices are aligned and supportive of LivaNova's Net Zero commitment, (2) increasing awareness around carbon emissions data in connection with booking business travel; and (3) developing a supplier engagement program to reduce Scope 3 emissions from the Company's supply chain.

Changes in Emissions

In compliance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which implement the UK Governments policy on SECR, LivaNova reports on its direct and indirect emissions as follows:

- Scope 1 – Direct GHG emissions from sources that are owned or controlled by the Company such as combustion in boilers, company cars, and fugitive emissions.
- Scope 2 – Energy indirect emissions from the consumption of purchased electricity, heat and steam at the Company's owned or controlled sites.
- Scope 3 – Other indirect emissions relating to employee business travel in leased or private cars where LivaNova is not responsible for paying the fuel in addition to a sub-set of 6 out of the 15 categories for LivaNova UK Limited, as indicated below.
    - 3: UK grid electricity transmission and distribution
    - 4: Upstream transportation and distribution
    - 5: Waste generated in operations
    - 6: Business travel
    - 7: Employee commuting
    - 9: Downstream transportation and distribution

This report focuses on the areas of largest environmental impact, which includes the Company's global manufacturing sites, commercial offices, the global vehicle fleet, and the Company's UK offices. While the majority of manufacturing sites increased output to support increased sales of approximately 12.9% in 2023 as compared to 2022, the tonnes CO_2e per sales revenue (US$M) decreased by 10.7%. See the illustration below for detailed information on the carbon emissions tonnes Co2e and total energy used in 2023 and 2022.

	2023			2022		
	UK	Global (excluding UK)	Total	UK	Global (excluding UK)	Total
Carbon emissions tonnes CO2e						
Direct emissions (Scope 1)	126.1	13,925	14,050.7	113.4	13,452	13,565.0
Energy indirect emissions (Scope 2) - Location based	0.4	9,110	9,110.5	21.7	8,944	8,965.9
Energy indirect emissions (Scope 2) - Market based	0.4	8,329	8,329.3	21.7	8,622	8,643.8
Other indirect emissions (Scope 3)	408.2	2,041	2,449.0	244.5	2,663	2,908.0
Total Scope 1 and Scope 2 emissions - market based	**126.6**	**22,253.5**	**22,380.0**	**135.1**	**22,073.6**	**22,208.8**
Energy						
Scope 1	0.11	74.3	74.44	0.49	69.9	70.38
Scope 2	0.04	39.1	39.14	0.11	38.6	38.71
Scope 3	0.44	8.0	8.47	0.02	10.0	10.05
Total energy used (GWh)	**0.59**	**121.5**	**122.06**	**0.62**	**118.5**	**119.1**
Intensity ratios						
Scope 1 and market-based Scope 2 emissions/sales revenue (tonnes CO2e/$m)			**19.4**			**21.7**
Scope 1 and market based Scope 2 emissions/FTE (tonnes CO2e/FTE)			**7.2**			**7.3**

* As the Company has made strides in improving its data collection efforts in 2023, certain figures in 2022 have been restated to reflect corrections and refinements in the Company's data collection process.

Government Regulation and Other Considerations

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

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

Product Approval and Monitoring

Many countries in which LivaNova sells its products subject the Company's medical devices to their own product approval and requirements regarding performance, safety and quality. For example, each medical device that LivaNova seeks to distribute commercially in the US must receive 510(k) clearance or PMA from the FDA, unless specifically exempted by the agency. The 510(k) process, also known as pre-market notification, requires LivaNova to demonstrate that its new medical device is substantially equivalent to a legally marketed medical device. The PMA process, which is more costly and rigorous than the 510(k) process, requires LivaNova to demonstrate independently that a medical device is safe and effective for its intended use. One or more clinical studies may be required to support a 510(k) application and are almost always required to support a PMA application.

The EU has established a single regulatory product approval process, pursuant to which a CE Mark certifies conformity with all of the legal requirements of the regulatory process. To obtain a CE Mark, defined products must meet minimum standards of performance, safety and quality based on, among other things, the evaluation of clinical data supporting the safety and performance of the products during normal conditions of use. The competent authorities of the EU countries separately regulate the clinical research for medical devices and the market surveillance of products placed on the market, and manufacturers with CE marked devices are subject to regular inspections to monitor compliance with the applicable directives and essential requirements. In 2017, for example, the EU published its MDR, which has resulted in significant additional pre- and post- market requirements. Certifications to EU MDR must be achieved by December 2027 or December 2028, based on the risk classification of the device. Penalties for regulatory non-compliance can be severe, including fines and revocation or suspension of a company's business license, mandatory price reductions and criminal sanctions.

LivaNova is also required to comply with the regulations of every other country where it commercializes products before the Company can launch or maintain new products in the market. To be sold in Japan, for example, LivaNova's medical devices must undergo thorough safety examinations and demonstrate medical efficacy from the Japanese government through the Ministry of Health, Labour and Welfare before they are granted approval. In China, regulatory requirements are becoming more stringent. Many countries also require that product approvals be recertified on a regular basis, generally every four to five years. The recertification process requires LivaNova to evaluate any device change and any new regulation or standard relevant to the device and, where required, conduct appropriate testing to document continued compliance.

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

Product and Promotional Restrictions

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

Any adverse regulatory action, depending on its magnitude, may limit LivaNova's ability to market and sell its products effectively, limit its ability to obtain future premarket approvals or result in a substantial modification to LivaNova's business practices and operations. For additional information, please refer to the "Risk and Uncertainties" section under the heading title *"LivaNova's products are subject to complex laws and regulations, and failure to obtain product approvals, clearance or reimbursement may materially adversely affect LivaNova's business, results of operations, cash flows and financial condition*." in this Strategic Report.

Governmental Trade Regulations

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

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

Data Privacy and Security Laws

As a global medical device technology company, LivaNova may be subject to various laws worldwide that protect the privacy, security and confidentiality of certain data, including employee data and patient health information and restrict the use and unauthorized disclosure of such information. Privacy standards are often strict. Enforcement actions and financial penalties related to privacy issues in the EU continue to grow, and new privacy and data localization laws and restrictions are being passed in other countries including the US. The management of cross-border transfers of personal information outside of EU member countries is becoming more complex, which may complicate LivaNova's business and clinical research activities, as well as product offerings that involve transmission or use of patient health information. LivaNova continues to adapt its business processes to comply with those standards and requirements applicable to it.

In the US, HIPAA, as amended by the HITECH Act and their respective implementing regulations, imposes specified requirements relating to the privacy and security of certain individually identifiable health information. Among other things, HITECH makes certain of HIPAA's privacy and security standards directly applicable to "business associates," essentially defined as service providers of covered entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. In certain instances, LivaNova may be considered a business associate. In such instances, the patient data that LivaNova receives may include protected health information, as defined under HIPAA. Related enforcement actions can be costly and may also interrupt LivaNova's regular business operations. In addition, state laws, such as the CCPA, govern the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways, thus complicating compliance and data protection efforts. Since the CCPA was enacted, other US states have enacted privacy laws. The effects of the CCPA and other recently adopted laws include an increased ability of individuals to control the use of their personal data, heightened transparency obligations, increased obligations of companies to maintain the security of data, and increased exposure to fines or damages for companies that violate these laws, including by not providing individuals their specified privacy rights or, not maintaining data security safeguards at specified levels of quality, or that experience data breaches. For additional information, please refer to the "Risk and Uncertainties" section under the heading titled "*Cyber-attacks or other disruptions to LivaNova's information technology systems could lead to reduced revenue, increased costs, liability claims, fines, harm to LivaNova's competitive position and loss of reputation"* in this Strategic Report.

In the EU, the processing of certain data, including employee and patient information, is subject to the privacy, security and confidentiality provisions set forth in Regulation 2016/679. Under the GDPR, data concerning health constitutes sensitive data. The processing of sensitive data is subject to, among other obligations, appropriate notice and consent requirements. Additional requirements apply with respect to issues such as data sharing, cross-border data transfers, data security, and data breach notification. The GDPR also requires LivaNova to implement a number of accountability measures in relation to the processing of sensitive data, including carrying out Data Protection Impact Assessments and appointing a Data Protection Officer. Administrative fines may be levied for non-compliance with the GDPR's requirements and can reach the higher of €20 million (approximately $22.1 million) or up to 4% of LivaNova's total worldwide annual net revenue for the preceding financial year.

Cost Containment Initiatives

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

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

As a result of LivaNova's manufacturing efficiencies, cost controls and other cost-savings initiatives, the Company believes it is well-positioned to respond to changes resulting from this worldwide trend toward cost containment. However, uncertainty remains as to the nature of any future legislation or other reforms, making it difficult for LivaNova to predict the potential impact of cost-containment trends on future operating results.

Applicability of Anti-Corruption Laws and Regulations

LivaNova's worldwide business is subject to the FCPA, the UK Bribery Act and other anti-corruption laws and regulations applicable in the jurisdictions where LivaNova operates. The FCPA can be used to prosecute companies in the US for arrangements with physicians or other parties outside the US if the physician or party is a government official of another country and prohibited payments are made to obtain or retain business. The UK Bribery Act prohibits both domestic and international bribery, as well as bribery across both public and private sectors. There are similar laws and regulations applicable to LivaNova outside the US and the UK, all of which are subject to evolving interpretations. For additional information, please refer to the "Risk and Uncertainties" section under the heading titled "Risks Relating to the Company's Business and Operations" in this Strategic Report.

Environmental Regulation and Management

LivaNova is subject to various environmental laws, directives and regulations both in the US and abroad that have resulted in, and could lead to, increased environmental compliance expenditures and reporting. LivaNova's ongoing manufacturing and other operations involve the use, storage and transportation of hazardous and non-hazardous substances regulated under environmental health and safety laws. In addition, governmental authorities may seek to hold LivaNova liable for successor environmental liability violations committed by any companies in which LivaNova invests or acquires or may require LivaNova to clean and remove hazardous substances at its sites that were produced by the operations of prior owners and are unrelated to the Company's current operations. For additional information, please refer to "Note 24. Commitments and Contingencies" in LivaNova's consolidated financial statements under the sections entitled "Saluggia Site Hazardous Substances" and "SNIA Environmental Liability" and the "Risk and Uncertainties" section under the heading titled "*LivaNova is subject to environmental laws and regulations and the risk of environmental liabilities, violations, protest voting and litigation in multiple jurisdictions, any of which could have a material impact on LivaNova's business, results of operations, cash flows, financial condition and liquidity.*" in this Strategic Report.

Health Care Fraud and Abuse and Related Laws

The delivery of LivaNova's products is subject to regulation by HHS and comparable state and non-US agencies responsible for reimbursement and regulation of healthcare products and services. LivaNova is subject to US federal and state government healthcare regulations and enforcement imposed primarily in connection with government healthcare programs, such as the Medicare and Medicaid programs, as well as healthcare regulations and enforcement imposed by governments in other countries in which LivaNova conducts business.

US federal healthcare laws apply when LivaNova or customers submit claims for items or services that are reimbursed under government healthcare programs, including laws related to kickbacks, false claims, self-referrals or other healthcare fraud. Specifically, the federal healthcare Anti-Kickback Statute prohibits persons from, among other things, knowingly and willfully offering or paying remuneration, directly or indirectly, to a person to induce them to order, purchase, lease, or recommend a good or service for which payment may be made in whole or in part under a federal healthcare program such as Medicare or Medicaid, unless the arrangement fits within one of several statutory exemptions or regulatory "safe harbors." Violations of the federal Anti-Kickback Statute may result in civil monetary penalties up to $100,000 for each violation, plus up to three times the remuneration involved. Violations can also result in criminal penalties, including criminal fines of up to $50,000 and imprisonment for up to 10 years. Finally, violations can result in exclusion from participation in government healthcare programs, including Medicare and Medicaid.

Additionally, violations of the False Claims Act can result in significant monetary penalties and treble damages. The US federal government utilizes the False Claims Act, the Anti-Kickback Statute and similar laws to investigate and prosecute device, pharmaceutical and biotechnology companies in connection with the promotion of products for unapproved uses, the provision of patient and provider support (e.g., reimbursement support), and other prohibited sales and marketing practices. The US government has obtained multi-million and multi-billion-dollar settlements under the False Claims Act, in addition to individual criminal convictions under applicable criminal statutes. Given the US government's success in prosecuting claims under the False Claims Act, LivaNova anticipates that the US government will continue to devote substantial resources to investigating healthcare providers' and manufacturers' compliance with applicable fraud and abuse laws.

In addition to the Anti-Kickback Statute and False Claims Act, many states have their own laws related to kickbacks, false claims, self-referrals or other healthcare fraud. These laws do not always have the same exceptions or safe harbors as their federal corollaries and, in some states, apply with respect to all payers, including commercial health insurance companies.

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

There is also federal and state regulation of, and transparency with respect to, payments made to physicians and other healthcare providers. LivaNova is subject to, for example, the Physician Payments Sunshine Act, which requires the Company to report annually certain payments and other transfers of value it makes to US licensed physicians, nurse practitioners, physician assistants, or teaching hospitals. Any failure to comply with such laws and regulations may result in civil financial penalties.

In addition, as discussed above, the US and foreign government regulators enforce the FCPA and other anti-bribery laws. These laws and regulations are broad in scope and are subject to evolving interpretation. As a result, LivaNova has been, and will likely continue to be, required to incur substantial costs to investigate allegations, audit and monitor compliance, and/or alter the Company's practices with respect to these laws. Violations or alleged violations of these laws could result in litigation, and LivaNova may be subject to criminal or civil penalties and sanctions, including substantial fines, imprisonment of current or former employees and exclusion from participation in governmental healthcare programs.

The evolving commercial compliance environment and the resulting need to build and maintain robust systems to comply with different compliance and/or reporting requirements in multiple jurisdictions increases the possibility that a healthcare company may violate one or more of these requirements and be required to allocate significant resources to its compliance program. If LivaNova's operations are found to be in violation of any such laws or any other governmental regulations that apply to the Company, LivaNova may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, entry into corporate integrity agreements or other monitoring agreements with governmental agencies, the curtailment or restructuring of its operations, and exclusion from participation in federal and state healthcare programs, any of which could adversely affect LivaNova's financial results and the Company's ability to operate its business.

Industry Affiliations

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

Business Review

LivaNova is reporting in its consolidated financial statements in this Annual Report the results from operations for the years ended 31 December 2023 and 31 December 2022. The basis of presentation, critical accounting estimates and significant accounting policies are set forth in "Note 2. Basis of Preparation, Use of Accounting Estimates and Material Accounting Policies" and “Note 3. Revenue Recognition” to the IFRS and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards consolidated financial statements contained in this Annual Report. Additionally, LivaNova reported the US GAAP consolidated financial statements for the years ended 31 December 2023 and 31 December 2022 in the Annual Report on Form 10-K filed with the SEC on 29 February 2024.

LivaNova reported an operating loss of $69.8 million on net revenue of $1,153.5 million for the year ended 31 December 2023 and an operating loss of $86.4 million on net revenue of $1,021.8 million for the year ended 31 December 2022.

During the year ended 31 December 2023, LivaNova recorded $90.0 million as impairment of long-lived assets and $40.9 million as litigation provision. During the year ended 31 December 2022, LivaNova recorded $145.0 million as an impairment of goodwill, $21.7 million as litigation provision, net and $0.1 million from loss on sale of the Company’s Heart Valve business. These items totalled $130.9 million and $166.8 million for the years ended 31 December 2023 and 2022, respectively, and are included in exceptional items in the consolidated statement of (loss). Refer to “Note 30. Exceptional Items” for more details.

Key Performance Indicators

The directors of LivaNova consider that the most important KPIs for 2023 are those set out below, which can be found in the Company’s press release dated 21 February 2024, and which are reported under the basis of US GAAP.

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

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

- **Adjusted operating income**

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

- **Adjusted net income**

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

- **Adjusted earnings per share**

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

- **Share price**

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

Results of Operations

In this Annual Report, LivaNova and its consolidated subsidiaries report results for the years ended 31 December 2023, and 31 December 2022 as follows (in thousands, except per share amounts):

	2023	2022
Net revenue	$ 1,153,545	$ 1,021,805
Costs and expenses:		
Cost of sales	381,730	314,206
Selling, general and administrative	514,267	463,829
Research and development	193,193	155,650
Other operating expense	3,308	7,737
Exceptional items	130,895	166,789
Operating loss	(69,848)	(86,406)
Finance expenses	(60,450)	(49,709)
Net gain on embedded exchange feature and capped call derivatives	24,209	43,789
Net foreign exchange and other income/(expense)	21,598	8,273
Share of loss from equity accounted investments	(104)	(53)
Loss before tax	(84,595)	(84,106)
Income tax expense	(15,787)	(2,188)
Loss attributable to owners of the parent	$ (100,382)	$ (86,294)

Net Revenue

The following table presents net revenue by operating segment and geographic region for the years ended 31 December 2023 and 2022 (in thousands):

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

(1) Includes countries in Europe where the Company has a direct sales presence. Countries where sales are made through distributors are included in "Rest of World."
(2) Other revenue primarily includes rental income not allocated to segments.

Cardiopulmonary

Cardiopulmonary net revenue for the year ended 31 December 2023 increased 17.7% to $589.0 million compared to the year ended 31 December 2022 with growth across all regions, driven by increased HLM sales, including from Essenz Perfusion System installations, and strong oxygenator demand.

Neuromodulation

Neuromodulation net revenue for the year ended 31 December 2023 increased 9.0% to $519.7 million compared to the year ended 31 December 2022 with growth across all regions, including new and replacement implants in the US region.

Advanced Circulatory Support

ACS net revenue for the year ended 31 December 2023 increased 2.6% to $40.3 million compared to the year ended 31 December 2022 driven by an increase in case volumes. On 5 January 2024, the Board of Directors of LivaNova PLC approved the 2024 Restructuring Plan. The main component of this plan is to wind down the ACS segment, which the Company anticipates will be substantially complete by the end of 2024. For additional information refer to "Note 8. Restructuring" and "Note 33. Subsequent Events" in the consolidated financial statements in this Annual Report.

Cost of Sales and Expenses

The following table presents cost of sales and major expenses as a percentage of net revenue for the years ended 31 December 2023 and 2022:

	2023	2022
Cost of sales	33.1 %	30.8 %
Selling, general and administrative	44.6 %	45.4 %
Research and development	16.7 %	15.2 %
Other operating expense	0.3 %	0.8 %

Cost of Sales

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

Cost of sales as a percentage of net revenue was 33.1% for the year ended 31 December 2023, an increase of 2.3 percentage points compared to the year ended 31 December 2022. The increase was primarily due to the net impact of the change in fair value of sales-based contingent consideration arrangements totalling $14.2 million as well as an inventory obsolescence adjustment of $12.6 million during the year ended 31 December 2023 associated with the wind down of LivaNova's ACS segment.

Selling General and Administrative

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

SG&A expenses as a percentage of net revenue was 44.6% for the year ended 31 December 2023, a decrease of 0.8 percentage points compared to the year ended 31 December 2022, primarily due to lower share-based compensation expense of $6.2 million in 2023, driven by the forfeiture of share-based awards associated with the departure of the Company's former CEO, as well as recovery of legal costs associated with the Caisson litigation of $3.0 million in 2023. These decreases were partially offset by the $2.6 million increase in costs associated with the previously mentioned November 2023 cybersecurity incident.

Research and Development

R&D expenses consist of product design and development efforts, clinical study programs and regulatory activities.

R&D expenses as a percentage of net revenue was 16.7% for the year ended 31 December 2023, an increase of 1.5 percentage points compared to the year ended 31 December 2022. The increase was primarily due to the net unfavourable change in the fair value of milestone-based contingent consideration arrangements totalling $27.8 million, as well as increased expenses associated with the Company's RECOVER clinical study and OSPREY clinical trial totalling $12.4 million.

Other Operating Expense

The following table presents the components of other operating expense for the years ended 31 December 2023 and 2022:

	2023	2022
Saluggia site remediation provision (1)	$ 2,269	$ —
Restructuring expense (2)	956	6,611
Merger and integration expense (3)	83	1,126
Other operating expense	$ 3,308	$ 7,737

(1) For additional information refer to "Note 24. Commitments and Contingencies" in the consolidated financial statements in this Annual Report.
(2) For additional information refer to "Note 8. Restructuring" in the consolidated financial statements in this Annual Report.
(3) LivaNova does not expect to incur any further merger and integration expense.

Exceptional Items

Items that are material, either by size or incidence, and non-recurring in nature are classified as exceptional items. Further details on these items are included below.

Impairment of Long-lived Assets

During the year ended 31 December 2023, LivaNova recorded an impairment of long-lived assets of $90.0 million. For additional information refer to "Note 8. Restructuring" in the consolidated financial statements in this Annual Report.

Litigation Provision

During the years ended 31 December 2023 and 2022, LivaNova recorded additional litigation provisions of $40.9 million and $21.7 million, respectively, due to new information received about the nature of certain claims. Refer to "Note 24. Commitments and Contingencies" in the consolidated financial statements in this Annual Report.

Impairment of Goodwill

Goodwill is tested for impairment annually as of 31 December and when circumstances indicate that the carrying value may be impaired. As part of LivaNova's 2022 goodwill impairment assessment, the Company considered that revenue for LivaNova's ACS CGU had declined compared to the prior year period, primarily as a result of a reduction in severe COVID-19 cases, hospital-related challenges and product mix. Furthermore, future revenue projections were reduced. Based on these circumstances, the Company concluded that the goodwill of LivaNova's ACS CGU was impaired, and the Company performed a quantitative assessment of the goodwill using management's current estimate of future cash flows. Based on the valuation performed, LivaNova determined that the recoverable amount of the ACS CGU was less than the carrying value and recognised a goodwill impairment of $145.0 million in the Company's consolidated statement of (loss) during the year ended 31 December 2022. Refer to "Note 10. Goodwill and Intangible Assets" in the consolidated financial statements in this Annual Report.

Finance Expenses

LivaNova incurred finance expenses of $60.5 million for the year ended 31 December 2023, as compared to $49.7 million for 2022. The increase for the year ended 31 December 2023, compared to the year ended 31 December 2022, was primarily due to an increase in interest rates and average borrowings, partially offset by reduced amortisation of debt issuance costs. For further information on LivaNova's debt refer to "Note 17. Financial Liabilities" in the consolidated financial statements in this Annual Report.

Net Gain on Embedded Exchange Feature and Capped Call Derivatives

Net gain associated with the Company's embedded exchange feature and capped call derivatives was a gain of $24.2 million for the year ended 31 December 2023, compared to a gain of $43.8 million for the year ended 31 December 2022. The net gains on the embedded exchange feature and capped call derivatives were primarily due to a decline in the LivaNova share price during the years ended 31 December 2023 and 2022. For further information on LivaNova's debt refer to "Note 17. Financial Liabilities" in the consolidated financial statements in this Annual Report.

Net Foreign Exchange and Other Income/(Expense)

LivaNova incurred FX and other income of $21.6 million for the year ended 31 December 2023, compared to FX and other income of $8.3 million for 2022. For further details, refer to "Note 28. Consolidated Statement of (Loss) by Nature" in the consolidated financial statements in this Annual Report.

Income Taxes

LivaNova PLC is resident in the UK. The Company's subsidiaries conduct operations and earn income in numerous countries and are subject to the varying laws and income tax rates of the taxing jurisdictions within those countries. As a result of changes in the overall level of the Company's taxable income, the mix of taxable income in various jurisdictions, changes in unrecognised deferred tax assets, and changes in tax laws, LivaNova's consolidated effective income tax rate may vary substantially from one reporting period to another.

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

LivaNova's effective income tax rate for the year ended 31 December 2023 was (18.7%) on loss before tax of $84.6 million compared with (2.6%) on loss before tax of $84.1 million for 2022. Compared with the year ended 31 December 2022, the increase in the effective tax rate for 2023 was primarily attributable to changes in pre-tax income in countries with varying statutory tax rates and changes in unrecognised deferred tax assets.

Liquidity and Capital Resources

Based on LivaNova's current business plan, the Company believes that LivaNova's sources of liquidity, which primarily consist of cash and cash equivalents, future cash generated from operations and available borrowings under its current debt facilities, will be sufficient to fund LivaNova's uses of liquidity, primarily consisting of purchase obligations for expected operating, working capital, capital expenditures, and debt service requirements over the twelve-month period beginning from the issuance date of these consolidated financial statements. From time to time, LivaNova may decide to access debt and/or equity markets to optimize the Company's capital structure, raise additional capital or increase liquidity as necessary. Refer to "Note 24. Commitments and Contingencies" in the consolidated financial statements in this Annual Report.

LivaNova's liquidity could be adversely affected by the factors affecting future operating results, including those referred to in "Risks and Uncertainties" below and by the contingencies referred to in "Note 24. Commitments and Contingencies" in the consolidated financial statements in this Annual Report.

Our operating and working capital obligations primarily consist of liabilities arising from the normal course of business including inventory supply contracts, the future settlement of derivative instruments, and future lease payments, as well as contingent consideration arrangements resulting from acquisitions, and obligations associated with legal and other accruals.

Cash Flows

Net cash and cash equivalents provided by (used in) operating, investing and financing activities and the net increase in the balance of cash, cash equivalents and restricted cash were as follows during the years ended 31 December 2023 and 2022 (in thousands):

	2023	2022
Operating activities	$ 85,028	$ 80,900
Investing activities	(40,331)	(38,414)
Financing activities	11,370	269,150
Effect of exchange rate changes on cash, cash equivalents and restricted cash	6,187	(4,011)
Net increase in cash, cash equivalents and restricted cash	$ 62,254	$ 307,625

Operating Activities

Cash provided by operating activities for the year ended 31 December 2023 increased $4.1 million compared to the prior year primarily resulting from improvements in working capital and an increase in net income adjusted for non-cash items, partially offset by an increase in 3T Heater-Cooler litigation payments of $24.8 million.

Investing Activities

Cash used in investing activities during the year ended 31 December 2023 increased $1.9 million compared to the prior year largely due to increases in purchases of property, plant and equipment and investments of $8.5 million and $3.6 million, respectively, partially offset by $8.9 million paid during the year ended 31 December 2022 associated with the acquisition of ALung.

Financing Activities

Cash provided by financing activities during the year ended 31 December 2023 decreased $257.8 million compared to the prior year. The decrease was primarily due to a year on year reduction in proceeds from net long and short-term debt borrowings and repayments of $257.5 million.

Debt and Capital

LivaNova's capital structure consists of debt and equity. As of 31 December 2023, the Company had total debt of $586.6 million which was 62.9% of total equity of $933.0 million.

Debt

During the year ended 31 December 2023, LivaNova received $50.0 million in proceeds from the issuance of long-term debt and repaid $21.6 million in long-term debt.

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

On 17 June 2020, LivaNova's wholly-owned subsidiary, LivaNova USA, issued the 2025 Notes. Holders of the 2025 Notes are entitled to exchange the 2025 Notes at any time during specified periods, at their option. This includes the right to exchange the 2025 Notes during any calendar quarter, if the last reported sale price of LivaNova's ordinary shares, with a nominal value of £1.00 per share, is greater than or equal to 130% of the exchange price, or $79.27 per share for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter. The exchange condition was not satisfied on 31 December 2023. As a result, LivaNova has included its obligations from the 2025 Notes and the associated embedded exchange feature derivative as a long-term liability on the consolidated balance sheets as of 31 December 2023 and 2022. The 2025 Notes are exchangeable solely into cash and are not exchangeable into ordinary shares of LivaNova or any other security under any circumstances. The initial exchange rate for the Notes is 16.3980 ordinary shares per $1,000 principal amount of 2025 Notes (equivalent to an initial exchange price of approximately $60.98 per share). The exchange rate is subject to adjustment in certain circumstances, as set forth in the 2025 Indenture. If holders elect to exchange their 2025 Notes during any future periods in the event an exchange condition is met, LivaNova would be required to settle its exchange obligation through the payment of cash, which could adversely affect the Company's liquidity.

The Company (through its wholly-owned subsidiary, LivaNova USA) has also entered into the 2025 Capped Calls with terms substantially similar to those applicable to the 2025 Notes. The 2025 Capped Calls over, subject to anti-dilution adjustments substantially similar to those applicable to the 2025 Notes, the number of LivaNova's ordinary shares underlying the 2025 Notes and are expected generally to offset any cash payments the Company is required to make upon exchange of the 2025 Notes in excess of the principal amount thereof in the event that the market value per ordinary share, as measured under the 2025 Capped Calls, is greater than the strike price of the 2025 Capped Calls, with such offset being subject to an initial cap price of $100.00 per share. If the Company's share price exceeds the cap price, the proceeds under the 2025 Capped Calls would not fully offset the excess principal amount due to the holders of the 2025 Notes. The 2025 Capped Calls expire on 15 December 2025 and must be settled in cash. If the 2025 Capped Calls are converted or redeemed early, settlement occurs at their termination value, which is equal to their fair value at the time of the conversion or redemption. The 2025 Capped Calls are included at their estimated fair value as of 31 December 2023 within long-term derivative assets on the consolidated balance sheets.

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 senior secured multi-currency revolving credit facility to be made available to the Borrower. The 2021 First Lien Credit Agreement is available for working capital and other general corporate purposes and, if drawn, can be repaid at any time without premium or penalty. There were no outstanding borrowings under the 2021 First Lien Credit Agreement as of 31 December 2023.

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

On 24 February 2022, LivaNova PLC and its wholly-owned subsidiary, LivaNova USA, entered into 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 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. LivaNova used the proceeds of the Bridge Loan Facility to post a portion of the cash collateral supporting the SNIA Litigation Guarantee.

On 18 March 2022, LivaNova PLC, acting through its Italian branch, entered into an Indemnity Letter and an Account Pledge Agreement with Barclays, further to which Barclays issued the €270.0 million SNIA Litigation Guarantee. As security for the SNIA Litigation Guarantee, LivaNova is required to grant cash collateral to Barclays in USD in an amount equal to the USD equivalent of 105% of the amount of the SNIA Litigation Guarantee calibrated on a biweekly basis. On 31 December 2023 and 2022, the cash collateral classified as restricted cash on the consolidated balance sheet was $311.4 million and $301.4 million, respectively.

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 Facility 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 and (ii) a delayed draw term loan facility in an additional aggregate principal amount of $50 million. On 6 April 2023, LivaNova drew $50 million under the Delayed Draw Term Facility for general corporate purposes.

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

For additional information on LivaNova's debt and debt transactions, please refer to "Note 17. Financial Liabilities" in the consolidated financial statements in this Annual report.

Subsequent Events

Restructuring

On 5 January 2024, the Board of Directors of LivaNova PLC approved the 2024 Restructuring Plan to enhance the Company's focus on its core Cardiopulmonary and Neuromodulation segments. The main component of this plan is to wind down the ACS segment, which the Company anticipates will be substantially complete by the end of 2024. LivaNova reorganised its operating and reporting structure upon initiating the 2024 Restructuring Plan and transitioned all ACS standalone cannulae and accessories, including ProtekDuo and transseptal (TandemHeart) cannulae, into its Cardiopulmonary segment. Operations for other ACS products, including LifeSPARC and Hemolung systems, will be discontinued by the end of 2024.

In connection with the 2024 Restructuring Plan, LivaNova expects to incur pre-tax restructuring charges in the range of approximately $15 million to $20 million. The anticipated charges are comprised of approximately $10 million to $12 million in severance expenses and retention bonuses and approximately $5 million to $8 million in other expenses, including lease termination, facilities remediation, and asset disposal expenses. LivaNova expects the majority of the severance expenses to be incurred in the first half of 2024. Retention bonuses will be earned over the period of service, which is expected to be over the full year of 2024. All future cash payments related to these restructuring charges are expected to be paid out during 2024. These estimates are subject to change. During the three months ended 31 March 2024, LivaNova recorded restructuring expense of $9.2 million associated with the 2024 Restructuring Plan.

Effective in 2024, LivaNova changed its reportable segments corresponding to the above-mentioned restructuring and changes in how the Company's CODM regularly reviews information, allocates resources and assesses performance. The Company's changes to its reportable segments are summarised as follows:

- LivaNova's ACS segment will be included within "Other," excluding the ACS standalone cannulae and accessories business.
- LivaNova's ACS standalone cannulae and accessories business will be included within the Cardiopulmonary reportable segment.

Financial Liabilities

Indenture and Notes

On 8 March 2024, LivaNova issued $345 million aggregate principal amount of its 2.50% convertible senior notes due 2029. The 2029 Notes were issued pursuant to an indenture, dated as of 8 March 2024, between LivaNova and Citibank, N.A., as trustee. Additionally, on 8 March 2024, LivaNova's wholly-owned subsidiary, LivaNova USA, Inc., entered into separate and individually negotiated transactions with certain holders of LivaNova USA, Inc.'s existing Cash Exchangeable Senior Notes, issued by LivaNova USA, Inc. and guaranteed by LivaNova, to repurchase $230 million aggregate principal amount of the Cash Exchangeable Senior Notes for an aggregate cash amount of approximately $270.5 million (including accrued and unpaid interest), and unwound a corresponding portion of the 2025 Capped Calls.

LivaNova received net proceeds from the offering of approximately $333.0 million, after deducting the initial purchasers' discount and estimated offering expenses payable by LivaNova. LivaNova used (1) approximately $31.6 million of the net proceeds of the offering to pay the cost of entering into 2029 Capped Calls described below, (2) approximately $270.5 million of the net proceeds of the offering to pay the purchase price for the Note Repurchases and (3) the remaining proceeds for general corporate purposes.

The 2029 Notes are general senior unsecured obligations of LivaNova. The 2029 Notes will bear interest at a rate of 2.50% per year, payable semiannually in arrears on March 15 and September 15 of each year, beginning on 15 September 2024. The 2029 Notes will mature on 15 March 2029, unless earlier repurchased, redeemed or converted in accordance with their terms.

The initial conversion rate of the 2029 Notes is 14.4085 of LivaNova's ordinary shares, with a nominal value of £1.00 per share, per $1,000 principal amount of the 2029 Notes (equivalent to an initial conversion price of approximately $69.40 per ordinary share). Upon conversion of the 2029 Notes, LivaNova will pay cash up to the aggregate principal amount of the 2029 Notes to be converted and pay or deliver, as the case may be, cash, LivaNova's ordinary shares, or a combination of cash and LivaNova's ordinary shares, at LivaNova's election, in respect of the remainder, if any, of LivaNova's conversion obligation in excess of the aggregate principal amount of the 2029 Notes being converted.

Holders may convert their 2029 Notes at their option at any time prior to the close of business on the business day immediately preceding 15 December 2028 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on 30 June 2024 (and only during such calendar quarter), if the last reported sale price of LivaNova's ordinary shares for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any ten consecutive trading day period in which the trading price per $1,000 principal amount of 2029 Notes for each trading day of the Convertible Notes Measurement Period was less than 98% of the product of the last reported sale price of LivaNova's ordinary shares and the conversion rate on each such trading day; (3) if LivaNova calls such 2029 Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date, but only with respect to the 2029 Notes called (or deemed called) for redemption; or (4) upon the occurrence of specified corporate events. On or after 15 December 2028 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2029 Notes at any time, regardless of the foregoing circumstances.

The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date or if LivaNova delivers a notice of redemption, LivaNova will, in certain circumstances, increase the conversion rate for a holder who elects to convert its 2029 Notes in connection with such a corporate event or convert its 2029 Notes called (or deemed called) for redemption in connection with such notice of redemption, as the case may be.

On or after 22 March 2027, LivaNova may redeem for cash all or part of the 2029 Notes, at LivaNova's option, if the last reported sale price of LivaNova's ordinary shares has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which LivaNova provides notice of redemption. The redemption price will be equal to 100% of the principal amount of the 2029 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date (unless the redemption date falls after a regular record date but on or prior to the immediately succeeding interest payment date, in which case LivaNova will pay the full amount of accrued and unpaid interest to the holder of record as of the close of business on such regular record date, and the redemption price will be equal to 100% of the principal amount of the 2029 Notes to be redeemed). No sinking fund is provided for the 2029 Notes. LivaNova may also redeem the 2029 Notes at its option, at any time, in whole but not in part, only upon the occurrence of certain tax related events.

If LivaNova undergoes a fundamental change, holders may require LivaNova to repurchase for cash all or any portion of the holders' 2029Notes at a fundamental change repurchase price equal to 100% of the principal amount of the 2029 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

2029 Capped Calls

In connection with the pricing of the 2029 Notes, LivaNova entered into privately negotiated capped call transactions with certain of the initial purchasers or their respective affiliates and another financial institution, as option counterparties. LivaNova subsequently entered into additional capped call transactions with the option counterparties in connection with the initial purchasers' exercise in full of their option to purchase additional 2029 Notes. The 2029 Capped Calls cover, subject to anti-dilution adjustments substantially similar to those applicable to the 2029 Notes, the number of LivaNova's ordinary shares initially underlying the 2029 Notes.

The 2029 Capped Calls are expected generally to compensate (through the payment of cash to LivaNova) for potential dilution to LivaNova's ordinary shares upon conversion of any 2029 Notes and to offset any cash payments made in excess of the principal amount of converted 2029 Notes, as the case may be, in the event that the market price of ordinary shares, as measured under the terms of the 2029 Capped Calls, exceeds the strike price of the 2029 Capped Calls, which initially corresponds to the conversion price of the 2029 Notes and is subject to customary anti-dilution adjustments substantially similar to those applicable to the conversion rate of the 2029 Notes. If, however, the market price per ordinary share, as measured under the terms of the 2029 Capped Calls, exceeds the cap price of the 2029 Capped Calls, there would nevertheless be dilution the effect of which would not be compensated for and/or there would not be an offset of such cash payments, in each case, to the extent that such market price exceeds such cap price of the 2029 Capped Calls. The cap price of the 2029 Capped Calls is initially $94.2840 per share, which represents a premium of 80% over the last reported sale price of LivaNova's ordinary shares on 5 March 2024 and is subject to certain adjustments under the terms of the 2029 Capped Calls.

Incremental Amendment No. 3 to the 2021 First Lien Credit Agreement

In connection with the offering of the 2029 Notes, LivaNova, along with LivaNova USA, Inc., entered into a new incremental facility amendment to its First Lien Credit Agreement dated 13 August 2021 with the lenders and issuing banks party thereto and Goldman Sachs Bank USA, as First Lien Administrative Agent and First Lien Collateral Agent, as from time to time amended.

The Incremental Amendment No. 3 provides for LivaNova USA, Inc. to, among other things, obtain commitments for a new revolving facility from a syndicate of lenders in an aggregate principal amount of $225 million. The Incremental Revolving Facility will be available to be drawn by LivaNova USA, Inc. until the fifth anniversary of the entering into of the Incremental Amendment No. 3 and entirely replaced the $125 million revolving facility previously provided for under the 2021 First Lien Credit Agreement. Additionally, the Incremental Facility Amendment No. 3 lowered the Interest Coverage Ratio to 2.00 to 1.00. Proceeds of the Incremental Revolving Facility will be used for general corporate purposes.

Contractual Obligations

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

The following table summarizes the Company's significant contractual obligations as of 31 December 2023 and the periods in which such obligations are due (in thousands):

	Less Than One Year	One to Three Years	Three to Five Years	Thereafter	Total Contractual Obligations
Principal payments on debt obligations	$ 18,084	$ 341,654	$ 265,313	$ 312	$ 625,363
Interest payments on long-term debt	33,094	55,147	12,454	—	100,695
3T litigation settlements	100	—	—	—	100
Lease obligations	10,938	16,405	11,136	32,167	70,646
Inventory supply contract obligations	40,724	25,707	—	—	66,431
Derivative instruments	3,883	45,569	—	—	49,452
Probability-weighted contingent consideration arrangements	13,750	44,337	36,565	—	94,652
Total contractual obligations	$ 120,573	$ 528,819	$ 325,468	$ 32,479	$ 1,007,339

LivaNova has other commitments that the Company is contractually obligated to fulfil with cash under certain circumstances. Obligations under these guarantees are not normally called, as LivaNova typically comply with underlying performance requirements. As of 31 December 2023, no liability has been recorded in the consolidated financial statements associated with these obligations.

The following table summarizes the Company's guarantees as of 31 December 2023 (in thousands):

	Less Than One Year	One to Three Years	Three to Five Years	Thereafter	Total Guarantees
Guarantees on government bids (1)	$ 3,322	$ 1,835	$ 520	$ 1,326	$ 7,003
Guarantees - commercial (2)	553	344	—	1,710	2,607
Guarantees to tax authorities (3)	4,318	1,197	—	—	5,515
Guarantees to third-parties	268	410	—	553	1,231
Total guarantees	$ 8,461	$ 3,786	$ 520	$ 3,589	$ 16,356

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

(2) Commercial guarantees include the Company's lease and tenancy guarantees.

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

Market Risk

LivaNova is exposed to certain market risks as part of its ongoing business operations, including risks from foreign currency exchange rates, interest rate risks and concentration of procurement suppliers, that could adversely affect LivaNova's consolidated financial position, results of operations or cash flows. LivaNova manages these risks through regular operating and financing activities and, at certain times, derivative financial instruments.

Foreign Currency Exchange Rate Risk

Due to the global nature of LivaNova's operations, the Company is exposed to FX fluctuations. Historically, LivaNova 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, bank deposits, accounts receivable, and accounts payable caused by changes in foreign currency exchange rates. Upon the settlement of LivaNova's foreign currency cash flow hedges in the fourth quarter of 2022 and following an in-depth analysis of the utility of the Company's cash flow hedging program, LivaNova discontinued its foreign currency cash flow hedging program. LivaNova continues to use freestanding derivative forward contracts to offset exposure to the variability of the value associated with assets and liabilities denominated in a foreign currency.

LivaNova mitigates its credit risk relating to counterparties of its derivatives through a variety of techniques, including transacting with multiple, high-quality financial institutions, thereby limiting the Company's exposure to individual counterparties and by entering into ISDA Master Agreements, which include provisions for a legally enforceable master netting agreement, with almost all of LivaNova's derivative counterparties. The terms of the ISDA agreements may also include credit support requirements, cross default provisions, termination events, and set-off provisions. Legally enforceable master netting agreements reduce credit risk by providing protection in bankruptcy in certain circumstances and generally permitting the closeout and netting of transactions with the same counterparty upon the occurrence of certain events.

If LivaNova was to incur a hypothetical 10% adverse change in foreign currency exchange rates, net unrealised losses associated with LivaNova's foreign currency denominated assets and liabilities as of 31 December 2023 would be approximately $4.5 million. Any gains and losses on the fair value of derivative contracts would generally be offset by gains and losses on the underlying transactions. These offsetting gains and losses are not reflected in the above analysis.

Interest Rate Risk

LivaNova is subject to interest rate risk on its investments and debt. Historically, LivaNova has entered into 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, LivaNova agrees to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to agreed-upon notional principal amounts. These interest rate swaps are structured to mirror the payment terms of the underlying loan. The Company's outstanding interest rate swaps expired on 6 April 2023. LivaNova elected not to renew the interest rate swaps as finance expenses associated with the Initial Term Facility is principally offset by holding a significant portion of the Initial Term Facility in a depository account, which earns a floating rate of interest.

If interest rates associated with LivaNova's variable-rate financing arrangements as of 31 December 2023 were to increase/(decrease) by 100 basis points, the effect on finance expenses within LivaNova's consolidated statement of (loss) would be an increase/(decrease) of approximately $3.5 million, respectively. Conversely, if the interest rate associated with LivaNova's variable-rate depository account as of 31 December 2023 were to increase/(decrease) by 100 basis points, the effect on net foreign exchange and other income/(expense) within LivaNova's consolidated statements of income (loss) would be an increase/(decrease) of approximately $3.5 million, respectively.

Concentration of Credit Risk

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

Risks and Uncertainties

Risks Relating to the Company's Business and Operations

LivaNova is subject to the risks of conducting business internationally.

LivaNova designs, develops, manufactures, markets, and sells products globally, and the Company intends to continue to pursue growth opportunities worldwide. LivaNova's international operations are subject to risks that are inherent in conducting business globally and under non-US laws, regulations and customs. These risks, many of which LivaNova has experienced first-hand, include: higher danger of terrorist activity, war or civil unrest; greater exposure to inflation; volatility in freight and labor costs; fluctuating interest and exchange rates; evolving sanctions; increased exposure to cyber-attacks and supply chain challenges; changing energy prices; local product changes and compliance requirements; longer payments terms and collection times for receivables in local jurisdictions; difficulty enforcing agreements; greater exposure to creditworthiness of customers and inconsistent local law enforcement of obligations; trade protection measures and import and export licensing requirements; ensuring compliance with anti-bribery laws; different labor regulations and workforce instability; selling its products through distributors and agents; and political and economic instability.

Conflicts, for example, including those in Ukraine and the Middle East, have caused the Company to assess its ability to source materials, sell product, collect payment, and comply with international sanctions in the aforementioned markets. These conflicts have increased economic and regulatory uncertainties, and a significant escalation or continuation of these conflicts could have a material impact on the Company's operating results.

Certain of LivaNova's subsidiaries have engaged in business dealings in countries subject to comprehensive sanctions, including Iran, Sudan and Syria in addition to Russia and Belarus. These business dealings represent an insignificant amount of LivaNova's consolidated revenues and income but expose the Company to a heightened risk of violating applicable sanctions regulations. Violations of these regulations are punishable by civil and criminal penalties including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts and revocations or restriction of licenses, as well as criminal fines and imprisonment. Despite best efforts to comply, there can be no assurance that LivaNova's policies and procedures will prevent the Company from violating these regulations in every transaction in which LivaNova may engage, and such a violation could adversely affect its reputation, business, results of operations, cash flows and financial condition.

LivaNova's global operations result in revenues and expenses that are denominated in currencies other than LivaNova's reporting currency, the USD. Fluctuations in exchange rates may impact, and have impacted, LivaNova's results of operations and financial condition. Although LivaNova has in the past elected, and may in the future elect, to hedge certain foreign currency exposures, it is unlikely that any hedging strategy would eliminate its currency risk entirely.

In many of the countries where LivaNova operates, employees are covered by various laws and/or collective bargaining agreements that endow them, through their local or national representatives, with the right to be consulted in relation to specific issues, including reorganizations and staff reductions. The laws and/or collective bargaining agreements that are applicable to these agreements could have an impact on LivaNova's flexibility, as they apply to programs to redefine and/or strategically reposition the Company's activities. LivaNova's ability to implement staff reduction programs or even temporary interruptions of employment relationships is predicated on the approval of government entities and the consent of labor unions. A negative response from a works council or union-organized work stoppages by employees could have a negative impact on LivaNova's business.

Any of the aforementioned risks could adversely affect LivaNova's business, results of operations, cash flows and financial condition.

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

LivaNova is increasingly dependent on its information technology systems and those of third parties to operate its business, and certain products of the Company include integrated software and information technology. Such dependencies have been exacerbated by remote working practices. LivaNova relies on information technology systems to collect and process customer orders, manage product manufacturing and shipping, and support regulatory compliance. The Company routinely processes, stores and transmits large amounts of data, including sensitive personal information, patient health information and confidential business information. The secure processing, maintenance and transmission of this information is critical to LivaNova's operations. The quantity and complexity of the Company's products and information technology systems make such systems vulnerable to cyber-attacks, breakdown, interruptions, destruction, loss or compromise of data, obsolescence or incompatibility among systems or other significant disruptions. The Company has experienced, and is continually at risk of being subject to cyber-attacks and other disruptions. Programs and systems may require frequent updates or may no longer be supported, which may impact the ability of the Company's information technology systems to operate properly or without disruption. Unauthorized persons routinely attempt to access LivaNova's systems to disrupt, disable or degrade services, obtain proprietary or confidential information, make ransom demands, and/or remotely disrupt or access the systems of large health care providers by exploiting the Company's systems. Furthermore, LivaNova's security assessments of third-party vendors may be inadequate to determine whether their security protocols are sufficient to withstand a cyber-attack or other security breach. LivaNova also cannot be certain that the Company will receive timely notification of such cyber-attacks or other security breaches. Cyber- attacks or other security breaches could remain undetected for an extended period, which could potentially result in significant harm to the Company's information technology systems, as well as unauthorized access to the information stored on and transmitted by the Company's information technology systems. In addition, to access LivaNova's products and services, its clients may use computers and other devices that are beyond the Company's security control safeguards.

Unauthorized disclosure or use of, denial of access to, or other incidents involving sensitive or confidential customer, patient, employee, vendor or Company data, whether through systems failure, employee negligence, fraud, misappropriation, or cybersecurity, ransomware or malware attacks, or other intentional or unintentional acts, could expose the Company to liability under various laws and regulations across jurisdictions and increase the risk of litigation and governmental or regulatory investigation, damage LivaNova's reputation and its competitive positioning in the marketplace, disrupt its, or the Company's customers' businesses, or cause LivaNova to lose customers, resulting in significant financial exposure and legal liability. Similarly, unauthorized access to or through, denial of access to, or other incidents involving LivaNova or its vendors' information systems, whether by the Company's employees or third parties, including a cyber-attack by criminal hackers, members of organized crime groups or state-sponsored organizations, who continuously develop and deploy viruses, ransomware, malware or other malicious software programs or social engineering attacks, has resulted and could in the future result in negative publicity, significant remediation costs, legal liability, notification requirements, and damage to LivaNova's reputation, which could have a material adverse effect on the Company's business, results of operations, cash flows and financial condition. Cybersecurity threats are constantly expanding and evolving, becoming increasingly sophisticated and complex, increasing the difficulty of detecting and defending against them and maintaining effective security measures and protocols. Even when a cyber-attack or other security incident is detected, the full extent of the incident may not be determined immediately. The costs to the Company to mitigate cyber-attacks and security incidents could be significant and, while the Company has implemented security measures to protect its information technology systems, its efforts to address these problems may not be successful. LivaNova's cyber risk insurance may be insufficient to cover all losses, such as litigation costs or financial losses that exceed the Company's policy limits or are not covered under any of its current insurance policies. Cyber risk insurance has also become more difficult and expensive to obtain, and LivaNova cannot be certain that the Company's current levels of insurance will be available in the future on economically reasonable terms.

As previously disclosed, in November 2023, LivaNova detected a cybersecurity incident that resulted in a disruption of portions of the Company's information technology systems. Promptly after detecting the issue, LivaNova began an investigation with assistance from external cybersecurity experts and notified law enforcement. LivaNova continues to assess the full impact of the cybersecurity event on its business, and these impacts may materially affect its results of operations, cash flows and financial condition.

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

There is significant regulatory and enforcement focus on data protection in the US (at both the federal and state level) and abroad, and an actual or alleged failure to comply with applicable US or foreign data protection regulations or other data protection standards may expose LivaNova to litigation, including class action litigation, fines, sanctions or other penalties, which could harm the Company's reputation and adversely impact LivaNova's business, results of operations, cash flows and financial condition. The Company collects, stores, and handles employee and patient data, including sensitive patient health information, which may present material obligations and risks to LivaNova's business, including significantly expanded compliance burdens, costs and enforcement risks. If LivaNova does not lawfully collect, store, handle or otherwise process personal information and does not prevent data breaches, particularly given the increased risks associated with sensitive health information, LivaNova may suffer legal and regulatory consequences in addition to business consequences. As a result of its worldwide operations, the Company may be subject to various data protection and cyber-security laws and regulations in many jurisdictions, including HIPAA, the CCPA and similar state laws, and the GDPR. Other governments have enacted, amended, or are enacting similar data protection laws, including data localization laws that require data to stay within their borders and other technical and operational adaptions that may be required given the rapid changes in data protection regulation where LivaNova conducts business. The enactment of such laws could have potentially conflicting requirements that would make compliance challenging. LivaNova's efforts to comply with applicable laws and regulations may be inadequate, and the Company may be unable to avoid enforcement actions by governmental bodies. Enforcement actions may be costly and could interrupt regular operations of LivaNova's business. Moreover, LivaNova's insurance coverage may be insufficient to cover all losses. In addition, there is a trend of civil lawsuits and class actions relating to compromises of personal data or other cyber- attacks pursuant to laws such as the CCPA. While LivaNova has not been named in any such lawsuits, the Company could become a target of civil litigation or government enforcement actions as a result of a compromise to or loss of data.

Reductions and interruptions in LivaNova's supply chain have had, and may continue to have, adverse effects on LivaNova's business, results of operations, cash flows and financial condition.

LivaNova purchases many of the components and raw materials used in manufacturing its products from numerous suppliers in various countries. In some cases, LivaNova purchases specific components and raw materials from primary or main suppliers (or in some cases, a single or sole supplier) for reasons related to quality assurance, cost-effectiveness and availability. Any problem affecting a supplier (whether due to external or internal causes) could have a negative impact on LivaNova. Difficulties and delays in manufacturing, internally, externally or otherwise within the supply chain, may lead to voluntary or involuntary business interruptions or shutdowns, product shortages, withdrawals or suspensions of products from the market, and potential regulatory action.

While LivaNova works closely with its suppliers to ensure supply continuity and minimize the instances in which LivaNova relies on a sole supplier, the Company cannot guarantee that its efforts will always be successful. Moreover, due to strict standards and regulations governing the manufacture and marketing of LivaNova's products, the Company may not be able to locate new supply sources quickly or at all in response to a supply reduction or interruption, resulting in negative effects on its ability to manufacture products effectively and timely. To date, the Company's supply of raw materials and the production and distribution of finished products have not been materially affected, but to the extent the Company is unsuccessful in managing its supply chain, any such issues could have a material adverse effect on LivaNova's business, results of operations, cash flows and financial condition.

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

LivaNova operates in a highly competitive market characterized by increasingly complex products that are expensive and time-consuming to develop and manufacture. In the product lines in which LivaNova competes, the Company faces a mixture of competitors ranging from large manufacturers with multiple business lines to small manufacturers that offer a limited selection of specialized products. Development by other companies of new or improved products, processes, or technologies may make LivaNova's products or proposed products less competitive. In addition, LivaNova faces competition from providers of alternative medical therapies, pharmaceuticals, and surgical interventions, among others. Competitive factors include: product quality, reliability and performance; product technology and innovation; breadth of product lines and product services; ability to identify new market trends; changes to the regulatory environment; cost-effectiveness and price; customer support and training; capacity to recruit engineers, scientists and other qualified employees; ability to navigate the regulatory approval process in the markets in which LivaNova operates; reimbursement approval; and effectiveness of systems and processes. Difficulties in any of these areas may have a material adverse effect on LivaNova's business, results of operations, cash flows and financial condition.

The rapid pace of technological development in the medical industry and the specialized expertise required in different areas of medicine make it difficult for one company alone to develop a broad portfolio of technological solutions. As a result, LivaNova also relies on investments and investment collaborations to provide the Company access to new technologies. If LivaNova fails to develop new and enhanced products and services on a timely basis, the Company's offerings will become obsolete over time, and its business and financial results would be negatively impacted. LivaNova's success depends on several factors, including its ability to appropriately allocate the Company's R&D funding to products and services with higher growth prospects, for example, further incorporation of software; hiring and retaining the necessary R&D talent; stimulating customer demand for and convincing customers to adopt new technologies; innovating and developing new technologies and applications; and acquiring or obtaining third-party technologies that may have valuable applications in the markets that LivaNova serves.

LivaNova expects to make investments where it believes that the Company can develop, or acquire, new technologies and products to further LivaNova's strategic objectives and strengthen LivaNova's existing businesses. Investments and investment collaborations in and with medical technology companies are inherently risky, and LivaNova cannot guarantee that any of its previous or future acquisitions, investments or investment collaborations will be successful or will not materially adversely affect LivaNova's business, results of operations, cash flows and financial condition.

The success and continuing development of LivaNova's products depend on maintaining strong relationships with physicians and healthcare professionals. If LivaNova fails to maintain its working relationships with physicians and other healthcare professionals, the Company's products may not be developed and marketed in line with the needs and expectations of the professionals who use and support LivaNova's products. Physicians assist LivaNova as researchers, marketing consultants, product consultants, inventors and public speakers, and LivaNova relies on these professionals to provide the Company with considerable knowledge and experience. If LivaNova is unable to maintain these strong relationships, the development and marketing of the Company's products could suffer, which could have a material adverse effect on LivaNova's business, results of operations, cash flows and financial condition.

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

LivaNova's medical devices and technologies, as well as its business activities, are subject to a complex set of regulations and rigorous enforcement, including by the FDA, US Department of Justice, HHS, and numerous other federal, state, and non-US governmental authorities. The time required to obtain approvals from foreign countries may be longer or shorter than that required for FDA clearance, and requirements for such approvals may differ from FDA requirements. To varying degrees, each of these agencies requires LivaNova to comply with laws and regulations governing the development, testing, manufacturing, labelling, reimbursement, marketing, and distribution of LivaNova's products. As a part of the approval, marketing clearance or reimbursement process for new products and new indications for existing products, LivaNova may conduct clinical trials and studies. Unfavourable or inconsistent clinical data from existing or future clinical trials, or the interpretation of such clinical data by customers and/or regulatory authorities, may adversely impact LivaNova's ability to obtain product approvals and receive reimbursement.

LivaNova, for example, is currently conducting clinical studies, and any delays or news regarding unfavourable or inconsistent data could have a material adverse effect on LivaNova's business. Success in pre-clinical testing and early clinical studies does not always ensure that later clinical studies will be successful, as LivaNova experienced and announced, for instance, in connection with stopping enrollment of the ANTHEM-HFrEF clinical trial, and LivaNova cannot be sure that later studies will replicate the results of prior studies. Any delay or termination of LivaNova's clinical studies will delay or preclude the filing of regulatory submissions or requests for coverage determinations and, ultimately, LivaNova's ability to commercialize new products or product modifications and obtain reimbursement for the Company's products. It is also possible that patients enrolled in clinical studies will experience adverse side effects that are not currently part of the product's profile, which could inhibit further marketing and development of such products.

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

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

Both before and after a product is commercially released, LivaNova has ongoing responsibilities under FDA and other applicable non-US government agency regulations. For instance, many of LivaNova's facilities and procedures and those of its suppliers are subject to periodic inspections by the FDA, which can result, and in the past has resulted, in inspectional observations on the FDA's Form-483, warning letters, or other forms of enforcement. If the FDA were to conclude that LivaNova is not in compliance with applicable laws or regulations, or that any of the Company's medical products are ineffective or pose an unreasonable health risk, the FDA could ban such medical products, detain or seize adulterated or misbranded medical products, order a recall, repair, replacement or refund of such products, refuse to grant pending PMA applications, and/or require LivaNova to notify health professionals and others that the devices present unreasonable risks of substantial harm to the public health. Similar consequences could follow, such as audits by non-US regulators and notified bodies.

The FDA and other non-US government agencies could also assess civil or criminal penalties against LivaNova, the Company's officers, or other employees and/or impose operating restrictions on a company-wide basis. The FDA could also recommend prosecution to the US Department of Justice. An adverse regulatory action could restrict LivaNova from effectively marketing and selling its products, limit its ability to obtain future pre-market clearances or PMAs, and result in a substantial modification to LivaNova's business practices and operations. These potential consequences, as well as any adverse outcome from government investigations, could have a material adverse effect on LivaNova's business, results of operations, cash flows and financial condition.

In addition, device manufacturers are prohibited from promoting their products for uses and indications that are not set forth in the approved product labeling (so called "off-label uses"). While physicians may exercise their discretion in prescribing a device off-label, a device manufacturer's failure to comply with the related applicable regulations could subject LivaNova to significant civil or criminal exposure, administrative obligations and costs, and/or other potential penalties. The EU MDR, for example, prohibits manufacturers from misleading users and patients by suggesting uses for the device other than those stated as part of the intended purpose for which the conformity assessment was carried out.

Governmental regulations outside the US have, and may continue to, become increasingly stringent and common as well. For example, the EU MDR has resulted in significant additional premarket and post-market requirements. Certifications to EU MDR must be achieved by December 2027 or December 2028, based on the risk classification of the device. In the interim, the European Commission is allowing companies to use their MDD certifications. LivaNova is working to obtain all appropriate approvals as required, as penalties for regulatory non-compliance can be severe, including fines and revocation or suspension of a company's business license. The development and implementation of future laws and regulations may also have a material adverse effect on LivaNova.

Global healthcare policy changes and reduction in reimbursement for products may have a material adverse effect on LivaNova.

In response to increases in healthcare costs, there have been and continue to be proposals by governments, regulators and third-party payers to control these costs. These proposals have resulted in efforts to enact healthcare system reforms that may lead to pricing restrictions, payback requirements, limits on the amounts of reimbursement available for LivaNova's products and limits on the acceptance and use of LivaNova's products. For example, in 2015, the Italian Parliament introduced rules for entities that supply goods and services to the Italian National Healthcare System, impacting the business and financial reporting of medical technology sector companies that sell devices in Italy. A key provision of the law is a "payback" measure, requiring companies selling medical devices in Italy to repay a percentage of the healthcare expenditures exceeding the regional maximum caps for medical devices. While LivaNova is appealing the imposition of the guidelines and requests for payment pursuant to the rule as well as waiting on the Constitutional Court in Italy to determine the constitutionality of the rule, the Company may not be successful. See "Note 24. Commitments and Contingencies" in LivaNova's consolidated financial statements included in this Report for additional information.

LivaNova's ability to profitably commercialize the Company's products is dependent, in large part, on whether third-party payers, including private healthcare insurers, managed care plans, governmental programs and others, agree to cover the costs and services associated with LivaNova's products and related medical procedures in the US and internationally. Third-party payers, including private and government insurers, are increasingly requiring evidence that medical devices are cost-effective. If LivaNova is unable to demonstrate that the Company's devices are cost-effective, third-party payers may not reimburse the use of LivaNova's products or provide sufficient reimbursement for LivaNova's products, which could reduce sales of the Company's products to healthcare providers that depend upon reimbursement for payment for their services. Similarly, periodic changes to reimbursement methodologies could have an adverse impact on LivaNova's business. Adoption of some or all of such healthcare policy and reimbursement proposals could have a material adverse effect on LivaNova's business, results of operations, cash flows and financial position.

Failure to comply with rules relating to reimbursement of healthcare goods and services, healthcare fraud and abuse, false claims and other applicable laws or regulations may subject LivaNova to penalties and limit patient access to its devices, thereby adversely impacting the Company's reputation and business operations.

LivaNova's devices and therapies are subject to regulation by various governmental agencies worldwide that are responsible for regulating healthcare goods and services, including laws and regulations related to kickbacks, false claims, self-referrals and healthcare fraud. Because LivaNova's marketing practices involve direct promotion to patients in certain jurisdictions, the Company is subject to additional laws and regulations intended to prevent misleading of patients and consumers through unethical promotional activities and related data collection practices. Any failure to comply with these laws and regulations could subject the Company or its officers and employees to criminal and civil financial penalties.

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

Furthermore, LivaNova's devices, products and therapies are purchased principally by hospitals or physicians that typically bill various third-party payers, such as governmental healthcare programs (e.g., Medicare, Medicaid and comparable non-US programs), private insurance plans and managed care plans for the healthcare services provided to their patients. The ability of LivaNova's customers to obtain appropriate reimbursement for products and services from third-party payers is critical because it affects which products customers purchase and the prices they are willing to pay. LivaNova's devices, products and therapies are subject to regulation regarding quality and cost by HHS, including CMS, as well as comparable state and non-US agencies responsible for reimbursement and regulation of healthcare goods and services, including laws and regulations related to kickbacks, false claims, self-referrals and healthcare fraud. In addition, as a manufacturer of US FDA-approved devices reimbursable by federal healthcare programs, LivaNova is subject to the Physician Payments Sunshine Act, which requires the Company to annually report certain payments and other transfers of value LivaNova makes to US-licensed physicians, US teaching hospitals or other covered recipients. Any failure to comply with these laws and regulations could subject the Company or its officers and employees to criminal and civil financial penalties.

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

If LivaNova's marketed medical devices are defective or otherwise pose safety risks, the FDA and similar non-US governmental authorities could require their recall or initiate an enforcement action, or LivaNova may initiate a recall of the Company's products voluntarily.

The FDA and similar non-US governmental authorities may require the recall of commercialized products in the event of material deficiencies or defects in design, software or manufacture, or in the event that a product poses an unacceptable risk to patients' health. Manufacturers, on their own initiative, may recall a product with a material deficiency, and the Company has initiated voluntary product recalls in the past. Any recall announcement could harm LivaNova's reputation with customers and negatively affect LivaNova's reputation, business, results of operations, cash flows and financial position. A recall could also impair LivaNova's ability to produce its products in a cost-effective and timely manner. In the future, LivaNova may initiate voluntary withdrawal, removal or repair actions that the Company determines do not require notification as a recall. If a regulating authority were to disagree with LivaNova's determinations, it could require the Company to report those actions as recalls.

In addition, depending on the corrective action taken to redress a device's deficiencies or defects, regulators may require, or LivaNova may decide, that the Company needs to obtain new approvals or clearances before it markets or distributes the corrected device. Seeking such approvals or clearances may delay LivaNova's ability to replace the recalled device in a timely manner. Any corrective action, whether voluntary or involuntary, or related litigation will require investment of the Company's time and capital, distract management from operating the business, and may harm LivaNova's reputation and financial results. Moreover, if LivaNova does not adequately address problems associated with its devices, the Company may face additional regulatory enforcement action, including FDA warning letters, product seizure, injunctions, administrative penalties, or civil or criminal fines, any of which could have a material adverse effect on LivaNova's business.

Failure to comply with anti-bribery laws could materially adversely affect LivaNova's business and result in civil and/or criminal sanctions.

LivaNova's operations are subject to anti-corruption laws, including the UK Bribery Act, the FCPA and other anti-corruption laws that apply in countries where the Company does business. These laws generally prohibit LivaNova and its employees and intermediaries from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage. Because of the predominance of government-administered healthcare systems in many parts of the world outside the US, many of LivaNova's customer relationships are potentially subject to such laws.

LivaNova is, therefore, exposed to the risk that its employees, independent contractors, principal investigators, consultants, vendors, independent sales agents, and distributors may engage in fraudulent or other illegal activity in violation of these laws and LivaNova's Code of Conduct. LivaNova maintains policies and programs to educate its employees and agents on these legal requirements, and to prevent and prohibit improper practices. However, existing safeguards and any future improvements may not always be effective, and LivaNova's employees, consultants, sales agents, or distributors may engage in conduct for which LivaNova could be held responsible. In addition, regulators could seek to hold LivaNova liable for conduct committed by companies in which LivaNova invests or acquires. The FCPA can pose unique challenges for manufacturers who operate in foreign cultures where conduct prohibited by the FCPA may not be viewed as illegal in local jurisdictions. It is not always possible to identify and deter misconduct by LivaNova's employees and other third parties, and the precautions the Company takes to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting LivaNova from governmental investigations or other actions or lawsuits stemming from a failure to comply with such laws or regulations.

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

Quality concerns with LivaNova's processes, products, and services could harm the Company's reputation for producing high-quality products and erode LivaNova's competitive advantage, revenue, and market share.

Quality is extremely important to LivaNova and its customers due to the serious and costly consequences of product failure. LivaNova's quality certifications are critical to the marketing success of the Company's products and services. If LivaNova fails to meet these standards, the Company's reputation could be damaged, the Company could lose customers and LivaNova's revenue and results of operations could decline. Aside from specific customer standards, LivaNova's success depends generally on the Company's ability to manufacture precision-engineered components, sub-assemblies, and finished products to exact tolerances with certified materials. If LivaNova's components fail to meet these standards or fail to adapt to evolving standards, the

Company's reputation as a manufacturer of high-quality components will be harmed, its competitive advantage could be damaged, and LivaNova could lose customers and market share.

LivaNova may not successfully execute or achieve the expected benefits of the Company's 2024 Restructuring Plan and other cost saving measures the Company may take in the future which may adversely affect the Company's business, financial condition and results of operations.

On 5 January 2024, LivaNova's Board of Directors approved the 2024 Restructuring Plan to enhance the Company's focus on its core Cardiopulmonary and Neuromodulation segments. As part of the 2024 Restructuring Plan, the Company will wind down the ACS segment, which is anticipated to be substantially complete by the end of 2024. The 2024 Restructuring Plan is based on the Company's current estimates, assumptions and forecasts, which are subject to known and unknown risks and uncertainties, including assumptions regarding cost savings, cash burn rate, and effectiveness of the Company's reduced spend. Additionally, LivaNova may not fully achieve the expected cost savings, enhanced liquidity and other benefits anticipated from the 2024 Restructuring Plan. To the extent that the Company is unsuccessful in implementing the 2024 Restructuring Plan or other, future cost saving measures, such issues could have a material adverse effect on LivaNova's business, reputation, result of operations, cash flows, and financial condition. For additional information on the 2024 Restructuring Plan, please refer to "**Note 8. Restructuring** " in LivaNova's consolidated financial statements included in this Report.

Legal and Intellectual Property Risks

As a manufacturer of medical devices, LivaNova is exposed to product liability claims that could adversely affect its consolidated financial condition and tarnish the Company's reputation.

LivaNova designs, develops, manufactures, markets, and sells medical devices, both equipment and implantables, that pose product liability risks. Component failures, manufacturing defects, software errors, design flaws or inadequate disclosure of product-related risks or product or use-related information, or physician misuse with respect to these or other products the Company manufactures or sells could result in an unsafe condition for, injury to, or death of, a patient. Such an event could result in product liability claims or a recall of, or safety alert relating to, one or more of LivaNova's products. For example, as described in "Note 24. Commitments and Contingencies" in LivaNova's consolidated financial statements included in this Report, the Company is involved in product liability litigation relating to its cardiopulmonary 3T Heater-Cooler product that may adversely affect LivaNova's financial condition and may require the Company to devote significant resources to its defense and/or settlement of these claims. Although the Company is defending these matters vigorously, the outcome could have a material adverse effect on LivaNova's business.

LivaNova holds global insurance policies to cover a portion of future potential product liability losses and has elected to self-insure with respect to a significant portion of the Company's product liability risks. Product liability claims or product recalls in the future, regardless of their ultimate outcome, could have a material adverse effect on LivaNova's business and reputation and on the Company's ability to attract and retain customers for its products, and future losses from product liability claims could exceed LivaNova's product liability insurance coverage and lead to a material adverse effect on the Company's financial condition and liquidity. In addition, future unanticipated large liability claims may raise substantial doubt about LivaNova's ability to continue as a going concern.

LivaNova is subject to environmental laws and regulations and the risk of environmental liabilities, violations, and litigation in multiple jurisdictions, any of which could have a material impact on LivaNova's business, results of operations, cash flows, financial condition and liquidity.

Certain environmental laws assess liability on current, prior and/or related owners or operators of real property for the costs of investigation, removal, or remediation of hazardous substances on their properties or at properties on which they have disposed of hazardous substances. For example, LivaNova's Saluggia campus contains hazardous substances as a result of nuclear installations built in 1960 under previous ownership, and the Italian Government has stated that LivaNova will eventually be responsible for dismantling the nuclear installation on Company property, as well as delivering the aforementioned waste to a national repository. It is also possible that a governmental authority may seek to hold LivaNova liable for successor liability violations committed by any companies in which LivaNova invests or acquires. For example, LivaNova is currently in litigation with the government in Italy stemming from a civil action where the Court of Appeal declared LivaNova (formed through a merger with Sorin) liable for environmental liabilities incurred by SNIA's (a former parent company of Sorin) other subsidiaries. See "Note 24. Commitments and Contingencies" in LivaNova's consolidated financial statements included in this Report for additional information regarding these two matters. LivaNova's business, results of operations, cash flows, financial condition and liquidity could be materially adversely affected by a negative decision in the case of SNIA and could be adversely affected by an increase in anticipated costs relating to disposal of hazardous waste in Saluggia. Private parties could also bring personal injury or other claims due to the presence of, or exposure to, hazardous substances.

In addition, LivaNova's operations involve the use of substances regulated under environmental laws, including for purposes of sterilization. Regulations require sterilization of LivaNova's products, and the Company operates a sterilization facility in

Colorado allowing the Company to sterilize certain of its products in-house. The US Environmental Protection Agency and certain states have begun scrutinizing the levels of community exposure to EtO, which is used in the sterilization process. Certain medical device operating facilities have been designated as "elevated risk" facilities based on emission levels of EtO. LivaNova is not on the "elevated risk" list, nor is it in violation of any current local or federal regulations. However, to the extent LivaNova or its contract sterilizers are unable to sterilize LivaNova's products, whether due to regulatory, legislative, or other constraints, including on the use of EtO, LivaNova may be unable to transition to alternative internal or external resources or methods in a timely or cost-effective manner or at all, which could have a material impact on LivaNova's results of operations and financial condition.

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

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

LivaNova also relies on non-disclosure and non-competition agreements with certain employees, consultants and other parties to protect, in part, trade secrets and other proprietary rights. LivaNova cannot be certain that these agreements will not be breached, that the Company will have adequate remedies for any breach, that others will not independently develop substantially equivalent proprietary information, or that third parties will not otherwise gain access to LivaNova's trade secrets or proprietary knowledge. Further, new proposed regulations in the US would prohibit certain competition agreements, and if final regulations are adopted as proposed and enforced, LivaNova may not be able to rely on such agreements with certain of the Company's employees or other parties.

LivaNova operates in an industry characterized by extensive patent litigation and has been, and is, subject to patent claims from time to time. While LivaNova intends to defend against any third-party intellectual property threats, intellectual property litigation is inherently complex and unpredictable. Such litigation can result in significant damage awards and injunctions that could prevent LivaNova's manufacture and sale of affected products or require the Company to pay significant royalties in order to continue to manufacture or sell affected products.

In addition, the laws and intellectual property systems of certain countries in which LivaNova markets some of its products do not protect the Company's intellectual property rights to the same extent as in the US, which may impact its market position in those countries. LivaNova could also face competition in countries where the Company has not invested in an intellectual property portfolio, or where the Company has not invested in the same protection as in the US. If the Company is unable to protect LivaNova's intellectual property in those countries, it could have a material adverse effect on LivaNova's reputation, business, results of operations, cash flows and financial condition.

Inadequate funding for US federal government agencies and government shutdowns could negatively affect LivaNova's business, results of operations, cash flows and financial condition.

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

Risks Related to LivaNova's Indebtedness

Paying amounts due with respect to LivaNova's outstanding Notes on interest payment dates, at maturity and upon exchange or conversion thereof, as applicable, will require a cash payment. LivaNova may not have sufficient cash flow from its business operations to pay when due or be able to raise the funds necessary to pay when due, amounts owed with respect to the Notes

and/or any amounts owed under the Company's revolving credit facility and term facilities, which could adversely affect LivaNova's business and results of operations.

On 17 June 2020, LivaNova's wholly-owned subsidiary, LivaNova USA, issued the 2025 Notes and on 8 March 2024, LivaNova issued the 2029 Notes. The ability to make scheduled payments of interest on, and principal of, to satisfy exchanges for cash or conversions, as applicable, in respect of, and/or to refinance LivaNova's outstanding Notes or other indebtedness (including any indebtedness under LivaNova's revolving credit facility or term facilities) depends on the Company's future performance, which is subject to economic, financial, competitive and other factors beyond its control. For further information on LivaNova's term facilities, please refer to the "Business Review" section in this Strategic Report under the section entitled "Liquidity and Capital Resources." If LivaNova is unable to generate enough cash flow to make payments on the Notes or other indebtedness when due, the Company may be required to adopt one or more alternatives, such as selling assets or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. LivaNova's ability to refinance the Notes or other indebtedness, which the Company may need to do in order to satisfy its obligations thereunder, will depend on the capital markets and LivaNova's financial condition at such time. LivaNova may not be able to engage in these activities on desirable terms or at all, which could result in a default on the Notes and/or LivaNova's revolving credit facility and term facilities.

The holders of the Notes have the right to require LivaNova to repurchase their Notes upon the occurrence of a fundamental change (as defined in the Indentures) at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any. Upon repurchase of the Notes, LivaNova will be required to make cash payments as required by the Indentures. LivaNova may not have enough available cash or be able to obtain financing at the time the Company is required to make repurchases of, or exchange or conversion of, as applicable, the Notes for cash. LivaNova's failure to repurchase the Notes or exchange or convert the Notes, as applicable, for cash at a time when the repurchase or exchange or conversion is required by the Indentures governing the Notes would constitute a default under such Indentures.

In addition, LivaNova's indebtedness including under the Notes, combined with the Company's other financial obligations and contractual commitments including those under LivaNova's revolving credit facility or term facilities, could have other important consequences. For example, it could:

- Make LivaNova more vulnerable to adverse changes in government regulations and in the global economy, healthcare and competitive environment;
- Limit the Company's flexibility in planning for, or reacting to, changes in LivaNova's business and its markets;
- Place the Company at a disadvantage compared to LivaNova's competitors who have less debt;
- Limit LivaNova's ability to borrow additional amounts for working capital, to fund acquisitions and for other general corporate purposes; and
- Make a sale of the Company less attractive to buyers or more difficult to complete.

Any of these factors could harm LivaNova's business, results of operations, cash flows and financial condition. In addition, if LivaNova incurs additional indebtedness under the revolving credit facility or term facilities, the risks related to LivaNova's business and its ability to repay the Company's indebtedness, including under the Notes, would increase. For additional information, please refer to "Note 17. Financial Liabilities "in LivaNova's consolidated financial statements included in this Report.

The conditional exchange or conversion features of the Notes, as applicable, if triggered, may adversely affect LivaNova's liquidity and operating results.

If the conditional exchange feature of the 2025 Notes is triggered, holders are entitled to exchange the 2025 Notes at any time during specified periods, at their option. Holders of the 2025 Notes for example, are entitled to exchange the 2025 Notes during the current calendar quarter if the closing price of LivaNova's ordinary shares for at least 20 trading days (whether or not consecutive) during the last 30 consecutive trading days of the immediately preceding calendar quarter is greater than or equal to 130% of the exchange price – the exchange price being $60.98 per share and the "conversion trigger" (subject to other conditions per the 2025 Indenture) being $79.27 per share – on each applicable trading day. The exchange condition was not satisfied on 31 December 2023, and therefore, exchangeability is not an option from 1 January 2024, through 31 March 2024. If holders elect to exchange their 2025 Notes during future periods following the satisfaction of an exchange condition as laid out in the 2025 Indenture, LivaNova would be required to settle its exchange obligation through the payment of cash, which could adversely affect the Company's liquidity.

Additionally, holders may convert their 2029 Notes at their option at any time prior to the close of business on the business day immediately preceding 15 December 2028 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on 30 June 2024 (and only during such calendar quarter), if the last reported sale price of LivaNova's ordinary shares for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any ten consecutive trading day period in which the trading price per $1,000 principal amount of Notes for each trading day of the 2029 Notes Measurement

Period was less than 98% of the product of the last reported sale price of LivaNova's ordinary shares and the conversion rate on each such trading day; (3) if LivaNova calls such 2029 Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date, but only with respect to the 2029 Notes called (or deemed called) for redemption; or (4) upon the occurrence of specified corporate events. On or after 15 December 2028 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their Notes at any time, regardless of the foregoing circumstances.

The initial conversion rate of the 2029 Notes is 14.4085 of LivaNova's ordinary shares, with a nominal value of £1.00 per share, per $1,000 principal amount of the 2029 Notes (equivalent to an initial conversion price of approximately $69.40 per ordinary share). Upon conversion of the 2029 Notes, LivaNova will pay cash up to the aggregate principal amount of the 2029 Notes to be converted and pay or deliver, as the case may be, cash, LivaNova's ordinary shares, or a combination of cash and LivaNova's ordinary shares, at LivaNova's election, in respect of the remainder, if any, of LivaNova's conversion obligation in excess of the aggregate principal amount of the 2029 Notes being converted. Such payment of cash could adversely affect the Company's liquidity.

LivaNova's debt instruments require LivaNova to comply with affirmative covenants and specified financial covenants and ratios and other obligations.

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

The effective interest rate and related finance expenses reported in LivaNova's consolidated financial statement of operations is significantly greater than the stated interest rate of the Notes and may result in volatility to the Company's reported financial results, which could adversely affect the price at which LivaNova's ordinary shares trade.

LivaNova will settle exchanges of the 2025 Notes entirely in cash. Additionally, upon conversion of the 2029 Notes, LivaNova will pay cash up to the aggregate principal amount of the 2029 Notes to be converted and pay or deliver, as the case may be, cash, LivaNova's ordinary shares, or a combination of cash and LivaNova's ordinary shares, at LivaNova's election, in respect of the remainder, if any, of LivaNova's conversion obligation in excess of the aggregate principal amount of the 2029 Notes being converted Accordingly, the exchange or conversion feature, as applicable that is part of the Notes is accounted for as a derivative pursuant to accounting standards relating to derivative instruments. This resulted in an initial accounting valuation of the exchange or conversion feature, as applicable, which was bifurcated from the debt component of the Notes, resulting in an original issue discount. The original issue discount is amortized and recognized as a component of finance expenses over the term of the Notes, which results in an effective interest rate reported in LivaNova's consolidated statements of operations in excess of the stated interest rate of the Notes. Although this accounting treatment does not affect the amount of cash interest paid to holders of the Notes or LivaNova's cash flows, it reduces the Company's earnings and could adversely affect the price at which its ordinary shares trade.

Additionally, for each financial statement period after issuance of the Notes, a derivative gain or loss is and will be reported in LivaNova's consolidated statements of income (loss) to the extent the valuations of the exchange feature and conversion feature, as applicable, changes from the previous period. The Capped Call Transactions described below and elsewhere in this Report are also accounted for as derivative instruments. The valuation of the exchange feature of the 2025 Notes and 2025 Capped Calls utilizes significant observable and unobservable market inputs, including stock price, stock price volatility, risk-free interest rate, and time to expiration of the 2025 Notes. The valuation of the conversion feature of the 2029 Notes and 2029 Capped Calls similarly utilizes significant observable and unobservable market inputs, including stock price, expected volatility, risk-free interest rate, expected dividend yield, and time to expiration of the 2029 Notes. The change in input values at the current period end compared to the previous period end may result in a material change in the respective valuations and the gain or loss resulting from the exchange feature of the 2025 Notes and 2025 Capped Calls and the conversion feature of the 2029 Notes and 2029 Capped Calls, as applicable, and may not completely offset each other. As such, there may be a material net impact on LivaNova's consolidated statements of operations, which could adversely affect the price at which its ordinary shares trade.

The arbitrage or hedging strategy by purchasers of the Notes and Option Counterparties in connection with LivaNova's Capped Call Transactions may affect the value of LivaNova's ordinary shares.

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

In connection with the pricing of the Notes, LivaNova entered into the Capped Call Transactions. The Capped Call Transactions are expected generally to offset cash payments due upon exchange of the 2025 Notes and to compensate (through the payment of cash to LivaNova) for potential dilution to the Company's ordinary shares, or to offset cash payments due, upon conversion of the 2029 Notes in excess of the principal amount thereof in the event that the market price per ordinary share of the Company at the time of exchange of the 2025 Notes or conversion of the 2029 Notes, respectively, is greater than the strike price under the 2025 Capped Calls or 2029 Capped Calls, respectively, with such offset subject to a cap based on the respective cap prices. It is LivaNova's understanding that the Option Counterparties, or their respective affiliates, in connection with establishing their initial hedges of the Capped Call Transactions, purchased LivaNova's ordinary shares and/or entered into various derivative transactions with respect to the Company's ordinary shares concurrently with or shortly after the pricing of the Notes. The Option Counterparties or their respective affiliates may modify these initial hedge positions by entering into or unwinding various derivatives with respect to LivaNova's ordinary shares and/or purchasing or selling its ordinary shares or other of LivaNova's securities in secondary market transactions prior to the maturity of the Notes (and are likely to do so during any observation period related to an exchange of the 2025 Notes or upon a repurchase or redemption of the 2025 Notes or related to a conversion of the 2029 Notes or upon a repurchase of the 2029 Notes by LivaNova, if LivaNova elects to unwind a corresponding portion of the 2029 Capped Calls). This activity could cause or avoid an increase or decrease in the market price of LivaNova's ordinary shares at that time.

LivaNova is subject to counterparty risk with respect to the Capped Call Transactions.

The Option Counterparties are financial institutions, and LivaNova is subject to the risk that they might default under the Capped Call Transactions. LivaNova's exposure to the credit risk of the Option Counterparties is not secured by any collateral.

If an Option Counterparty becomes subject to insolvency proceedings, LivaNova will become an unsecured creditor in those proceedings, with a claim equal to the Company's exposure at that time under the Capped Call Transactions with that Option Counterparty. LivaNova's exposure will depend on many factors but generally an increase in the Company's exposure will be correlated to an increase in the market price and in the volatility of its ordinary shares. In addition, upon a default by an Option Counterparty, LivaNova may suffer adverse tax consequences and may, on a net basis, have to pay more cash to settle exchanges or conversions of the Notes, as applicable, and may suffer more dilution the effect of which would not be compensated for than the Company currently anticipates with respect to the ordinary shares upon conversions of the 2029 Notes. LivaNova can provide no assurances as to the financial stability or viability of the Option Counterparties.

Risks Relating to Tax and LivaNova's Jurisdiction of Incorporation

LivaNova is incorporated in England and Wales and governed by their laws which may afford less protection to shareholders than under US laws.

LivaNova is a public limited company incorporated under the laws of England and Wales, and as such, the Company's shareholders may have more difficulty protecting their interests than would shareholders of a corporation incorporated in a jurisdiction of the US. It may be difficult to enforce court judgments obtained in the US and based on the civil liability provisions of US federal or state securities laws against LivaNova in the UK. In addition, there is also some uncertainty as to whether the UK courts would recognize or enforce judgments of US courts obtained against LivaNova or any of its directors or officers.

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

LivaNova is subject to income taxes as well as non-income-based taxes in the US, the UK, the EU and various other jurisdictions. Any material change in tax laws, regulations or policies, or their interpretation and enforcement, including with respect to the OECD's Pillar Two global minimum tax rules applicable to multinational groups with global revenue over €750 million, could result in a higher effective tax rate and have a material impact on LivaNova's consolidated statements of income (loss) or financial condition.

LivaNova continues to monitor the adoption of Pillar Two by the taxing jurisdictions in which it operates. The UK has enacted legislation providing for a minimum effective tax rate of 15% through a multinational top-up tax and a domestic top-up tax for accounting periods beginning on or after 31 December 2023. Draft UK legislation has also been published for an undertaxed profits rule to be introduced, although not before accounting periods beginning on or after 31 December 2024. A UTPR would be a backstop rule intended to ensure that amounts of multinational top-up tax that are not collected under foreign global minimum tax rules can in certain circumstances be collected instead in the UK. LivaNova is assessing the full implication on 2024 financial results and will continue to monitor legislative developments and related guidance in the UK and other jurisdictions that may impact LivaNova's operations. Any material changes in tax laws, regulations or policies, or their interpretation and enforcement, including with respect to Pillar Two, could result in a higher effective tax rate for LivaNova and have a material impact on its consolidated statements of income (loss) or financial condition.

LivaNova's actual effective tax rate may vary from its expectations or from historical trends and that variance may be material. LivaNova's effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities or changes in tax laws or their interpretation. LivaNova is also subject to ongoing tax audits in various non-US jurisdictions. Tax authorities may disagree with certain positions LivaNova has taken and assess additional taxes. LivaNova believes that its accruals reflect the probable outcome of known contingencies. However, there can be no assurance that LivaNova will accurately predict the outcomes of ongoing audits, and the actual outcomes of these audits could have a material impact on LivaNova's consolidated statements of income (loss) or financial condition.

As a public limited company incorporated under the laws of England and Wales, certain of LivaNova's capital structure decisions require shareholder approval, which may limit the Company's flexibility to manage its capital structure.

LivaNova is a public limited company incorporated under the laws of England and Wales. Under English law, LivaNova's Board of Directors may only allot shares with the prior authorization of shareholders. English law also generally provides shareholders with preemptive rights when new shares are issued for cash, which rights may be surrendered by shareholders. In addition, English law generally prohibits a public limited company from repurchasing its own shares without the prior approval of shareholders. As a result, LivaNova's shareholders must approve these authorities at an annual general meeting of shareholders. If LivaNova does not receive shareholder approval of these matters, the Company may not be able to raise any required additional capital in a timely manner or at all. In addition, LivaNova may not be able to continue to grant equity awards to its directors, officers and employees under the relevant incentive plan.

Transfers of LivaNova's shares, other than those effected by means of the transfer of book-entry interests in DTC, may be subject to UK Stamp Duty or SDRT.

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

If DTC determines at any time that LivaNova's shares are not eligible for continued deposit and clearance within its facilities, LivaNova believes that its shares would not be eligible for continued listing on a US securities exchange and trading in the Company's shares would be disrupted. While LivaNova would pursue alternative arrangements to preserve the listing and maintain trading, any such disruption could have a material adverse effect on the trading price of LivaNova's shares.

General Risk Factors

LivaNova's success depends on its ability to attract and retain key personnel needed to successfully operate its business and to plan for future executive transitions.

LivaNova's ability to compete effectively depends on its ability to attract and retain key employees and maintain robust succession planning for key positions. LivaNova's ability to recruit and retain key talent depends on many factors, including compensation and benefits, work location, work environment, industry-specific and general economic conditions and the hiring practices of competitors. If LivaNova fails to attract and retain key personnel in senior management and other positions, or if the Company's succession planning efforts are not effective, it could have a material adverse effect on LivaNova's business, financial condition and results of operations.

Increasing attention on sustainability matters, including environmental, social, and governance matters, may have a material impact on LivaNova's reputation and business operations and consume additional financial and management resources.

There is a heightened focus from stakeholders, including regulators and shareholders, on issues relating to sustainability, including environmental stewardship, social responsibility, diversity and inclusion, and corporate governance matters. Increasing attention on sustainability issues related to LivaNova's business requires the continuous monitoring of various and evolving laws, regulations, standards and expectations and the associated reporting requirements. A failure to adequately meet stakeholder expectations may result in noncompliance, reputational harm, the loss of business and access to capital, negative impact to the stock price and a diluted market valuation. In addition, the Company's adoption of certain standards or mandated compliance with certain requirements could necessitate additional investments that could impact LivaNova's profitability.

In addition, if LivaNova's sustainability initiatives fail to satisfy investors, customers, or other stakeholders, the Company's reputation, its ability to sell products and services to customers, and its attractiveness as an investment, business partner or acquirer could be negatively impacted. Similarly, LivaNova's failure, or perceived failure, to fulfill its sustainability goals or to satisfy various reporting standards could also have a similar negative impact on the Company's reputation, business and results of operations. Furthermore, environmental regulations are continuing to become more stringent and LivaNova may experience increased compliance burdens and costs to meet its regulatory obligations, as well as adverse impacts on raw material sourcing, manufacturing operations and the distribution of LivaNova's products.

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

The physical impacts of natural disasters and extreme weather conditions, such as hurricanes, tornadoes, earthquakes, winter storms, wildfires or flooding could pose physical risks to LivaNova's facilities, temporarily reduce demand, reduce employee productivity, increase absenteeism, disrupt the Company's supply chain operations and its suppliers' operations, and negatively impact operational costs. Additionally, transitional climate risks such as changing customer behaviors and changing dynamics in raw materials and utility markets, could lead to lost revenue due to inability to meet changing customer requirements, increasing costs associated with product adjustments to meet changing customer preferences, increasing costs of inputs and raw materials and increasing cost of utilities. There continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty. Legal, regulatory and customer requirements and preferences designed to mitigate the effects of climate change on the environment are increasing, and they may impose obligations that may increase LivaNova's compliance burden and cost to meet these obligations. Individually or in aggregate, such risks could materially negatively impact LivaNova's future operations.

Public health crises have had, and may continue to have, an adverse effect on LivaNova's business, results of operations, cash flows and financial condition, the nature and extent of which are uncertain and unpredictable.

LivaNova's global operations and business interactions with healthcare systems, providers and patients around the world expose the Company to risks associated with public health crises, including epidemics and pandemics such as COVID-19. The COVID-19 pandemic caused significant disruption to the business and financial markets. LivaNova continues to monitor the potential effects of future health epidemics on the Company's business and operations. While the spread of COVID-19 has stabilized, LivaNova cannot guarantee that a future outbreak of this or any other widespread epidemic will not occur, which could have the effect of decreasing demand and/or increasing volatility in demand for LivaNova's products.

If LivaNova's business development and restructuring activities are unsuccessful, the Company may not realize the intended benefits.

LivaNova has sought, and in the future, may seek, to supplement its organic growth through strategic investments, alliances and acquisitions. Moreover, LivaNova has also sought, and in the future may seek, to divest or wind down certain assets deemed non-core to the Company's long-term strategic objectives. For example, as part of the 2024 Restructuring Plan, the Company will wind down the ACS segment, which is anticipated to be substantially complete by the end of 2024. Such transactions are inherently risky and require significant effort and management attention. The success of any investment, alliance, acquisition or divestiture may be affected by various factors, including LivaNova's ability to properly assess, finance, value and obtain relevant approvals for a potential business opportunity or to successfully integrate any business LivaNova may acquire. LivaNova cannot be certain that its investments, alliances and acquired businesses will achieve the financial projections supporting those investment decisions. In addition, if LivaNova's investments, alliances, divestitures, or acquisitions are not successful, the Company may incur costs in excess of what it anticipates, including those resulting from related litigation.

As a result of acquisitions, LivaNova may face risks due to the implementation, modification, or remediation of controls, procedures and policies relating to data privacy and cybersecurity at the acquired company. In addition, failure to manage and coordinate the growth of the combined company successfully could have an adverse impact on LivaNova's business.

Similarly, LivaNova may divest and has divested portions of its business, resulting in the migration of data and overlapping data obligations. As a result of such divestitures, LivaNova may face risks due to the migration or modification of controls, procedures and policies relating to data privacy and cybersecurity internally or enroute during migration. Any significant breakdown, intrusion, interruption, corruption or destruction of these systems, as well as any data breaches, could have a material adverse effect on LivaNova's business.

LivaNova may incur impairments of intangible assets, goodwill and other long-lived assets that may adversely affect the Company's financial results.

LivaNova reviews, when circumstances warrant, the carrying amounts of its intangible assets, goodwill and other long-lived assets to determine whether those carrying amounts continue to be recoverable in accordance with US GAAP. Significant negative industry or economic trends, disruptions to LivaNova's businesses, significant unexpected or unplanned changes in the use of assets, divestitures and market capitalization declines, among other events, may result in impairments to LivaNova's intangible assets, goodwill and other long-lived assets. Recent impairments have significantly affected LivaNova's financial results, as could future impairments.

LivaNova's Approach to Stakeholders

Section 172 Statement

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

Delegation of Authority

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

Connecting with LivaNova's Stakeholders

Patients

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

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

How we engage and impact. LivaNova's Board of Directors is keenly aware of LivaNova's mission and as a result, is focused on how best to incorporate patient needs into the Company's vision. Marketing content, news stories, physician input, patient interviews, letters, and interactions, and surveys are ways by which the Board regularly receives feedback from our patients. Specifically, working hand in hand with more than 300 perfusionists around the world, the Company designed and developed its next-generation heart-lung machine, Essenz, culminating in the successful commercial launch of Essenz in 2023. In addition, the Board receives regular updates on relevant topics ranging from cybersecurity to clinical and quality in order to exercise proper oversight over those areas that directly impact patient health and safety. Indeed, the full Board was regularly updated during the cybersecurity incident disclosed in November 2023 by the Interim CEO, Chief Legal Officer, CISO, Head of IT and outside cybersecurity counsel to ensure continual communication and appropriate oversight. The Board continues to stay informed as LivaNova continues to assess the full impact of the cybersecurity event.

Employees

LivaNova's workforce is crucial to its mission to provide hope to our patients and their families through delivering life-changing medical innovation. LivaNova's employees help the Company maintain its strong reputation for high standards of business conduct and are fundamental in delivering its purpose. The Company, in turn, wants its employees to be proud of working at LivaNova and safe and supported at work. This can only be done if the Company listens to feedback and takes appropriate action to keep its employees incentivized and motivated.

Their concerns. Employees want to know that the Board is considering employee well-being and development when making strategic decisions. They want career opportunities and progression, and they want diversity and an inclusive workplace. Companies need to work hard to attract and retain talent, keeping in mind that employees want to be valued and appropriately incentivized to do their job in an increasingly challenging work environment.

How we engage and impact. The Board directly engages with the Company's employees by way of discussions during senior leadership forums, presentations during regular and ad hoc Board meetings and meet and greets throughout the year. In October 2023 for example, the Board interacted with members of the Clinical Affairs and Product Manager teams in connection with the epilepsy strategic review and Essenz product training, respectively. In addition, in response to Board and Committee self-evaluations, the Board committed to more oversight with respect to talent generally by including it as a regularly scheduled topic on the Board agenda throughout 2023. Relatedly and in connection with such discussions, the Compensation Committee added "human capital management" to its charter, renaming the Committee to explicitly recognize oversight of Company policies, strategies, risks, trends, and key metrics as they relate to human capital management within LivaNova.

Separately, and as noted in the Human Capital Management section of this UK Annual Report, the Company conducted another LivaNova4You survey in 2023. The results saw an increase in overall employee engagement since the last survey in 2021. With over 90% of employees completing the survey, the results indicated an increase in employee satisfaction and motivation. In response to feedback from the survey results, the executive leadership team has committed to improving, among other things, the digitization of work systems and the Company's branding. Throughout, the Board has been apprised of the Human Resource's team's progress in conducting the survey, the results, and implementing initiatives in response to the results.

Physicians and Healthcare Professionals

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

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

How we engage and impact. The Board is acutely aware of the importance of proper engagement with these key stakeholders. LivaNova engages by way of scientific dialogue to increase understanding of disease management, product development possibilities and patient experience, and the Company ensures it is providing high-quality, balanced information about LivaNova's products and services. The Company designed and developed Essenz for example, building on input from over 300 perfusionists, which culminated in the Essenz commercial launch in 2023. Indeed, during the Essenz product training in October 2023, the on-site Product Manager fielded and responded to a variety of questions from the Board on physician input and response to the new machine. The Company wants to support these physicians in doing what is best for each patient and to allow the entire team to continuously improve their clinical practice. The Company also engages by collaborating on the Company's clinical trials and research, and the Board is kept abreast via regular updates during the business and strategic portfolio initiative updates at Board meetings. For further information regarding the importance of this relationship, please refer to the "Risk and Uncertainties" section under the heading entitled: *The success and continuing development of our products depend on maintaining strong relationships with physicians and healthcare professionals* in this Strategic Report.

Suppliers and Distributors

LivaNova's suppliers and distributors need to be nurtured in order for the Company's business to grow and develop. LivaNova purchases many of the components and raw materials used in manufacturing the Company's products from numerous suppliers in various countries. In some cases, the Company purchases specific components and raw materials from primary or main suppliers (or in some cases, a single or sole supplier) for reasons related to quality assurance, cost-effectiveness and availability. Because LivaNova manufactures medical devices, the Company is reliant upon these third parties to provide and distribute safe, quality products, to comply with inspection and regulatory review, and importantly, in the face of supply chain delays and disruptions, inflationary pressures and logistical issues, to maintain supply and distribution channels, especially in instances of sole suppliers for whom we have no alternatives.

Their concerns. The Company's suppliers and distributors are also experiencing their own supply chain delays and disruptions. They are concerned with maintaining their own business operations and collaborative, fair and ethical partnerships. They desire prompt and fair payment and clear communication regarding specifications, needs, and quality and regulatory restrictions.

How we engage and impact. The Board receives regular updates from the management team and the Audit and Compliance Committee on relationships with the Company's key suppliers and how these relationships and potential risks are evolving as the Company responds to different market conditions and the macro environment. LivaNova continues to experience supply chain delays and interruptions, labor shortages, inflationary pressures and logistical and capacity constraints, though, to date, the Company's supply of raw materials and the production and distribution of finished products have not been materially affected. The Board is actively involved in these risk discussions, drawing on their experiences and insights, to advise the Company as it works with suppliers to ensure supply continuity, minimize the instances in which we rely on a sole supplier and take other countermeasures - such as closely managing the Company's inventory - to reduce the Company's supply chain risk. For more information regarding the significance of the Company's supplier relationships, please review the related "Risk and Uncertainties" section in the Strategic Report of this Annual Report.

Government and Regulators

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

Their concerns. Governments and regulators are interested in product safety and efficacy of LivaNova's products, compliance with local, legal regulatory requirements, fair competition, and social and economic concerns.

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

Investors and Shareholders

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

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

How we engage and impact. Per corporate governance best practices and our Articles of Association, the Board has committed to using, doing, and promoting, among other things, the following at LivaNova: annual Board and committee self-evaluations of its performance; skills surveys to ensure appropriate refreshment in furtherance of the Company's strategy; annual elections for directors; majority voting for directors in uncontested elections; supermajority voting to change or amend the Company's Articles of Association; and a prohibition on repricing of grants in equity compensation plans. The Board is continually considering corporate governance improvements. In February 2023, for example, the CHCM Committee of the Board approved accelerated vesting upon certain terminations of employment in connection with an acquisition of the Company, i.e., a double trigger vesting. Furthermore, the Board approved updates to the Company's Insider Trading Policy in light of the SEC's new 10b5-1 rules.

The Board and in particular, the NCG Committee, have elevated ESG as a focal point in their agendas. In addition to receiving quarterly updates (which are subsequently shared with the full Board), the Board members have had discussions about strategy and shared experiences to further embed the importance of Sustainability and related initiatives into the Company culture. LivaNova has established a Sustainability strategy delivery program with global coordination to respond to regulatory requirements and commercial needs. The Sustainability commitment and associated actions to support the Company focus areas – People, Products, and Planet – are integrated into the strategic plans for business continuity and are foundations to grow LivaNova's climate risk resilience, thereby creating long-term stakeholder value. To that end, the Company appointed a Senior Director of Sustainability, a position that drives the governance structure and is accountable for successful prioritization and execution of the strategy and associated initiatives, including regular and transparent education and awareness of Sustainability progress among the Company's stakeholders, both internally and externally. Additionally, the Company retained an independent consultant firm in 2023 to assist the Company in developing its 2023 UK Climate Related Financial Disclosures, which can be found in the "Non-Financial & Sustainability Information Statements" section of this Strategic Report.

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

The Board is available to meet and respond to investors throughout the year to understand the issues and factors that are significant for these stakeholders and in certain instances, have engaged with shareholders on issues ranging from succession planning to cyber security to compensation. The directors welcome the opportunity to engage in regular, fair and balanced dialogue with the Company's investors to enable the Company's investors to put a fair value on the Company and ensure continued access to capital if needed.

CEO Succession

On 5 February 2024, the Company announced that the Board of Directors appointed Vladimir A. Makatsaria as the Company's CEO and a member of the Board of Directors, effective 1 March 2024. In connection with Mr. Makatsaria's appointment, William A. Kozy stepped down from his current position as Interim Chief Executive Officer of the Company on 1 March 2024 but will remain the Chair of the Board.

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

Vladimir Makatsaria

Chief Executive Officer & Director

25 April 2024

DIRECTORS' REPORT

LivaNova's Directors

The Directors of the Company, who held office in the year ended 31 December 2023 and up to the date of signing the financial statements, were as follows:

Chair and Executive Director

Mr. William Kozy*

Executive Director

Mr. Vladimir Makatsaria*

Mr. Damien McDonald**

Non-Executive Directors

Mr. Francesco Bianchi

Mr. Daniel J. Moore

Dr. Sharon O'Kane

Mr. Todd Schermerhorn

Ms. Stacy Enxing Seng

Mr. Peter Wilver

Ms. Brooke Story

Mr. James Christopher Barry***

Ms. Andrea Saia****

*Mr. Kozy was an NED and Chair of the board until 14 April 2023 and then was appointed Interim CEO (maintaining his role as Chair of the Board) upon Mr. McDonald's resignation on that same date. Mr. Kozy returned to his NED and Chair of the board role on 1 March 2024 upon Mr. Makatsaria's appointment as Chief Executive Officer and Director of the Company on the same date.

**Mr. McDonald held office as a Director of the Company, and ceased to be Director and Chief Executive Officer of the Company following his resignation on 14 April 2023. Mr. McDonald assisted with transition activities until his employment ceased on 31 May 2023.

***Mr. Barry was appointed to the Board on 6 October 2023.

****Mrs. Saia retired on 31 December 2023.

Directors' Indemnities

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

There were no qualifying pension scheme indemnity provisions in force during the 2023 financial year for the Company's directors.

Company Details and Branches Outside the UK

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

The Company has one branch outside the UK: LivaNova PLC (Italian Branch) in Italy. The registered address for this branch is Via Enrico Cialdini, 16, 20161 Milano, Italy.

Political Donations

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

Dividends and Share Buybacks

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

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

Financial Risk Management Objectives / Policies and Hedging Arrangements

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

Post-Balance Sheet Events

Details regarding the Company’s announcement on 8 January 2024 to wind down the ACS business are set out in the following section: Consolidated Financial Statements: **Note 33. Subsequent Events**

Details about the Company’s announcement on 5 February 2024 of the CEO appointment are set out in the following section: Consolidated Financial Statements: **Note 33. Subsequent Events**

Details about the Company’s announcement on 4 March 2024 of its 2024 Restructuring Plan are set out in the following section: Consolidated Financial Statements: **Note 33. Subsequent Events**

Future Developments / Research and Development

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

Greenhouse Gas Reporting

LivaNova reports on the Company’s greenhouse gas emissions in the Company’s Strategic Report: 2023 Greenhouse Gas Report of this Annual Report.

Section 172 Statement

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

Statement of Disclosure to the UK Auditor

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

- so far as they are aware, there is no relevant audit information of which the Auditor is unaware; and
- they have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

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

Auditors

PricewaterhouseCoopers LLP, the Company's Auditor, has indicated its willingness to continue in office, and on the recommendation of the Audit and Compliance Committee and in accordance with section 489 of the Companies Act 2006, a resolution to re-appoint it will be proposed at the 2024 AGM.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the 2023 UK Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 101 and applicable law.

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

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

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

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

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

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

Michael Hutchinson
Company Secretary
25 April 2024

Remuneration Report

Dear Shareholder,

LivaNova's 2023 performance was solid as demonstrated by double-digit revenue growth across all regions, an improvement in adjusted operating margin, and a 17% increase in adjusted diluted earnings per share. We realized these results while maintaining full investment in our pipeline initiatives, investing in critical capabilities for the Company and taking actions related to portfolio optimization. We are pleased with these financial outcomes as well as the progress made in refining the business strategy and portfolio. Moreover, we delivered strong performance despite the previously disclosed cybersecurity incident that occurred in the fourth quarter. As noted in prior disclosures, we were able to bring all manufacturing operations back online. For that, we extend a sincere thank you to our LivaNova colleagues around the world who responded with urgency and extraordinary dedication. In 2023, the organization embraced change and seized performance opportunities as reflected in these results. We are pleased that our 2023 results will allow us to demonstrate our appreciation in a way that recognizes the performance of the Company while also taking into account the competitive positions of global pay arrangements.

Separately, but also importantly, in 2023, the CHCM Committee modified its name to include human capital management and updated its charter to reference the CHCM Committee's oversight of human capital management within the Company, specifically overseeing the Company's policies and strategies, and periodically reviewing risks, trends and key metrics relating to human capital management. We made this change to emphasize our commitment to people within the organization and to ensure appropriate oversight and continued review.

Review of 2023 Performance

In 2023, worldwide revenue was $1.15 billion, an increase of 13% on both a reported and constant-currency basis, as compared to the prior year.

For the full year, Cardiopulmonary revenue increased 18% on both a reported and constant-currency basis versus 2022, with growth across all regions, driven by increased heart-lung machine sales, including Essenz installations and strong oxygenator demand.

For the full year, Neuromodulation revenue increased 9% on both a reported and constant-currency basis versus 2022, with growth across all regions, including new and replacement implants in the US region. For the full year, global Epilepsy revenue increased 10% on a constant currency basis. Notably, US Epilepsy achieved 3,300 new patient implants in the full year, representing 7% growth versus the prior year. Replacement implants reached 7,608 for the full year, also a 7% increase. Epilepsy revenue in Europe and the Rest of World grew 10% versus the prior year on a constant currency basis.

For the full year, ACS revenue increased 3% on both a reported and constant-currency basis versus 2022, driven by an increase in case volumes. As previously announced, the ACS standalone cannulae business moved to the CP portfolio in the first quarter of 2024, and the wind down of the ACS segment is anticipated to be substantially complete by the end of 2024.

We delivered strong performance despite the previously disclosed cybersecurity incident that occurred in November 2023. Importantly, we were pleased with our ability to bring our manufacturing operations and critical support functions fully back online in a relatively short amount of time. The investigation into the nature and scope of affected data is complex and ongoing, and we will continue to comply with our legal notification obligations.

In addition to the above 2023 financial results, management achieved a number of strategic milestones over the past year:

- In February 2023, having received approval for its PMA supplement from the FDA, the Company launched SenTiva DUO™, an implantable pulse generator with a dual-pin header to provide VNS Therapy for the treatment of drug-resistant epilepsy.
- Also, in February 2023, the Company announced the start of a limited commercial release for the Essenz Perfusion System in select centers throughout Europe.
- In March 2023, the Company received FDA 510(k) clearance for its Essenz HLM, and with FDA clearance, LivaNova initiated the commercial launch of Essenz HLM in the US. Additionally, the Company initiated a broad commercial release in Europe, following a successful limited commercial release.
- In June 2023, the Company announced the 150th bipolar depression patient had been randomized in the RECOVER clinical study. The trial, if successful, will be used to support a peer-reviewed article and reconsideration of reimbursement for VNS Therapy by CMS for the treatment of depression that is difficult to treat.
- In August 2023, the Company received FDA 510(k) clearance and CE Mark for its Essenz ILBM, which provides accurate and continuous measurement of essential blood parameters to perfusionists throughout CPB procedures. The ILBM is integrated into LivaNova's next-generation CPB platform, the Essenz Perfusion System.

2023 Compensation Review

In February 2023, on the advice of its compensation consultant, Pearl Meyer, the CHCM Committee reviewed the base salary of our then sole Executive Director and CEO, Damien McDonald, and elected not to increase his base salary for 2023 based on benchmark data and an overall evaluation of the Company's performance. Mr. McDonald resigned on 14 April 2023.

The 2023 STIP was designed to incentivize the delivery of short-term business targets based on the Company's business strategy and generate a link between performance and reward, thereby driving the creation of further shareholder value. In this vein, the 2023 STIP included financial objectives - Net Revenue and Adjusted Net Income (as defined below) - and non-financial goals, as described below. Both of the two financial objectives targets were overachieved. Net Revenue was achieved at 109.1% versus target, and Adjusted Net Income was overachieved at 110.1% versus target, ultimately leading to a payout percentage of 145.6% and 125.2%, respectively.

The CHCM Committee set a number of non-financial goals with respect to the 2023 STIP that were deemed to be challenging yet individually achievable, with the maximum scoring for each independent goal set at 100%. Given its determination that achievement of all of the non-financial goals in the year would be especially difficult, the CHCM Committee established a modifier to allow for positive modification in the event most, but not all, non-financial goals were achieved. This non-financial goal modifier was overachieved (70% of the non-financial goals were achieved leading to a 110% modifier), but based on the scoring of the 2023 non-financial goals as well as an overall assessment of Company performance, the CHCM Committee determined to utilize negative discretion to cap the non-financial goal modifier at 100%. Accordingly, the combination of the financial and non-financial goals resulted in an overall 137.5% payout of the 2023 STIP.

The 2023 LTIP for Mr. McDonald consisted of grants of SARs with a four-year vesting schedule based on service and a face value of $1.625M, RSUs with a four-year vesting schedule based on service and a face value of $1.625M and PSUs consisting of three separate performance metrics (adjusted ROIC, rTSR, and adjusted FCF) with an aggregate face value of $3.250M at target payout. Mr. McDonald subsequently forfeited any entitlement to these awards as a result of his resignation on 14 April 2023.

On 19 April 2023, in connection with Mr. Kozy becoming our sole Executive Director and being appointed Interim CEO, the CHCM Committee approved a one-time grant of service-based RSUs with a grant date fair value of $500,000. The RSUs vested six months from his start date, i.e., on 14 October 2023. Mr. Kozy did not receive an NED RSU grant in June 2023 due to his role as Interim CEO. On 15 December 2023, due to the continuation of his role as Interim CEO, Mr. Kozy received an additional RSU award with a grant date fair value of $750,000, which was structured to vest upon the earlier of (i) the commencement of employment of a successor CEO and (ii) 13 April 2024, subject to Mr. Kozy's continued employment through such vesting date. As a result of Mr. Makatsaria's appointment as CEO on 1 March 2024, this RSU award vested on 29 February 2024. Based on the advice provided by Pearl Meyer, the CHCM Committee determined that the vesting periods for both of Mr. Kozy's RSU grants were appropriate and necessary to meet the individual circumstances of Mr. Kozy's interim role.

Remuneration Report/Say-on-Pay

We were pleased with the endorsement of LivaNova's compensation of its named executive officers (otherwise known as US Say-on-Pay), which was approved by 92.4% of the votes cast by shareholders at our 2023 AGM. The advisory vote on the UK Directors' Remuneration Report regarding executive and NED remuneration also showed strong support with 96.1% approval of the votes cast. The CHCM Committee took into account shareholder and other stakeholder feedback along with the results of each of these votes and considered all such information when making compensation decisions. The CHCM Committee will continue to ensure that performance outcomes and any consequent payments are aligned with business performance.

Review of Non-Executive Director and CHCM Committee Fees

Remuneration for our NEDs includes an annual cash retainer of $110,000 for each of the NEDs, cash amounts paid in addition to the basic retainer for the Chair of the Board and for the chairs and members of the three committee of the Board (the Audit and Compliance, Compensation and Human Capital Management, and Nominating and Governance committees - see *Single Total Figure of Remuneration - Chair and Non-Executive Directors (Audited)* for more details), and annual service-based share awards with a grant value of $130,000 for each NED, except the Chair of the Board, for which the grant value of the annual service-based share awards is $205,000.

As noted above, on 14 April 2023, the Company announced that Mr. McDonald had resigned as CEO and Director and that Mr. Kozy had been appointed as Interim CEO (alongside his role as Chair of the Board) with immediate effect. On 19 April 2023, in connection with the appointment of Mr. Kozy as our Interim CEO, the Board of Directors agreed to appoint the Chair of the Nominating and Governance Committee, Dr. O'Kane, as the Lead Director of the Board. In recognition of the increased responsibilities and time commitment assumed by the Lead Director and per market practice as advised by the CHCM Committee's compensation consultant, Pearl Meyer, the CHCM Committee and Board approved an additional annual retainer fee of $30,000, which was paid quarterly to the Lead Director from 19 April 2023. With the return of Mr. Kozy to his role of Chair of the Board, the role of Lead Director was no longer deemed necessary and consequently the additional retainer fee for Dr. O'Kane ceased effective 29 February 2024.

In accordance with the Company's Remuneration Policy for a new non-employee (in this case a returning) Director, the CHCM Committee recommended that Mr. Kozy be awarded a prorated $57,849 one-year RSU grant on 30 March 2024 to cover his service as a NED and Independent Chair from 1 March 2024 through the date of the annual meeting in June 2024.

In addition, on the advice of Pearl Meyer, and based on benchmarking data, in 2024, the CHCM Committee recommended to the Board an increase in the grant value of the annual service-based share awards for NEDs of $50,000 (to $180,000 for all NEDs other than the Chair of the Board, and to $255,000 for the Chair of the Board) and a consistent decrease of $50,000 to the cash Director retainer (to $60,000 for all NEDs other than the Chair of the Board, and to $135,000 for the Chair of the Board). On 15 February 2024, the Board approved these changes, effective upon the reelection of the NEDs at the 2024 AGM.

CEO Succession

As noted above, on 5 February 2024, the Company announced the appointment of Mr. Makatsaria as CEO and Director with a commencement date of 1 March 2024 and the return of Mr. Kozy to his role as an NED and Chair of the Board. Under the terms of Mr. Makatsaria's employment agreement, Mr. Makatsaria will receive an initial annualized base salary of $930,000 with a target annual bonus equal to 110% of his base salary (pro-rated for 2024). Mr. Makatsaria will also be entitled to receive (i) long-term equity incentive awards for the Company's regular 2024 annual grant cycle with a target grant-date value of $5,350,000, (ii) special new hire one-time equity grants with an aggregate grant-date value of $1,500,000, vesting in equal annual instalments over four years, (iii) a sign-on cash bonus of $200,000 and (iv) certain relocation benefits to assist with Mr. Makatsaria's relocation from New York city to Houston, Texas. His employment agreement also provides for certain severance benefits in the event of Mr. Makatsaria's involuntary termination without cause or termination for good reason and requires Mr. Makatsaria to enter into the Company's standard forms of confidentiality and restrictive covenant agreements as of his start date.

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

As Chair of the CHCM Committee, I am committed to ensuring an open dialogue with our shareholders and have joined conversations where necessary this past year. If you have any questions about remuneration generally, or the presentation or the content of this report, please contact me via mail at c/o Company Secretary, LivaNova PLC, 20 Eastbourne Terrace, London W2 6LG, United Kingdom or via email at company.secretariat@livanova.com. I would like to thank my fellow CHCM Committee members for their support throughout the year, and we look forward to your support at our 2024 AGM.

Stacy Enxing Seng
Chair of the Compensation and Human Capital Management Committee
25 April 2024

How LivaNova Establishes Executive Compensation Levels

The UK Remuneration Policy (“the “Remuneration Policy”), which aims to encourage directors to perform in a consistent, responsible way with a focus on long-term value creation for the Company’s shareholders, became effective immediately after approval at the 2022 AGM held on 13 June 2022 and can be found on Investor Relations website (https://investor.livanova.com/annual-reports). The CHCM Committee considers the Remuneration Policy annually to ensure that it remains aligned with business needs and is appropriately positioned relative to the market. However, in the absence of exceptional or unexpected circumstances that may necessitate a change to the Remuneration Policy, there is no intention to revise it more frequently than every three years as required by the Companies Act 2006.

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

- **Assessment of Company Performance**

  The CHCM Committee establishes specific, objectively measurable company financial and non-financial performance goals that the Board, the CHCM Committee and management believe will drive shareholder value. The relative achievement of the performance objectives determines substantially all of the payouts under the Company’s short-term incentive plan and its performance-based equity incentive awards.

- **Assessment of Individual Performance**

  Individual performance has a strong impact on compensation.

- **CEO**

  Following discussion with the incumbent CEO, the CHCM Committee sets the CEO's performance objectives for the year. The CHCM Committee and the Chair of the Board meet in executive session annually to assess the incumbent CEO’s performance against their performance objectives, their contribution to the Company’s performance, their ethics and other leadership attributes.

- **Benchmarking Analysis**

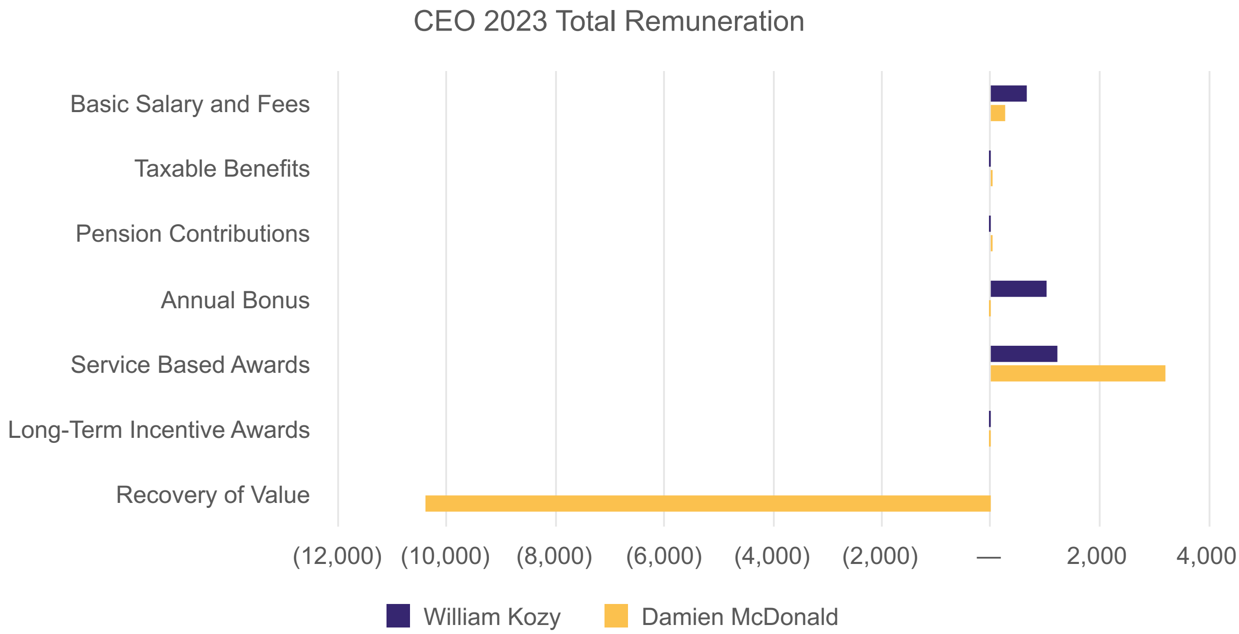
  The CHCM Committee reviews peer group data based on benchmark analysis provided by its independent compensation consultant, Pearl Meyer, which compares individual pay to comparable roles among our peer group. To perform the benchmark analysis, Pearl Meyer uses survey data from Radford Aon, which is the compensation survey platform LivaNova uses for salary benchmark data, as well as data from a pre-established peer group selected by the CHCM Committee.

- **Overall Competitiveness**

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

2023 Remuneration Report

Single Total Figure of Remuneration - Executive Director (Audited)



	Basic Salary and Fees ($'000) (1)	Taxable Benefits ($'000) (2)	Pension Contributions/ Allowance ($'000) (3)	Total Fixed ($'000)	Annual Bonus ($'000) (4)	Service-Based Awards ($'000) (5) (6)	Performance-Based Awards ($'000) (5) (7)	Total Variable ($'000)	Recovery of Value ($'000) (8)	Total ($'000)
William Kozy - 2023	698	2	—	700	1,059	1,250	—	2,309	—	3,009
Damien McDonald - 2023	287	70	50	407	—	3,250	—	3,250	(10,372)	(6,715)
Damien McDonald - 2022	967	92	277	1,336	1,105	2,750	1,713	5,568	—	6,904

**The currency conversion rate used for 2023 is £/$ =1.24305 (average currency rate for the period 1 January 2023 to 31 December 2023) and for 2022 is £/$ = 1.23186 (average currency rate for the period 1 January 2022 to 31 December 2022).*

(1) *In 2023, Mr. Kozy was paid a prorated base salary of $697,500 as of 14 April 2023- based on an annual salary of $975,000. The amounts Mr. Kozy received as an NED in 2023 are reported separately in the "Single Total Figure of Remuneration - Chair and Non-Executive Directors (Audited)" section. In 2023, Mr. McDonald was paid a prorated base salary until 14 April 2023 of £230,743 ($286,826), as his annual salary was £791,117 ($983,402).*

(2) *In 2023, the taxable benefits column line: (i) for Mr. Kozy includes tax assistance amounting to £1,500 ($1,865) and (ii) for Mr. McDonald includes (a) a prorated car allowance of £5,177 ($6,435) (until 14 April 2023) based on an annual allowance of £17,750 ($22,064), (b) health insurance amounting to £34,740 ($43,184), (c) tax assistance amounting to £16,089 ($20,000) and (d) London hotel reimbursement, in accordance with the Company's travel policy, amounting to £332 ($414).*

(3) *Mr. Kozy chose to decline any retirement benefit, despite being eligible for our 401K retirement plan and US Non-Qualified deferred compensation plan. Mr. McDonald was entitled to an overall pension contribution or pension allowance of 15% of salary and bonus.As cash in lieu of pension contributions is subject to a UK employer's National Insurance charge (13.8% from 1 January 2022 to 5 April 2022 and after 6 November 2022, and 15.05% between 6 April 2022 and 5 November 2022), any pension allowance paid as cash is decreased by a corresponding amount so that the payment by the Company remains relatively cost-neutral. As no bonus was paid to Mr. McDonald for 2023, he received a pension allowance in respect of his salary until his termination date on 31 May 2023.*

(4) *The annual bonus payment for Mr. Kozy is explained in the "Short-Term Incentive Plan - Executive Director (Audited)" section below. Mr. McDonald forfeited any entitlement to the 2023 short term incentive as a result of his resignation.*

(5) *Because of LivaNova's strong US nexus (listing and shareholding base), the 2023 LTIP allows for the grant of service-based awards that have no performance requirement, which vest subject to continued service in tranches over one or more years or by cliff vesting, as well as awards with a performance requirement. Due to the difference in design of the 2023 LTIP versus a typical long-term incentive plan in the UK and in order to provide optimal transparency, LivaNova has created separate columns for such service-based awards and performance-based awards. Amounts recorded in the "Service-Based Awards" column are equal to the full grant date value of the equity awards (Award Value) (whether in the form of RSUs or SARs). Because a SAR by definition has nil value at the moment of grant, LivaNova has recorded the grant value approved by the CHCM Committee (i.e., the Fair Market*

Value of the SARs on the date of grant calculated using the Black-Scholes formula). Meanwhile, the "Performance-Based Awards" column refers to performance-based awards. No discretion was exercised as a result of any share price appreciation or depreciation in determining the level of the awards.

(6) *In connection with Mr. Kozy becoming the Company's sole Executive Director and being appointed Interim CEO in April 2023, the CHCM Committee agreed to a one-time grant of service-based RSUs with a grant date fair value of $500,000, which was granted on 15 June 2023. This grant replaced the annual RSU grant that Mr. Kozy would have received in June 2023 had he remained a NED. The RSUs vested on 14 October 2023, six months from his start date. The CHCM Committee determined that this vesting period was both appropriate and necessary to meet the individual circumstances of Mr. Kozy's interim role, which was expected to continue until the earlier of the commencement of employment of a successor CEO and the six-month anniversary of his start date. On 15 December 2023, the CHCM Committee granted Mr. Kozy a second RSU award with a grant date fair value of $750,000, which was structured to vest upon the earlier of (i) the commencement of employment of a successor CEO and (ii) 13 April 2024, subject to Mr. Kozy's continued employment through such vesting date. As a result of Mr. Makatsaria's commencement of employment as CEO on 1 March 2024, these RSUs vested on 29 February 2024.*

(7) *As a result of his resignation, Mr. McDonald forfeited any entitlement to any PSUs, RSUs and SARs granted in prior years that would have otherwise vested in 2023. In addition, Mr. McDonald forfeited the rTSR PSUs granted in March 2021 based on the Company achieving a three-year (2021-2023) rTSR threshold level of at least the 30th percentile of the 2021 rTSR comparator group. The Company ranked in the 59th percentile of that group, and accordingly, 115% of the 2021 rTSR PSUs would have vested on 30 March 2024 if Mr. McDonald had been an employee at that time.*

(8) *This column includes the awards that the Company included in the single figure table as service-based awards or as performance-based awards subject to additional service periods that Mr. McDonald forfeited as a result of his resignation. More specifically the amount includes:*

a. *$3,250,000 included in this year's single figure table of RSUs and SARs granted on 30 March 2023 and subsequently forfeited.*

b. *$2,062,500 as the difference between the $2,750,000 service-based RSUs and SARs granted on 30 March 2022 and included with the grant value in the 2022 single figure table and the $687,500 service-based RSUs and SARs that vested on 30 March 2023 – measured for consistency with the same grant value dollar amount.*

c. *$1,375,000 as the difference between the $2,750,000 service-based RSUs and SARs granted on 30 March 2021 and included with the grant value in the 2021 single figure table and the $1,375,000 service-based RSUs and SARs that vested on 30 March 2023 and on 30 March 2022 – measured for consistency with the same grant value price.*

d. *$687,500 as the difference between the $2,750,000 service-based RSUs and SARs granted on 30 March 2020 and included with the grant value in the 2020 single figure table and the $2,062,500 service-based RSUs and SARs that vested on 30 March 2023, 30 March 2022 and 30 March 2021 – measured for consistency with the same grant value price.*

e. *$1,290,627 included in the 2021 single figure table as the fair market value of the 15,490 ROIC PSUs earned based on the 2021 ROIC performance condition, which were subject to a further two-year service condition and were forfeited as a result of Mr. McDonald's resignation. The value of these PSUs was calculated using the average stock price in the last quarter of 2021 ($83.32), maintaining consistency with the 2021 single figure table.*

f. *$1,706,060 included in the 2021 single figure table as the fair market value of the 20,476 FCF PSUs earned based on the 2021 FCF performance condition, which were subject to a further two-year service condition and were forfeited as a result of Mr. McDonald's resignation. The value of these PSU was calculated using the average stock price in the last quarter of 2021 ($83.32), maintaining consistency with the 2021 single figure table.*

(9) *See also the "Payments Made for Loss of Office (Audited)" section below.*

Short-Term Incentive Plan - Executive Director (Audited)

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

Under English Company law, LivaNova is required to adopt a remuneration policy for the Company's directors, including the Company's CEO, who is also a director. Under that shareholder-approved Remuneration Policy, the maximum short-term incentive of the Company's incumbent CEO cannot exceed 200% of his base salary. In 2023, the CHCM Committee approved a lower maximum of 160% for Mr. McDonald and 181.8% for Mr. Kozy.

The table below shows the minimum and maximum achievement of the target payout under the 2023 STIP:

	2023 STIP Minimum (Percentage of Base Salary)	2023 STIP Target (Percentage of Base Salary)	2023 STIP Maximum (Percentage of Target)[1]
William Kozy	—%	110%	181.8%
Damien McDonald	—%	125%	160%

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

The performance objectives selected by the CHCM Committee for the 2023 STIP were as follows:

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

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

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

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

"Net Sales" is defined as the Company's net sales for 2023 at budgeted currency exchange rates, adjusting for the effects from any acquisitions and divestitures in 2023. "Adjusted Net Income" is defined as the Company's non-GAAP net income at reported currency exchange rates, after adjustments for the effects of acquisitions, divestitures, restructuring, integration, product remediation, purchase price allocation and intangible amortisation, significant litigation, equity compensation, significant non-cash adjustments, and other infrequent, unusual or non-recurring items not incurred in the ordinary course of business.

Bonuses are based on the Company's performance over the calendar year, which is also the Company's financial year, and are generally paid in April of the following year after completion of the audit of the Company's annual financial statements. The Company's performance in 2023, as defined by the 2023 STIP, was as follows:

Financial Objectives	**Weight (%)**	**Target ($M)**	**Achievement ($M)**	**Achievement (%)**	**Financial Payout (% vs Target)**
Net Sales	60%	1,113.70	1,215.40	109.1	145.65%
Adjusted Net Income	40%	138.10	152.00	110.1	125.16%
					137.5%

Non-Financial Objectives:

LivaNova's non-financial goal achievement for 2023 resulted in 70% achievement. As these non-financial goals are intended to be aspirational goals, this achievement would have resulted in a 110% non-financial modifier of the Company's STIP payout, based on the following table:

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

However, based on the scoring of the 2023 non-financial objectives as well as an overall assessment of Company performance, the CHCM Committee determined to utilize negative discretion to cap the Non-Financial Goal Modifier at 100%.

The table below decribes the Company's Non-Financial Goal achievements:

Business Area	Description	Achievement	Achievement description	Weight (%)	Achievement (%)
DTD	500th Unipolar patient randomized into the study by target date, completing recruitment for Unipolar cohort	Achieved	500th Unipolar patient randomized into the study by target date	15%	15%
	First interim analysis initiated for Bipolar cohort in the RECOVER study upon randomizing target number of bipolar patients by target date	Achieved	Target number of bipolar patients achieved on 13 June 2023	10%	10%
OSA	Target number of randomized patients by target date and program assessment completion by target date	Not Achieved	Target number of patients not achieved by the target date, and program assessment completed	10%	—%
Epilepsy	Target % of NPI growth year over year	Not Achieved	Achieved high single digit NPI year-over-year growth, slightly behind target %	20%	—%
	Two key milestones in Regulatory and R&D to be completed by target date, each weighted 5%	Achieved	All milestones achieved by the target date	10%	10%
CP	Software release for Europe commercialization by target date	Achieved	Software release completed by target date	15%	15%
ACS	One key milestone in Regulatory and target number of critical product development projects to be completed by target date, each weighted 5%	Achieved	Both regulatory and product development goal achieved	10%	10%
Capability	Financial system deployed by target date	Achieved	Financial system – object of this goal – went live by the target date	10%	10%
Total				100%	70%
			NFG Modifier		110%
			Capped NFG Modifier		100%

Business Performance Factor:

As a result of achievement on Financial and Non-Financial objectives, the Business Performance Factor for 2023 resulted in a payout of 137.5% of the target.

Percentage Change in Director Remuneration Compared to Other Employees

The table below shows the annual percentage change in remuneration in respect of each of the Company's directors, and the average percentage change in remuneration of the Company's employees (other than any who are also a director, and on a full time equivalent basis) between 2023 and 2022, 2022 and 2021, 2021 and 2020, and 2020 and 2019:

	Change in 2023 against 2022 (%)			Change in 2022 against 2021 (%)			Change in 2021 against 2020 (%)			Change in 2020 against 2019 (%)		
	Base salary change %	Benefits change %	Annual Cash Bonus change %	Base salary change %	Benefits change %	Annual Cash Bonus change %	Base salary change %	Benefits change %	Annual Cash Bonus change %	Base salary change %	Benefits change %	Annual Cash Bonus change %
Damien McDonald (1)	N/A	N/A	N/A	+2.25%	(33)%	(41)%	+1%	(21)%	N/A	+5%	(11)%	(100)%
William Kozy	N/A	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A
Stacy Enxing Seng	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A
Todd Schermerhorn	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A
Francesco Bianchi	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A
Dr. Sharon O'Kane	+18%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A
Peter Wilver	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Brooke Story	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Daniel J. Moore	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A
Andrea Saia	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A	-%	N/A	N/A
Chris Barry	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average for all employees	+4%	+30%	+22%	+3%	+1%	(11)%	+3%	+10%	+223%	+3%	+2%	(16)%

(1) The base salary, benefits and bonus change calculations for Mr. McDonald were made using the original amounts in GBP to avoid any potential misrepresentation resulting from changes in foreign exchange rates.

The table above reflects a comparison of the directors' remuneration year over year. "N/A" is used if a change is inapplicable because the director started in the current year, if the number was zero in the prior year (as in the case of Mr. McDonald's bonus in 2020) or if the comparison is not meaningful (e.g., comparison between taxable travel expenses year over year or for a prorated year with a full year as in the case of the comparison for Mr. McDonald between 2023 and 2022).

By comparison, in 2023 versus 2022, the remaining employees of LivaNova PLC, other than the executive leadership team, received an average base salary increase of 4% and an average taxable benefit increase of 30%, the latter related to the higher cost of the employer-provided private medical coverage in 2023 versus 2022. Employees also received an average annual bonus payout increase of 22% versus 2023. The average annual cash bonus payout was 131% in 2023 versus 107% in 2022.

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

	Basic Annual Fee ($'000) (1) (4)		Additional Fee ($'000) (1)		Benefits ($'000) (2)		Total Fixed ($'000)		Service-Based Share Awards ($'000) (3)		Total ($'000)	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
William Kozy	32	110	21	75	0	7	53	192	—	205	53	397
Stacy Enxing Seng	110	110	20	20	4	3	134	133	130	130	264	263
Todd Schermerhorn	110	110	30	30	4	3	144	143	130	130	274	273
Francesco Bianchi	110	110	23	23	8	6	141	139	130	130	271	269
Dr. Sharon O'Kane	110	110	41	18	4	5	155	133	130	130	285	263
Peter Wilver	110	60	23	13	4	3	137	76	130	130	267	206
Brooke Story	110	32	8	2	3	—	121	34	130	96	251	130
Daniel J. Moore	110	110	8	7	22	20	140	137	130	130	270	267
Andrea Saia	110	110	23	22	13	18	146	150	130	130	276	280
Chris Barry	26	—	4	—	0	—	30	0	88	—	118	0

(1) The following cash amounts are paid in addition to the annual cash retainer: (i) any NED serving as the Chair of the Board shall receive an additional annual retainer of $75,000 for such service (ii) any NED serving as the Lead Director shall receive an additional annual retainer of $30,000 for such service (iii) any NED serving as Chair of the Audit and Compliance Committee shall receive an additional annual retainer of $30,000 for such service and any NED serving as a member of the Audit and Compliance Committee (other than the Chair) shall receive an additional annual retainer of $15,000 for such service. (iv) any NED serving as Chair of the CHCM Committee shall receive an additional annual retainer of $20,000 for such service, and any NED serving as a member of the CHCM Committee (other than the Chair) shall receive an additional annual retainer of $8,000 for such service. (v) any NED serving as Chair of the NCG Committee shall receive an additional annual retainer of $20,000 for such service ($15,000 until the 2022 AGM) and any NED serving as a member of the Nominating and Governance Committee (other than the Chair) shall receive an additional annual retainer of $8,000 ($6,000 until 2022 AGM) for such service. In the 2022 column, the amounts of the Basic Annual Fee and the Additional Fee for Mr. Wilver reflect the fees earned since the 2022 AGM and the amounts of the Basic Annual Fee and the Additional Fee for Ms. Story reflect the fees earned since her appointment. In the 2023 column, the amounts of the Basic Annual Fee and the Additional Fee for Mr. Barry reflect the fees earned since his appointment.

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

(3) The figures included for 2023 reflect the annual award of service-based RSUs, which were granted on 15 June 2023, vest on 15 June 2024, and have a grant value of $130,000. Mr. Kozy was not eligible for a Chair grant as he received a grant for his interim CEO role (see the "Single Total Figure of Remuneration – Executive Directors (Audited)" section above. Ms. Saia's grant vested on her last day of tenure on 31 December 2023 on a pro-rata basis per her award agreement and the Remuneration Policy.

(4) Payments are made quarterly to directors.

2023 Schemes Interests Awarded (Audited)

Director	Face Value of Award ($)(1)	No. of Shares Subject to the Award (2)	Percentage if Minimum Performance is met for Performance Awards (3)	Closing Share Price on Date of Grant (for Face Value Calculation) ($) (4)	Date of Grant	Expiry of Performance Period	Basis of Award	Type of Award and Performance Criteria
Damien McDonald	3,249,994	76,832	40%	42.30	30/3/2023	31/12/2025	Fixed value	rTSR PSUs (2) (5)
Damien McDonald	1,624,997	38,416	20%	42.30	30/3/2023	31/12/2025	Fixed value	FCF PSUs (2) (5)
Damien McDonald	1,624,997	38,416	50%	42.30	30/3/2023	31/12/2025	Fixed value	ROIC PSU (2) (5)
Damien McDonald	1,624,997	38,416		42.30	30/3/2023	N/A	Fixed value	Time-Based Vesting RSUs
Damien McDonald	1,624,997	81,613		19.911	30/3/2023	N/A	Fixed value	Time-Based Vesting SARs
Damien McDonald Total Face Value 2023 Awards	9,749,982							
William Kozy	499,980	10,311		48.49	15/6/2023	N/A	Fixed value	Time-Based Vesting RSUs
William Kozy	749,980	14,512		51.68	15/12/2023	N/A	Fixed value	Time-Based Vesting RSUs
Daniel J. Moore	129,953	2680		48.49	15/6/2023	N/A	Fixed value	Time-Based Vesting RSUs
Francesco Bianchi	129,953	2680		48.49	15/6/2023	N/A	Fixed value	Time-Based Vesting RSUs
Dr. Sharon O'Kane	129,593	2680		48.49	15/6/2023	N/A	Fixed value	Time-Based Vesting RSUs
Andrea Saia	129,953	2680		48.49	15/6/2023	N/A	Fixed value	Time-Based Vesting RSUs
Stacy Enxing Seng	129,953	2680		48.49	15/6/2023	N/A	Fixed value	Time-Based Vesting RSUs
Todd Schermerhorn	129,953	2680		48.49	15/6/2023	N/A	Fixed value	Time-Based Vesting RSUs
Peter Wilver	129,953	2680		48.49	15/6/2023	N/A	Fixed value	Time-Based Vesting RSUs
Brooke Story	129,953	2680		48.49	15/6/2023	N/A	Fixed value	Time-Based Vesting RSUs
Chris Barry	88,321	1709		51.68	15/12/23	N/A	Fixed value	Time-Based Vesting RSUs

(1) Face value of RSU awards calculated using the most recent closing market price of an ordinary share of the Company's stock on the Nasdaq on the date of grant. face value of PSU awards represents the maximum number of PSUs (200% of target) multiplied by the most recent closing market price of an ordinary share of the Company's stock on the Nasdaq on the date of grant. SARs awarded to Mr. McDonald are calculated by dividing the award value by the Black-Scholes value of a SAR based on the date of grant ($19.911). With respect to SARs, because a SAR by definition has nil value at the moment of grant, LivaNova has recorded the grant value approved by the CHCM Committee as the face value.

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

(3) PSU details are found in the section entitled, "2023 LTIP (Audited)".

(4) For SAR awards, this represents the Black-Scholes value of one SAR on the date of grant, rather than the closing market price of an ordinary share of the Company's stock on the Nasdaq on the date of grant.

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

2023 LTIP (Audited)

Mr. Kozy

In connection with Mr. Kozy becoming LivaNova's sole Executive Director and being appointed Interim CEO in April 2023, the CHCM Committee agreed to a one-time grant of service-based RSUs with a grant date fair value of $500,000 which was granted on 15 June 2023. This grant replaced the annual RSU grant that Mr. Kozy would have received in June 2023 had he remained an NED. The RSUs vested six months from his start date, i.e., on 14 October 2023. The CHCM Committee determined that this vesting period was both appropriate and necessary to meet the individual circumstances of Mr. Kozy's interim role, which was expected to continue until the earlier of the commencement of employment of a successor CEO and the six-month anniversary of his start date. On 15 December 2023, the CHCM Committee granted a second RSU award with a grant date fair value of $750,000, which was structured to vest upon the earlier of (i) the commencement of employment of a successor CEO and (ii) 13 April 2024, subject to Mr. Kozy's continued employment through such vesting date. As a result of Mr. Makatsaria's commencement on 1 March 2024 as CEO, these RSUs vested on 29 February 2024.

Mr. McDonald

The 2023 LTIP applicable to Mr. McDonald comprised both performance-based and service-based awards. However, Mr. McDonald forfeited any entitlement to his 2023 LTIP awards as a result of his resignation in 2023.

2023 Service Based Awards

Service-Based Restricted Stock Units	***Service-Based Stock Appreciation Rights***
Mr. McDonald received 38,416 service-based RSUs, vesting subject to his continued employment in equal or substantially equal amounts on each of the first four anniversaries of the grant date. The CHCM Committee determined the number of RSUs awarded by dividing the award value in RSUs ($1,625,000) by the most recent closing price ($42.30) of an ordinary share of the Company's stock on the Nasdaq as of the grant date and rounding down to the nearest whole unit.	*Mr. McDonald received 81,613 SARs, vesting subject to his continued employment in equal or substantially equal amounts on each of the first four anniversaries of the grant date. The CHCM Committee determined the number of SARs awarded to each participant by dividing the award value in SARs ($1,625,000) by the Black-Scholes value of a SAR ($19.911) based on the most recent closing price and rounding down to the nearest whole unit.*

2023 Performance Based Awards:

Relative Total Shareholder Return Performance Stock Units

Mr. McDonald received 38,416 PSUs subject to a relative total shareholder return market condition. The CHCM Committee determined the number of PSUs awarded to each participant by dividing the award value in rTSR PSU ($1,625,000) by the most recent closing price ($42.30) and rounding down to the nearest whole unit. At the end of the 2025 calendar year, subject to continued employment, the Company's rTSR for the three-year period 2023 through 2025 will be compared to the rTSR for a comparator group of 27 companies selected by the CHCM Committee on the advice of its compensation consultant, Pearl Meyer, and the number of shares of the Company's stock actually delivered to the participants will be determined by the following chart, with linear interpolation applied between specified levels.

TSR Performance Percentile Rank	Percent Payout
$\geq 90^{th}$	200%
80^{th}	150%
50^{th}	100%
30^{th}	40%
$<30^{th}$	0%

The 2023 rTSR Peer Group includes:

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

Subject to continued employment, the following parameters will be used to determine rTSR for the three-year period ending 31 December 2025:

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

Adjusted FCF Performance Stock Units

Mr. McDonald received 19,208 PSUs subject to achievement of a three-year cumulative adjusted FCF target and to his continued employment. The CHCM Committee determined the number of PSUs awarded to each participant by dividing the award value in adjusted FCF PSUs ($812,500) by the closing price ($42.30) and rounding down to the nearest whole unit. Subject to continued employment, the PSUs are scheduled to vest or lapse on 30 March 2026 based on how the Company’s adjusted FCF for fiscal year 2023-2025 compares to target, and the number of shares of the Company’s stock actually delivered to the participants will be determined by the following chart, with linear interpolation applied between specified levels.

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

For purposes of the plan, adjusted FCF is defined as net cash provided by operating activities less cash used for the purchase of property, plant and equipment excluding the impact of 3T litigation settlement payments, CARES Act tax stimulus benefits and gains related to dividends received from investments, as determined in accordance with the external definition provided in the LivaNova fourth quarter and full year 2024 performance presentation posted on the Company’s website, and further adjusted as needed for other one-time, non-recurring, unusual or infrequent charges, expenses or gains, including associated expenses, that may not be indicative of the Company’s core business.

Given that adjusted FCF is a key measure of company value, the Board considers the actual target amounts to be too commercially sensitive for disclosure. While the target amounts would typically be disclosed after publication of the Company’s 2025 financial results, this disclosure is no longer relevant given that Mr. McDonald forfeited any entitlement to these awards as a result of his resignation on 14 April 2023.

ROIC Performance Stock Units

Mr. McDonald received 19,208 PSUs subject to achievement of a three-year cumulative adjusted ROIC target and to his continued employment. ROIC is defined as the ratio between Net Operating Profits and Invested Capital. The numerator shows core operating performance, and the denominator denotes the capital required to achieve that performance. Net Operating Profits is defined as the Company's adjusted operating income less share-based compensation expense and is tax affected by LivaNova's adjusted tax rate. Adjusted operating income and adjusted tax rate are non-GAAP measures, provided in conjunction with the issuance of the Company's quarterly earnings press release. Invested Capital is defined as operating working capital plus other net operating assets. It excludes restricted cash, derivative assets and liabilities, long-term debt and accrued legal settlements related to LivaNova's 3T matter. The CHCM Committee determined the number of PSUs awarded to each participant by dividing the award value in ROIC PSUs by the closing price ($42.3) and rounding down to the nearest whole unit. Subject to continued employment, the PSUs are scheduled to vest or lapse on 30 March 2026 based on how the Company's ROIC for the period 2023-2025 compares to target, and the number of shares of the Company's stock actually delivered to the participants will be determined by the following chart, with linear interpolation applied between specified levels.

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

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

Payments Made to Past Directors (Audited)

The Company did not make any payments in 2023 to past directors, except for providing £1,500 to Mr. Rosenthal and Mr. Novak each, for personal income tax return preparation assistance in their capacity as former non-UK resident directors. Such amounts were paid directly to such past directors' tax advisers upon the production of an invoice, pursuant to the Remuneration Policy.

Payments Made for Loss of Office (Audited)

In connection with Mr. McDonald's resignation as CEO and as a director, the Company and Mr. McDonald entered into a Settlement Agreement, dated 14 April 2023 (the "Settlement Agreement"). Pursuant to the Settlement Agreement, the Company elected to bring Mr. McDonald's 12-month notice period to an end such that his employment with the Company ceased on 31 May 2023, prior to which Mr. McDonald served a period of garden leave. Mr. McDonald received a notice payment of £1,062,138.55 in accordance with the terms of his previously disclosed Service Agreement, representing the 12-month value of Mr. McDonald's salary (£791,117) and certain cash benefits (including his pension allowance of £253,271.55 and car allowance (£17,750)). The notice payment was paid to Mr. McDonald during his garden leave period and thereafter in monthly instalments between June 2023 and April 2024.

In accordance with the terms of Mr. McDonald's previously disclosed Service Agreement, he also continued to receive certain non-cash benefits that would have been received during what would have been his notice period, including health insurance (at a value of £14,475), tax return assistance (at a value of $20,000), and the continuation of an existing executive coaching program (at a value of £20,000 plus tax).

In addition, pursuant to the Settlement Agreement, the Company agreed to contribute to the cost of legal advice for Mr. McDonald in relation to the Settlement Agreement, up to a maximum amount of £25,000 plus tax. A contribution of £25,000 plus tax was ultimately paid by the Company. Finally, pursuant to the Settlement Agreement, the Company paid an amount of £30,681 as cash in lieu of accrued and unused holidays.

Any unvested equity awards held by Mr. McDonald were forfeited on 31 May 2023, the last day of his employment.

Mr. McDonald exercised his vested, in-the-money SARs within the 90-days following his termination date. See "*Statement of Directors' Shareholding and Scheme Interest* " section below.

Executive and Non-Executive Directors' Shareholdings (Audited)

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

Shareholding Requirements

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

The definition of the "qualifying equity ownership" used for purposes of the Company's stock ownership requirements comprises ordinary shares owned by the individual or held jointly with the individual's spouse or children, and unvested time-based restricted stock units owned by the individual, in each case valued at the closing price of an ordinary share of the Company's stock on the Nasdaq on the measurement date.

Stock Ownership Thresholds are determined by using the most current base salary or annual cash retainer for the covered individual, as applicable, and the closing price of an ordinary share of the Company's stock on the Nasdaq on the relevant measurement date. If there is no closing price on the date in question, Stock Ownership Thresholds will be determined by using the most recent closing price. Share Ownership Thresholds are updated annually on 1 July or when a change in base salary or annual cash retainer occurs, with compliance generally measured on 1 July of each year. Once a director or officer has satisfied their Stock Ownership Threshold as of a measurement date, the Stock Ownership Threshold will continue to be deemed satisfied for such director or officer, regardless of market fluctuations, so long as the director or officer does not sell or transfer any ordinary shares (a) where the sale or transfer causes the value of his or her holdings to be less than the Stock Ownership Threshold or (b) at a time when the value of his or her holdings is less than the Stock Ownership Threshold.

Furthermore, it is expected that any proposed sale of ordinary shares by a director or officer subject to the Stock Ownership Thresholds be assessed for compliance herewith at the time of such proposed sale. In its discretion, at the time of any such proposed sale, the Company may determine to recalculate the applicable Stock Ownership Threshold.

As of 1 July 2023, based on a stock price of $51.43, four of the Company's Board members, Mr. Bianchi, Mr. Moore, Ms. Saia, and Dr. O'Kane had achieved the Stock Ownership Threshold.

Statement of Directors' Shareholdings and Scheme Interests

	Ordinary Shares Held as of 31 December 2023	Ordinary Shares Underlying Scheme Interests Held as of 31 December 2023 (2)	Vested but Unexercised SARs/ Stock Options Held as of 31 December 2023	Stock Options and SARs Exercised in the Year Ended 31 December 2023
Damien McDonald (1)	111,847	—	449,338	—
William Kozy	17,821	14,512	—	—
Daniel J. Moore (3)	27,534	2,680	56,623	—
Francesco Bianchi	8,177	2,680	—	—
Stacy Enxing Seng	6,650	2,680	—	—
Dr. Sharon O'Kane	8,074	2,680	—	—
Todd Schermerhorn	3,963	2,680	—	—
Andrea Saia	10,799	2,680	—	—
Peter Wilver	1,637	2,680	—	—
Christopher Barry	—	1,709	—	—
Brooke Story	1,380	2,680	—	—

(1) For Mr. McDonald, the amount represents the shareholdings and scheme interests on his termination date of 31 May 2023. Any RSUs and PSUs that he held on his termination date were forfeited and consequently, are not reported in the table. Out of the reported 449,338 vested, but unexercised SARs on his termination date, Mr. McDonald exercised his in-the-money SARs within the 90-days following his termination date in two transactions realizing respectively $857,195.20 from 130,670 SARs granted in 2016, before his appointment to CEO, with an exercise price of $44.79 which were exercised when the stock price was $51.35, and $718,433.70 from 58,888 SARs granted in 2020 with an exercise price of $43.57, which were exercised when the stock price was $55.77.
(2) All RSUs held as of 31 December 2023 are service-based awards, which were unvested as of 31 December 2023.
(3) Mr. Moore was granted 56,623 Stock Options on 15 June 2014 by Cyberonics, Inc. that were converted into LivaNova stock options at the merger date with an exercise price of $57.39 and an expiration date of 15 June 2024.

Relative Importance of Spend on Pay

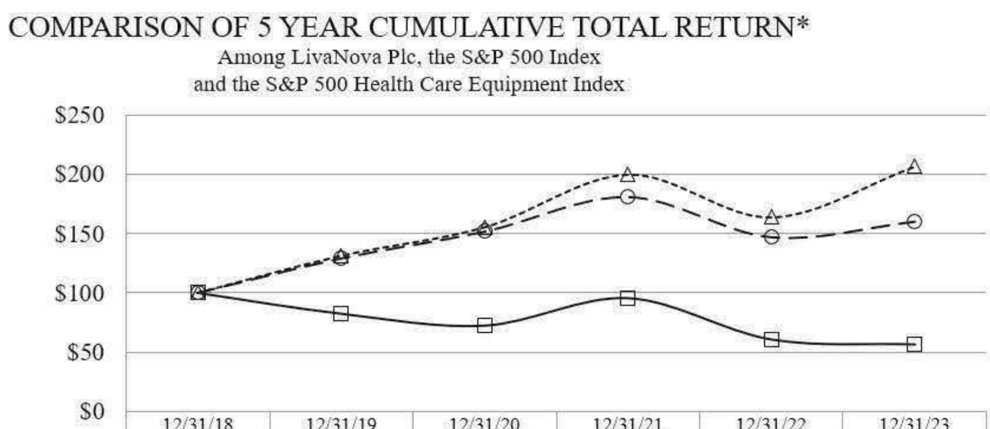
The following table sets out the total amounts spent in the year ended 31 December 2023 and the year ended 31 December 2022 on remuneration paid to employees and distributions (comprised of share buybacks and dividends) to shareholders.

$ thousands	Year Ended 31 December 2023	Year Ended 31 December 2022	% change
Employee remuneration	480,337	408,698	+18%
Share buybacks	—	—	N/A
Dividend	—	—	—%

Total Shareholder Return

Performance Graph

The graph below shows the Company's performance measured through TSR on a holding of $100 in the Company's shares between 31 December 2018 and 31 December 2023, compared to the S&P 500 Index and the S&P Healthcare Equipment Index. LivaNova selected these indices as it felt they provided both a broader market benchmark together with a more proximate industry benchmark.



	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23
LivaNova Plc	100.00	82.46	72.38	95.58	60.72	56.56
S&P 500	100.00	131.49	155.68	200.37	164.08	207.21
S&P Health Care Equipment Index	100.00	129.32	152.12	181.56	147.32	160.64

*$100 invested on 12/31/18 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

CEO Total Compensation

	Year Ended 31 December 2023		Year Ended 31 December 2022	Year Ended 31 December 2021	Year Ended 31 December 2020	Year Ended 31 December 2019	Year Ended 31 December 2018	Year Ended 31 December 2017	Year Ended 31 December 2016 (3)
Incumbent	Mr. Kozy	Mr. McDonald							Mr. Ballester
Total Single-Figure Remuneration (thousands $)	3,009	(6,715)	6,904	9,627	4,594	4,077	9,499	4,065	1,968
Annual Bonus Award (as a % of Maximum) (1)	76%	—	57%	89%	—	16%	66%	57%	53%
Vesting of Long-Term Performance Awards (as a % of Maximum) (2)	N/A	—%	52%	8%	14%	—	100%	—	25%

(1) *In 2018, Mr. McDonald received a pay-out of 105% which represented 60% of the maximum payable, which was set at 160% of his base salary. In 2019, he received a payout of 25% which represented 16% of the maximum payable, which was set at 160%. In 2020, Mr. McDonald did not receive a bonus payout. In 2021, he received a payout of 142.7%, which represented 89% of the maximum payable which was set at 160%. In 2022, he received a payout of 91.4% which represented 57% of the maximum payable which was set at 160%. In 2023, Mr. McDonald was not eligible for a bonus payout. The 2023 percentage represents the payout received by Mr. Kozy, who received a payout of 137.5% of his bonus at target, representing 76% of the maximum payable, which was set at 181.8% of his base salary.*

(2) *In 2018, 13,353 performance-based RSUs vested during the financial year ended 31 December 2018, which represents 100% of the maximum opportunity for vesting in the 2018 financial year. No performance awards vested in 2019. No performance awards vested in 2020. In 2021, 7,275 FCF PSUs vested. The achievement percentage for the FCF PSUs was 78.58% which is a payout percent of 57.16% related to performance in 2020. No rTSR PSUs vested, which together with the FCF PSUs represented 14% of the maximum payable which was set at 400%. In 2022, 5,167 FCF PSUs vested - the achievement percent for the FCF PSUs was 66.8% which is a payout percentage of 33.5% related to performance in 2021. No rTSR PSU vested, which together with the FCF PSUs represented 8% of the maximum payable which was set at 400%. In 2022, 25,131 rTSR PSU (73% of the target) and 10,569 FCF PSU (30.7% of the target) vested, together being 52% of the target PSUs. In 2023, Mr. McDonald did not receive any PSU payout as he forfeited his unvested equity award as a result of his resignation. Mr. Kozy's equity award was time-based only.*

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

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

2024 Salary and STIP

Mr. Kozy and Mr. Makatsaria

The following table provides the details of base salary and bonus for Mr. Kozy and Mr. Makatsaria in 2024. Both of them are eligible for payout of our 2024 STIP on a pro-rata basis calculated based on the number of days of employment in 2024, respectively, Mr. Kozy from 1 January until 29 February and Mr. Makatsaria from 1 March until end of the year.

	2024 Annual Base Salary (USD)	2024 STIP at Target (% base salary)	2024 prorated STIP at target
Mr. Kozy	975,000	110%	175,820
Mr. Makatsaria	930,000	110%	855,295

Payment of the target bonus amount will be subject to the achievement of certain financial and non-financial objectives, as described below:

Business Payout	=	Target Bonus	X	Business Performance Factor

The Business Performance Factor will be calculated according to the formula below:

Business Performance Factor	= (	50 % Net Sales Payout %	+	50 % Adjusted Operating Income Payout %	)	X	Non-Financial Goals Modifier %

In 2024, the CHCM Committee decided to switch the income metric from Adjusted Net Income to Adjusted Operating Income to reward operating performance of the organization. The CHCM Committee also decided to increase the weight of the income portion from 40% to 50% from the prior year STIP plan.

In addition, as the volatility following the pandemic has progressively decreased, the CHCM Committee changed the threshold and maximum levels of performance as compared to the 2023 STIP. If the threshold for a financial objective is achieved, funding for that objective is scaled down or up for underachievement or overachievement, respectively, of the objective, as follows:

Net Sales Payout	
Achievement %	Payout %
<93%	0%
93%	50%
Linear Interpolation	
100%	100%
Linear Interpolation	
≥107%	150%

Adjusted Operating Income Payout	
Achievement %	Payout %
<90%	0%
90%	50%
Linear Interpolation	
100%	100%
Linear Interpolation	
≥110%	150%

"Net Sales" is defined as the Company's net sales for 2024 at constant currency exchange rates, excluding net sales from any acquisitions, divestitures, restructuring and other strategic transactions in 2024. "Adjusted Operating Income" is defined as the Company's non-GAAP operating income at constant currency exchange rates, after adjustments for the effects of acquisitions, divestitures, restructuring, integration, product remediation, purchase price allocation and intangible amortisation, significant litigation, equity compensation, significant non-cash adjustments and other infrequent, unusual or non-recurring items not incurred in the ordinary course of business.

The non-financial objectives comprise strategic milestones in commercial, clinical, regulatory, R&D and system capability that will drive revenue generation beyond 2024. The Non-Financial Goal Modifier is determined by the CHCM Committee within a range of 75% to 125% based on its evaluation of performance versus a set of pre-determined non-financial goals.

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

Non-Financial Goal Modifier	
Achievement %	Payout %
≤75%	75%
Linear Interpolation	
100%	100%
Linear Interpolation*	
≥125%	125%

The CHCM Committee considers both quantitative and qualitative results and applies discretion when evaluating performance and determining the payout factor. The CHCM Committee reserves the right to adjust an individual's bonus based on an overall assessment of their performance and contributions during the plan year.

Any payout under the 2024 STIP is conditioned on continued employment at the payment date.

Given that Net Sales and Adjusted Operating Income are key measures of company value, the Board considers the actual target amounts of both objectives to be too commercially sensitive for disclosure. The Board also considers the non-financial goals to be too commercially sensitive for disclosure. Accordingly, the CHCM Committee will disclose these after the publication of the Company's 2024 financial results.

The table below shows the minimum and maximum achievement of the target payout under the 2024 STIP, subject to continued employment.

	Minimum	Maximum (1)
William Kozy	0%	181.8%
Vladimir Makatsaria	0%	181.8%

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

2024 LTIP

Mr. Makatsaria

On 2 February 2024, the CHCM Committee approved the Company's equity award grant under the 2024 LTIP for Mr. Makatsaria, the Company's CEO effective 1 March 2024. Pursuant to the 2024 LTIP, the CHCM Committee approved a total equity award in the amount of $5,350,000 comprising of five different award vehicles for Mr. Makatsaria, with an effective date of 30 March 2024.

In addition, Mr. Makatsaria was granted special new hire one-time equity grants with an aggregate grant-date value of $1,500,000 and an effective date of 30 March 2024.

The equity awards are described in more detail below.

	RSUs ($)	SARs ($)	rTSR PSUs ($)	FCF PSUs ($)	ROIC PSUs ($)
2024 LTIP	1,337,500	1,337,500	1,337,500	668,750	668,750
Special Inducement	750,000	750,000			

2024 LTIP Service-Based Awards:

RSUs

Mr. Makatsaria received an award of service-based RSUs in the amount of $1,337,500, vesting subject to continued employment, in equal or substantially equal amounts on each of the first four anniversaries of the grant date. The CHCM Committee determined the number of RSUs awarded by dividing the award value by the most recent closing price of an ordinary share of the Company's stock on the Nasdaq as of the grant date and rounding down to the nearest whole unit.

SARs

Mr. Makatsaria received an award of SARs in the amount of $1,337,500, vesting subject to continued employment, in equal or substantially equal amounts on each of the first four anniversaries of the grant date. The CHCM Committee determined the number of SARs awarded by dividing the award value by the Black-Scholes values of a SAR on the grant date and rounding down to the nearest whole unit.

2024 LTIP Performance-Based Awards:

rTSR PSUs

Mr. Makatsaria received an award of PSUs in the amount of $1,337,500, subject to a three-year rTSR market condition and continued employment. At the end of 2024, subject to continued employment, the Company's TSR for the three-year period 2024 through 2026 will be compared to the TSR of the S&P Healthcare Equipment Select Constituents index, and the number of shares of the Company's stock actually delivered to Mr. Makatsaria will be determined by the following chart, with linear interpolation applied between specified levels.

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

In 2024, the CHCM Committee approved a change to the 2023 LTIP, moving from a custom peer group to an index in order to facilitate the administration of the comparative group, align performance with broader market trends for more accurate evaluation, reduce volatility in benchmarking, and streamline processes.

FCF PSUs

Mr. Makatsaria received an award of PSUs in the amount of $668,750 subject to achievement of a three-year cumulative adjusted FCF Target and continued employment. These FCF PSUs were subject to a three-year cliff vesting period. At the end of 2026, subject to continued employment, adjusted FCF measurement for the year will be compared to the adjusted FCF Target, and the number of shares of the Company's stock actually delivered to Mr. Makatsaria determined by the following chart, with linear interpolation applied between specified levels.

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

Adjusted FCF is defined as net cash provided by operating activities less cash used for the purchase of property, plant and equipment excluding the impact of 3T litigation settlement payments, SNIA Financing, 2024 Financing Transactions, CARES Act tax stimulus benefits and gains related to dividends received from investments, as determined in accordance with the external definition provided in the LivaNova Q4 and full year 2024 performance presentation posted on the Company's website, and further adjusted as needed for other one-time, non-recurring, unusual or infrequent charges, expenses or gains, including associated expenses, that may not be indicative of the Company's core business. The Board considers the actual target amount to be too commercially sensitive for disclosure and will disclose it after the publication of the Company's 2026 financial results.

Return on Invested Capital PSUs

Mr. Makatsaria received an award of PSUs in the amount of $668,750, subject to achievement of a three-year average minimum threshold ROIC Target and continued employment. At the end of 2026, subject to continued employment, the ROIC measurement for the year will be compared to the ROIC Target, and the number of shares of the Company's stock actually delivered to Mr. Makatsaria will be determined by the following chart, with linear interpolation applied between specified levels.

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

ROIC is defined as the ratio between Net Operating Profits and Invested Capital. The numerator shows core operating performance, and the denominator denotes the capital required to achieve that performance.
Net Operating Profits is defined as the Company's adjusted operating income less share-based compensation expense and is tax affected by LivaNova's adjusted tax rate. Adjusted operating income and adjusted tax rate are non-GAAP measures, provided in conjunction with the issuance of the Company's quarterly earnings press release. Invested Capital is defined as operating working capital plus other net operating assets. It excludes restricted cash, derivative assets and liabilities, long-term debt and accrued legal settlements related to LivaNova's 3T matter.

The Board considers the actual target amounts to be too commercially sensitive for disclosure. The CHCM Committee plans to disclose the target amounts after the publication of the Company's 2026 financial results.

2024 LTIP Special Inducement Equity Awards:

RSUs

Mr. Makatsaria received an award of service-based RSUs, vesting subject to continued employment, in equal or substantially equal amounts on each of the first four anniversaries of the grant date. The CHCM Committee determined the number of RSUs awarded by dividing the award value by the most recent closing price of an ordinary share of the Company's stock on the Nasdaq as of the grant date and rounding down to the nearest whole unit.

SARs

Mr. Makatsaria received an award of SARs, vesting subject to continued employment, in equal or substantially equal amounts on each of the first four anniversaries of the grant date. The CHCM Committee determined the number of SARs awarded by dividing the award value by the Black-Scholes values of a SAR on the grant date and rounding down to the nearest whole unit.

2024 Service-Based Share Awards and Committee Fees for Non-Executive Directors

In line with the Remuneration Policy for a new (in this case a returning) NED, the CHCM Committee recommended that Mr. Kozy be awarded a prorated $57,849 one-year RSU grant on 30 March 2024 to cover his service as an NED and Chair of the Board from 1 March 2024 through the date of the annual meeting in June 2024.

In addition, on the advice of Pearl Meyer and based on benchmarking, the CHCM Committee recommended to the Board an increase in the grant value of the annual service-based share awards for NEDs of $50,000 (to $180,000 for all NEDs other than the Chair of the Board, and to $255,000 for the Chair of the Board) and a consistent decrease of $50,000 to the cash Director retainer (to $60,000 for all NEDs other than the Chair of the Board, and to $135,000 for the Chair of the Board). On 14 February 2024, the Board approved this change, which will go into effect after the 2024 AGM.

Role of the CHCM Committee and Members

The Chair of the CHCM Committee is Stacy Enxing Seng, and the other members of the CHCM Committee are Peter Wilver and Francesco Bianchi, all of whom are NEDs that the Company considers to be independent. Ms. Enxing Seng joined the CHCM Committee in 2019 and became Chair in 2021. Mr. Bianchi has served on the CHCM Committee since 2015. Mr. Wilver has served on the CHCM Committee upon joining the board in 2022. The CHCM Committee's charter is available on the Company's website.

The CHCM Committee has authority to determine and approve the corporate goals and objectives applicable to the compensation of the Company's incumbent CEO and to assess the incumbent CEO's performance annually in light of such goals and objectives and then to determine and approve the incumbent CEO's compensation level based on this evaluation. The incumbent CEO is not present during discussions about their own compensation. The CHCM Committee has authority to determine and approve the compensation of all other executive officers. The CHCM Committee is also entrusted with reviewing and approving incentive plans and equity-based plans that apply on a broader basis, including for the incumbent CEO and other executive officers.

In July 2023, the CHCM Committee modified its name to include human capital management and updated its charter to reference the CHCM Committee's oversight of human capital management within the Company, specifically overseeing the Company's policies and strategies, and periodically reviewing risks, trends and key metrics relating to human capital management.

Role of the Independent Compensation Consultant

The CHCM Committee has the sole authority to retain (and terminate the retainer of) a compensation consultant to assist with its responsibilities, as well as the sole authority to approve the consultant's fees, which the Company will then pay. Following a yearly review and based on successful prior year collaboration, for 2023, the CHCM Committee directly engaged an independent compensation consultant, Pearl Meyer, to advise on competitive pay practices, recommend a peer group for compensation purposes, provide market data, assist the CHCM Committee in the analysis of that data, and attend all regular meetings of the CHCM Committee.

During 2023, Pearl Meyer did not perform any services for the Company, the Company's executive officers or other employees. Based on these factors, the CHCM Committee's evaluation of Pearl Meyer's independence pursuant to the requirements approved and adopted by the SEC and Nasdaq and information provided by Pearl Meyer, the CHCM Committee determined that the work performed by Pearl Meyer did not raise any conflicts of interest and that the advice the CHCM Committee received from Pearl Meyer was objective and independent.

The Company paid Pearl Meyer a total of $194,285 for the services indicated above for 2023, computed on the basis of Pearl Meyer's hourly rates for services rendered, multiplied by the number of hours required to generate the reports and including administrative service fees.

Service Contracts

LivaNova's NEDs do not have service contracts; they are elected for a one-year term. The Company's Interim CEO, Mr. Kozy, was employed by LivaNova USA Inc., a wholly owned subsidiary of the Company, under an employment letter dated 19 April 2023, which was in force until the commencement of the employment of his successor CEO, Mr. Makatsaria on 1 March 2024.

Statement of Voting at Prior Annual General Meetings

At the 2023 AGM held on 12 June 2023, votes on the advisory vote to approve the Remuneration Report were as follows:

To approve, on an advisory basis, the UK Directors' Remuneration Report in the form set out in the Company's Annual Report and Accounts for the period ended 31 Dec 2022			
Votes	**For**	**Against**	**Abstentions**
	38,942,046	1,590,167	13,346
Percentages %	96.05	3.92	0.03

The Remuneration Policy was last approved by shareholders at the 2022 AGM held on 13 June 2022. The results are below, and the approved policy is available on the Investor Relations page of the Company's website at *https://investor.livanova.com/annual-reports*.

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

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

This Remuneration Report was approved by the Board.

Stacy Enxing Seng

Chair of the Compensation and Human Capital Management Committee

25 April 2024

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 2023 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 2023 UK Annual Report (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2023; the Consolidated Statement of (Loss), the Company Statement of Income, the Consolidated and Company Statements of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 primary 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 65% of the Group's net revenue and 84% of the Group's total assets.

Key audit matters

- Recoverability of the goodwill carrying values of the Obstructive Sleep Apnea (OSA) cash generating unit (Group)
- Recoverability of the carrying value of investments in subsidiaries (Company)

Materiality

- Overall Group materiality: \$8.5 million (2022: \$8.0 million) based on approximately 0.7% of total net revenue.
- Overall Company materiality: \$41.0 million (2022: \$36.0 million) based on approximately 1% of total assets.
- Performance materiality: \$6.3 million (2022: \$6.0 million) (Group) and \$30.0 million (2022: \$27.0 million) (Company).

The scope of our audit

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

Key audit matters

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

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

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Recoverability of the goodwill carrying value of the Obstructive Sleep Apnea (OSA) cash generating unit ('CGU') (Group) *Refer to Notes 2 and 10 in the Group financial statements* At 31 December 2023, the Group had goodwill of $458.9 million (2022: $453.8 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, 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. There is significant estimation uncertainty in calculating the recoverable amount of CGUs, including the management' 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 OSA CGU (goodwill of $82.6 million), this represented an area requiring greater allocation of resources in the audit and a higher level of audit effort and on this basis is considered a key audit matter.	For the OSA CGU, our audit procedures included evaluating and challenging the completeness and accuracy of the impairment model, 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 and assessed the year on year forecasts for comparison; ● testing the mathematical integrity of management's impairment models; and ● evaluating and reperforming management's sensitivity analysis to understand the impact of reasonably possible changes to key assumptions. Additionally, we independently performed a break-even analysis to determine the changes required in key assumptions that could result in an impairment, and were satisfied that these were not reasonably possible. We tested key assumptions utilised in the impairment assessments, including the short-term revenue growth rate, discount rate and the timing of commercialisation. This testing included: ● validating the Group's significant assumptions through use of market data, historical financial information, and other inputs; and ● engaging with our internal valuation specialists to assess the reasonableness of the discount rate assumption. Management concluded that it was appropriate not to recognise any impairment charges on the basis that the recoverable value of the OSA CGU is higher than its carrying value. Based on our procedures, we agree with their conclusion. We have also assessed management's disclosures within the Group financial statements in Note 2 and 10 and consider them to be appropriate. We noted no material exceptions through performing our procedures.

Recoverability of the carrying value of investments in subsidiaries (Company) *Refer to Notes 2 and 5 in the Company financial statements* Investments in subsidiaries of $2,963 million (2022: $2,938 million) are accounted for at cost less impairment in the Company's Balance Sheet at 31 December 2023. 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 Income. Management assessed each investment individually for impairment indicators. 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 could be supported by the recoverable amount, being the higher of fair value less cost of disposal or value in use where the net present value of future cash flows are estimated based on the continued use of the asset in the business. The assessment utilised the discounted cash flow analyses developed as part of the Group goodwill impairment assessment. The key assumptions included in those estimates were short term 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 represented an area requiring greater allocation of resources in the audit and a higher level of audit effort and accordingly on this basis is considered a key audit matter.	For each investment in a subsidiary, we evaluated management's 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 audited the detailed assessment prepared by management to support the carrying value of the investment held. The substantive audit procedures we performed included: • testing the mechanics and mathematical integrity of management's impairment models; • testing the allocation of the fair values of the CGUs to the respective investments in subsidiaries based on their relative revenue contributions; and • evaluating the appropriateness of key assumptions used in the model, including the short term revenue growth rates and discount rates, in conjunction with our goodwill impairment testing. 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 its conclusion. We have also assessed 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 our procedures.

How we tailored the audit scope

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

We conducted 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 four other components, including cost of sales, selling, general and administrative expenses, research and development expenses, income tax expense, cash and cash equivalents, restricted cash, inventory, deferred tax assets, tax receivable, tax payable, trade payable and other payables. In addition, audit procedures were performed centrally in relation to various Group functions, including goodwill and in-process research & development intangible assets, share-based payments, property, plant and equipment, contingent considerations, leases, litigation matters and consolidation.

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, annual planning workshop with the US, Italy and Germany component teams, site visits in the US and Germany, and review of component auditor work papers for financially significant components.

The components where we conducted audit procedures, together with work performed at corporate functions and over consolidation adjustments, accounted for 65% of the Group's net revenue and 84% of the Group's total assets.

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 selling, general and administrative expenses, research and development expenses, income tax expense, cash and cash equivalents, restricted cash, deferred tax assets, tax receivable, tax payable, trade payable and other payables which were audited centrally to Group materiality. The remainder of the balances were audited to Company materiality.

The impact of climate risk on our audit

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

Materiality

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

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

	Financial statements – Group	Financial statements - Company
Overall materiality	$8.5 million (2022: $8.0 million).	$41.0 million (2022: $36.0 million).
How we determined it	Based on approximately 0.7% of total net revenue	Based on approximately 1% of total assets
Rationale for benchmark applied	As the Group has been loss-making from a statutory perspective for the past five years, there have been no dividends planned or paid since the merger date and the most heavily weighted metric in the determination of directors' remuneration being adjusted net revenue, we consider total net revenue to be the appropriate benchmark.	As the Company's principal activity is to hold investments in subsidiaries, the Company is not profit oriented. Therefore, total assets are used as the benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $4.5 million and $8.3 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% (2022: 75%) of overall materiality, amounting to $6.3 million (2022: $6.0 million) for the Group financial statements and $30.0 million (2022: $27.0 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 $0.85 million (Group audit) (2022: $0.8 million) and $4.1 million (Company audit) (2022: $3.6 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;
- considering the impact of plausible downside scenarios and performing a breakeven assessment for forecast revenue, in order to assess the extent of headroom in comparison to the principal risks facing the business; and
- reviewing the covenants applicable to the Group's borrowings and assessing whether the forecasts supported ongoing compliance with the covenants.

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

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

Strategic Report and Directors’ Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Directors’ Remuneration

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors’ responsibilities for the audit of the financial statements

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

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

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to product safety (including, but not limited to, environmental laws and regulations and the US Food and Drug Administration regulation), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and the Securities Exchange Act of 1934. 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 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;
- 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;
- assessment of matters reported on the Group's whistleblowing helpline and the results of the directors' investigation of such matters; and
- performing incremental audit procedures by increasing sample sizes of revenue transactions recorded within a defined period before year-end to ensure cut-off was appropriately achieved and performing risk-based criteria testing of journal entries with certain characteristics which may indicate a risk of fraud due to the Cybersecurity incident.

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.

N. Comello

Nigel Comello
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 April 2024

LIVANOVA PLC AND SUBSIDIARIES

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LIVANOVA PLC AND SUBSIDIARIES

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

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

See accompanying notes to the consolidated financial statements.

LIVANOVA PLC AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income
(In thousands)

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

See accompanying notes to the consolidated financial statements.

LIVANOVA PLC AND SUBSIDIARIES

Consolidated Balance Sheet
(In thousands)

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

LIVANOVA PLC AND SUBSIDIARIES
Consolidated Balance Sheet

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

See accompanying notes to the consolidated financial statements.

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

VLADIMIR MAKATSARIA
CHIEF EXECUTIVE OFFICER & DIRECTOR

Company Number: 09451374

LIVANOVA PLC AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
(In thousands)

		Ordinary							
	Note	Number of Shares	Share Capital	Group Reconstruction Reserve	Share Premium	Treasury Shares	Accumulated Other Comprehensive Loss	Accumulated Losses	Total Shareholders' Equity
Balance at 1 January 2022		53,762	$ 82,295	$ 2,046,497	$ 33,257	$ (650)	$ (5,284)	$ (1,091,312)	$ 1,064,803
Share-based compensation plans	21	90	129	—	3,774	275	—	30,729	34,907
Total transactions with owners recognised directly in shareholders' equity		90	129	—	3,774	275	—	30,729	34,907
Net loss		—	—	—	—	—	—	(86,294)	(86,294)
Other comprehensive loss	16	—	—	—	—	—	(19,306)	—	(19,306)
Total comprehensive loss for the year		—	—	—	—	—	(19,306)	(86,294)	(105,600)
Balance at 31 December 2022		53,852	82,424	2,046,497	37,031	(375)	(24,590)	(1,146,877)	994,110
Share-based compensation plans	21	90	109	—	3,027	320	—	24,937	28,393
Total transactions with owners recognised directly in shareholders' equity		90	109	—	3,027	320	—	24,937	28,393
Net loss		—	—	—	—	—	—	(100,382)	(100,382)
Other comprehensive income	16	—	—	—	—	—	10,898	—	10,898
Total comprehensive income (loss) for the year		—	—	—	—	—	10,898	(100,382)	(89,484)
Balance at 31 December 2023		53,942	$ 82,533	$ 2,046,497	$ 40,058	$ (55)	$ (13,692)	$ (1,222,322)	$ 933,019

See accompanying notes to the consolidated financial statements.

LIVANOVA PLC AND SUBSIDIARIES

Consolidated Statement of Cash Flows
(In thousands)

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

See accompanying notes to the consolidated financial statements.

LIVANOVA PLC AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 1. Nature of Operations

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

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

Description of the business. LivaNova PLC is a market-leading global medical technology company. The Company designs, develops, manufactures, markets and sells products and therapies that are consistent with LivaNova's mission to provide hope for patients and their families through innovative medical technologies that deliver life-changing improvements.

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

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

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

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

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

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

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

Going Concern. As of 31 March 2024, the Group had cash and cash equivalents of $309.2 million. Based on LivaNova's current business plan, the Company believes that existing cash and cash equivalents and future cash generated from operations will be sufficient to fund its expected operating needs, working capital requirements, R&D opportunities, capital expenditures and debt service requirements for a period of at least 12-months from the issuance of these financial statements. LivaNova regularly reviews its capital needs and considers various investing and financing alternatives to support the Company's requirements. Additionally, as of 31 March 2024, LivaNova is in compliance with the financial covenants associated with the Company's debt facilities, and the Group's forecasts support ongoing compliance with the covenants for a period of at least 12-months from the issuance of these financial statements. Therefore, it is appropriate to adopt the going concern basis in preparing these consolidated financial statements.

The current macroeconomic environment, including foreign exchange volatility, inflationary pressures, geopolitical instability, and supply chain challenges, has impacted and may continue to impact LivaNova's business and profitability. Furthermore, LivaNova continues to experience logistical, capacity, and labor constraints, though, to date, the Company's supply of raw materials and the production and distribution of finished products have not been materially affected. The Company continues to respond to such challenges, and while LivaNova has business continuity plans in place, the impact of the ongoing challenges the Company is navigating, along with their potential escalation, may adversely affect its business.

On 17 June 2020, LivaNova's wholly-owned subsidiary, LivaNova USA, issued $287.5 million in aggregate principal amount of 3.00% the 2020 Cash Exchangeable Senior Notes. Holders of the 2025 Notes are entitled to exchange the 2025 Notes at any time during specified periods, at their option. This includes the right to exchange the 2025 Notes during any calendar quarter, if the last reported sale price of LivaNova's ordinary shares, with a nominal value of £1.00 per share, is greater than or equal to 130% of the exchange price, or $79.27 per share for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter. The exchange condition was not satisfied on 31 December 2023. As a result, LivaNova has included its obligations from the 2025 Notes and the associated embedded exchange feature derivative as a long-term liability on the consolidated balance sheets as of 31 December 2023. The 2025 Notes are exchangeable solely into cash and are not exchangeable into ordinary shares of LivaNova or any other security under any circumstances. The initial exchange rate for the 2025 Notes is 16.3980 ordinary shares per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $60.98 per share). The exchange rate is subject to adjustment in certain circumstances, as set forth in the 2024 Indenture. If holders elect to exchange their Notes during any future periods in the event an exchange condition is met, LivaNova would be required to settle its exchange obligation through the payment of cash, which could adversely affect the Company's liquidity. Refer to "Note 17. Financial Liabilities" for further information.

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

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

On 18 March 2022, LivaNova PLC, acting through its Italian branch, entered into an Indemnity Letter and an Account Pledge Agreement with Barclays, further to which Barclays issued the €270.0 million SNIA Litigation Guarantee. As security for the SNIA Litigation Guarantee, LivaNova is required to grant cash collateral to Barclays in US Dollars in an amount equal to the USD equivalent of 105% of the amount of the SNIA Litigation Guarantee calibrated on a biweekly basis. At 31 December 2023, the cash collateral classified as restricted cash on the consolidated balance sheet was $311.4 million.

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

On 6 July 2022, LivaNova and the Borrower entered into the Incremental Facility Amendment No. 2, which provides for the Borrower to, among other things, obtain commitments for term loan facilities from a syndicate of lenders in an aggregate principal amount of $350 million consisting of (i) the initial term loan facility with an aggregate principal amount of $300 million and (ii) the delayed draw term loan facility with an additional aggregate principal amount of $50 million. On 6 April 2023, LivaNova drew $50 million under the Delayed Draw Term Facility for general corporate purposes.

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

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

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

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

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

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

Intangible Assets, Other than Goodwill. Intangible assets shown on the consolidated balance sheets consist of finite-lived and indefinite-lived assets expected to generate future economic benefits and are recorded at their respective fair values as of their acquisition date. Finite-lived intangible assets consist primarily of developed technology and technical capabilities, including patents, related know-how and licensed patent rights, as well as trade names and customer relationships. Customer relationships consist of relationships with hospitals and surgeons in the countries where LivaNova operates. Indefinite-lived intangible assets other than goodwill are composed of IPR&D assets acquired in acquisitions. LivaNova amortises its finite-lived intangible assets over their useful lives using the straight-line method. Estimating the useful lives of intangible assets requires LivaNova to apply significant judgment.

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

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

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

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

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

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

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

(a) *Financial Assets*

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

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

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

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

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

Collection periods for trade receivables vary significantly due to the nature of a customer (e.g. government or private) and its geographic location. LivaNova may utilize non-recourse and with-recourse factoring arrangements as a part of its funding policy; however, as of 31 December 2023 and 31 December 2022, there are no factoring arrangements outstanding.

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

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

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

(b) *Financial Liabilities*

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

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

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

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

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

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

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

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

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

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

Restricted Cash. The Company classifies cash that is not available for use in its operations as restricted cash within current assets on the consolidated balance sheets. As of 31 December 2023 and 2022, LivaNova's restricted cash balance totalled $311.4 million and $301.4 million, respectively, and was comprised of cash deposits with Barclays held as collateral for the SNIA Litigation Guarantee. As security for the SNIA Litigation Guarantee, LivaNova is required to grant cash collateral to Barclays in USD in an amount equal to the USD equivalent of 105% of the amount of the SNIA Litigation Guarantee calibrated on a biweekly basis. For additional information regarding the SNIA litigation, please refer to "Note 24. Commitments and Contingencies."

The following table presents a reconciliation of cash, cash equivalents and restricted cash reported on the consolidated balance sheets that sum to the total of the amounts shown on the consolidated statement of cash flows as of 31 December 2023 and 2022 (in thousands):

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

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

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

The estimated useful lives for all classes of depreciable PP&E, except for land and capital investment in process which are not depreciated, as of 31 December 2023 were as follows:

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

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

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

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

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

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

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

Refer to "Note 10. Goodwill and Intangible Assets" for a discussion of the sensitivity analyses performed for the discount rate, the expected short-term revenue growth rate and a one-year delay in the OSA CGU's commercialisation date.

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

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

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

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

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

Inventories. LivaNova states its inventories at the lower of cost, using the FIFO, and net realizable value. The Company's calculation of cost includes the acquisition cost of raw materials and components, direct labour and overhead. During the years ended 31 December 2023 and 2022, LivaNova reduced the carrying value of inventories for those items that are potentially excess, obsolete or slow moving based on changes in customer demand, technology developments or other economic factors by $19.9 million and $2.5 million, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred taxes are recognised by the liability method for temporary differences between the carrying amount of assets and liabilities in the consolidated balance sheet and their tax base. They are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Adjustments to deferred taxes resulting from changes in tax rates are recognised in the consolidated statement of (loss). A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. At each year-end, the Company reviews the recoverable value of deferred tax assets of tax entities holding significant loss carryforwards. This value is based, by tax entity, on the strategy for recoverability of the tax loss carryforwards. Deferred taxes are charged or credited directly to equity when the tax relates to items that are recognised directly in equity, such as gains and losses on cash flow hedges and actuarial gains and losses on defined benefit plan obligations. Deferred tax assets and liabilities are set off when they are levied on the same taxable entity (legal entity or tax group) by the same taxation authority and the entity has a legally enforceable right of set off. Deferred taxes are recognised for all temporary differences associated with investments in subsidiaries and associates, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax balances are not discounted. As required by the amendments to IAS12, the Company has applied the exception and will neither recognize or disclose information about deferred tax assets and liabilities relating to the OECD BEPS Pillar Two.

Leases. LivaNova has leases primarily for (i) real estate, including office space and manufacturing, warehouse and research and development facilities and (ii) vehicles. LivaNova determines if an arrangement is or contains a lease at its inception or when the terms and conditions of a contract are significantly changed. ROU assets and lease liabilities are recognised based on the present value of the future minimum lease payments over the lease term at the latter of the Company's lease standard effective date for adoption or the lease commencement date. LivaNova does not record an operating lease asset and corresponding liability for leases with terms of 12 months or less. LivaNova recognises the lease payments for such short-term leases within profit and loss on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or rate, such as variable common area rent, maintenance charges and utility fees not known upon lease commencement, are not included in the determination of the minimum lease payments and are expensed in the period in which the obligation for those payments is incurred. Variable lease payments that depend on an index or rate are initially measured using the index or rate as of the commencement date. As most of the Company's leases do not provide a readily determinable implicit rate, LivaNova uses its IBR based on the information available at the lease commencement date in determining the present value of future payments. LivaNova's IBR is determined using a risk-free rate adjusted for factors such as credit rating and borrowing currency, and represents an estimate of the interest rate the Company would incur at lease commencement to borrow the funds necessary to obtain an asset of similar value to the ROU asset over the term of a lease. The ROU lease asset also includes any lease payments made in advance and excludes lease incentives. LivaNova's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. ROU assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Lease payments are allocated between the liability and finance costs. Finance costs are recorded as an expense in the Company statement of (loss) income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Certain of LivaNova's leases provide for tenant improvement allowances that have been recorded as ROU assets and amortised, using the straight-line method, over the life of the lease.

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

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

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

For additional information refer to "Note 18. Leases."

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

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

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

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

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

Contingent Consideration. Contingent consideration is recognised at fair value at the date of acquisition based on the consideration expected to be transferred and estimated as the probability of future cash flows, discounted to present value in accordance with accepted valuation methodologies. The discount rate used is a benchmark yield curve for US healthcare companies, determined at the time of measurement. Contingent consideration is remeasured each reporting year with the change in fair value, including accretion for the passage of time, recorded in the consolidated statement of (loss). The change in fair value of contingent consideration based on the achievement of regulatory milestones is recorded as research and development expense while the change in fair value of sales-based earnout contingent consideration is recorded as cost of sales.

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

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

EPS. Basic (loss) EPS is calculated by dividing the (loss) income for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year. Diluted EPS is calculated by dividing the income (loss) attributable to equity holders of the parent by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into shares. However, for the calculation of diluted EPS for the years ended 31 December 2023 and 2022 there is no dilution because to do so would be antidilutive due to the Company being in a net loss position during these years. Refer to "Note 25. Earnings Per Share" for additional information.

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

Critical Estimates

- *3T Litigation and Saluggia Site Hazardous Substances Provisions.* Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Estimates are used in assessing the likelihood of a loss being incurred and when determining a reasonable estimate of the loss for each claim. Final settlement amounts may be materially different from the provision recorded. For the 3T litigation provision, given the nature of the estimate, no sensitivities are applicable. For further discussions on the Company's 3T Litigation and Saluggia Site Hazardous Substances Provisions, please refer to "Note 24. Commitments and Contingencies, including the sensitivity to discount rates and the range of outcomes for the Saluggia site hazardous substances provision."
- *Goodwill and Intangible Assets - In-process research and development.* Goodwill and in-process R&D were recognised as part of the Company's past merger and acquisition activities based on detailed valuations that use information and assumptions provided by management. These valuations consider management's best estimates of inputs and assumptions that a market participant would use. The key estimates in the valuations include the discount rate as well as the expected short-term revenue growth rate and the OSA CGU's commercialisation date. For a discussion of impairments recognised and sensitivity analyses performed, refer to "Note 10. Goodwill and Intangible Assets."
- *Embedded Exchange and Conversion Features and Capped Call Derivatives*. In June 2020, the Company's wholly-owned subsidiary LivaNova USA issued the 2025 Notes and entered into the related 2025 Capped Calls, and in March 2024, the Company issued the 2029 Notes and entered into the related 2029 Capped Calls. The 2025 Notes and 2029 Notes include an embedded exchange feature and an embedded conversion feature, respectively, that are bifurcated from the 2025 Notes and 2029 Notes, as applicable. The embedded exchange or conversion feature derivative is measured at fair value using a binomial lattice model and discounted cash flows that utilize observable and unobservable market data. Each capped call derivative is measured at fair value using the Black-Scholes model utilising observable and unobservable market data, including stock price, remaining contractual term, expected volatility, risk-free interest rate and expected dividend yield, as applicable. The Company uses historical volatility and implied volatility from options traded to determine expected stock price volatility which is an unobservable input that is significant to the valuation. For additional information, please refer to "Note 4. Financial Risk Management" for a sensitivity analysis of expected stock price volatility and "Note 17. Financial Liabilities."
- *Deferred Tax Recoverability*. Management has made judgements and estimates regarding the recoverability of deductible temporary differences and tax losses carried forward to be utilised from future taxable profits. The Group has decided not to recognise UK deferred tax assets relating to losses where UK group relief is not permitted, and other timing differences due to the uncertainty involved in determining the future profitability of the Group. For additional information, please refer to "Note 23. Income Taxes Expense."

Critical Judgements

- *Commitments and Contingencies.* A number of LivaNova subsidiaries are involved in various government and other investigations and legal proceedings (product liability, commercial, employment, environmental claims, etc.) arising out of the normal conduct of their businesses. The outcome of these matters is not certain and judgement is required in determining whether these matters require the recognition of a liability. The most significant matters considered relate to the Company's 3T device, the SNIA litigation and the Company's Saluggia site. For more information, see "Note 24. Commitments and Contingencies."

Note 3. Revenue Recognition

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

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

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

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

The following is a description of the principal activities (separated by reportable segments) from which LivaNova generates its revenue. For more detailed information about LivaNova's reportable segments including disaggregated revenue results by operating segment, major product line and primary geographic market, see "Note 26. Segment and Geographic Information."

Cardiopulmonary Products and Services

Cardiopulmonary products include HLM, oxygenators, autotransfusion systems, perfusion tubing systems, cannulae and other related accessories.

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

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

Neuromodulation Products

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

Advanced Circulatory Support Products

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

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

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

Contract Balances

Due to the nature of LivaNova's products and services, revenue producing activities may result in contract assets and contract liabilities. These activities relate primarily to Cardiopulmonary technical services contracts for short-term and multi-year service agreements. Contract assets are primarily comprised of unbilled revenues, which occur when a performance obligation has been completed, but not billed to the customer. Contract liabilities are made up of deferred revenue, which occurs when a customer pays for a service, before a performance obligation has been completed. Contract assets are included within prepaid expenses and other current assets on the consolidated balance sheets and were insignificant as of 31 December 2023 and 2022. As of 31 December 2023 and 2022, contract liabilities of $15.3 million and $14.1 million, respectively, were included within current and long-term other liabilities on the consolidated balance sheets. During the years ended 31 December 2023 and 2022, net revenue recognised that was included in the contract liability balance at the beginning of the period was $13.7 million and $9.4 million, respectively. During the years ended 31 December 2023 and 2022, there was no revenue recognised that related to performance obligations satisfied in previous periods.

Note 4. Financial Risk Management

Management of Financial Risk

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

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

Liquidity Risk

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

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

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

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

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

	2022				
	Due Within 1 Year	**1-2 Years**	**2-5 Years**	**Over 5 Years**	**Total**
Non-derivative financial instruments					
Trade payables	$ 72,403	$ —	$ —	$ —	$ 72,403
Financial liabilities	23,424	15,092	559,486	229	598,231
Total	$ 95,827	$ 15,092	$ 559,486	$ 229	$ 670,634
Financial derivative liabilities					
- on exchange rate risk	$ 5,886	$ —	$ —	$ —	$ 5,886
- on equity price risk (1)	—	85,675	—	—	85,675
Total	$ 5,886	$ 85,675	$ —	$ —	$ 91,561

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

Equity Price Risk

In June 2020, the Company issued $287.5 million in cash exchangeable senior notes and entered into related capped call transactions. The cash exchangeable senior notes include an embedded exchange feature that is bifurcated from the cash exchangeable senior notes. Please refer to "Note 17. Financial Liabilities" for further details. The embedded exchange feature derivative is measured at fair value using a binomial lattice model and discounted cash flows that utilize observable and unobservable market data. The capped call derivative is measured at fair value using the Black-Scholes model utilising observable and unobservable market data, including stock price, remaining contractual term, expected volatility, risk-free interest rate and expected dividend yield, as applicable.

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

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

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

Foreign Currency Exchange Rate Risk

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

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

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

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

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

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

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

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

Interest Rate Risk

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

As at 31 December 2023, LivaNova Group had the following variable rate financing denominated in USD:

- a Term Loan A from a syndicate of lenders to LivaNova USA, Inc. for $335 million
- a local credit facility in favour of LivaNova Colombia Sas for $1.5 million

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

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

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

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

Credit Risk

LivaNova trade receivables represent potential concentrations of credit risk. This risk is limited due to the large number of customers and their dispersion across a number of geographic areas, as well as the Company's efforts to control LivaNova's exposure to credit risk by monitoring the Company's receivables, the use of credit approvals and credit limits. Refer to "Note 14. Trade Receivables and Other Receivables" for more details. In addition, LivaNova has historically had strong collections and minimal write-offs. While the Company believes that its reserves for credit losses are adequate, essentially all of the Company's trade receivables are concentrated in the hospital and healthcare sectors worldwide, and accordingly, LivaNova is exposed to their respective business, economic and country-specific variables. Although LivaNova does not currently foresee a concentrated credit risk associated with these receivables, repayment is dependent on the financial stability of these industry sectors and the respective countries' national economies and healthcare systems.

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

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

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

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

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

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

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

Changes in provisions for uncollectible receivables are explained in "Note 14. Trade Receivables and Other Receivables."

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

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

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

Trade receivables that are past due were $34.5 million and $27.0 million at 31 December 2023 and 31 December 2022, respectively. Of this amount, 22.1% and 30.0% at 31 December 2023 and 31 December 2022, respectively, were receivables from certain government hospitals that pay their suppliers in 1-2 years on average, and the remaining are receivables from private customers, clinics and distributors, some of which have agreed to repayment plans through the renegotiation of payment terms.

At 31 December 2023 and 31 December 2022, the amount of performing receivables that were from government (public) hospitals were 26.9% and 13.0% of total performing receivables, respectively, as presented in the following table (in thousands):

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

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

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

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

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

For comparability, the revenue amounts include VAT.

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

Capital management

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

Note 5. Fair Value Measurements

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

- Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly
- Level 3 – Inputs are unobservable for the asset or liability

No assets or liabilities are classified as Level 1. Financial assets and liabilities that are classified as Level 2 include derivative instruments, primarily forward and option currency contracts and interest rate swap contracts, which are valued using standard calculations and models that use readily observable market data as their basis. At 31 December 2023, Level 3 assets include investments in private companies, the capped call derivatives associated with the Company's 2020 cash exchangeable senior notes and convertible notes receivable primarily associated with LivaNova's investment in ALung. At 31 December 2023, level 3 liabilities include the embedded exchange feature of the Company's cash exchangeable senior notes and contingent consideration recognised as a result of the acquisitions of ImThera and ALung.

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

The following tables present information by level for assets and liabilities that are measured at fair value on a recurring basis as of 31 December 2023 and 2022 (in thousands):

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

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

The following table presents a reconciliation of the beginning and ending balances of our recurring fair value measurements, using significant unobservable inputs (Level 3) for the years ended 31 December 2023 and 2022 (in thousands):

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

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

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

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

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

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

Level 2

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

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

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

Level 3

Financial assets at fair value consist of investments in equity shares, convertible preferred shares and convertible notes receivable of privately held companies for which there are no quoted market prices. These investments fall within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs to determine fair value as the investments are privately held entities without quoted market prices. To determine the fair value of these investments management used all pertinent financial information available related to the entities including valuation reports prepared by third parties. Refer to "Note 12. Financial Assets" for a further discussion of the Company's investments.

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

Earnout for contingent payments related to LivaNova's acquisitions of ImThera and ALung represents the Company's contingent consideration liability as of 31 December 2023. This liability falls within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs to determine fair value as the liability is estimated as the probability of future cash flows, discounted to present value in accordance with accepted valuation methodologies. The discount rate used is determined at the time of measurement. Refer to "Note 20. Contingent Consideration, 3T Litigation Provision Liability and Other Provisions" for a reconciliation of the changes in the fair value of the Company's contingent consideration liability.

The following table presents the fair value of LivaNova's Level 3 contingent consideration arrangements by acquisition as of 31 December 2023 and 2022 (in thousands):

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

The ImThera business combination involved contingent consideration arrangements composed of potential cash payments upon the achievement of a certain regulatory milestone and a sales-based earnout associated with sales of products. The sales-based earnout is valued using projected sales from LivaNova's internal strategic plan. These arrangements are Level 3 fair value measurements and include the following significant unobservable inputs as of 31 December 2023:

ImThera Acquisition	Valuation Technique	Unobservable Input	Ranges
Regulatory milestone-based payment	Discounted cash flow	Discount rate	7.2%
		Probability of payment	85%
		Projected payment year	2026
Sales-based earnout	Monte Carlo simulation	Risk-adjusted discount rate	13.6% - 14.0%
		Credit risk discount rate	7.4% - 7.9%
		Revenue volatility	30.8%
		Probability of payment	85%
		Projected years of earnout	2026 - 2029

The ALung business combination involved a contingent consideration arrangement composed of potential cash payments upon the achievement of certain sales-based thresholds associated with sales of products. The ALung contingent consideration arrangement states that, in the event that LivaNova ceases the operations of ALung, LivaNova would be subject to a one-time phase-out payment of $13.8 million. In January 2024, LivaNova announced the wind down of ACS, including ALung, as part of the 2024 Restructuring Plan. As a result, the ALung contingent consideration arrangement liability was adjusted to the phase-out payment amount of $13.8 million as of 31 December 2023.

Transfers

LivaNova reviews the fair value hierarchy classification on a quarterly basis. Changes in the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. The Company's policy is to recognise transfers into and out of levels within the fair value hierarchy at the end of the fiscal quarter in which the actual event or change in circumstances that caused the transfer occurs. There were no transfers between Level 1, Level 2 or Level 3 during the years ended 31 December 2023 and 2022. When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value.

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

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

Financial Instruments Not Measured at Fair Value

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

The carrying value of LivaNova's long-term debt including the current portion, as of 31 December 2023, and 2022 was $586.6 million and $541.4 million, respectively. The fair value of the Company's Notes as of 31 December 2023, and 2022 was $314.4 million and $328.1 million, respectively. For all other long-term debt obligations, the Company believes the carrying value approximates fair value.

Note 6. Financial Instruments

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

Classification of financial instruments

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

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

Classification of Financial Instruments at 31 December 2023

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

Classification of Financial Instruments at 31 December 2022

	Classification					Carrying Amount			
(in thousands)	Financial Assets/ Liabilities at Fair Value Through Profit or Loss	Receivables and Loans Measured at Amortised Cost	Financial Assets Measured at Amortised Cost	Financial Liabilities at Amortised Cost	Financial Assets/ Liabilities at Fair Value Through OCI	Total	Current Portion	Non-Current Portion	Fair Value
Assets									
Cash, cash equivalents and restricted cash	$ —	$ 515,618	$ —	$ —	$ —	$ 515,618	$ 515,618	$ —	$ 515,618
Trade receivables	—	183,110	—	—	—	183,110	183,110	—	183,110
Financial derivative assets	55,726	—	—	—	—	55,726	1,333	54,393	55,726
Financial assets	14,288	3,563	6,259	—	—	24,110	1,679	22,431	24,110
Other assets	—	8,087	—	—	—	8,087	—	8,087	8,087
Total financial assets	$ 70,014	$ 710,378	$ 6,259	$ —	$ —	$ 786,651	$ 701,740	$ 84,911	$ 786,651
Liabilities									
Financial liabilities	$ —	$ —	$ —	$ 538,936	$ —	$ 538,936	$ 20,892	$ 518,044	$ 636,344
Lease liabilities	—	—	—	38,925	—	38,925	9,312	29,613	38,925
Other liabilities	—	—	—	65,997	—	65,997	—	4,471	4,471
Trade payables	—	—	—	72,403	—	72,403	72,403	—	72,403
Financial derivative liabilities	90,518	—	—	—	1,043	91,561	5,886	85,675	91,561
Other financial liabilities	—	—	—	2,727	—	2,727	2,727	—	2,727
Total financial liabilities	$ 90,518	$ —	$ —	$ 718,988	$ 1,043	$ 810,549	$ 111,220	$ 637,803	$ 846,431

Note 7. Business Combinations

As of 31 December 2021, LivaNova owned a 3% investment in ALung, a privately held medical device company focused on creating advanced medical devices for treating respiratory failure. On May 2022, LivaNova acquired the remaining 97% of equity interests in ALung for a purchase price of up to $110.0 million, consisting of $10.0 million paid at closing, subject to customary adjustments, and contingent consideration of up to $100.0 million payable upon achievement of certain sales-based milestones beginning in 2023 and ending in 2027. Total consideration included approximately $5.5 million of non-cash consideration.

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

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

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

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

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

Goodwill arising from the ALung acquisition, which is not deductible for tax purposes, primarily represents the anticipated synergies between ALung and LivaNova's ACS business. The assets acquired, including goodwill, are recognised in LivaNova's ACS segment. The goodwill for the ACS CGU was fully impaired during the year ended 31 December 2022. Please refer to "Note 10. Goodwill and Intangible Assets" for further details.

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

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

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

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

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

Note 8. Restructuring

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

During 2020, LivaNova initiated a reorganisation plan to reduce the Company's cost structure. Under this plan, LivaNova incurred restructuring expenses of $9.7 million during 2021, primarily associated with severance costs for approximately 54 employees, and $9.7 million during 2021, primarily associated with severance costs for 27 employees terminated during 2021 and lease abandonment costs. The reorganisation plan was completed during 2022.

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

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

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

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

The following table presents a reconciliation of the beginning and ending balance of the accruals and other reserves recorded in connection with LivaNova's restructuring plans included within current and long-term provisions and current other liabilities on the consolidated balance sheets for the years ended 31 December 2023 and 2022 (in thousands):

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

(1) The restructuring plans' liabilities are recorded in the Consolidated Balance Sheet as $1.3 million within current and long-term provisions and $0.7 million within current other liabilities as of 31 December 2022.
(2) The restructuring plans' liabilities are recorded in the Consolidated Balance Sheet as $0.1 million within current and long-term provisions and $0.8 million within current other liabilities as of 31 December 2023.

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

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

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

Note 9. Property, Plant and Equipment

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

	Land	Buildings and Building Improvements	Equipment, Other, Furniture, Fixtures	Capital Investment in Process	Total
At 31 December 2023					
Gross amount	$ 14,902	$ 84,543	$ 185,692	$ 7,830	$ 292,967
Accumulated depreciation and impairment	—	(31,106)	(129,014)	—	(160,120)
Net amount	$ 14,902	$ 53,437	$ 56,678	$ 7,830	$ 132,847
At 31 December 2022					
Gross amount	$ 14,637	$ 80,611	$ 174,352	$ 7,355	$ 276,955
Accumulated depreciation and impairment	—	(26,301)	(118,354)	—	(144,655)
Net amount	$ 14,637	$ 54,310	$ 55,998	$ 7,355	$ 132,300

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

	Land	Buildings and Building Improvements	Equipment, Other, Furniture, Fixtures	Capital Investment in Process	Total
Net Amount at 1 January 2022	$ 15,099	$ 56,368	$ 59,430	$ 10,203	$ 141,100
Acquisition of ALung	—	—	44	—	44
Additions	—	823	6,703	9,887	17,413
Disposals	—	(21)	(892)	(197)	(1,110)
Impairment	—	—	(325)	(363)	(688)
Depreciation	—	(4,365)	(14,130)	—	(18,495)
Currency translation loss	(462)	(1,546)	(2,672)	(487)	(5,167)
Reclassifications (1)	—	3,051	7,840	(11,688)	(797)
Net Amount at 31 December 2022	14,637	54,310	55,998	7,355	132,300
Additions	—	689	12,348	11,423	24,460
Disposals	—	(55)	(2,222)	(98)	(2,375)
Impairment	—	—	(3,148)	(746)	(3,894)
Depreciation	—	(4,615)	(15,068)	—	(19,683)
Currency translation gain	265	510	1,061	203	2,039
Reclassifications	—	2,598	7,709	(10,307)	—
Net Amount at 31 December 2023	$ 14,902	$ 53,437	$ 56,678	$ 7,830	$ 132,847

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

Note 10. Goodwill and Intangible Assets

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

	Goodwill	Intangible Assets						
		Developed Technology	Customer Relationships	Trade Names	In-Process R&D	Other Intangible Assets	Software	Total
At 31 December 2023								
Gross amount	$ 458,857	$ 103,490	$ 187,196	$ 13,280	$ 112,000	$ 779	$ 57,000	$ 473,745
Accumulated amortisation	—	(56,921)	(84,647)	(13,280)	—	(720)	(35,718)	(191,286)
Net amount	$ 458,857	$ 46,569	$ 102,549	$ —	$ 112,000	$ 59	$ 21,282	$ 282,459
At 31 December 2022								
Gross amount	$ 453,794	$ 217,205	$ 184,397	$ 24,368	$ 112,000	$ 762	$ 45,080	$ 583,812
Accumulated amortisation	—	(80,219)	(72,820)	(16,483)	—	(650)	(30,270)	(200,442)
Net amount	$ 453,794	$ 136,986	$ 111,577	$ 7,885	$ 112,000	$ 112	$ 14,810	$ 383,370

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

	Goodwill	Intangible Assets						
		Developed Technology	Customer Relationships	Trade Names	In-Process R&D	Other Intangible Assets	Software	Total
Net Amount at 1 January 2022	$ 579,762	$ 151,218	$ 127,694	$ 8,654	$ 112,000	$ 118	$ 8,839	$ 408,523
Acquisition	26,870	2,900	—	—	—	—	—	2,900
Additions	—	—	—	—	—	6	9,185	9,191
Amortisation	—	(13,833)	(10,540)	(769)	—	(56)	(3,846)	(29,044)
Impairment (1)	(144,990)	—	—	—	—	—	—	—
Currency translation loss	(7,848)	(3,299)	(5,577)	—	—	(6)	(115)	(8,997)
Reclassifications (1)	—	—	—	—	—	50	747	797
Net Amount at 31 December 2022	453,794	136,986	111,577	7,885	112,000	112	14,810	383,370
Additions	—	—	—	—	—	—	11,488	11,488
Amortisation	—	(14,066)	(10,587)	(768)	—	(51)	(5,054)	(30,526)
Impairment	—	(78,067)	—	(7,117)	—	—	—	(85,184)
Currency translation gain / (loss)	5,063	1,716	1,559	—	—	(2)	38	3,311
Net Amount at 31 December 2023	$ 458,857	$ 46,569	$ 102,549	$ —	$ 112,000	$ 59	$ 21,282	$ 282,459

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

Amortisation of intangible assets charged to the consolidated statement of (loss) totalled $30.5 million and $29.0 million for the year ended 31 December 2023 and 31 December 2022, respectively, and is included within cost of sales, selling, general and administrative and research and development.

The amortisation periods for LivaNova's finite-lived intangible assets as of 31 December 2023 were as follows:

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

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

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

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

(1) As at 31 December 2022, developed technology from the Merger had a remaining useful life of 8 to 11 years, customer relationships from the Merger had a remaining useful life of 11 years, developed technology from the TandemLife acquisition

had a remaining useful life of 11 years and developed technology from the ALung acquisition had a remaining useful life of 14 years.

Impairment of Goodwill and Intangible Assets

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

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

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

LivaNova performed quantitative assessments of the Company's CGUs as of 31 December 2023 and 2022 in accordance with IAS 36 "Impairment of Assets." The methodology applied to the Company's CGUs was fair value less cost of disposal, reflecting past experience and external sources of information, including Board approved budgets covering a five-year period. Cash flows beyond the five-year period are projected using the estimated growth rates, which are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. Additionally, these calculations use cash flow projections with post-tax discount rates derived from the Company's benchmarked WACC and an expected short-term revenue growth rate for all CGUs. The Company has considered climate risk in relation to impairment testing of goodwill. While climate-related matters can affect future cash flows and the carrying value being tested, no such impacts were identified related to the impairment tests in 2023 or 2022.

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

LivaNova also performed quantitative assessments of the IPR&D recognised in conjunction with the acquisition of ImThera as of 31 December 2023 and 2022. The fair value less cost of disposal calculation was based on a projection period of 23 years. The assessment included a discounted cash flow model test that included a discount rate and an expected short-term revenue growth rate. Based on the assessments performed, the Company determined that the IPR&D asset was not impaired. The fair value less cost of disposal of the IPR&D asset recognised in conjunction with the acquisition of ImThera exceeded its carrying value by approximately 72.6% or $81.3 million as of 31 December 2023 and by approximately 23.7% or $26.5 million as of 31 December 2022.

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

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

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

The fair value less cost of disposal models used for calculating the recoverable amount is most sensitive to the discount rate, the expected short-term revenue growth rate and the OSA CGU's commercialisation date. The Company performed a sensitivity analysis, as of 31 December 2023, for each of these assumptions for each CGU, as applicable, including an increase of 0.5% in the discount rate used, a decrease of 0.5% in the expected short-term revenue growth rate and a one-year delay of the OSA CGU's commercialisation date, which LivaNova considers to be reasonably possible changes. None of these reasonably possible scenarios would result in an impairment of any CGU except for OSA with a one-year delay in commercialisation. A hypothetical one-year delay in commercialisation would result in an impairment of the OSA CGU's goodwill of approximately $9.4 million.

Note 11. Investments in Subsidiaries

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

Entity	Registered Office	Country of Incorporation	% Consolidated Group Ownership
LivaNova PLC (Italian Branch)	Via Enrico Cialdini, 16, 20161 Milano Italy	Italy	100
ALung Technologies, Inc.	2500 Jane St., Ste 100, Pittsburgh, PA 15203	US	100
Caisson Interventional, LLC	6500 Wedgwood Rd., Maple Grove, MN 55311	US	100
CardiacAssist, Inc. Dba TandemLife	620 Alpha Drive, Ste 200, Pittsburgh, PA 15238	US	100
ImThera Medical, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	US	100
LivaNova Australia PTY Limited	Unit 1, 63 Wells Road, Chelsea Heights VIC 3196	Australia	100
LivaNova Austria GmbH	Millennium Tower, Handelskai 94-96, 1200 Wien	Austria	100
LivaNova Belgium NV	Ikaroslaan 83, 1930 Zaventem, Belgium	Belgium	100
LivaNova Brasil Comércio e Distribuição de Equipamentos Médico-hospitalares Ltda	Rua Liege, 54 – Vila Vermelha, 04298-070 – São Paulo - SP - Brasil	Brazil	100
LivaNova Canada Inc.	8-280 Hillmount Road Markham, ON L6C 3A1	Canada	100
LivaNova Cayman Limited	Centralis Cayman Limited One Capital Place, 3rd Floor George Town, Grand Cayman PO Box 1564, Cayman Islands KY1-1110	Cayman Islands	100
LivaNova Chile SpA	Calle Miraflores 222, piso 28 Norte, Santiago, Chile	Chile	100
LivaNova Colombia Sas	Avenida Calle 80 No. 69-70 Bodega 37, Bogotá, Colombia	Colombia	100
LivaNova Deutschland GmbH	Lindberghstrasse 25, D - 80939 München, Germany	Germany	100
LivaNova España, S.L.	Paseo de Gracia 6 1 – 2 08007 Barcelona , Spain	Spain	100
LivaNova Finland OY	c/o Kalliolaw Asianajotoimisto Oy, Södra kajen 12, 00130 Helsinki, Finland	Finland	100
LivaNova Holding S.r.l.	Via Enrico Cialdini, 16, 20161 Milano Italy	Italy	100
LivaNova Hong Kong Limited	4008-4009, 40/F, One Pacific Place, 88 Queensway, Hong Kong	Hong Kong	100
LivaNova Hungary Limited Liability Company	Centralis Hungary, 1062 Budapest, Váci út 1-3. "A" torony. ép. 6. em.	Hungary	100
LivaNova, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	US	100
LivaNova India Private Limited	603-A, Copia Corporate Suites, Building #09, Jasola District Centre, New Delhi, India 110025	India	99.99
LivaNova IP Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	UK	100
LivaNova Japan K.K.	11-1 Nagatacho 2 chome, Chiyoda-ku, Tokyo, 100-6110 Japan	Japan	100
LivaNova (Thailand) Ltd	999, Gaysorn Building, 5th Floor, Unit 5B-1, Room no 535 ,509-510 Ploenchit Rd., Lumpini, Patumwan, Bangkok 103304	Thailand	99.997
LivaNova (China) Medical Technology Co. Ltd	Room 218, 2nd Floor,No.56 Meisheng Road, Shanghai Pilot Free Trade Zone, China	China	100
LivaNova Malaysia Sdn. Bhd.	Unit A-3-6, TTDI Plaza, Jalan Wan Kadir 3, Taman Tun Dr Ismail, 60000 Kuala Lumpur, Malaysia	Malaysia	100
LivaNova Nederland N.V.	Westerdoksdijk 423, 1013 BX, Amsterdam, Netherlands	Netherlands	100
LivaNova Norway AS	c/o AmestoAccounthouse AS, Smeltedigelen 1, 0195 Oslo, Norway	Norway	100
LivaNova Poland Sp. Z o.o.	Park Postepu Bud A Ul. Postepu 21 PL-02 676 Warszawa, Poland	Poland	100

Note 11. Investments in Subsidiaries

Entity	Registered Office	Country of Incorporation	% Consolidated Group Ownership
LivaNova SAS	24 rue du Gouverneur Général Éboué, 92130 Issy-les-Moulineaux, France	France	100
LivaNova Scandinavia AB	Djupdalsvägen 16, 192 51 Sollentuna, Sweden	Sweden	100
LivaNova Singapore Pte Ltd	11 North Buona Vista Drive #13-09, The Metropolis, Singapore 138589	Singapore	100
LivaNova Site Management S.r.l.	Via Enrico Cialdini, 16, 20161 Milano Italy	Italy	100
LivaNova Switzerland SA	Rue du Grand-Pont 12, 1003 Lausanne	Switzerland	100
LivaNova Taiwan Co. Ltd	12F, No. 101, Songren Rd. Taipei City, 110414 Taiwan	Taiwan	100
LivaNova Turkey Medikal Limited Sirketi	Esentepe Mahallesi Ecza Sk. Pol Center Sit. C Blok Apt No: 4/1 Sisli/ Istanbul	Turkey	100
LivaNova UK Limited	1370 Montpellier Court, Gloucester Business Park, Gloucester, Gloucestershire, GL3 4AH, United Kingdom	UK	100
LivaNova USA, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	US	100
LIVN Irishco 2 UC	Deloitte, 6 Lapps Quay, Cork, T12 TA48, Ireland	Ireland	100
LIVN Luxco 2 sarl (1)	15 Rue Edward Steichen L-2540 Luxembourg	Luxembourg	100
LIVN UK 2 Co Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	UK	100
LIVN UK Holdco Limited	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	UK	100
LIVN US 3, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	US	100
LIVN US 5, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	US	100
Sorin Group Italia S.r.l.	Via Enrico Cialdini, 16, 20161 Milano Italy	Italy	100
Sorin Group Rus LLC	Marshal Proshlyakov str. 30 office 304 123458 Moscow, Russia	Russia	100

(1) LIVN Luxco 2 sarl was liquidated in December 2023.

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

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

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

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

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

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

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

Note 12. Financial Assets

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

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

The following table lists LivaNova's non-current financial assets of investments in equity instruments in privately-held companies held at cost as of 31 December 2023 and 2022, which the Company believes it is an appropriate estimate of fair value unless more recent information is available sufficient to measure fair value, in the consolidated balance sheet (in thousands):

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

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

	Percent Ownership		
	2023	2022	Address
MD Start I K.G.	23.4%	23.4%	7-11 bd Haussmann, 75009 Paris, France
Enopace Biomedical Ltd.	34.5%	34.5%	15 Alon ha-Tavor Street, Caesarea, Haifa District, Israel
Cardiosolutions, Inc.	35.3%	35.3%	375 West Street, West Bridgewater, MA 02379
La Bouscarre S.C.I.	50.0%	50.0%	Route de Revel, 31450 Fourquevaux, France
MD Start III (1)	7.9%	10.4%	7-11 bd Haussmann, 75009 Paris, France

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

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

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

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

Note 13. Inventories

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

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

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

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

Note 14. Trade Receivables and Other Receivables

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

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

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

Trade receivables are reported net of the expected credit loss provision. The following table presents the changes in the expected credit loss provision for the years ended 31 December 2023 and 2022 (in thousands):

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

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

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

Note 15. Derivative Financial Instruments

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

LivaNova is also exposed to equity price risk in connection with the Company's Notes, including exchange and settlement provisions based on the price of LivaNova's Ordinary Shares at exchange or maturity of the Notes. In addition, the 2025 Capped Calls associated with the 2025 Notes also include settlement provisions that are based on the price of LivaNova's Ordinary Shares, subject to a capped price per share. The Company does not enter into derivative contracts for speculative purposes.

LivaNova measures all outstanding derivatives each period end at fair value and report the fair value as either financial assets or liabilities on the consolidated balance sheets. At inception of the contract, the derivative is designated as either a freestanding derivative or a hedge. Derivatives that are not designated as hedging instruments are referred to as freestanding derivatives with changes in fair value included in earnings. These derivatives are intended to serve as economic hedges and follow the cash flows of the economic hedged item. The cash flows from these derivative contracts are reported as operating activities on LivaNova's consolidated statements of cash flows.

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

Freestanding FX Derivative Contracts

The gross notional amount of FX derivative contracts not designated as hedging instruments, outstanding as of 31 December 2023 and 2022, was $223.4 million and $154.5 million, respectively. These derivative contracts are designed to offset the FX effects in earnings of various intercompany loans and trade receivables. The Company recorded net loss for these freestanding derivatives of

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

Counterparty Credit Risk

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

The two counterparties to the 2025 Capped Calls are financial institutions. To limit the Company's credit risk, LivaNova selected financial institutions with a minimum long-term investment grade credit rating. The Company's exposure to the credit risk of the counterparties is not secured by any collateral. If a counterparty becomes subject to insolvency proceedings, the Company will become an unsecured creditor in those proceedings, with a claim equal to LivaNova's exposure at that time under the 2025 Capped Calls with that counterparty.

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

Cash Flow Hedges

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

Interest Rate Risk. Historically, LivaNova entered into interest rate swaps associated with the Initial Term Facility, which qualified for and were designated as cash flow hedges. The Company's interest rate swaps expired on 6 April 2023. LivaNova elected not to renew the interest rate swaps as finance expenses associated with the Initial Term Facility is principally offset by holding a significant portion of the Initial Term Facility in a depository account, which earns a floating rate of interest.

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

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

The after-tax net gain (loss) associated with derivatives designated as cash flow hedges for interest rate swap contracts recorded in the ending balance of AOCI and the amount expected to be reclassified to earnings in the next 12 months as of 31 December 2023 and 2022 was nil and $1.0 million, respectively.

Presentation in Financial Statements

The following tables present the pre-tax (losses) gains for derivative contracts designated as cash flow hedges recognised in OCI and the amount reclassified to earnings from AOCI for the years ended 31 December 2023 and 2022 (in thousands):

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

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

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

The following tables present the fair value, and the location of, derivative contracts reported on the consolidated balance sheets as of 31 December 2023 and 2022 (in thousands):

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

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

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

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

Note 16. Shareholders' Equity

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

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

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

(1) *Allotted, fully paid and issued.*

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

Group reconstruction reserve. The 'Group reconstruction reserve' represents the excess of value attributed to shares and share appreciation rights issued during the acquisition of Sorin S.p.A on 19 October 2015 over the nominal value of those shares and share rights. Additionally, on 6 August 2021, the Company closed an offering and issued 4,181,818 ordinary shares, par value

£1.00 per share, at an offering price of $82.50 per share. Net proceeds from the offering were approximately $322.5 million, after deducting underwriting discounts, commissions and offering expenses, of which $316.7 million was recognised as group reconstruction reserve.

Treasury shares. Shares held by the EBT are issued to employees and directors at exercise of share-based compensation grants. The balance of shares in the EBT are reported as treasury shares. LivaNova PLC did not issue any additional shares to the Company's EBT during the years ended 31 December 2023 or 31 December 2022. As of 31 December 2023 and 2022, LivaNova held 23,929 and 287,315 shares in treasury.

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

	Change in Unrealised (Loss) Gain on Derivatives	Foreign Currency Translation Adjustments	Revaluation of Net (Asset) Liability for Defined Benefits	Total
Beginning Balance - 1 January 2022	$ (945)	$ (2,206)	$ (2,133)	$ (5,284)
Other comprehensive (loss) income before reclassifications, before tax	(3,688)	(22,170)	915	(24,943)
Tax benefit	—	—	38	38
Other comprehensive (loss) income before reclassifications, net of tax	(3,688)	(22,170)	953	(24,905)
Reclassification of loss from accumulated other comprehensive loss, before tax	5,599	—	—	5,599
Tax effect	—	—	—	—
Reclassification of loss from accumulated other comprehensive loss, after tax	5,599	—	—	5,599
Net other comprehensive income (loss), net of tax	1,911	(22,170)	953	(19,306)
Ending Balance - 31 December 2022	966	(24,376)	(1,180)	(24,590)
Other comprehensive (loss) income before reclassifications, before tax	(433)	12,045	(190)	11,422
Tax benefit	—	—	9	9
Other comprehensive (loss) income before reclassifications, net of tax	(433)	12,045	(181)	11,431
Reclassification of gain from accumulated other comprehensive loss, before tax	(533)	—	—	(533)
Tax effect	—	—	—	—
Reclassification of gain from accumulated other comprehensive loss, after tax	(533)	—	—	(533)
Net other comprehensive (loss) income, net of tax	(966)	12,045	(181)	10,898
Ending Balance - 31 December 2023	$ —	$ (12,331)	$ (1,361)	$ (13,692)

Note 17. Financial Liabilities

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

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

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

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

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

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

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

Revolving Credit

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

On 13 August 2021, LivaNova PLC and its wholly-owned subsidiary, LivaNova USA as borrower, entered into a First Lien Credit Agreement with the lenders and issuing banks party thereto and Goldman Sachs Bank USA, as First Lien Administrative Agent and First Lien Collateral Agent, relating to a $125 million senior secured multi-currency revolving credit facility to be made available to the borrower, referred to as the 2021 First Lien Credit Agreement. The 2021 First Lien Credit Agreement, as amended from time to time, expires on 13 August 2026 and bears interest at a rate equal to, for US dollar-denominated loans, an adjusted SOFR with a floor of 0.00%, or a Base Rate, plus, in each case, a variable margin based on the Company's Total Net Leverage Ratio, as defined in the agreement. Interest is paid monthly or quarterly, as selected by the borrower, with any outstanding principal due at maturity. The 2021 First Lien Credit Agreement also contemplates the payment of commitment fees on the unused portion of the commitments, at a variable percentage based on the Company's Total Net Leverage Ratio. As of 31 December 2023 and 2022, the applicable commitment fee percentage was 0.5% per annum. The 2021 First Lien Credit Agreement is available for working capital and other general corporate purposes and, if drawn, can be repaid at any time without premium or penalty. As of 31 December 2023, LivaNova was in compliance with the financial covenants contained in its 2021 First Lien Credit Agreement.

There were no outstanding borrowings under the 2021 First Lien Credit Agreement's $125 million revolving credit facility as of 31 December 2023 and 2022.

Bridge Loan Facility

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

On 18 March 2022, LivaNova PLC, acting through its Italian branch, entered into an Indemnity Letter and an Account Pledge Agreement with Barclays, further to which Barclays issued the SNIA Litigation Guarantee. As security for the SNIA Litigation

Guarantee, LivaNova is required to grant cash collateral to Barclays in USD in an amount equal to the USD equivalent of 105% of the amount of the SNIA Litigation Guarantee calibrated on a biweekly basis. The proceeds of the Bridge Loan Facility were used by LivaNova to post a portion of the cash collateral supporting the SNIA Litigation Guarantee. Cash collateral classified as restricted cash on the consolidated balance sheets as of 31 December 2023 and 2022 was $311.4 million and $301.4 million, respectively. For additional information regarding the SNIA litigation, please refer to "Note 24. Commitments and Contingencies."

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

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

Term Facilities

On 6 July 2022, LivaNova and its wholly-owned subsidiary, LivaNova USA, entered into Incremental Facility Amendment No. 2, which provides for LivaNova USA to, among other things, obtain commitments for term loan facilities from a syndicate of lenders in an aggregate principal amount of $350 million consisting of (i) the Initial Term Facility with an aggregate principal amount of $300 million and (ii) the Delayed Draw Term Facility with an additional aggregate principal amount of $50 million. On 6 April 2023, LivaNova drew $50 million under the Delayed Draw Term Facility for general corporate purposes.

Proceeds from the Initial Term Facility were used to repay in full the Bridge Loan Facility on 6 July 2022, with the remainder used for general corporate purposes of the Company. The Term Facilities have a maturity of the earlier of (i) five years or (ii) 91 days prior to 15 December 2025, the maturity date of the 2020 Cash Exchangeable Senior Notes, unless by that date LivaNova USA will have either redeemed or refinanced the 2025 Notes, or set aside an amount of cash equal to the then-outstanding principal amount of the 2025 Notes. The Term Facilities bear interest at a rate equal to an adjusted term SOFR plus a variable margin based on the Company's consolidated total net leverage ratio. As of 31 December 2023, the applicable margin over adjusted term SOFR was equal to 3.5% per annum. The Term Facilities are subject to an original issue discount of 1.5% of their principal amount. The Term Facilities are subject to quarterly principal repayment, based on the following amortisation schedule: (i) during the first year from the initial funding date: 1.9%; (ii) year two: 5.0%; (iii) year three: 5.0%; (iv) year four: 7.5%; and (v) year five: 10.0%, with the remainder to be paid at maturity. The effective interest rate of the Term Facilities at of 31 December 2023 was 6.53%.

The 2021 First Lien Credit Agreement, as amended, contains customary representations, warranties and covenants, including the requirement to maintain a Senior Secured First Lien Net Leverage Ratio, calculated as the ratio of Consolidated Senior Secured First Lien Net Indebtedness to Consolidated EBITDA, as defined in the credit agreement, for the period of four consecutive fiscal quarters ended on the calculation date, of not more than 3.50 to 1.00 and an Interest Coverage Ratio, calculated as the ratio of Consolidated EBITDA to Consolidated Interest Expense, both as defined in the credit agreement, for the period of four consecutive fiscal quarters ended on the calculation date, of not less than 3.00 to 1.00. As of 31 December 2023 , the Company was in compliance with the financial covenants contained in the 2021 First Lien Credit Agreement.

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

2020 Cash Exchangeable Senior Notes

On 17 June 2020, LivaNova's wholly-owned subsidiary, LivaNova USA, issued the 2025 Notes by private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The sale of the 2025 Notes resulted in approximately $278.0 million in net proceeds to the Company after deducting issuance costs. Interest is payable semiannually in arrears on 15 June and 15 December of each year. The EIR of the 2025 Notes as of 31 December 2023 was 9.95%. The 2025 Notes mature on 15 December 2025 unless earlier exchanged, repurchased, or redeemed.

Debt discounts and issuance costs related to the 2025 Notes were approximately $82.0 million and included $75.0 million of discount attributable to the embedded exchange feature, discussed below, and $7.0 million of allocated issuance costs to the 2025 Notes related to legal, bank and accounting fees. Amortisation of debt discount and issuance costs for the 2025 Notes was $15.9 million and $14.4 million for the years ended 31 December 2023 and 2022, respectively, and is included in finance expenses on the consolidated statement of (loss). The unamortised discount related to the 2025 Notes as of 31 December 2023 and 2022 was $32.0 million and $47.9 million, respectively.

Holders of the 2025 Notes are entitled to exchange the 2025 Notes at any time during specified periods, at their option. This includes the right to exchange the 2025 Notes during any calendar quarter, if the last reported sale price of LivaNova's ordinary shares, with a nominal value of £1.00 per share, is greater than or equal to 130% of the exchange price, or $79.27 per share for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter. The exchange condition was not satisfied on 31 December 2023. As a result, the Company has included its obligations from the 2025 Notes and the associated embedded exchange feature derivative as a long-term liability on the consolidated balance sheets as of 31 December 2023. Additionally, the exchange condition was not satisfied on 31 March 2024. As such, the 2025 Notes are not currently exchangeable. The 2025 Notes are exchangeable solely into cash and are not exchangeable into ordinary shares of LivaNova or any other security under any circumstances. The initial exchange rate for the 2025 Notes is 16.3980 ordinary shares per $1,000 principal amount of 2025 Notes (equivalent to an initial exchange price of approximately $60.98 per share). The exchange rate is subject to adjustment in certain circumstances, as set forth in the 2024 Indenture.

The Company may redeem the 2025 Notes at its option on or after 20 June 2023 and prior to the 51st scheduled trading day immediately preceding the maturity date, in whole or in part, if the last reported sale price per ordinary share has been at least 130% of the exchange price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption, at a redemption price equal to 100% of the principal amount of the 2025 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. Additionally, the Company may redeem the 2025 Notes at its option, prior to their stated maturity, in whole but not in part, in connection with certain tax-related events.

Embedded Exchange Feature

The embedded exchange feature of the 2025 Notes requires bifurcation from the 2025 Notes and is accounted for as a derivative liability. The fair value of the 2025 Notes' embedded exchange feature derivative at the time of issuance was $75.0 million and was recorded as debt discount on the 2025 Notes. This discount is amortised as finance expenses using the effective interest method over the term of the 2025 Notes. The 2025 Notes' embedded exchange feature derivative is carried on the consolidated balance sheets at its estimated fair value and is adjusted at the end of each reporting period, with the unrealised gain or loss reflected within net gain on embedded exchange feature and capped call derivatives on the consolidated statement of (loss). The fair value of the embedded exchange feature derivative liability was $45.6 million and $85.7 million as of 31 December 2023 and 2022, respectively.

Capped Call Transactions

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

Note 18. Leases

LivaNova has leases primarily for (i) office space, (ii) manufacturing, warehouse and R&D facilities and (iii) vehicles. LivaNova's leases have remaining lease terms up to 15 years, some of which include options to extend the leases, some of which include options to terminate the leases at the Company's sole discretion, and some of which call for variable lease payments.

Right-of-Use Assets and Lease Liabilities

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

	Real Estate	Vehicles	Others	Total ROU Assets	Lease Liabilities
Balance as of 31 December 2021	$ 36,405	$ 3,519	$ 196	$ 40,120	$ 47,364
Additions	6,125	1,019	203	7,347	7,339
Depreciation expense (1)	(8,597)	(1,757)	(249)	(10,603)	NA
Disposals, modifications and other	375	(16)	4	363	(2,479)
Finance expenses	—	—	—	—	1,461
Lease payments	NA	NA	NA	NA	(12,441)
Currency translation adjustments	(2,145)	(283)	(7)	(2,435)	(2,319)
Balance as of 31 December 2022	32,163	2,482	147	34,792	38,925
Additions	24,148	1,332	649	26,129	26,009
Depreciation expense (1)	(8,430)	(1,596)	(265)	(10,291)	NA
Disposals, modifications and other	(1,597)	(118)	(15)	(1,730)	(1,830)
Finance expenses	—	—	—	—	1,573
Lease payments	NA	NA	NA	NA	(11,687)
Currency translation adjustments	577	82	6	665	853
Balance as of 31 December 2023	$ 46,861	$ 2,182	$ 522	$ 49,565	$ 53,843

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

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

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

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

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

Lease Payments not Recognised as a Liability

LivaNova has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments (i.e., variable maintenance and utility expenses) are not permitted to be recognised as lease liabilities and are expensed as incurred. Expenses recognised during 2023 and 2022 relating to payments not included in the measurement of lease liabilities is as follows (in thousands):

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

At 31 December 2023 and 2022, LivaNova was committed to future lease payments of approximately $3.6 million and $2.5 million, respectively, relating to short-term leases and leases of low value assets that are not reflected in the measurement of lease liabilities. These payments will generally be made ratably over the next 3 to 5 years.

Furthermore, lessor lease revenue constituted less than 0.5% and less than 0.5% of total net revenue for the year ended 31 December 2023 and 2022, respectively.

Note 19. Other Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 21. Share-Based Plans

Share-Based Plans

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

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

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

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

Share-Based Compensation

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

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

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

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

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

Share Appreciation Rights and Share Options

LivaNova uses the Black-Scholes option pricing methodology to calculate the grant date fair market value of SARs. The following table lists the assumptions the Company utilised as inputs to the Black-Scholes model during the years ended 31 December 2023 and 2022:

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

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

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

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

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

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

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

(1) Includes the impact of expected future forfeitures.

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

The aggregate intrinsic value of the options and SARs outstanding at 31 December 2023 and 2022 is $12.0 million and $10.1 million, respectively. The aggregate intrinsic value of options and SARs is based on the difference between the fair market value of the underlying share at the end of the year using the market closing share price, and exercise price for in-the-money awards.

The following table presents outstanding options and SARs by exercise price range as of 31 December 2023 and 2022 (in number of shares):

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

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

Restricted Share and Restricted Share Units Awards

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

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

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

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

The following tables detail the activity for performance-based and market-based restricted share and restricted share unit awards for the years ended 31 December 2023 and 2022:

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

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

	Year Ended 31 December	
	2023	2022
Weighted average grant date fair value of performance-based restricted share units granted during the year (per share)	$ 40.63	$ 92.53
Aggregate fair value of performance-based restricted share units that vested during the year (in thousands)	$ 3,641	$ 877

Note 22. Employee Retirement Plans

LivaNova sponsors several defined benefit pension plans, which include plans in the US, Italy, Germany, Japan and France. The Company maintains a frozen cash balance retirement plan in the US that is a contributory, defined benefit plan designed to provide the benefit in terms of a stated account balance dependent on the employer's promised interest-crediting rate. In Italy and France the Company maintains a severance pay defined benefit plan that obligates the employer to pay a severance payment in case of resignation, dismissal or retirement. In other jurisdictions LivaNova sponsors non-contributory, defined benefit plans designated to provide a guaranteed minimum retirement benefits to eligible employees. Certain members of the Company's key management participate in the Company's defined benefit pension plans. Please refer to "Note 27. Related Parties"

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

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

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

As of 31 December 2023 and 2022, the Non-US defined benefit pension plan for Germany was partially funded, with an net liability of $1.1 million and $1.1 million respectively.

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

Risks Related to Defined-benefit Plans

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

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

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

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

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

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

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

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

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

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

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

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

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

Retirement Benefit Plan Investment Strategy

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

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

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

	2023		2022	
	US Pension Benefits	Non-US Pension Benefits	US Pension Benefits	Non-US Pension Benefits
Equity Securities	29%	1%	29%	1%
Debt Securities	70%	85%	70%	84%
Other	1%	14%	1%	15%

Retirement Benefit Fair Values

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

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

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

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

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

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

		Fair Value Measurement Using Inputs Considered as:		
	2022	Level 1	Level 2	Level 3
Equity mutual funds	$ 1,591	$ —	$ 1,591	$ —
Fixed income mutual funds	3,843	—	3,843	—
Money market funds	68	68	—	—
Total	$ 5,502	$ 68	$ 5,434	$ —

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

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

		Fair Value Measurement Using Inputs Considered as:		
	2022	Level 1	Level 2	Level 3
Equity mutual funds	$ 42	$ —	$ 42	$ —
Fixed income mutual funds	2,742	—	2,742	—
Money market funds	448	448	—	—
Total	$ 3,232	$ 448	$ 2,784	$ —

Retirement Benefit Funding Plan

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

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

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

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

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

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

Note 23. Income Taxes Expense

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

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

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

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

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

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

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

Deferred Tax Assets and Liabilities

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

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

The following table provides the net deferred tax assets expected to be recognised within the next 12 months and after the next 12 months as of 31 December 2023 and 2022 (in thousands):

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

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

	31 December 2023	Activity During the Year Ended 31 December 2023: Consolidated Statement of (Loss)	Tax Rate Change (1)	Shareholders' Equity	1 January 2023
Deferred tax assets:					
NOLs	$ 82,693	$ 6,163	$ 1,066	$ 169	$ 75,295
Tax credit carryforwards	764	477	—	12	275
Deferred compensation	6,956	(1,473)	(267)	(617)	9,313
Accruals and reserves	85,307	(5,080)	(814)	642	90,559
Inventory	10,397	893	(97)	(281)	9,882
Other	4,331	(3,789)	712	97	7,311
Gross deferred tax assets (2)	190,448	(2,809)	600	22	192,635
Deferred tax liabilities:					
Gain on sale of intellectual property	—	12,603	207	—	(12,810)
Property, equipment & intangible assets	(85,525)	(10,069)	1,161	(198)	(76,419)
Other	(645)	(582)	(63)	—	—
Gross deferred tax liabilities	(86,170)	1,952	1,305	(198)	(89,229)
Deferred tax assets (liabilities), net	$ 104,278	$ (857)	$ 1,905	$ (176)	$ 103,406
Reported in the consolidated balance sheet (after jurisdictional netting):					
Net deferred tax assets	$ 113,364				$ 110,734
Deferred tax liabilities	(9,086)				(7,328)
Deferred tax assets, net (2)	$ 104,278				$ 103,406

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

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

	31 December 2022	Activity During the Year Ended 31 December 2022: Consolidated Statement of (Loss)	Tax Rate Change (1)	Shareholders' Equity	1 January 2022
Deferred tax assets:					
Net operating loss carryforwards	$ 75,295	$ 12,995	$ 3,075	$ (14,257)	$ 73,482
Tax credit / (expense) carryforwards	275	(550)	—	—	825
Deferred compensation	9,313	(1,967)	(1,800)	(9,795)	22,875
Accruals and reserves	90,559	(1,682)	(1,166)	19,893	73,514
Inventory	9,882	987	(214)	265	8,844
Other	7,311	(10,015)	(758)	155	17,929
Gross deferred tax assets (2)	192,635	(232)	(863)	(3,739)	197,469
Deferred tax liabilities:					
(Loss) / gain on sale of intellectual property	(12,810)	12,811	943	33	(26,597)
Property, equipment & intangible assets	(76,419)	(7,652)	2,314	(527)	(70,554)
Gross deferred tax (liabilities) / assets	(89,229)	5,159	3,257	(494)	(97,151)
Deferred tax assets (liabilities), net	$ 103,406	$ 4,927	$ 2,394	$ (4,233)	$ 100,318
Reported in the consolidated balance sheet (after jurisdictional netting):					
Net deferred tax assets	$ 110,734				$ 107,869
Deferred tax liabilities	(7,328)				(7,551)
Deferred tax assets, net (2)	$ 103,406				$ 100,318

(1) UK received royal assent in July 2021 and provided for the UK tax rate to increase to 25%, effective 1 April 2023, there was a revaluation to increase deferred taxes in 2021. The change in tax rate for 2022 was primarily due to losses and other tax assets generated during 2022 and remeasured to 1 April 2023 tax rate of 25%.

(2) During the year ended 31 December 2022, the net deferred tax assets increased from net operating losses in the UK offset by increased unrecognised deferred tax assets in US.

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

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

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

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

Net Operating Loss Carryforwards

LivaNova had the following NOL carryforwards as of 31 December 2023 which can be used to reduce LivaNova's income tax payable in future years (in thousands):

Region	Gross Amount	Tax Effected Amount Without Expiration	Tax Effected Amount With Expiration	Starting Expiration Year
Europe	$ 426,244	$ 100,818	$ —	Unlimited
US Federal	$ 32,100	$ 35	$ 6,706	2028
US State	$ 182,335	$ 2,349	$ 8,493	2023
Rest of World	$ 23,206	$ 7,578	$ 128	2025

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

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

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

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

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

For losses incurred after April 2017 in the UK, the Company anticipates a recoverability of these operating loss carryforwards beginning in 2025 as the Company expects an increase in taxable income due to the full amortisation of certain intangible assets. The Company is relying on estimated future income projections and judgement on the growth of the projected income for the recoverability of the deferred tax assets corresponding the NOLs. The Company estimates it will be able to recover its tax loss in less than 10 years through UK Group relief, as the UK Group will realize substantially an increase of taxable income as a result of increased revenues from royalty income, interest income, and decreased amortisation of intangible assets beginning in 2024.

No provision has been made for income taxes on undistributed earnings of foreign subsidiaries as of 31 December 2023 because it is the Company's intention to indefinitely reinvest undistributed earnings of the Company's foreign subsidiaries. In the event of the distribution of those earnings in the form of dividends, a sale of the subsidiaries, or certain other transactions, the Company may be liable for income taxes. There should be no material tax liability on future distributions as most jurisdictions with undistributed earnings have various participation exemptions / no withholding tax. These unrecognised differences are not expected to reverse in the foreseeable future.

Uncertain Tax Positions

Tax authorities may disagree with certain positions the Company has taken and assess additional taxes. The Company regularly assess the likely outcomes of LivaNova's tax positions in order to determine the appropriateness of the Company's reserves for uncertain tax positions. However, there can be no assurance that LivaNova will accurately predict the outcome of these audits and the actual outcome of an audit could have a material impact on the Company's consolidated results of income, financial position or cash flows. If all of LivaNova's unrecognised tax benefits as of 31 December 2023 were recognised, $0.5 million would impact the Company's effective tax rate and $4.9 million would be in the form of an unrecognised net operating loss carryforward. LivaNova believes it is reasonably possible that, within the next twelve months, there will not be any settlement of uncertain tax positions with various tax authorities nor the expiration of statutes of limitations, and recognised tax benefits should not decrease.

Accrued interest related to uncertain tax positions totalled $0.7 million and $0.3 million as of 31 December 2023 and 31 December 2022, respectively, and were included in non-current provisions on the Company's consolidated balance sheet.

Other Matters

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

The major jurisdictions where LivaNova is subject to income tax examinations as of 31 December 2023 are as follows:

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

Note 24. Commitments and Contingencies

Saluggia Site Hazardous Substances

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

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

Although there is no legal obligation to begin any work or deliver the hazardous substances, as the performance of these obligations is contingent on the construction of the as-yet unbuilt national repository, based on the aforementioned factors, the Company concluded its obligation to clean, dismantle, and deliver any hazardous substances to a national repository is probable and reasonably estimable. Accordingly, in 2020, LivaNova recognised a $49.5 million provision for this matter, which is included within other operating expenses on the consolidated statement of (loss). The provision was determined utilising the middle of the estimated range of loss of $39.7 million to $50.5 million. The estimated liability as of 31 December 2023 and 2022 was $42.7 million and $38.1 million, respectively. The increase in the Saluggia site remediation provision from 31 December 2022 was due to adjustments associated with expected disposal costs resulting from inflation, as well as a decrease in the discount rate applied. A 0.5% increase or decrease in the discount rate applied would not have a material impact on the provision. The timing of any cash outflows associated with this provision is uncertain given the factors noted above, however LivaNova does not currently expect to incur significant cash outflows associated with this matter in the next two years. Refer to "Note 20. Contingent Consideration, 3T Litigation Provision Liability and Other Provisions" for additional information.

SNIA Environmental Liability

Sorin was created as a result of a spin-off from SNIA in 2004, and in 2015, Sorin was merged into LivaNova. SNIA subsequently became insolvent, and the Public Administrations, sought compensation from SNIA in an aggregate amount of approximately $3.8 billion for remediation costs relating to the environmental damage at chemical sites previously operated by SNIA's other subsidiaries.

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

In 2012, SNIA filed a civil action against Sorin in the Civil Court of Milan asserting joint liability of a parent and a spun-off company; the Public Administrations entered voluntarily into the proceeding, asking Sorin, as jointly liable with SNIA, to pay compensation for SNIA's environmental damages. In 2016, the Court of Milan dismissed all legal actions of SNIA and of the Public Administrations further requiring the Public Administrations to pay Sorin approximately €292,000 (approximately $323,000 as of 31 December 2023) for legal fees. The Public Administrations appealed the 2016 Decision to the Court of Appeal. On 5 March 2019, the Court of Appeal issued a partial decision on the merits declaring Sorin/LivaNova jointly liable with SNIA for SNIA's environmental liabilities in an amount up to the fair value of the net worth received by Sorin because of the Sorin spin-off, an estimated €572.1 million (approximately $633.1 million as of 31 December 2023). LivaNova appealed the partial decision on liability to the Italian Supreme Court in August 2019.

In November 2021, the Court of Appeal delivered the remainder of its decision, ordering LivaNova to pay damages of approximately €453.6 million (approximately $502.0 million as of 31 December 2023). LivaNova appealed the decision on damages in December 2021. On 21 February 2022, the Court of Appeal notified the Company that it granted the Company a suspension with respect to the payment of damages until a decision has been reached on the appeal to the Italian Supreme Court. This suspension was subject to LivaNova providing a first demand bank guarantee of €270.0 million (approximately $298.8 million as of 31 December 2023) within 30 calendar days, and on 21 March 2022, LivaNova delivered the guarantee, thereby satisfying the condition.

In November 2022, in response to one of a number of appeals asserted by LivaNova, the Supreme Court issued an ordinance, a procedural document, whereby the Supreme Court referred a question on interpretation of a European directive on demergers to the ECJ. Specifically, the ordinance asks the ECJ to provide a binding decision as to whether a company resulting from a demerger can be held jointly and severally liable not only for the established liabilities of the demerged company that were articulated at the time of demerger, but also for the environmental liabilities of the demerged company that materialized after the demerger which are derived from actions performed prior to the demerger. Following receipt of the binding decision from the ECJ, which is expected in 2024, the Supreme Court is expected to incorporate and issue a decision in response to all of the appeals of LivaNova and counter-appeals submitted by the Public Administrations. While the timing of the decisions by the ECJ and, subsequently, the Supreme Court are uncertain, the Company believes that the final decision from the Supreme Court is not expected until at least 2025.

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

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

Product Liability Litigation

The Company continues to be involved in litigation involving LivaNova's 3T device. The litigation includes the cases remaining in the US District Court for the Middle District of Pennsylvania, various US state court cases, and in jurisdictions outside the US. As of 25 April 2024, the Company was aware of approximately 70 filed and unfiled claims worldwide. The complaints generally seek damages and other relief based on theories of strict liability, negligence, breach of express and implied warranties, failure to warn, design and manufacturing defect, fraudulent and negligent misrepresentation or concealment, unjust enrichment, and violations of various state consumer protection statutes.

During the years ended 31 December 2023 and 2022 LivaNova recorded an additional liability of $40.9 million and $22.3 million, respectively, due to new information received about the nature of certain claims. As of 31 December 2023, the provision for these matters was $20.3 million. While the amount accrued represents LivaNova's best estimate for those filed and unfiled claims that LivaNova believes are both probable and estimable at this time, and which are a subset of the filed and unfiled claims worldwide of which the Company is currently aware, the actual liability for resolution of these matters may vary from the Company's provision. The remaining claims for which a provision has not been recorded are remote or the potential loss is not estimable at this time.

Caisson Contract Litigation

On 25 November 2019, LivaNova received notice of a lawsuit initiated by former members of Caisson, a subsidiary of the Company acquired in 2017. The lawsuit, Todd J. Mortier, as Member Representative of the former Members of Caisson Interventional, LLC v. LivaNova USA, Inc., was filed in the US District Court for the District of Minnesota. The complaint alleged (i) breach of contract, (ii) breach of the covenant of good faith and fair dealing and (iii) unjust enrichment in connection with the Company's operation of Caisson's transcatheter mitral valve replacement program and the Company's 20 November 2019 announcement that it was ending the program at the end of 2019. The lawsuit sought damages arising out of the 2017 acquisition agreement, including various regulatory milestone payments. In May 2022, the District Court granted LivaNova's motion for summary judgment, and in June 2023, the Eighth Circuit Court of Appeals affirmed the decision. The Company now considers Caisson's claim against LivaNova to be closed.

Mitral Demand Letter

On 29 July 2022, LivaNova received a demand letter from Mitral for approximately €20.8 million ($23.0 million as of 31 December 2023) for breach of warranty claims under the A&R Purchase Agreement. Specifically, the claims allege failure to disclose certain information relating to a supplier, thereby allegedly impacting the profitability of Mitral's business in China and Japan. On 22 March 2023, Mitral served a formal claim on LivaNova in the High Court of Justice Commercial Court (King's Bench Division) alleging damages flowing from the aforementioned asserted breaches of warranties in the A&R Purchase Agreement, and the Company filed its Defense on 17 May 2023. In November 2023, the Company entered into a settlement agreement with Mitral regarding the aforementioned matter pursuant to which the Company paid to Mitral less than €1.0 million ($1.1 million as of 31 December 2023), including costs. The Company now considers this matter closed.

Italian MedTech Payback Measure

As previously disclosed, in 2015, the Italian Parliament introduced rules regarding public contracts with the National Healthcare System for the supply of goods and services. In particular, the law introduced a "payback" measure requiring companies selling medical devices in Italy to repay a percentage of the healthcare expenditures exceeding the regional maximum caps for medical devices. In the intervening years since the rules were first issued, there has been considerable uncertainty about how the law will operate and what the exact timeline is for finalization. In August 2022, a decree was published which provided guidance and timetables for the rule. In response, LivaNova filed an appeal at the Administrative Court against the Decree of the Ministry of Health assessing the amount payable and against the MedTech Payback Guidelines. LivaNova also filed appeals against the regions requesting payments. In August 2023, the Administrative Court upheld LivaNova's request to suspend the effect of the requests for payment by the regions, pending the decision by the court on the merits of the case. In November 2023, the Administrative Court, in a separate matter, asked the Constitutional Court whether the payback law is compliant with the Italian Constitution and pending the decision by the Constitutional Court, all cases brought by medical device companies in this matter are suspended. The Company has accrued for the "payback" law since 2015 based on market and product information. As of 31 December 2023 and 2022, the total amount reserved for this matter was $8.2 million and $6.4 million, respectively; however, the actual liability could vary.

Other Matters

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

Note 25. Earnings Per Share

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

The following table sets forth the basic and diluted weighted-average shares outstanding used in the computation of basic and diluted EPS for the years ended 31 December 2023 and 2022 (in thousands of shares, except per share amounts):

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

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

Note 26. Segment and Geographic Information

Segment Information

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

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

LivaNova's Neuromodulation segment is engaged in the design, development, manufacture, marketing and selling of devices that deliver neuromodulation therapy for treating DRE and DTD. Neuromodulation products include the VNS Therapy System, which consists of an implantable pulse generator, a lead that connects the generator to the vagus nerve, and other accessories. It also includes the development and management of clinical testing of LivaNova's aura6000 System for treating obstructive sleep apnea. LivaNova's Neuromodulation segment also includes costs associated with LivaNova's former heart failure program, which the Company began to wind down during 2023.

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

Geographic Information

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

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

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

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

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

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

The following table presents a reconciliation of segment income to operating loss for the years ended 31 December 2023 and 2022 (in thousands):

	2023	2022
Cardiopulmonary	$ 37,886	$ 17,869
Neuromodulation	152,460	171,919
Advanced Circulatory Support	(35,463)	(21,163)
Other	(90,528)	(80,505)
Segment income	64,355	88,120
Other operating expense	(3,308)	(7,737)
Exceptional items - See Note “Note 30. Exceptional Items”	(130,895)	(166,789)
Operating loss	$ (69,848)	$ (86,406)

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 2023 and 2022 (in thousands):

	2023	2022
Cardiopulmonary	$ 22,326	$ 13,828
Neuromodulation	1,201	369
Advanced Circulatory Support	1,210	1,773
Other [(1)]	10,370	10,622
Total	$ 35,107	$ 26,592

(1) Other capital expenditures primarily include corporate capital expenditures not allocated to segments.

The following table presents non-current assets, net of accumulated depreciation, amortisation and impairment, by primary geographic market as of 31 December 2023 and 2022. Non-current assets for this purpose consist of property, plant and equipment, intangible assets, goodwill and ROU assets (in thousands):

	2023	2022
United States	$ 531,157	$ 629,647
Europe	355,463	336,599
Rest of World	37,108	38,010
Total	$ 923,728	$ 1,004,256

Note 27. Related Parties

Interests in subsidiaries are set out in “Note 11. Investments in Subsidiaries.” Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The following receivable balance arose from financing transactions with equity investments as of 31 December 2023 and 2022 (in thousands):

Consolidated Balance Sheet	2023	2022
Financial assets - non-current		
Noctrix Health, Inc.	$ 275	$ 285

The following financing transaction was entered into with an equity investment during the years ended 31 December 2023 and 2022 (in thousands):

Consolidated Statement of (Loss)	2023	2022
Finance (expense)/income		
Noctrix Health, Inc.	$ (10)	$ 13

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 during the years ended 31 December 2023 and 2022 was as follows (in thousands):

	2023	2022
Salaries and short term benefits	$ 6,779	$ 6,734
Social security costs	781	1,058
Pension costs	359	712
Termination benefits	2,379	—
Share-based compensation	2,809	12,012
Total	$ 13,107	$ 20,516

Amounts received or receivable under share-based payment arrangements by key management during the years ended 31 December 2023 and 2022 were $6.8 million and $3.9 million, respectively.

There were no other related party transactions in the year.

Details of directors' remuneration are included in pages 53 to 74 of the Remuneration Report, which forms part of these financial statements.

Note 28. Consolidated Statement of (Loss) by Nature

The following table presents the consolidated statement of (loss) by nature for the years ended 31 December 2023 and 2022 (in thousands):

	Year Ended 31 December	
	2023	2022
Net revenue	$ 1,153,545	$ 1,021,805
Cost of materials, service used and change in inventory	(524,753)	(457,096)
Personnel expense	(480,337)	(408,698)
Impairment of long-lived assets	(89,974)	—
Litigation provision, net	(40,921)	(21,663)
Amortisation of intangibles	(30,526)	(29,044)
Depreciation and impairment of property, plant and equipment	(19,683)	(19,183)
Other operating costs	(19,881)	(15,853)
Depreciation of right-of-use assets	(10,291)	(10,603)
Additions to provisions	(7,027)	(945)
Impairment of goodwill	—	(144,990)
Loss on sale of Heart Valve business	—	(136)
Operating loss	**(69,848)**	**(86,406)**
Finance expenses	(60,450)	(49,709)
Net gain on embedded exchange feature and capped call derivatives	24,209	43,789
Net foreign exchange and other income/(expense)	21,598	8,273
Share of loss from equity accounted investments	(104)	(53)
Loss before tax	(84,595)	(84,106)
Income tax expense	(15,787)	(2,188)
Loss attributable to owners of the parent	**$ (100,382)**	**$ (86,294)**

The following table presents the items included within net foreign exchange and other income/(expense) on the consolidated statement of (loss) for the years ended 31 December 2023 and 2022 (in thousands):

	2023	2022
Interest income	$ 22,012	$ 4,697
Dividend income	1,540	305
Foreign exchange rate (loss) gain	(705)	378
Other	(1,249)	2,893
Total	$ 21,598	$ 8,273

Note 29. Employee Compensation Costs

The following table presents employee compensation costs for the years ended 31 December 2023 and 2022 (in thousands):

	Year Ended 31 December	
	2023	2022
Wages and salaries	$ 311,088	$ 284,054
Social security costs	34,329	27,799
Other pension costs	19,835	18,929
Share-based payments (1)	33,184	44,562
Other employee costs	81,901	33,354
Total	$ 480,337	$ 408,698

(1) Represents share-based payments included in personnel expense. Refer to "Note 21. Share-Based Plans" for total share-based compensation expense.

The following table presents the monthly average number of employees by geographic region during the years ended 31 December 2023 and 2022:

	2023	2022
Europe	1,395	1,387
US	1,201	1,167
Rest of World	322	306
Total	2,918	2,860

Note 30. Exceptional Items

The following exceptional items are included within operating loss for the years ended 31 December 2023 and 2022 (in thousands):

	2023	2022
Impairment of long-lived assets (1)	$ 89,974	$ —
Litigation provision, net (2)	40,921	21,663
Impairment of goodwill (3)	—	144,990
Loss on sale of Heart Valve business	—	136
Total	$ 130,895	$ 166,789

(1) For additional information refer to "Note 8. Restructuring."
(2) For additional information refer to "Note 20. Contingent Consideration, 3T Litigation Provision Liability and Other Provisions" and "Note 24. Commitments and Contingencies."
(3) For additional information refer to "Note 10. Goodwill and Intangible Assets."

Note 31. Auditors' Remuneration

The following table presents auditors' remuneration for the years ended 31 December 2023 and 2022 (in thousands):

	Year Ended 31 December	
	2023	2022
Total audit fees payable to the Company's Auditors	$ 5,687	$ 5,250
Audit-related services (1)	20	35
Tax advisory and compliance services	849	299
Other assurance services	2	1
Total	$ 6,558	$ 5,585

(1) Audit-related services consist of aggregate fees to PricewaterhouseCoopers LLP for assurance services related to consents associated with Registration Statements on Form S-8.

Note 32. New Accounting Pronouncement

The following provides a description of new accounting standards that were adopted and their impact on LivaNova's financial statements:

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'. The standard was adopted by LivaNova on 1 January 2023, and did not materially impact the Company's 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. The amendment was adopted by LivaNova on 1 January 2023, and did not materially impact the Company's 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. The amendment was adopted by LivaNova on 1 January 2023, and did not materially impact the Company's 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. The amendment was adopted by LivaNova on 1 January 2023, and did not materially impact the Company's results of operations.

The following provides a description of future adoption of a new accounting standard that may have an impact on LivaNova'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 amendment also clarifies what "settlement" of a liability refers to under IAS 1. The amendments to IAS 1 are effective as of 1 January 2024. 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 - 'International Tax Reform – Pillar Two Model Rules' was issued in May 2023 and adopted from that date. The rule provides temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two and provide targeted disclosure requirements for affected entities. Pillar Two global minimum tax rules applicable to multinational groups with global revenue over €750 million. The UK has enacted legislation providing for a minimum effective tax rate of 15% through a "multinational top-up tax" and a "domestic top-up tax" for accounting periods beginning on or after 31 December 2023. Draft UK legislation has also been published for an UTPR to be introduced, although not before accounting periods beginning on or after 31 December 2024. A UTPR would be a backstop rule intended to ensure that amounts of multinational top-up tax that are not collected under foreign global minimum tax rules can in certain circumstances be collected instead in the UK. The Company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two. The Company does not expect the adoption of Pillar Two to have a significant impact. Refer to "Note 23. Income Taxes Expense" for further information.

Note 33. Subsequent Events

CEO

On 1 March 2024, Vladimir A. Makatsaria was appointed as Chief Executive Officer of LivaNova and as a member of the Board. In connection with Mr. Makatsaria's appointment, William A. Kozy stepped down from his role as Interim Chief Executive Officer of the Company on 1 March 2024 but remains the Chair of the Board.

Restructuring

In January 2024, the Company reorganised its operating and reporting structure upon initiating the 2024 Restructuring Plan and transitioned all ACS standalone cannulae and accessories, including ProtekDuo and transseptal (TandemHeart) cannulae, into its Cardiopulmonary segment. Operations for other ACS products, including LifeSPARC and Hemolung systems, will be discontinued by the end of 2024. For additional information, please refer to "Note 8. Restructuring."

In connection with the 2024 Restructuring Plan, LivaNova expects to incur pre-tax restructuring charges in the range of approximately $15 million to $20 million. The anticipated charges are comprised of approximately $10 million to $12 million in severance expenses and retention bonuses and approximately $5 million to $8 million in other expenses, including lease termination, facilities remediation, and asset disposal expenses. LivaNova expects the majority of the severance expenses to be incurred in the first half of 2024. Retention bonuses will be earned over the period of service, which is expected to be over the full year of 2024. All future cash payments related to these restructuring charges are expected to be paid out during 2024. These estimates are subject to change. During the three months ended 31 March 2024, LivaNova recorded restructuring expense of $9.2 million associated with the 2024 Restructuring Plan.

Effective in 2024, LivaNova changed its reportable segments corresponding to the above-mentioned restructuring and changes in how the Company's CODM regularly reviews information, allocates resources and assesses performance. The Company's changes to its reportable segments are summarised as follows:

- LivaNova's ACS segment will be included within "Other," excluding the ACS standalone cannulae and accessories business.
- LivaNova's ACS standalone cannulae and accessories business will be included within the Cardiopulmonary reportable segment.

Financial Liabilities

Indenture and Notes

On 8 March 2024, LivaNova issued $345 million aggregate principal amount of its 2.50% convertible senior notes due 2029. The 2029 Notes were issued pursuant to an indenture, dated as of 8 March 2024, between LivaNova and Citibank, N.A., as trustee. Additionally, on 8 March 2024, LivaNova's wholly-owned subsidiary, LivaNova USA, Inc., entered into separate and individually negotiated transactions with certain holders of LivaNova USA, Inc.'s existing Cash Exchangeable Senior Notes, issued by LivaNova USA, Inc. and guaranteed by LivaNova, to repurchase $230 million aggregate principal amount of the Cash Exchangeable Senior Notes for an aggregate cash amount of approximately $270.5 million (including accrued and unpaid interest), and unwound a corresponding portion of the 2025 Capped Calls.

LivaNova received net proceeds from the offering of approximately $333.0 million, after deducting the initial purchasers' discount and estimated offering expenses payable by LivaNova. LivaNova used (1) approximately $31.6 million of the net proceeds of the offering to pay the cost of entering into 2029 Capped Calls described below, (2) approximately $270.5 million of the net proceeds of the offering to pay the purchase price for the Note Repurchases and (3) the remaining proceeds for general corporate purposes.

The 2029 Notes are general senior unsecured obligations of LivaNova. The 2029 Notes will bear interest at a rate of 2.50% per year, payable semiannually in arrears on March 15 and September 15 of each year, beginning on 15 September 2024. The 2029 Notes will mature on 15 March 2029, unless earlier repurchased, redeemed or converted in accordance with their terms.

The initial conversion rate of the 2029 Notes is 14.4085 of LivaNova's ordinary shares, with a nominal value of £1.00 per share, per $1,000 principal amount of the 2029 Notes (equivalent to an initial conversion price of approximately $69.40 per ordinary share). Upon conversion of the 2029 Notes, LivaNova will pay cash up to the aggregate principal amount of the 2029 Notes to be converted and pay or deliver, as the case may be, cash, LivaNova's ordinary shares, or a combination of cash and LivaNova's ordinary shares, at LivaNova's election, in respect of the remainder, if any, of LivaNova's conversion obligation in excess of the aggregate principal amount of the 2029 Notes being converted.

Holders may convert their 2029 Notes at their option at any time prior to the close of business on the business day immediately preceding 15 December 2028 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on 30 June 2024 (and only during such calendar quarter), if the last reported sale price of LivaNova's ordinary shares for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any ten consecutive trading day period in which the trading price per $1,000 principal amount of 2029 Notes for each trading day of the 2029 Notes Measurement Period was less than 98% of the product of the last reported sale price of LivaNova's ordinary shares and the conversion rate on each such trading day; (3) if LivaNova calls such 2029 Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date, but only with respect to the 2029 Notes called (or deemed called) for redemption; or (4) upon the occurrence of specified corporate events. On or after 15 December 2028 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2029 Notes at any time, regardless of the foregoing circumstances.

The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date or if LivaNova delivers a notice of redemption, LivaNova will, in certain circumstances, increase the conversion rate for a holder who elects to convert its 2029 Notes in connection with such a corporate event or convert its 2029 Notes called (or deemed called) for redemption in connection with such notice of redemption, as the case may be.

On or after 22 March 2027, LivaNova may redeem for cash all or part of the 2029 Notes, at LivaNova's option, if the last reported sale price of LivaNova's ordinary shares has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which LivaNova provides notice of redemption. The redemption price will be equal to 100% of the principal amount of the 2029 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date (unless the redemption date falls after a regular record date but on or prior to the immediately succeeding interest payment date, in which case LivaNova will pay the full amount of accrued and unpaid interest to the holder of record as of the close of business on such regular record date, and the redemption price will be equal to 100% of the principal amount of the 2029 Notes to be redeemed). No sinking fund is provided for the 2029 Notes. LivaNova may also redeem the 2029 Notes at its option, at any time, in whole but not in part, only upon the occurrence of certain tax related events.

If LivaNova undergoes a fundamental change, holders may require LivaNova to repurchase for cash all or any portion of the holders' 2029 Notes at a fundamental change repurchase price equal to 100% of the principal amount of the 2029 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

Capped Call Transactions

In connection with the pricing of the 2029 Notes, LivaNova entered into privately negotiated capped call transactions with certain of the initial purchasers or their respective affiliates and another financial institution, as option counterparties. LivaNova subsequently entered into additional capped call transactions with the option counterparties in connection with the initial purchasers' exercise in full of their option to purchase additional 2029 Notes. The 2029 Capped Calls cover, subject to anti-dilution adjustments substantially similar to those applicable to the 2029 Notes, the number of LivaNova's ordinary shares initially underlying the 2029 Notes.

The 2029 Capped Calls are expected generally to compensate (through the payment of cash to LivaNova) for potential dilution to LivaNova's ordinary shares upon conversion of any 2029 Notes and to offset any cash payments made in excess of the principal amount of converted 2029 Notes, as the case may be, in the event that the market price of ordinary shares, as measured under the terms of the 2029 Capped Calls, exceeds the strike price of the 2029 Capped Calls, which initially corresponds to the conversion price of the 2029 Notes and is subject to customary anti-dilution adjustments substantially similar to those applicable to the conversion rate of the 2029 Notes. If, however, the market price per ordinary share, as measured under the terms of the 2029 Capped Calls, exceeds the cap price of the 2029 Capped Calls, there would nevertheless be dilution the effect of which would not be compensated for and/or there would not be an offset of such cash payments, in each case, to the extent that such market price exceeds such cap price of the 2029 Capped Calls. The cap price of the 2029 Capped Calls is initially $94.2840 per share, which represents a premium of 80% over the last reported sale price of LivaNova's ordinary shares on 5 March 2024 and is subject to certain adjustments under the terms of the 2029 Capped Calls.

Incremental Facility Amendment No. 3 to the 2021 First Lien Credit Agreement

In connection with the offering of the 2029 Notes, LivaNova, along with LivaNova USA, Inc., entered into a new incremental facility amendment to its First Lien Credit Agreement dated 13 August 2021 with the lenders and issuing banks party thereto and Goldman Sachs Bank USA, as First Lien Administrative Agent and First Lien Collateral Agent, as from time to time amended.

The Incremental Facility Amendment No. 3 provides for LivaNova USA, Inc. to, among other things, obtain commitments for a new revolving facility from a syndicate of lenders in an aggregate principal amount of $225 million. The Incremental Revolving Facility will be available to be drawn by LivaNova USA, Inc. until the fifth anniversary of the entering into of the Incremental Facility Amendment No. 3 and entirely replaced the $125 million revolving facility previously provided for under the 2021 First Lien Credit Agreement. Additionally, the Incremental Facility Amendment No. 3 lowered the Interest Coverage Ratio to 2.00 to 1.00. Proceeds of the Incremental Revolving Facility will be used for general corporate purposes.

LIVANOVA PLC

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LIVANOVA PLC

Company Statement of Income
(In thousands)

	Note	Year Ended 31 December 2023	Year Ended 31 December 2022
Revenue		$ 25,853	$ 28,996
Operating expenses		(72,729)	(85,864)
Operating loss		(46,876)	(56,868)
Income from subsidiary undertakings		47,500	60,925
Finance income		21,959	10,983
Finance expenses	11	(32,985)	(27,688)
Net foreign exchange and other income/(expense)		1,789	(1,955)
Loss before tax		(8,613)	(14,603)
Income tax credit	15	11,884	16,617
Income for the financial year		$ 3,271	$ 2,014

See accompanying notes to the parent company financial statements.

LIVANOVA PLC

Company Statement of Comprehensive Income
(In thousands)

	Year Ended 31 December	
	2023	2022
Income for the financial year	$ 3,271	$ 2,014
Items of other comprehensive loss that will subsequently be reclassified to income or loss:		
Foreign currency translation differences	18,127	(32,237)
Total items of other comprehensive income (loss) that will subsequently be reclassified to income or loss	18,127	(32,237)
Items of other comprehensive income that will not subsequently be reclassified to income or loss:		
Remeasurements of net assets for defined benefits	—	10
Tax impact	—	—
Total items of other comprehensive income that will not subsequently be reclassified to income or loss	—	10
Total other comprehensive income/(loss) , net of taxes	18,127	(32,227)
Total comprehensive income/(loss) for the year, net of taxes	$ 21,398	$ (30,213)

See accompanying notes to the parent company financial statements.

LIVANOVA PLC

Company Balance Sheet
(In thousands)

	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Investments in subsidiaries	5	$ 2,962,917	$ 2,938,074
Financial assets	6	490,362	—
Deferred tax assets	15	101,438	90,487
Other assets	7	65,899	53,904
Total non-current assets		3,620,616	3,082,465
Trade receivables	8	8,489	11,686
Other receivables	8	11,769	8,466
Financial assets	6	38,990	55,585
Tax receivable		8,291	5,212
Cash and cash equivalents		139,727	148,502
Restricted cash		311,368	301,446
Total current assets		518,634	530,897
Total assets		$ 4,139,250	$ 3,613,362
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Called up share capital	10	$ 82,533	$ 82,424
Merger relief reserve	10	383,179	383,179
Share premium account	10	40,058	37,031
Capital redemption reserve	10	1,897	1,897
Treasury shares	10	(56)	(375)
Accumulated other comprehensive loss	10	(3,838)	(21,965)
Retained earnings		2,370,637	2,354,666
Total shareholders' equity		$ 2,874,410	$ 2,836,857
Non-current liabilities			
Financial liabilities	11	$ —	$ 509,849
Other liabilities	12	5,203	7,780
Total non-current liabilities		5,203	517,629
Current liabilities			
Financial liabilities	11	1,226,654	229,738
Trade payables		9,694	6,824
Other liabilities	12	23,289	22,314
Total current liabilities		1,259,637	258,876
Total liabilities and shareholders' equity		$ 4,139,250	$ 3,613,362

Registration number 09451374

See accompanying notes to the parent company financial statements.

The financial statements on pages 150 to 176 were approved by the Board and were signed on its behalf on 25 April 2024 by:

VLADIMIR MAKATSARIA
CHIEF EXECUTIVE OFFICER & DIRECTOR

LIVANOVA PLC

Company Statement of Changes in Equity
(In thousands)

		Ordinary Shares								
	Note	Number of Shares	Share Capital	Merger Relief Reserve	Share Premium	Capital Redemption Reserve	Treasury Shares	Accumulated Other Comprehensive Income/(Loss)	Retained Earnings	Total Shareholders' Equity
Balance at 1 January 2022		53,762	$82,295	$ 383,179	$ 33,257	$ 1,897	$ (650)	$ 10,262	$ 2,323,106	$ 2,833,346
Share-based compensation plans	14	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
Share-based compensation plans	14	90	109	—	3,027	—	319	—	12,699	16,154
Total transactions with owners, recognised directly in shareholders' equity		90	109	—	3,027	—	319	—	12,699	16,154
Net income for the year		—	—	—	—	—	—	—	3,272	3,272
Other comprehensive income		—	—	—	—	—	—	18,127	—	18,127
Total comprehensive income for the year		—	—	—	—	—	—	18,127	3,272	21,399
Balance at 31 December 2023		53,942	$82,533	$ 383,179	$ 40,058	$ 1,897	$ (56)	$ (3,838)	$ 2,370,637	$ 2,874,410

See accompanying notes to the parent company financial statements.

LIVANOVA PLC

Notes to the Financial Statements

Note 1. Nature of Operations

Company information. LivaNova PLC (LivaNova PLC, the Company, Group, we or our) is a public limited company incorporated in the UK 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 organised 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 organised 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 the 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 Material 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 US dollars and all values are rounded to the nearest thousands, except when otherwise indicated. LivaNova PLC's accounting policies have been applied consistently in 2023 as compared to 2022, 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 Material Accounting Policies" to the Consolidated Group financial statements in this Annual Report.

As of 31 December 2023, LivaNova PLC had a net current liability position on the Company balance sheet of $741.0 million due to a partially completed intercompany financing restructuring. The intercompany financing restructuring was subsequently completed on 2 January 2024, alleviating the net current liability position. For additional information, please refer to "Note 11. Financial Liabilities."

Reclassifications. LivaNova PLC has reclassified certain prior year amounts on the Company balance sheets and Company statements of income for comparative purposes. These reclassifications had no material impact on the Company's financial condition or results of operations.

The financial statements for the years ended 31 December 2023 and 31 December 2022 of LivaNova have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

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

New Accounting Pronouncements.

The following provides a description of new accounting standards that were adopted and their impact on LivaNova's financial statements:

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. The amendment was adopted by LivaNova on 1 January 2023, and did not materially impact the Company's 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. The amendment was adopted by LivaNova on 1 January 2023, and did not materially impact the Company's 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. The amendment was adopted by LivaNova on 1 January 2023, and did not materially impact the Company's results of operations.

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

The following provides a description of future adoption of a new accounting standard that may have an impact on LivaNova'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 2024. 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 - 'International Tax Reform – Pillar Two Model Rules' was issued in May 2023 and adopted from that date. The rule provides temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to OECD BEPS Pillar Two and provide targeted disclosure requirements for affected entities. Pillar Two global minimum tax rules applicable to multinational groups with global revenue over €750 million. The UK has enacted legislation providing for a minimum effective tax rate of 15% through a "multinational top-up tax" and a "domestic top-up tax" for accounting periods beginning on or after 31 December 2023. Draft UK legislation has also been published for an UTPR to be introduced, although not before accounting periods beginning on or after 31 December 2024. A UTPR would be a backstop rule intended to ensure that amounts of multinational top-up tax that are not collected under foreign global minimum tax rules can in certain circumstances be collected instead in the UK. The Company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two. The Company does not expect the adoption of Pillar Two to have a significant impact. Refer to "Note 15. Income Taxes Credit" for further information.

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 US dollar; however, a portion of the revenues earned, and expenses incurred are denominated in currencies other than the US 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 US dollars based on a combination of both current and historical exchange rates, while their revenues earned and expenses incurred are translated into US dollars at average period exchange rates. Translation adjustments are included as AOCI on the Company balance sheet. Gains and losses arising from transactions denominated in a currency different from an entity's functional currency are included in FX and other losses on LivaNova PLC's Company statement of income. Taxes are not provided on cumulative translation adjustments, as substantially all translation adjustments are related to earnings which are intended to be indefinitely reinvested in the countries where earned.

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

	Weighted Average Rate Euro	Closing Rate Euro
Year ended 31 December 2023	0.924732	0.903590
Year ended 31 December 2022	0.951016	0.935410

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 income 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 income 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 Income or Loss. Financial assets at fair value through income or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through income 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, 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 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 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. The receivable balance consists primarily of trade receivables from LivaNova PLC's subsidiaries as a result of intercompany re-charges, services and management fees. LivaNova PLC maintains an expected credit loss provision for expected credit losses based on the Company's estimates of the ability of LivaNova PLC's subsidiaries and third-party customers to make required payments, historical credit experience, existing economic conditions and expected future trends. LivaNova PLC writes off uncollectable accounts against the provision when all reasonable collection efforts have been exhausted. Loans, together with the associated provision are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. The losses arising from impairment are recognised in the Company's statement of income. Refer to "Note 8. 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 income 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 Income or Loss. Financial liabilities at fair value through income or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition at fair value through income 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. Financial liabilities designated upon initial recognition at fair value through income 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 income 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 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 expenses in the Company statement of income.

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.

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 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. 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. 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.

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 to offset exchange differences originated by the hedged item or to adjust the value of loss. Upon the settlement of LivaNova PLC's foreign currency cash flow hedges in 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 expenses.

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 2023, LivaNova PLC's restricted cash balance totalled $311.4 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 24. Commitments and Contingencies" of the Company's consolidated financial statements in this Annual Report.

Non-monetary Assets. 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 following table presents the estimated useful lives for all classes of depreciable PP&E, as of 31 December 2023 and 2022:

	2023	2022
Leasehold improvements (years)	up to 10	up to 10
Equipment, furniture, fixtures (years)	up to 3	up to 3

Where there are any internal or external indications that the value of an item of PP&E may be impaired, the recoverable amount of the group of CGUs to which it belongs is calculated. If the recoverable amount is less than the carrying amount of the group of CGUs, a provision for impairment is recorded. PP&E is reviewed for impairment annually on 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. 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 recognises the lease payments for such short-term leases within profit and loss on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or rate, such as variable common area rent maintenance charges and utility fees not known upon lease commencement, are not included in the determination of the minimum lease payments and are expensed in the period in which the obligation for those payments is incurred. Variable lease payments that depend on an index or rate are initially measured using the index or rate as of the commencement date. As most of LivaNova PLC's leases do not provide a readily determinable implicit rate, LivaNova PLC uses the Company's 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 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 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 13. 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:

- *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 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.

- *RS and RSUs.* LivaNova PLC may grant RS and RSUs at no purchase cost to the grantee. The grantees of unvested RSUs have no voting rights or rights to dividends. Sale or transfer of the stock and stock units is restricted until they are vested. The fair market value of service-based RS and RSUs is determined using the market closing price on the grant date, and compensation is expensed ratably over the vesting period. Calculation of compensation for stock awards requires estimation of employee turnover and forfeiture rates. LivaNova PLC has the right to elect to pay the cash value of vested restricted share units in lieu of the issuance of new shares. Under LivaNova PLC's share-based compensation plans the Company re-purchases a portion of these shares from LivaNova PLC's employees to permit the Company's employees to meet their minimum statutory tax withholding requirements on vesting of their restricted share.
- *Market Performance-Based Restricted Share Units.* LivaNova PLC may grant market performance-based RSUs at no purchase cost to the grantee. The grantees of the units have no voting rights or rights to dividends. Sale or transfer of the units is restricted until they are vested. The number of shares that are ultimately transferred to the grantee is dependent upon the Company's percentile rank of TSR relative to a peer group. The fair market value of market performance-based RSUs is determined utilising a Monte Carlo simulation on the grant date and compensation is 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 FCF and adjusted 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, 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 realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Adjustments to deferred taxes resulting from changes in tax rates are recognised in the Company statement of 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 utilised. At each year-end, the Company reviews the recoverable value of deferred tax assets of tax entities holding significant loss carryforwards. This value is based, by tax entity, on the strategy for recoverability of the tax loss carryforwards. Deferred taxes are charged or credited directly to equity when the tax relates to items that are recognised directly in equity, such as gains and losses on cash flow hedges and actuarial gains and losses on defined benefit plan obligations. Deferred tax assets and liabilities are set off when they are levied on the same taxable entity 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. As required by the amendments to IAS12, the Company has applied the exception and will neither recognise nor disclose information about deferred tax assets and liabilities relating to Pillar Two income taxes. Deferred tax 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 SG&A in the Company statement of income. Contingent accruals are recorded when the Company determines that a loss is both probable and reasonably estimable. Due to the fact that legal proceedings and other contingencies are inherently unpredictable, LivaNova PLC's assessments involve significant judgement regarding future events.

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

Critical Estimates

- *Impairment of Investments in Subsidiaries.* LivaNova PLC performed impairment trigger assessments wherein the Company compared the net assets of LivaNova PLC's subsidiaries with their respective carrying values as of 31 December 2023. Where a trigger was identified, the Company performed impairment assessments utilising the discounted cash flow models used in the assessment of the Group's CGUs for impairment. LivaNova also performed sensitivity analyses as of 31 December 2023, which did not result in any potential impairment of the Company's investments. Refer to the consolidated financial statements "Note 10. Goodwill and Intangible Assets" under section "Impairment of Goodwill and Intangible Assets" for key assumptions and a sensitivity analysis over these key assumptions.
- *Deferred Tax Recoverability*. Management has made estimates regarding the recoverability of deductible temporary differences and tax losses carried forward to be utilised 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. For additional information, please refer to "Note 15. Income Taxes Credit."

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 16. Commitments and Contingencies."

Note 3. Property, Plant and Equipment

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

	Leasehold Improvements	Equipment, Furniture & Fixtures	Total
At 31 December 2023			
Gross amount	$ 1,436	$ 3,581	$ 5,017
Accumulated depreciation	(879)	(3,329)	(4,208)
Net amount	$ 557	$ 252	$ 809
At 31 December 2022			
Gross amount	$ 1,378	$ 3,401	$ 4,779
Accumulated depreciation	(739)	(3,157)	(3,896)
Net amount	$ 639	$ 244	$ 883

Note 3. Property, Plant and Equipment

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

	Leasehold Improvements	Equipment, Furniture & Fixtures	Total
Net Amount at 1 January 2022	$ 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
Additions with currency translation	50	72	122
Depreciation [1]	(132)	(64)	(196)
Net Amount at 31 December 2023	$ 557	$ 252	$ 809

(1) Depreciation costs charged to the Company statement of income, within operating expenses, totalled $0.2 million for the years ended 31 December 2023 and 2022.

Note 4. Intangible Assets

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

	Patents	Licenses	Software and Other	Total
At 31 December 2023				
Gross amount	$ 7,369	$ 1,256	$ 8,651	$ 17,276
Accumulated amortisation	(7,369)	(1,256)	(7,723)	(16,348)
Net amount	$ —	$ —	$ 928	$ 928
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

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

	Software and Other
Net amount at 1 January 2022	$ 1,053
Additions with currency translation	325
Amortisation [1]	(529)
Net Amount at 31 December 2022	849
Additions with currency translation	4
Amortisation [1]	75
Net Amount at 31 December 2023	$ 928

(1) Amortisation costs were charged to the Company statement of income within operating expenses during the years ended 31 December 2023 and 2022.

Amortisation is charged on a straight-line basis. The amortisation periods for LivaNova PLC's finite-lived intangible assets as of 31 December 2023 and 2022 were as follows:

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

Note 5. Investments in Subsidiaries

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

	2023	2022
Gross amount	$ 2,962,917	$ 2,938,074
Net book value	$ 2,962,917	$ 2,938,074

Note 5. Investments in Subsidiaries

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

	Cost
Net Amount at 1 January 2022	$ 2,978,918
Disposals	(1,117)
Other	1,592
Currency translation	(41,319)
Net Amount at 31 December 2022	2,938,074
Other	1,093
Currency translation	23,750
Net Amount at 31 December 2023	$ 2,962,917

The following table presents the composition of investments in subsidiaries as of 31 December 2023 and 2022 (in thousands, except ownership percent):

	Percent Ownership (1)		Investments in Subsidiaries	
	2023	2022	2023	2022
LIVN UK Holdco Limited	100.00	100.00	$ 3,884	$ 3,884
LivaNova Canada Inc.	100.00	100.00	12,526	12,522
LivaNova USA, Inc.	100.00	100.00	1,081,079	1,080,330
LivaNova Nederland N.V.	100.00	100.00	109,525	109,422
LivaNova Switzerland SA	100.00	100.00	6,325	6,325
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	681,428	658,066
LivaNova Site Management S.r.l.	86.42	86.42	17,928	17,303
Total			$ 2,962,917	$ 2,938,074

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

NOTES TO THE FINANCIAL STATEMENTS
Note 5. Investments in Subsidiaries

The following table presents the details of directly and indirectly owned subsidiaries as of 31 December 2023:

Entity	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	US	100	LivaNova USA, Inc.	100
Caisson Interventional, LLC	6500 Wedgwood Rd., Maple Grove, MN 55311	US	100	LivaNova USA, Inc.	100
CardiacAssist, Inc. Dba TandemLife	620 Alpha Drive, Ste 200, Pittsburgh, PA 15238	US	100	LivaNova USA, Inc.	100
ImThera Medical, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	US	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 *	Centralis Cayman Limited	Cayman Islands	100	LivaNova PLC	100
LivaNova Chile SpA	Calle Miraflores 222, piso 28 Norte, Santiago,	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.	Paseo de Gracia 6 1 – 2 08007 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 *	Centralis Hungary, 1062 Budapest, Váci út 1-3. "A" torony. ép. 6. em.	Hungary	100	LivaNova PLC	100
LivaNova, Inc.	100 Cyberonics Boulevard, Houston, TX 77058 USA	US	100	LivaNova USA, Inc.	100
LivaNova India Private Limited	603-A, Copia Corporate Suites, Building #09, Jasola District Centre, New Delhi, India 110025	India	99.99	LivaNova Nederland N.V.	99.99
LivaNova IP Limited *	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	UK	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	99.997	LivaNova Nederland N.V.	99.997
LivaNova (China) Medical Technology Co. Ltd	Room 218, 2nd Floor,No.56 Meisheng Road, Shanghai Pilot Free Trade Zone, China	China	100	LivaNova 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	24 rue du Gouverneur Général Éboué, 92130 Issy-les-Moulineaux, 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	12F, No. 101, Songren Rd. Taipei City, 110414 Taiwan	Taiwan	100	LivaNova Nederland N.V.	100
LivaNova Turkey Medikal Limited Sirketi	Esentepe Mahallesi Ecza Sk. Pol Center Sit. C Blok Apt No: 4/1 Sisli/Istanbul	Turkey	100	LivaNova Nederland N.V.	100
LivaNova UK Limited	1370 Montpellier Court, Gloucester Business Park, Gloucester, Gloucestershire, GL3 4AH, United Kingdom	UK	100	LivaNova Nederland N.V.	100
LivaNova USA, Inc. *	100 Cyberonics Boulevard, Houston, TX 77058 USA	US	100	LivaNova PLC	100
LIVN Irishco 2 UC	Deloitte, 6 Lapps Quay, Cork, T12 TA48, Ireland	Ireland	100	LIVN UK Holdco Limited	100
LIVN Luxco 2 sarl [(1)]	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	UK	100	LIVN US 5, LLC	100

Note 5. Investments in Subsidiaries

Entity	Registered Office	Country of Incorporation	% Consolidated Group Ownership	Parent Name	Parent % Ownership
LIVN UK Holdco Limited *	20 Eastbourne Terrace, London, England W2 6LG, United Kingdom	UK	100	LivaNova PLC	100
LIVN US 3, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	US	100	LivaNova, Inc.	100
LIVN US 5, LLC	100 Cyberonics Boulevard, Houston, TX 77058 USA	US	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) LIVN Luxco 2 sarl was liquidated in December 2023.

Note 6. Financial Assets

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

	2023	2022
Note due from subsidiary (1)	$ 490,151	$ —
Other	211	—
Total	$ 490,362	$ —

(1) On 31 December 2023, LivaNova PLC entered into a $490.2 million Promissory Note with LivaNova USA, Inc. at a 8.19% fixed interest rate per annum with accrued interest and principal due 1 December 2030. This note was classified as non-current at 31 December 2023.

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

	2023	2022
Due in less than 12 months		
Due from subsidiaries (1)	$ 38,942	$ 54,635
Other	48	950
Total	$ 38,990	$ 55,585

(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. Other Assets

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

	2023	2022
Receivables from subsidiaries associated with the Company’s share-based incentive plans	$ 59,455	$ 46,886
Right-of-use assets (1)	4,707	5,286
Intangible assets (2)	928	849
Property, plant and equipment (3)	809	883
Total	$ 65,899	$ 53,904

(1) For additional information refer to “Note 13. Leases.”
(2) For additional information refer to “Note 4. Intangible Assets.”
(3) For additional information refer to “Note 3. Property, Plant and Equipment.”

Note 8. Trade and Other Receivables and Expected Credit Loss Provision

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

	2023	2022
Trade receivables due from third parties	$ 261	$ 274
Trade receivables due from LivaNova subsidiaries (1)	8,483	11,658
Expected credit loss provision	(255)	(246)
Total	$ 8,489	$ 11,686

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

	2023	2022
Beginning of year	$ 246	$ 269
Utilization	—	(7)
Currency translation gains/(losses)	9	(16)
End of year	$ 255	$ 246

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

	2023	2022
Deposit and advances to suppliers	$ 10,322	$ 4,704
Prepaid assets	1,289	2,271
Guarantee deposits	158	158
Derivative financial instruments (1)	—	1,333
Total	$ 11,769	$ 8,466

(1) For additional information refer to "Note 9. Derivative Financial Instruments."

Note 9. Derivative Financial Instruments

LivaNova PLC enter into FX derivative contracts and interest rate swap contracts to reduce the impact of foreign currency exchange rate and interest rate fluctuations, respectively, on earnings and cash flow. For additional details refer to LivaNova PLC's accounting policy "Derivatives" included within "Note 2. Basis of Preparation, Use of Accounting Estimates and Material Accounting Policies."

Freestanding FX Derivative Contracts

The gross notional amount of FX derivative contracts, not designated as hedging instruments, outstanding as of 31 December 2023 and 31 December 2022 was $223.4 million and $154.5 million, respectively. These derivative contracts are designed to offset the FX effects in earnings of various intercompany loans and trade receivables.

Cash Flow Hedges

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

The amount and location of the gains and (losses) in the Company statement of income related to derivative instruments not designated as hedging instruments for the years ended 31 December 2023 and 2022 were follows (in thousands):

Derivatives Not Designated as Hedging Instruments	Location	2023	2022
Foreign currency exchange rate contracts	Net foreign exchange and other income/(expense)	$ (1,297)	$ 4,479
Interest rate swap contracts	Finance expenses	—	966

Presentation in Financial Statements

The following tables present the fair value, and the location of, derivative contracts reported in the Company balance sheet as of 31 December 2023 and 2022 (in thousands):

2023	Liability Derivatives	
Derivatives Not Designated as Hedging Instruments	**Balance Sheet Location**	**Fair Value**
FX derivative contracts	Current financial derivative liabilities	$ 3,883
Total derivatives not designated as hedging instruments		3,883
Total		$ 3,883

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		$ 1,333		$ 5,886

Note 10. Shareholders' Equity

Called up share capital

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

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

(1) Allotted, fully paid and issued.

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

Treasury shares. Shares held by the EBT are issued to employees and directors at exercise of share-based compensation grants. The balance of shares in the EBT are reported as treasury shares. LivaNova PLC did not issue any additional shares to the Company's EBT during the years ended 31 December 2023 or 31 December 2022. As of 31 December 2023 and 2022, LivaNova held 23,929 and 287,315 shares in treasury.

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 realised 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 called up share capital.

Accumulated Other Comprehensive Income. The following table presents the change in each component of AOCI, net of tax, and the reclassifications out of AOCI into net earnings for the years ended 31 December 2023 and 2022 (in thousands):

	Foreign Currency Translation Adjustments	Revaluation of Net (Asset) Liability for Defined Benefits	Total
Balance as of 1 January 2022	$ 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)
Balance as of 31 December 2022	(21,945)	(20)	(21,965)
Reclassification of gain from accumulated other comprehensive income, before tax	18,127	—	18,127
Tax effect	—	—	—
Reclassification of gain from accumulated other comprehensive income, after tax	18,127	—	18,127
Net other comprehensive income, net of tax	18,127	—	18,127
Balance as of 31 December 2023	$ (3,818)	$ (20)	$ (3,838)

Note 11. Financial Liabilities

During 2023, LivaNova commenced an intercompany financing restructuring that was subsequently completed in 2024. As part of this intercompany financing restructuring, on 31 December 2023 LivaNova PLC entered into a Promissory Note with LivaNova USA, Inc. for $490.2 million (refer to "Note 6. Financial Assets") and the $509.8 million Promissory Note, discussed below, between LivaNova PLC and LivaNova USA, Inc. was relieved. These and other subsidiary transactions resulted in an increase in LivaNova PLC's due to subsidiaries of $950.0 million, included below within current financial liabilities. The $950.0 million due to subsidiary was subsequently relieved on 2 January 2024 via a distribution.

The following table presents the principal amounts of long-term financial liabilities as of 31 December 2023 and 2022 (in thousands):

	2023	2022
Notes payable to LivaNova subsidiaries [1]	$ —	$ 509,849
Total	$ —	$ 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 following table presents the principal amounts of current financial liabilities as of 31 December 2023 and 2022 (in thousands):

	2023	2022
Due to LivaNova subsidiaries [1]	$ 1,226,626	$ 229,678
Short-term facilities	28	60
Total	$ 1,226,654	$ 229,738

(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 the applicable interest index rate, of each currency, less 0,50%.*

Finance expenses. Finance expenses of $33.0 million and $27.7 million for the years ended 31 December 2023 and 31 December 2022, respectively, consisted primarily of interest on the Company's debt facilities. Refer to the Company statement of income. Finance expenses associated with subsidiary debt amounted to $32.6 million and $26.7 million for the years ended 31 December 2023 and 31 December 2022, respectively.

Note 12. Other Liabilities

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

	2023	2022
Lease liabilities [1]	$ 4,523	$ 5,611
Provision for employee severance indemnities and other employee benefit provisions	680	2,169
Total	$ 5,203	$ 7,780

(1) For additional information refer to "Note 13. Leases."

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

	2023	2022
Accrued employee-related charges	$ 4,427	$ 5,706
Liabilities with subsidiaries	4,093	1,542
Derivative financial instruments [1]	3,883	5,886
Tax payable	2,557	1,239
Amounts due to health and social security institution	1,319	569
Lease liabilities [2]	716	976
Amounts due to employees	496	491
Other current liabilities and accrued expenses	5,798	5,905
Total	$ 23,289	$ 22,314

(1) For additional information refer to "Note 9. Derivative Financial Instruments."
(2) For additional information refer to "Note 13. Leases."

Note 13. 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 15 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 following table presents the changes in ROU assets and lease liabilities by class of assets for the years ended 31 December 2023 and 2022 (in thousands):

	Real Estate	Vehicles	Right-of-Use Assets	Lease Liabilities
Balance as of 1 January 2022	$ 2,400	$ 98	$ 2,498	$ 4,174
Additions	3,791	26	3,817	3,816
Depreciation expense	(949)	(56)	(1,005)	NA
Disposals	—	(11)	(11)	(11)
Finance expenses	—	—	—	189
Lease payments	NA	NA	NA	(1,537)
Currency translation adjustments	(5)	(8)	(13)	(44)
Balance as of 31 December 2022	5,237	49	5,286	6,587
Additions	53	—	53	53
Depreciation expense	(803)	(40)	(843)	NA
Disposals	—	(7)	(7)	(782)
Finance expenses	—	—	—	232
Lease payments	NA	NA	NA	(966)
Currency translation adjustments	216	2	218	115
Balance as of 31 December 2023	$ 4,703	$ 4	$ 4,707	$ 5,239

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

2024	$ 872
2025	956
2026	640
2027	463
2028	463
Thereafter	2,930
Total lease payments	6,324
Less: Amount representing finance charges	(1,085)
Net present value of lease liabilities	$ 5,239

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

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

Lease payments of approximately $1.0 million were made during the year ended 31 December 2023 in connection with lease agreements of which $0.7 million represents the principal portion classified in financing activities and $0.2 million for interest classified in operating activities.

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.

Note 14. 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 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 share-based awards. The awards with service conditions generally vest ratably from two to four years and are subject to forfeiture unless service conditions are met. The market performance-based awards that were issued cliff vest after three years subject to the rank of LivaNova's total shareholder return for the three-year period ending 31 December 2024 relative to the total shareholder returns for a peer group of companies. The adjusted FCF and adjusted ROIC operating performance-based awards that were issued cliff vest after three years subject to the achievement of certain thresholds of cumulative results for those metrics for the three-year period ending 31 December 2024. As of 31 December 2023, there were approximately 12,098 shares available for future grants under the 2015 Plan, respectively and 1,422,656 shares pursuant to Options or Stock Appreciation Rights and 902,967 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			
	2023		2022	
Options and SARs	**Number of Optioned Shares**	**Wtd. Avg. Exercise Price**	**Number of Optioned Shares**	**Wtd. Avg. Exercise Price**
Exercised	193,625	$ 44.39	7,067	$ 45.55
Outstanding - end of year	344,938	$ 61.51	797,842	$ 63.94

The weighted average remaining contractual life for the share options and SARs outstanding at 31 December 2023 and 31 December 2022 was 6.0 years and 5.9 years, respectively.

The aggregate intrinsic value of the options and SARs outstanding at 31 December 2023 and 31 December 2022 was $1.2 million and $3.6 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 following table presents outstanding options and SARs by exercise price range as of 31 December 2023 and 2022 (in number of shares):

Outstanding Options	2023	2022
$41-50	135,323	303,421
$51-60	76,402	135,173
$61-70	—	—
$71-80	49,412	109,485
$81-90	59,093	174,247
$91-100	24,334	75,025
$101-110	374	—
$121-130	—	491
Total	344,938	797,842

Restricted Share and Restricted Share Units Awards

The following tables detail the activity for service-based restricted share and restricted share unit awards for the years ended 31 December 2023 and 2022:

	2023		2022	
	Number of Shares	Wtd. Avg. Grant Date Fair Value	Number of Shares	Wtd. Avg. Grant Date Fair Value
Non-vested at end of year	100,888	$ 53.88	157,400	$ 67.57

	2023	2022
Aggregate fair value of service-based share grants that vested during the year (in thousands)	$ 5,028	$ 5,247

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

The following tables detail the activity for performance-based and market-based restricted share and restricted share unit awards for the years ended 31 December 2023 and 2022:

	2023		2022	
	Number of Shares	Wtd. Avg. Grant Date Fair Value	Number of Shares	Wtd. Avg. Grant Date Fair Value
Non-vested at end of year	75,917	$ 69.37	254,863	$ 70.59

	2023	2022
Aggregate fair value of performance-based share grants that vested during the year (in thousands)	$ 4,283	$ 4,774

Note 15. Income Taxes Credit

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

	2023	2022
Current Tax:		
(Charge) credit in respect to current period	$ (402)	$ 255
Credit (charge) in respect to prior period	671	(76)
Total current tax benefit	269	179
Deferred Tax:		
Relating to the origination and reversal of temporary differences	12,529	12,106
Relating to changes in tax rates and legislation	(914)	4,332
Total deferred tax credit	11,615	16,438
Income tax credit	$ 11,884	$ 16,617

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

	2023	2022
Statutory tax rate at UK rate	23.5 %	19.0 %
Change in tax rate (1)	10.9	32.3
Permanent differences	(3.7)	(4.6)
Distribution of subsidiary earnings	129.6	79.3
Tax on UK CFC interest	(4.4)	(5.1)
Impairment	—	3.9
Equity compensation	(5.2)	(14.6)
Other, net	(12.7)	3.6
Effective tax rate	138.0 %	113.8 %

(1) The change in tax rate for 2023 was primarily due to the NOLs generated during 2023 net of group relief being measured to a tax rate 19%. The change in tax rate for 2022 was primarily due to the NOLs generated during 2022 net of group relief being measured to a tax rate 19% and revaluation of deferred tax assets at 25% for changes in law effective 1 April 2023.

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

		Activity During the Year Ended 31 December 2023			
	31 December 2023	Company Statement of Income	Tax Rate Change (1)	Shareholders' Equity	1 January 2023
Net operating loss carryforwards	$ 79,923	$ 10,375	$ (625)	$ —	$ 70,173
Accruals and reserves	66	—	—	—	66
Share-based compensation	1,037	(2,556)	22	(664)	4,235
Lease assets and other	20,233	3,499	(306)	—	17,040
Total deferred tax assets	101,259	11,318	(909)	(664)	91,514
Lease liabilities and other	(179)	(1,211)	5	—	1,027
Total deferred tax liabilities	(179)	(1,211)	5	—	1,027
Total deferred tax assets, net	$ 101,438	$ 12,529	$ (914)	$ (664)	$ 90,487

(1) The UK tax rate to increase to 25%, effective 1 April 2023, the tax rate movement of deferred tax assets/liabilities from 1 January through 31 March 2023.

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

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

	31 December 2022	Activity During the Year Ended 31 December 2022: Company Statement of Income (Loss)	Tax Rate Change (1)	Shareholders' Equity	1 January 2022
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

(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.

As of 31 December 2023, deferred tax assets have not been recognised 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	520	125	125	Unlimited
Non UK - Other deferred tax assets (1)	1,064	255	—	Various
Total	$ 42,021	$ 10,489	$ 10,234	

As of 31 December 2022, deferred tax assets have not been recognised 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
Non UK - Other deferred tax assets	1,067	256	—	Various
Total	$ 44,382	$ 11,056	$ 10,800	

(1) Unrecognised assets of $0.5 million is included in other in the effective tax rate reconciliation for 2023.

For losses incurred after April 2017 in the UK, the Company anticipates a recoverability of these operating loss carryforwards beginning in 2025 as the Company expects an increase in taxable income due to the full amortisation of certain intangible assets. The Company is relying on estimated future income projections and judgement on the growth of the projected income for the recoverability of the deferred tax assets corresponding the NOLs. The Company estimates it will be able to recover its tax loss in less than 10 years through UK Group relief, as the UK Group will realize substantially an increase of taxable income as a result of increased revenues from royalty income, interest income, and decreased amortisation of intangible assets beginning in 2024.

No provision has been made for income taxes on undistributed earnings of foreign subsidiaries as of 31 December 2023 because it is the Company's intention to indefinitely reinvest undistributed earnings of the Company's foreign subsidiaries. In the event of the distribution of those earnings in the form of dividends, a sale of the subsidiaries, or certain other transactions, the Company may be liable for income taxes. There should be no material tax liability on future distributions as most jurisdictions with undistributed earnings have various participation exemptions / no withholding tax. These unrecognised differences are not expected to reverse in the foreseeable future.

Note 16. Commitments and Contingencies

Refer to "Note 24. 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. As of 31 December 2023, the assessed fair value of the Bank of America agreement was deemed immaterial.

Note 17. Related Parties

Interests in subsidiaries are set out in “Note 5. Investments in Subsidiaries.” Receivables from subsidiaries are set out in “Note 6. Financial Assets.” Trade receivables due from LivaNova subsidiaries are set out in “Note 8. Trade and Other Receivables and Expected Credit Loss Provision.” Receivables from subsidiaries associated with the Company’s share-based incentive plans are set out in “Note 7. Other Assets.” Notes payable to LivaNova subsidiaries are set out in “Note 11. Financial Liabilities.” Current liabilities with subsidiaries are set out in “Note 12. Other Liabilities.” Refer to the consolidated financial statements “Note 27. Related Parties” for key management personnel and related parties. Refer to consolidated financial statements “Note 12. Financial Assets” for related party financial assets.

Note 18. Company Statement of Income by Nature

The following table presents the Company statement of income by nature for the years ended 31 December 2023 and 2022 (in thousands):

	Year Ended 31 December	
	2023	2022
Revenue	$ 25,853	$ 28,996
Cost of materials and services used	(52,189)	(49,065)
Personnel expense	(19,282)	(35,136)
Amortisation and depreciation	(1,258)	(1,663)
Operating loss	(46,876)	(56,868)
Finance expenses	(32,985)	(27,688)
Income from subsidiary undertakings	47,500	60,925
Finance income	21,959	10,983
Net foreign exchange and other income/(expense)	1,789	(1,955)
Loss before taxes	(8,613)	(14,603)
Income tax credit	11,884	16,617
Income for the financial year	$ 3,271	$ 2,014

Note 19. Employee Compensation Costs

Details of directors’ remuneration are included in the Remuneration Report on pages 53 to 74, which forms part of these financial statements.

The average monthly employee numbers on a full-time equivalent basis, including executive directors were 61 and 68 for the years ended 31 December 2023 and 2022, respectively. LivaNova PLC’s employees are principally engaged in Corporate activities.

The following table presents employee compensation costs of LivaNova PLC for the years ended 31 December 2023 and 2022 (in thousands):

	2023	2022
Wages and salaries	$ 8,138	$ 8,180
Social security costs	3,710	4,022
Pension costs	1,318	2,153
Share-based payments	(812)	14,119
Other employee costs	6,928	6,662
Total	$ 19,282	$ 35,136

Note 20. Auditors’ Remuneration

The following table presents the Company auditors’ remuneration for the years ended 31 December 2023 and 2022 (in thousands):

	Year Ended 31 December	
	2023	2022
Fees payable to the Company’s Auditors for the audit of parent company financial statements (1)	$ 82	$ 82

(1) Refer to “Note 31. Auditors’ Remuneration” of the LivaNova consolidated financial statements in this Annual Report for non-audit fees.

Note 21. Subsequent Events

Refer to “Note 11. Financial Liabilities” to these Company financial statements and to “Note 33. Subsequent Events” to the Consolidated Group financial statements in this Annual Report.

LivaNova

Health innovation that matters

LivaNova PLC

20 Eastbourne Terrace
London, W2 6LG
United Kingdom
+44 20 3325 0660

www.livanova.com

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