Alvotech Holdings S.A.

Revised Consolidated Financial Statements and Report of the Réviseur d'Entreprises Agréé

2020

Alvotech Holdings S.A.
9, rue Bitbourg
L-1273 Luxembourg
Grand Duchy of Luxembourg
RCS Luxembourg B 229.193

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2020

Table of Contents

Revised Endorsement by the Board of Directors	2-3
Revised Report of the Réviseur d'Entreprises Agréé	4-7
Revised Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Revised Consolidated Statement of Financial Position	9-10
Revised Consolidated Statement of Cash Flows	11
Revised Consolidated Statement of Changes in Equity	12
Revised Notes to the Consolidated Financial Statements	13-55

Revised Endorsement by the Board of Directors

Alvotech Holdings S.A.
Société anonyme
(the "Company")

Registered Office: 9, rue de Bitbourg, L-1273 Luxembourg
R.C.S. Luxembourg B 229.193

Revised management report to the shareholders of the Company relating to the annual accounts for the financial year 2020 and the consolidated accounts for the financial year 2020

Dear shareholders,

We hereby wish to submit to you the annual accounts of the Company, as well as the consolidated accounts of the Company and the Alvotech group (the "**Group**") for the financial year ending on 31 December 2020. The present report relates to both the annual accounts as well as the consolidated accounts in accordance with article 1720-1 (3) of the law of 10 August 1915 on commercial companies, as amended.

I. Business developments for the financial year ended 31 December 2020

The balance sheet total amounts to **474,4** million United States dollars (USD).

The financial year ending on 31 December 2020, which comprises the period from 1 January 2020 through 31 December 2020, has produced a loss of **170** million USD:

USD	**1.1.2020-31.12.2020**
Revenue	69.5
Gross profit	N/A
Gross profit %	N/A
Other expenses	207.0
Share of loss of associates and JV	N/A
Net finance expenses	154.2
(Loss) before tax	(291.8)
Income tax income	121.7
(Loss for the period)	(170.1)

During the financial year the Group's main activities were focused on product development in preparation for a commercial launch in 2022-2023. The Group signed Commercial agreements for it´s portfolio in the USA and China as well as further expanding it´s commercial partnerships across other regions.

In the second half of 2020 the Group raised 65 million USD of new capital from new and existing shareholders.

We suggest the following allocation of the result:

USD	
Result of the financial period	(170.1)
Allocation to the legal reserve	N/A
Distribution of dividends	N/A
Result to be brought forward after allocation of the results	(170.1)

II. Future developments

For 2021, the Group is in the process of raising additional capital through a Pre-IPO financing round. In addition, it anticipates signing additional commercial partnership agreements for its portfolio.

At this point, the Board of Directors is confident that the appropriate level of funding will be available from these sources to meet the business needs in 2021 and beyond.

Revised Endorsement by the Board of Directors

III. Business risks and their mitigation

This section contains a summary of the main risks that the Company may face during the normal course of its business.

Please note however that this section does not purport to contain an exhaustive list of the risks faced by the Company, as the Company may be significantly affected by risks that it has not identified, or not considered as material;
Some risks faced by the Company, whether they are mentioned in this section or not, may arise from external factors beyond the Company's control;
Where means of mitigation are mentioned in this section, such mention does not constitute a guarantee that the means of mitigation will be effective (in whole or in part) to remove, or reduce the effect of the risk.

The Group business model is built around the development, manufacturing and commercialization of biosimilar medicine. Development of biosimilar medicine is subjected to numerous risks, as the product travels through different stages of development, scale-up, clinical, regulatory to name a few. On the commercial side the Group is faced with an ever-changing competitive landscape, as well as pricing for its products.

IV. Additional disclosures

Restatement of previously issued consolidated financial statements:

The Group has restated its Consolidated Statements of Financial position, Consolidated Statements of Profit or Loss and other Comprehensive Income or Loss, Consolidated Statements of Cash Flows, Consolidated Statements of Changes in Equity and the accompanying notes as of and for the years ended 31 December 2020 and 31 December 2019.

See Note 29 – Restatement of previously issued consolidated financial statements for additional information regarding the restatement adjustments made to the consolidated financial statements.

Pursuant to article 68 of the law governing the Trade and Companies' Register as well as accountancy and the annual accounts of companies and modifying other legal provisions dated 19 December 2002, as amended, the board of directors hereby declares:

To the best of our knowledge, we are not aware of any events which would have a material bearing on the accounts since the end of the previous financial year.

The Company's and the Group's likely foreseeable future development is stable.

The Company is, itself, not involved in any research and development activities. At Group level however the Company's subsidiary, Alvotech hf and its subsidiaries, excluding Alvogen US, conducts research and development.

The Company did not purchase any of its own shares.

Done in Luxembourg on 2 November 2021,
For the board of directors of the Company:

Name: Robert Wessman
Title: Director and authorized signatory

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To the Shareholders of
Alvotech Holdings S.A.
9, rue Bitbourg
L-1273 Senningerberg
Grand Duchy of Luxembourg

REVISED REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Report on the Audit of the Revised Consolidated Financial Statements

Opinion

We have audited the revised consolidated financial statements of Alvotech Holdings S.A. (the "Group"), which comprise the revised consolidated statement of financial position as at 31 December 2020, and the revised consolidated statement of comprehensive income, revised consolidated statement of changes in equity and revised consolidated statement of cash flows for the year then ended, and notes to the revised consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying revised consolidated financial statements give a true and fair view of the revised consolidated financial position of the Group as at 31 December 2020, and of its revised consolidated financial performance and its revised consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "*réviseur d'entreprises agréé*" for the Audit of the Revised Consolidated Financial Statements" section of our report. We are also independent of the *Group* in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the revised consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw your attention to Note 29 “Restatement of previously issued Consolidated Financial Statements” of the Revised Consolidated Financial Statements, which describes the fact that the Consolidated Financial Statements for the year ended 31 December 2020, which were approved on 30 March 2021 have been revised to reflect the adjustment resulting from:

1. The Board of Directors’ reassessment of the effective control over the joint venture company;
2. and the Board of Directors’ reassessment of the accounting treatment linked to the convertible instruments issued by the Company including the embedded features of these derivatives instruments.

The accompanying Revised Consolidated Financial Statements have been amended in order to reflect these adjustments. There are no other changes impacting the Revised Consolidated Financial Statements. The Revised Consolidated Financial Statements and the revised report of the “*réviseur d’entreprises agréé*” replace the Consolidated Financial Statements and the report of the “*réviseur d’entreprises agréé*” dated 30 March 2021.

We would like to highlight the fact that our subsequent audit procedures after 30 March 2021 were solely limited to the matter explained in Note 29.

Our opinion is not modified in respect of this matter.

We draw attention to Note 31 in the consolidated financial statements, which indicates that, as at 31 December 2020, the Group’s equity is negative by USD 867.242.968 which is mainly related to the net losses of USD 170.043.250 and USD 209.877.037 incurred respectively during the years ended 31 December 2020 and 31 December 2019. The Group’s business plan is based on developing biosimilar products over the next several years prior to launches occurring in major global markets. Management is confident that financing of the Group during the development phase will come from several sources including shareholder equity as well as Shareholder and third party debt financing. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the Endorsement by the Board of Directors but does not include the revised consolidated financial statements and our revised report of the "*réviseur d'entreprises agréé*" thereon.

Our opinion on the revised consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Deloitte.

In connection with our audit of the revised consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the revised consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Revised Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these revised consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of revised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the revised consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "*réviseur d'entreprises agréé*" for the Audit of the Revised Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the revised consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the *"réviseur d'entreprises agréé"* that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 revised consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the revised consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "*réviseur d'entreprises agréé*" to the related disclosures in the revised consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "*réviseur d'entreprises agréé*". However, future events or conditions may cause the *Group* to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the revised consolidated financial statements, including the disclosures, and whether the revised consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the revised consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The revised consolidated management report is consistent with the revised consolidated financial statements and has been prepared in accordance with applicable legal requirements.

For Deloitte Audit, *Cabinet de révision agréé*

Nick Tabone

Nick Tabone, *Réviseur d'entreprises agréé*
Partner

2 November 2021

Revised Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

	Notes	2020 Revised	2019 Revised
Revenue	5	69,448,450	35,610,070
Other income	5	0	45,000,000
Research and development expenses		(103,793,291)	(59,924,356)
Manufacturing expenses		(30,135,443)	(21,377,759)
Quality Expenses		(14,445,330)	(9,977,673)
General and administrative expenses		(58,612,789)	(50,778,584)
Operating loss		(137,538,403)	(61,448,302)
Share of net loss of joint venture	26	(1,505,178)	(192,092)
Finance income	7	5,606,941	6,932,094
Finance costs	7	(161,548,150)	(158,467,063)
Exchange rate difference		3,215,777	3,789,663
		(154,230,610)	(147,937,398)
Loss before taxes		(291,769,013)	(209,385,700)
Income tax	9	121,725,763	(491,337)
Loss of the year		(170,043,250)	(209,877,037)
Other comprehensive income			
Item that will subsequently be reclassified to profit or loss:			
Foreign operations - translation reserve		5,954,004	(1,468,181)
Total comprehensive loss		(164,089,246)	(211,345,218)
Earnings per share			
From continuing operations	10		
Basic		(24)	(31)
Diluted		(24)	(31)

The accompanying notes are an integral part of these revised consolidated financial statements.

Revised Consolidated Statement of Financial Position at 31 December 2020

	Notes	31.12.2020 Revised	31.12.2019 Revised
Non-current assets			
Property, plant and equipment	11	68,319,200	68,875,536
Right of use assets	12	108,646,154	102,072,049
Goodwill	13	13,426,501	12,226,449
Other intangible assets	14	6,335,416	3,096,432
Contract assets	15	2,189,545	1,689,320
Investment in joint venture	26	56,679,457	54,020,027
Other long-term assets		715,000	0
Restricted cash	16	10,086,788	10,086,157
Deferred tax assets	9	121,863,662	0
		388,261,723	252,065,970
Current assets			
Inventories	17	9,646,361	6,390,582
Trade receivables		582,665	22,353,399
Contract assets	15	32,534,328	21,367,333
Other receivables	18	11,321,734	4,911,844
Receivables from related parties	24	386,949	35,146
Cash and cash equivalents	19	31,689,098	67,402,995
		86,161,135	122,461,299
Total Assets		474,422,858	374,527,269

The accompanying notes are an integral part of these revised consolidated financial statements.

Revised Consolidated Statement of Financial Position at 31 December 2020

	Notes	31.12.2020 Revised	31.12.2019 Revised
Equity			
Share capital	20	72,591	69,371
Share premium		166,740,435	102,358,959
Translation reserve		4,973,809	(980,195)
Accumulated deficit		(1,039,029,803)	(868,986,548)
Total Equity		(867,242,968)	(767,538,413)
Non-current liabilities			
Borrowings	21	565,395,468	473,287,339
Derivative financial liabilities	28	534,692,654	479,263,352
Contingent consideration		7,440,000	0
Obligations under leases	12	103,473,600	97,286,880
Long term incentive plan	22	40,593,187	22,293,000
Deferred revenue	23	38,873,692	15,470,666
Deferred tax liability	9	216,777	326,586
		1,290,685,378	1,087,927,823
Current liabilities			
Trade and other payables		11,959,382	11,732,411
Obligations under leases	12	5,473,162	4,507,435
Current maturities of borrowings	21	2,503,452	2,319,402
Liabilities to related parties	24	366,782	10,780,113
Deferred revenue	23	14,191,980	13,576,273
Other current liabilities	25	16,485,690	11,222,225
		50,980,448	54,137,859
Total Liabilities		1,341,665,826	1,142,065,682
Total equity and liabilities		474,422,858	374,527,269

The accompanying notes are an integral part of these revised consolidated financial statements.

Revised Consolidated Statement of Cash Flows for the year ended 31 December 2020

	Notes	2020 Revised	2019 Revised
Operating activities			
Operating loss		(137,538,403)	(61,448,302)
Sales gain on intellectual property	5	0	(45,000,000)
Long term incentive plan	22	17,790,565	22,293,000
Depreciation and amortization	8	16,417,817	14,606,533
Impairment of PPE	8	2,140,992	0
Operating cash flow before movement in working capital		(101,189,029)	(69,548,769)
Increase in inventories		(3,255,779)	(4,162,769)
Increase in operating assets		9,808,236	(47,191,379)
Increase in operating liabilities		27,867,719	38,955,680
Cash used in operating activities		(66,768,853)	(81,947,237)
Interest received		212,912	1,657,169
Interest paid		(6,054,323)	(6,487,593)
Income tax paid		(247,708)	(425,172)
Net cash used in operating activities		(72,857,971)	(87,202,833)
Investing activities			
Acquisition of property, plant and equipment	11	(9,313,018)	(8,548,860)
Disposal of property, plant and equipment	11	79,290	175,615
Acquisition of intangible assets	14	(4,108,703)	(848,697)
Investment in joint venture	26	(5,000,000)	(5,000,000)
		(18,342,431)	(14,221,942)
Financing activities			
Repayments of borrowings	21	(2,895,697)	(27,052,660)
Reimbursement of lease liability	12	(6,087,017)	(3,840,875)
Net proceeds from new borrowings	21	30,000,000	113,825,000
Change in restricted cash	16	0	2,746,812
Proceeds on issue of equity shares		34,384,696	30,692,002
		55,401,981	116,370,279
Increase in cash and cash equivalents		(35,798,421)	14,945,504
Cash and cash equivalents at the beginning of the year		67,402,995	52,252,345
Effect of movements in exchange rates on cash held		84,524	205,146
Cash and cash equivalents at the end of the year	19	31,689,098	67,402,995

The accompanying notes are an integral part of these revised consolidated financial statements.

Revised Consolidated Statement of Changes in Equity for the year ended 31 December 2020

	Share capital	Share premium	Translation reserve	Accumulated deficit	Total equity
Balance at 1.1.2019	67,538	70,123,529	487,986	(659,109,511)	(588,430,458)
Loss of the year				(209,877,037)	(209,877,037)
Foreign currency translation differences			(1,468,181)		(1,468,181)
Other comprehensive income			(1,468,181)	(209,877,037)	(211,345,218)
Increase in share capital	1,833	32,235,430			32,237,263
Balance at 31.12.2019 (Revised)	69,371	102,358,959	(980,195)	(868,986,548)	(767,538,413)
Loss of the year				(170,043,250)	(170,043,250)
Foreign currency translation differences			5,954,004		5,954,004
Other comprehensive income			5,954,004	(170,043,250)	(164,089,246)
Increase in share capital	3,220	64,381,476			64,384,696
Balance at 31.12.2020 (Revised)	72,591	166,740,435	4,973,809	(1,039,029,802)	(867,242,968)

In June 2016 the Icelandic Parliament passed a legal reform of the Icelandic Financial Statements Act no. 3/2006 which became effective on January 1, 2016. The requirement is that retained earnings are separated into two categories: restricted and unrestricted retained earnings. Unrestricted retained earnings consist of undistributed profits and losses accumulated by the Company, less transfers to the Company's statutory reserve and other restricted retained earnings categories. The amount of restricted retained earnings is 3.5 million at year end (2019: 3.6 million).

The accompanying notes are an integral part of these revised consolidated financial statements.

Revised notes to the Consolidated Financial Statements 2020

1. General information

Alvotech Holdings S.A. (the "Parent" the "Company") is a Luxembourg public limited company (société anonyme) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 9, rue de Bitbourg, L-1273 Luxembourg (since 05.03.2021), Grand Duchy of Luxembourg and is registered with the Luxembourg Trade and Companies' Register under number B 229193. The Company was incorporated on 2nd November 2018. On 23rd October 2020 the share capital of the Company was increased from USD 69,370.62 represented by 6,841,361 A ordinary shares, having a nominal value of USD 0.01 each, and 95,701 class B shares, having a nominal value of USD 0.01 each, by an amount of USD 3,220.77 up to USD 72,591.39 through the issue of 322,077 new A ordinary shares with a nominal value of USD 0.01 each, which were subscribed as follows:

• 114,585 new A ordinary shares have been subscribed by Aztiq Pharma Partners S.á r.1., for a price of USD 23,125,000;

• 120,779 new A ordinary shares have been subscribed by Alvogen Lux Holdings S.á r.1., for a price of USD 24,375,000;

• 19,820 new A ordinary shares have been subscribed by Shinhan Healthcare Fund 5 for a price of USD 4,000,000;

• 24,775 new A ordinary shares have been subscribed by Santo Holding (Deutschland) GmbH for a price of USD 5,000,000;

• 4,955 new A ordinary shares have been subscribed by Mr. Comeliu-Laurentiu Scheusan for a price of USD 1,000,000; and

• 37,163 new A ordinary shares have been subscribed by Baxter Healthcare S.A. for a price of USD 7,500,000

The shares so subscribed have been fully paid up by a (i) contribution in cash in an amount of USD 35,000,000 and (ii) by set off with an undisputed, liquid, due and payable claim in an amount of USD 30,000,000. The total contribution of USD 65,000,000 is divided into (i) USD 3,220.77 to be allocated to the share capital and (ii) USD 64,996,779.23 to be allocated to the share premium of the Company.

This Consolidated Financial Statements include the financial statements of Alvotech Holdings S.A. and its subsidiaries (Alvotech hf., Alvotech Swiss AG, Alvotech Germany GmbH, Alvotech Hannover Gmbh, Alvotech Malta Ltd, Alvotech USA inc. and Alvotech UK Ltd) together referred to as the "Group".

Alvotech Holdings S.A. and subsidiaries are a global biopharmaceutical company dedicated to becoming one of the leaders in the biosimilars monoclonal antibodies market. The Company has biosimilar molecules in development and a new state-of-the-art manufacturing plant for development and commercial supply.
Owners of the Company are Aztiq Pharma Partners S.à r.l. (62.14%), Alvogen Lux Holdings S.à r.l. (28.14%) and others (9.72%).

2. Accounting policies

2.1 Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Standards issued and effective

In the current year, the Group has applied a number of amendments to IFRS Standards issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2020 (see below). Their adoption has not had any material impact on the disclosures or on the amounts reported in these Consolidated Financial Statements

2. Accounting policies (cont.)

• Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform, Phase I
• Amendments to IFRS 3, Definition of a Business
• Amendments to IAS 1 & IAS 8, Definition of Material
• Revised Conceptual Framework for Financial Reporting

Standards issued but not yet effective

At the date of authorisation of these Consolidated Financial Statements, The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

• Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16, Interest Rate Benchmark Reform, Phase II

The Management of the Group does not expect that the adoption of the amendments to Standards listed above will have a material impact on the Consolidated Financial Statements of the Group in future periods.

2.2 Basis of preparation

The Consolidated Financial Statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The Consolidated Financial Statements are presented in US Dollar (USD).

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

• has power over the investee;
• is exposed, or has rights, to variable returns from its involvement with the investee; and
• has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

• the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
• potential voting rights held by the Company, other vote holders or other parties;
• rights arising from other contractual arrangements; and
• any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The Consolidated Financial Statements have been prepared in accordance with the purchase method. When ownership of a subsidiary is less than 100%, non-controlling interest in profit/loss for the year and equity at end of period are identified separately. When non-controlling interest are minor they are not identified.

In 2020 the presentation in the consolidated statement of profit or loss and other comprehensive income was changed in order to align it with management reporting. The Company now presents this statement according to function rather than nature as in previous years and as a result the comparatives were changed accordingly.

2. Accounting policies (cont.)

In acquisitions of subsidiaries their assets and liabilities are estimated at a fair value at the acquisition date. If costs are in excess of the fair value of assets and liabilities a goodwill is recognized. The results of the subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Where necessary adjustments are made to the Financial Statement of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Going concern

The Consolidated Financial Statement have been prepared on a going concern basis. The going concern basis assumes that the Group will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. See further note 31.

Restatement of previously issued consolidated financial statements:

The Group has restated its Consolidated Statements of Financial position, Consolidated Statements of Profit or Loss and other Comprehensive Income or Loss, Consolidated Statements of Cash Flows, Consolidated Statements of Changes in Equity and the accompanying notes as of and for the years ended 31 December 2020 and 31 December 2019.

See Note 29 – Restatement of previously issued consolidated financial statements for additional information regarding the restatement adjustments made to the consolidated financial statements.

2.3 Revenue recognition

Rendering of service

Revenue from rendering of services is recognized when the service is provided. Revenue are shown in the Consolidated Statement of profit or loss and other comprehensive income net of discount.

Out-Licensing revenue

The Group has made several out-licensing contracts for in development biosimilar molecules. The contracts include two performance obligations, right to use licence and R&D services. Once a clinical trials application (CTA) has been submitted, management considers it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a result revenue recognition is triggered at the time of CTA submission for performance obligations already fulfilled at that point.

The Group determines the stand alone selling price of the R&D service with reference to development costs yet to be incurred when entering into an agreement. As there is no stand-alone price for the right to use the license the Group evaluates the stand-alone selling price using the residual approach, by deducting the stand alone selling price for R&D services from the contract price. Revenue for the right to use licence is recognised at a point in time upon CTA submission, and the R&D service revenue is recognized over time by applying a cost based input method using predetermined development milestones as a reference.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2. Accounting policies (cont.)

2.4 Project expenses and other operating expenses

Project expenses consist of research and development cost. Other operating expenses mainly consist of facility related expenses as well as other general operating expenses.

2.5 Investments in subsidiaries

Control is achieved when the Group has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements.

2.6 Investments in joint ventures

To the extent the Group concludes that it does not control, and thus consolidate, a joint venture, the Group accounts for its interest in joint ventures using the equity method of accounting. As such, investments in a joint venture are initially recognized at cost and the carrying amount is subsequently adjusted for the Group's share of the profit or loss of the joint venture, as well as any distributions received from the joint venture. The Group carries its ownership interest in a joint venture as "Investment in joint venture" on the consolidated statements of financial position. The Group's profit or loss includes its share of the profit or loss of the joint venture and, to the extent applicable, other comprehensive income or loss for the Group includes its share of other comprehensive income or loss of the joint venture. The Group's share of a joint venture's profit or loss in a particular year is presented as "Share of net loss of joint venture" in the consolidated statements of profit or loss and other comprehensive income or loss.

The carrying amount of equity-accounted investments is assessed for impairment as a single asset. Impairment losses are incurred only if there is objective evidence of impairment as a result of loss events that have an impact on estimated future cash flows and that can be reliably estimated. Losses expected as a result of future events are not recognized. The Group did not recognize any impairment losses related to its investment in the joint venture for the year ended 31 December 2020.

Refer to note 26 for additional information regarding the Group's joint venture as of and for the year ended 31 December 2020.

2.7 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in in the consolidated statement of profit or loss and other comprehensive income as incurred.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the purchase price of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities, contingent liabilities, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

2. Accounting policies (cont.)

2.8 Goodwill

Goodwill is recognized as an asset and reviewed for impairment at each balance sheet date. The amount of impairment is calculated using discounted expected future cash flows. The discount rate applied to these cash flows is based on weighted average cost of capital, which represents the cost of debt and equity after taxation. Impairment charges are measured on the basis of comparison of estimated fair values (discounted expected future cash flows) with corresponding book values and recognized in the consolidated statement of profit or loss and other comprehensive income.

2.9 Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

2.10 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the Consolidated Statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2. Accounting policies (cont.)

2.11 Property, plant and equipment

Property, plant and equipment are recognized as an asset when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured in a reliable manner. Property, plant and equipment which qualify for recognition as an asset are initially measured at cost.

The cost of a property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

The depreciable amount of the asset is allocated on a straight-line basis over its useful life. The depreciation charge for each period is recognized as an expense. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

The disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Statement of profit or loss and other comprehensive Income.

2.12 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful life are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is allocated on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each balance sheet date, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Part of the intangible assets included below have finite useful lives, over which the assets are amortized. These intangible assets will be amortized on a straight line basis over their useful lives.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Groups's development is recognized only if all of the following conditions are met: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

2. Accounting policies (cont.)

2.13 Inventories

Inventories are stated at the lower of cost or net realisable value, after taking obsolete and defective goods into consideration. Cost comprises direct materials and, where applicable, direct labour costs and those overhead expenses that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

2.14 Impairment

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a

2.15 Financial assets

2.15.1 Recognition of financial assets

Financial assets are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets , as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

2.15.2 Financial assets measured at amortised cost

Financial assets at amortised cost are debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group's financial assets measured at amortised cost are trade and other receivables, contract assets, receivables from related parties, restricted cash and cash and cash equivalents.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

2. Accounting policies (cont.)

2.15.3 Financial assets at fair value

Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). The Group currently holds no financial assets measured at fair value or at FVOCI.

2.15.4 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECL) on its trade receivables and contract assets, that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

The Group estimates impairment for related parties receivables on an individual basis. No impairment is recognised for restricted cash or cash and cash equivalents as management has estimated that the effects of any calculated ECL would be immaterial.

2.15.5 Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

2. Accounting policies (cont.)

2.16 Financial liabilities

2.15.1 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.16.2 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.16.3 Financial liabilities

According to IFRS 9, financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. All of the Group's financial liabilities are measured at amortised cost.

2.16.3.1 Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

2. Accounting policies (cont.)

2.17 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease payments included in the measurement of the lease liability comprise fixed payments less any incentives, variable lease payments that depend on an index or rate, expected residual guarantees and the exercise price of purchase options if the Group expects to exercise the option.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability if the lease term has changed, when lease payments changes in an index or rate or when a lease contract is modified and the modification is not accounted for as a separate lease.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

3. Accounting estimate

In the application of the Group's accounting policies, which are described in note 2, directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following notes include balances where the critical judgements that managers have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Consolidated Financial Statements.

- *Property, plant and equipment (Note 11)*
- *Leases (Note 12)*
- *Carrying amount of Goodwill (Note 13)*
- *Intangible assets (Note 14)*
- *Financial instruments (derivatives) (Note 28)*

4. Operating segment

The Group is engaged in biopharmaceutical R&D, biopharmaceutical service and biopharmaceutical production, the revenue streams are reported in four geographical segments in a manner consistent with the way in which information is reported internally to the Group´s senior management for purposes of resource allocation and performance assessment.

Geographical Information

(a) Revenue from external customers	2020	2019
North America	37,928,395	1,967,336
Europe	22,542,691	21,419,870
Asia	4,107,266	2,404,735
Other	4,870,098	9,818,129
	69,448,450	35,610,070

The revenue geographical information above is based on the market area.

(b) Non-current assets

	2020	2019
North America	471,530	0
Europe	263,881,135	251,111,197
Other	2,045,396	954,773
	266,398,061	252,065,970

The non-current asset information above is based on locations of the assets and excludes financial instruments and deferred tax assets.

5. Revenue and other income

Revenue from contracts with Customers	2020	2019
License fee	19,434,467	18,008,533
R&D service	44,760,030	13,909,338
Other	5,253,953	3,692,199
	69,448,450	35,610,070

Other income

	2020	2019
Sales gain of Intellectual Property	0	45,000,000
	0	45,000,000

Sales gain of Intellectual Property

In 2019 Alvotech Holdings initial investment in Changchun Alvotech Biopharmaceutical Co. Ltd. (joint venture) is 100 million. Part of Alvotech Holdings contribution is 90 million in the form of contract products (six specific biosimilar products). Under the equity method, an investment is initially recognized at cost. However, since part of the paid in capital is in the form of non-financial assets, the effect of downstream transactions will have to be considered. Alvotech Holdings has to date not capitalized any development costs relating to the assets referred to in the contract. Therefore a gain is recognized in the income statement in the amount of the unrelated investors share in the assets contributed to Changchun Alvotech Biopharmac. Co. Ltd (joint venture).

6. Salaries and other employee expenses

	2020	2019
Salary expense	45,903,628	32,832,419
Pension expense	4,157,149	3,346,354
Long term incentive plan	18,053,503	22,293,000
Other employee expense	11,263,335	8,235,769
Temporary labor	3,441,776	1,625,037
	82,819,391	68,332,579
Average number of employees	488	341

7. Finance income and finance cost

Finance income	2020	2019
Changes in the fair value of derivatives	5,393,399	5,193,608
Interest income from cash and cash equivalents	164,971	1,732,152
Other interest income	48,571	6,334
	5,606,941	6,932,094

Finance cost	2020	2019
Changes in the fair value of derivatives	(60,822,698)	(59,893,665)
Interest on debt and borrowings	(97,463,188)	(95,755,157)
Amortization of deferred financing fees	(3,262,264)	(2,818,241)
	(161,548,150)	(158,467,063)

8. Depreciation and amortization

	2020	2019
Depreciation & impairment of property, plant and equipment (see note 11)	10,591,515	7,555,586
Depreciation of right of use assets (see note 12)	6,955,474	6,142,399
Amortization of intangibles assets (see note 14)	1,010,157	908,548
	18,557,146	14,606,533

9. Income tax

Income tax has been calculated and recorded in the Consolidated Financial Statements. The amount credited in income statement is 121.725.763 thousand in the year 2020 (2019: 491 thousand (debeted)).

	2020		2019	
	Amount	%	Amount	%
Loss before tax	(291,769,013)		(209,385,700)	
Tax rate	(72,767,192)	24.9%	(52,220,794)	24.9%
Effect of tax rate in foreign jurisdictions	14,413,389	-4.9%	10,343,654	-4.9%
Utilisation of tax losses previously not recognized	(81,537,003)	27.9%	0	0.0%
Valuation allowance	18,165,043	-6.2%	42,368,477	-20.2%
Income tax according to income statement	(121,725,763)	41.7%	491,337	-0.2%

Deferred income tax liability in the amount of 217 thousand (2019: 327 thousand) has been recognised in relation to fair value measurement of customer relationships. This deferred tax liability has been offset by tax loss carry forward.

Deferred income tax asset arises from tax losses carryforward in Iceland that were not recognized in prior periods. The entity estimates that the tax loss carryforward will be used against taxable profits in the coming years and therefore an amount of 121.864 thousand is recognised as a non-current asset. These deferred tax assets expire as follows:

2023-2025	40,010,285
2026-2028	234,774,760
Later	334,533,265
	609,318,310

10. Earnings per share

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings	2020	2019
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	(170,043,250)	(209,877,037)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	6,990,889	6,819,783
Earnings per share		
Basic	(24)	(31)
Diluted	(24)	(31)

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

Revised notes to the Consolidated Financial Statements 2020

11. Property, plant and equipment

Property, plant and equipment are specified as follows:

	Facility equipment	Furniture, fixt. and leasehold improvements	Computer and equipment	Total
Cost				
Balance at 1.1.2020	64,462,120	26,407,108	1,444,849	92,314,077
Additions	8,161,756	1,118,688	32,574	9,313,018
Disposals	(197,224)	0	0	(197,224)
Impairment	(2,880,698)	0	0	(2,880,698)
FX translation difference	1,148,763	73,531	36,860	1,259,154
Balance at 31.12.2020	70,694,717	27,599,327	1,514,283	99,808,327
Depreciation				
Balance at 1.1.2020	16,817,628	5,302,731	1,318,182	23,438,541
Depreciation	6,718,189	1,662,056	70,276	8,450,521
Disposals	(117,934)	0	0	(117,934)
Impairment	(739,704)	0	0	(739,704)
FX translation difference	375,988	51,004	30,710	457,702
Balance at 31.12.2020	23,054,167	7,015,791	1,419,168	31,489,126
Carrying amount				
Balance at 1.1.2020	47,644,492	21,104,377	126,667	68,875,536
Balance at 31.12.2020	47,640,550	20,583,536	95,115	68,319,200

	Facility equipment	Furniture, fixt. and leasehold improvements	Computer and equipment	Total
Cost				
Balance at 1.1.2019	57,323,984	25,766,661	1,368,149	84,458,794
Additions	7,765,965	681,464	101,431	8,548,860
Disposals	(422,629)	(35,881)	(16,501)	(475,011)
Translation difference	(205,200)	(5,136)	(8,230)	(218,566)
Balance at 31.12.2019	64,462,120	26,407,108	1,444,849	92,314,077
Depreciation				
Balance at 1.1.2019	11,410,956	3,690,981	1,186,463	16,288,400
Depreciation	5,748,122	1,652,340	155,124	7,555,586
Disposals	(247,037)	(35,874)	(16,484)	(299,395)
Translation difference	(94,413)	(4,716)	(6,921)	(106,050)
Balance at 31.12.2019	16,817,628	5,302,731	1,318,182	23,438,541
Carrying amount				
Balance at 1.1.2019	45,913,028	22,075,680	181,686	68,170,394
Balance at 31.12.2019	47,644,492	21,104,377	126,667	68,875,536

11. Property, plant and equipment (cont.)

Depreciation is calculated on a straight-line basis. The following useful lives are used in the calculation of depreciation:

Facility and computer equipment	3 - 12 years
Leasehold improvements, furniture and fixture	5 - 22 years

The Group's properties and equipment have been pledged to secure borrowings. Major divestments are subject to bank approval.

12. Obligations under Leases

Right-of-use assets	31.12.2020 Buildings	31.12.2019 Buildings
Beginning balance	102,072,049	101,563,461
Adjustments to opening balance	(1,034,161)	0
Adjustments for indexed leases	2,983,704	2,429,719
New or renewed leases	13,375,178	4,318,922
Cancelled leases	(2,206,321)	0
Depreciation	(6,955,474)	(6,142,399)
Translation difference	411,179	(97,654)
Balance at year-end	108,646,154	102,072,049

Amounts recognised in profit and loss	2020	2019
Depreciation expense from right-of-use assets	(6,955,474)	(6,142,399)
Interest expense on lease liabilities	(5,322,084)	(5,532,681)
Foreign currency difference on lease liability	3,247,805	3,698,312
Loss of cancelled leases	(241,254)	0
Total amount recognised in profit and loss	(9,271,007)	(7,976,768)

Lease liabilities

	31.12.2020	31.12.2019
Beginning balance	101,794,315	555,433
Recognised on initial application, 1 January 2019	0	101,563,461
Adjustments to opening balance	(525,106)	0
Adjustments for indexed leases	2,983,704	2,429,719
New or renewed leases	15,936,685	4,849,960
Installments	(6,087,017)	(3,840,875)
Cancelled leases	(1,965,068)	0
Foreign currency adjustment	(3,247,805)	(3,698,312)
Translation difference	57,054	(65,071)
Balance at year-end	108,946,762	101,794,315
Current liabilities	(5,473,162)	(4,507,435)
Non-current liabilities	103,473,600	97,286,880

Maturity analysis, undiscounted lease payments	31.12.2020	31.12.2019
Not later than 1 year	10,587,908	9,753,332
Later than 1 year and not later than 5 years	41,183,187	37,961,291
Later than 5 year	112,370,427	112,128,295
	164,141,522	159,842,918

Short-term and low value lease expenses not included in lease liabilities amount to 122 thousand.

13. Goodwill

	2020	2019
Carrying amount at beginning of year	12,226,449	12,497,172
Translation difference	1,200,052	(270,723)
Carrying amount at the end of year	13,426,501	12,226,449

The goodwill was recognized through business combinations in 2015 and 2016 at Alvotech hf. level. No goodwill was identified through the business combination of Alvotech Holdings S.A. and Alvotech hf. Goodwill is allocated to the smallest cash generating unit, which has been determined to be the Consolidation as a whole. The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on the financial forecast for the period 2021-2030 approved by management and the Board of Directors. Given the nature of the Company's industry, management uses a 10 years forecast period. The Company is currently in a development phase, and the forecast includes the main revenue generating phase when products currently in development will be available for market. Cash flows beyond 2030 have been extrapolated using a negative 5% per annum growth rate. The discount rate of 21.1% per annum was used. Management believes that any reasonable further change in the key assumptions on which recoverable amount is based would not cause the carrying amount of goodwill to exceed its recoverable amount

14. Intangible assets

Other intangible assets	Software	Customer relationships	Total
Cost			
Balance at 1.1.2020	3,464,327	2,303,017	5,767,344
Additions	4,497,229	0	4,497,229
Disposals	(388,526)	0	(388,526)
Translation difference	29,912	226,046	255,958
Balance at 31.12.2020	7,602,942	2,529,063	10,132,005
Accumulated amortization and impairment			
Balance at 1.1.2020	1,683,680	987,232	2,670,912
Amortization	648,862	361,295	1,010,157
Disposals	1,002	0	1,002
Translation difference	17,641	96,877	114,518
Balance at 31.12.2020	2,351,185	1,445,404	3,796,589
Carrying amount			
Balance at 1.1.2020	1,780,647	1,315,785	3,096,432
Balance at 31.12.2020	5,251,757	1,083,659	6,335,416

	Software	Customer relationships	Total
Cost			
Balance at 1.1.2019	2,636,466	2,354,003	4,990,469
Additions	848,697	0	848,697
Disposals	(19,538)	0	(19,538)
Translation difference	(1,298)	(50,986)	(52,284)
Balance at 31.12.2019	3,464,327	2,303,017	5,767,344
Accumulated amortization and impairment			
Balance at 1.1.2019	1,125,387	672,572	1,797,959
Amortization	579,546	329,002	908,548
Disposals	(19,510)	0	(19,510)
Translation difference	(1,743)	(14,342)	(16,085)
Balance at 31.12.2019	1,683,680	987,232	2,670,912
Carrying amount			
Balance at 1.1.2019	1,511,079	1,681,431	3,192,510
Balance at 31.12.2019	1,780,647	1,315,785	3,096,432

Amortization is calculated on a straight-line basis. The following useful lives are used in the calculation of depreciation:

Software	3 - 5 years
Customer relationships	7 years

15. Contract assets

Amounts relating to contract assets are balances due from customers under Out-Licensing contracts that arise when the Group receives payments from customers in line with a series of milestones that relate to development and/or regulatory approval of the contract products. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. Payment for the service provided and licence granted is not due from the customer until certain milestones have been reached and therefore a contract asset is recognised over the period in which the services is performed to represent the Group's right to consideration for the services transferred to date. Non-current contract assets will materialise over the next 2-3 years.

	31.12.2020	31.12.2019
Licence	16,484,301	11,951,323
R&D Service	18,239,572	11,105,330
	34,723,873	23,056,653

2020	Licence	R&D Service	Total
Non current	185,386	2,004,159	2,189,545
Current	16,298,915	16,235,413	32,534,328
	16,484,301	18,239,572	34,723,873

2019

	Licence	R&D Service	Total
Non current	0	1,689,320	1,689,320
Current	11,951,323	9,416,010	21,367,333
	11,951,323	11,105,330	23,056,653

16. Restricted cash

	31.12.2020	31.12.2019
Balance at beginning of year	10,086,157	12,751,652
Repayments	0	(2,746,812)
Interest income	631	81,317
	10,086,788	10,086,157
Restricted cash - available for use after 1 year or later	10,086,788	10,086,157
	10,086,788	10,086,157

Restricted cash relates to the Group´s borrowing agreements.

17. Inventories

Inventories consist of supplies used in the Group's research and development work. The amount of write-down of inventories amounted to 1,314 thousand in 2020 (2019: 1,802 thousand).

18. Other assets

	31.12.2020	31.12.2019
Value added tax	3,858,338	2,108,237
Prepaid expenses	5,921,764	1,245,784
Other short term receivables	1,541,632	1,557,823
	11,321,734	4,911,844

19. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents in the statement of cash flows comprise the following:

	31.12.2020	31.12.2019
Cash and cash equivalents in US Dollar	27,182,712	64,773,017
Cash and cash equivalents in other currency	4,506,386	2,629,978
	31,689,098	67,402,995

20. Share capital

	Shares	%	Amount
Share capital at year-end	7,259,139	100.0%	72,591
	7,259,139	100.0%	72,591

Total share capital issued at balance sheet date is 7,259,139 shares, represented by 7,163,438 A ordinary shares with a nominal value of USD 0.01 each and 95,701 class B shares with a nominal value of USD 0.01 each. All of the share capital has been fully paid. 98.69% of the shares are A ordinary Shares with full voting rights. 1.31% of the shares are class B shares that do not have voting rights. See further information in note 1.

21. Borrowings

	31.12.2020	31.12.2019
Convertible bonds	394,091,041	340,374,349
Convertible shareholder loans*	177,611,772	139,896,391
Other borrowings	8,949,696	11,351,854
	580,652,509	491,622,594

Convertible bonds classified as non-current liabilities	394,091,041	340,374,349
Convertible shareholders loans classified as non-current liabilities	177,611,772	139,896,391
Other borrowings	6,446,244	9,032,452
Current portion of other borrowings	2,503,452	2,319,402
Capitalized borrowing cost	(12,753,589)	(16,015,853)
	567,898,920	475,606,741

* See related parties in note 24

The following table represents a summary of the contractual maturities of principal on the Group's outstanding borrowings at 31 December:

	2020	2019
Year 2021 / 2020	2,503,452	2,319,402
Year 2022 / 2021	115,787,617	2,472,458
Year 2023 / 2022	396,650,901	32,982,448
Year 2024 / 2023	64,165,843	452,008,984
Thereafter	1,544,695	1,839,303
	580,652,509	491,622,594

Current weighted average interest terms are 14.85% (2019: 14.84%).

Reconciliation of borrowings:	2020	2019
Borrowings at beginning of year	475,606,741	297,157,224
Net cash proceeds from new borrowings	30,000,000	113,825,000
Loans from shareholder converted to equity	(30,000,000)	0
Repayments	(2,895,697)	(27,052,660)
Accrued interest	82,093,972	68,005,641
Accretion	9,894,638	20,900,173
Amortized borrowing cost	3,262,264	2,818,241
Foreign currency exchange difference	(62,997)	(46,878)
Borrowings at year-end	567,898,920	475,606,741

Summary of borrowing arrangements

During 2019, the Group closed on the remaining 68 million of borrowing under the 14 December, 2018 300 million pre IPO convertible bond offering.

In addition, Alvotech Holdings majority shareholder Aztiq Pharma Partners S.á r.l provided a 50 million convertible shareholder loan on 14 May, 2019. This loan has been provided on the same terms and conversion rights as previous shareholder loans.

On 21 October 2020 Aztiq Pharma Partners S.á r.l assigned and transferred 23.1 million of the principal amount outstanding under their Convertible shareholder loan instrument to five investors, including Alvogen Lux Holdings S.à r.l. The new lenders accepted the assignment and assume the relevant obligations of the original lender in relation to the original Convertible Loan agreement.

Revised notes to the Consolidated Financial Statements 2020

22. Long term incentive plan

Management Share Appreciation Rights (SARs)

The Group has from the year 2015 issued to certain current and former members of SARs that require the Group to pay the employees a cash payment in association with the occurrence of a designated triggering event in the future. The vesting conditions are linked to certain milestones in the Group's operations and the payment amounts are determined by the increase in the Group´s market value from the grant date of the SARs until the triggering event occurs. The Group has in 2020 recorded a total of 30.1 million in liabilities. Total expense for 2020 was 7.8 million (2019: 22.3 million) of which 5.2 millions (2019: 18.5 million) relate to SARs granted in 2015, 0.2 million (2019: 0.8 million) due to SARs granted in 2017, 0.6 million (2019: 3 million) due to SARs granted in 2019 and 1.8 million due to SARs granted in 2020. Fair value of the SARs is determined by using the Black Scholes Merton pricing model using a continuously compounding risk free rate of 0.1% and volatility of 42% based on historical data from a peer group of public companies similar to Alvotech. The SARs do not expire at a specific date and Group expects to settle the SARs in the years 2021 and 2022.

Employee Incentive Plan

The Group sponsors defined benefit plans for qualifying employees. Under the plans, the employees are entitled to a payment upon achievement of key milestones.

	31.12.2020	31.12.2019
Balance at beginning of year	509,622	418,410
Additions during the year	10,322,321	91,212
Payments during the year	(330,756)	0
Balance at year-end	10,501,187	509,622

23. Deferred revenue

Deferred revenue relating to out-licencing contracts arise if the invoiced amounts exceed recognised revenue. Non current deferred revenue will be recognised over the next 2-5 years.

	31.12.2020	31.12.2019
Licence	0	15,840,400
R&D service	53,065,672	13,206,539
	53,065,672	29,046,939

2020	Licence	R&D Service	Total
Non current	0	38,873,692	38,873,692
Current	0	14,191,980	14,191,980
	0	53,065,672	53,065,672

2019	Licence	R&D Service	Total
Non current	5,000,200	10,470,466	15,470,666
Current	10,840,200	2,736,073	13,576,273
	15,840,400	13,206,539	29,046,939

24. Related parties

Transactions and balances with related parties

Related parties are those parties which have considerable influence over the Group, directly or indirectly, including parent company, owners or their families, large investors, key employees and their families and parties that are controlled or dependent on the Group, i.e. affiliates and joint ventures. Business with related parties has been done on a similar basis as business with unrelated parties.

Related parties transactions in 2020 are as follows:

	Purchased service / interest	Sold Service	Receivables	Payables / Loans
Alvogen Lux Holdings S.à r.l. - Sister company *	17,457,165	1,133,893	0	47,762,541
Aztiq Pharma Partners S.à r.l. - Sister company *	19,518,899	0	0	112,031,884
Fasteignafélagið Sæmundur hf. - Sister company	8,110,638	0	0	0
Alvogen Iceland ehf. - Sister company	2,267,691	1,310,323	37,887	20,519
Alvogen ehf. - Sister company	39,642	0	0	39,557
Alvogen UK - Sister company	1,153,496	0	0	132,440
Lotus Pharmaceuticals Co. - Sister company	3,060,000	0	0	7,440,000
Alvogen Emerging Markets	67,814	0	0	11,302
Alvogen Inc. - Sister company	66,938	0	0	23,153
Changchun Alvotech Biopharmac. Co. Ltd.	0	0	322,897	0
Alvogen PB R&D LLC	0	7,300	0	0
Alvogen Malta Operations Ltd - Sister company	239,317	0	0	0
Alvogen Malta Group Services - Sister company	478,212	0	0	39,803
Alvogen Malta Sh. Services - Sister company	101,176	0	0	0
Alvogen Malta LTD - Sister company	0	3,879	0	0
Alvogen Malta (Outlicensing) Ltd - Sister company	142,121	184,972	26,165	58,017
Alvogen Spain SL - Sister Company	132,480	0	0	0
Norwich Clinical Services Ltd - Sister Company	91,575	0	0	41,991
Alvogen Pharma Pvt Ltd - Sister Company	218,025	0	0	0
HRJÁF ehf - Sister company	1,083,054	0	0	0
	54,228,243	2,640,367	386,949	167,601,208

*Alvogen Lux Holdings S.à r.l.: Full amount of purchased service/interest are interest expenses from long term liabilities and payables are interest bearing long term liabilities (47,762,541 USD), see further note 21.
*Aztiq Pharma Partners S.à r.l.: Full amount of purchased service/interest are interest expenses from long term liabilities and payables are interest bearing long term liabilities (112,031,884 USD), see further note 21.

24. Related parties (cont.)

Related parties transactions in 2019 are as follows:

	Purchased service / interest	Sold Service	Receivables	Payables / Loans
Alvogen Lux Holdings S.à r.l. - Sister company *	29,236,808	0	0	24,768,342
Alvogen Aztiq AB - Sister company *	803,948	0	0	0
Aztiq Pharma Partners S.à r.l. - Sister company *	11,393,029	0	0	115,637,985
Fasteignafélagið Sæmundur hf. - Sister company	6,901,474	0	0	0
Alvogen Iceland ehf. - Sister company	817,361	1,690,236	35,146	0
Alvogen UK - Sister company	1,059,473	0	0	174,370
Norwich Parmaceuticals Inc. Sister company	0	0	0	2,613,200
Alvogen Inc. - Sister company	454,900	0	0	2,118,783
Changchun Alvotech Biopharmac. Co. Ltd.	0	0	0	5,000,000
Alvogen Malta Operations Ltd - Sister company	849,358	0	0	549,895
Alvogen Malta (Outlicensing) Ltd - Sister company	0	101,779	0	28,616
Alvogen Spain SL - Sister Company	77,622	0	0	867
Norwich Clinical Services Ltd - Sister Company	73,516	0	0	16,682
Alvogen Pharma Pvt Ltd - Sister Company	183,204	0	0	22,732
HRJÁF ehf - Sister company	243,410	0	0	0
	52,094,103	1,792,015	35,146	150,931,472

*Alvogen Lux Holdings S.à r.l.: Full amount of purchased service/interest are interest expenses from long term liabilities and payables are interest bearing long term liabilities (24,513,374 USD) and short term payable (254,968 USD), see further note 21.
*Aztiq Pharma Partners S.à r.l.: Full amount of purchased service/interest are interest expenses from long term liablities and payables are interest bearing long term liabilities (115,637,985 USD), see further note 21.

25. Other current liabilities

	31.12.2020	31.12.2019
Unpaid salary and salary related expenses	8,720,974	4,759,263
Accrued vacation leave	3,682,125	2,325,424
Accrued expenses	4,012,985	3,876,141
Income tax payable	69,606	261,397
	16,485,690	11,222,225

26. Interests in joint ventures

In September 2018, Alvotech hf., a subsidiary of the Group, entered into a joint venture agreement with Changchun High & New Technology Industries (Group) Inc. (the "joint venture partner") to form a newly created joint venture entity, Changchun Alvotech Biopharmaceutical Co., Ltd. (the "joint venture" or "JVCO"). The purpose of the JVCO is to develop, manufacture and sell biosimilar products in the Chinese market. The JVCO's place of business is also the country of incorporation.

Name of entity	Place of business	Ownership interest 2020	Ownership interest 2019	Carrying amount 2020	Carrying amount 2019
Changchun Alvotech Bioph. Co. Ltd.	China	50%	50%	56,679,457	54,020,027

The proportion of ownership interest is the same as the proportion of voting rights held by the Group. Management evaluated whether the Group's voting rights are sufficient for providing a practical ability to direct the relevant activities and strategic objectives of JVCO unilaterally. As the Group does not hold a majority of the voting rights, the Group does not control JVCO. As a result, the Group's investment in JVCO is accounted for using the equity method.

The following table provides the change in investments in joint venture during the years ended 31 December 2020 and 2019:

	2020	2019
Balance at 1 January	54,020,027	-
Additions (1)	-	55,000,000
Share in losses	(1,505,178)	(192,092)
Translation difference	4,164,608	(787,881)
Balance at 31 December	56,679,457	54,020,027

(1) Additions represent the Group's investment in JVCO, which is comprised of 10.0 million in cash and 45.0 million in intellectual property contributions.

26. Interests in joint ventures (cont.)

The tables below provide summarized financial information for the JVCO. The information disclosed reflects the amounts presented in the financial statements of the JVCO and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarized Statement of Financial Position	2020	2019
Current assets		
Cash and bank balances	59,477,512	45,415,695
Other current assets	25,172,640	125,366
Total current assets	84,650,152	45,541,061
Total non-current assets	34,518,715	7,530,863
Current liabilities		
Financial liabilities	322,897	-
Other current liabilities	5,784,492	308,145
Total current liabilities	6,107,389	308,145
Net assets	113,061,478	52,763,779

Reconciliation to carrying amounts:	2020	2019
Opening net assets at 1 January	52,763,779	-
Loss for the period	(3,010,351)	(384,185)
Cash contributions of owners	55,000,000	55,280,900
Other, net	8,308,050	(2,132,936)
Closing net assets at 31 December	113,061,478	52,763,779
Adjustment related to timing in recognition of cash contributions	-	55,000,000
Adjusted closing net assets at 31 December	113,061,478	107,763,779
Group's share in %	50%	50%
Group's share in USD	56,530,739	53,881,890
Other	148,001	138,139
Carrying amount	56,678,740	54,020,028

26. Interests in joint ventures (cont.)

Summarized Statement of Profit or Loss &Other Comprehensive Income	2020	2019*
Interest income	2,517,571	760,657
Depreciation and Amortization	(26,152)	(9,248)
Other expenses	(4,843,935)	(1,314,304)
Exchange rate differences	(657,851)	178,710
Loss from continued operations	(3,010,367)	(384,185)
Loss for the period	(3,010,367)	(384,185)
Total comprehensive loss	(3,010,367)	(384,185)

** From the date of incorporation of 11 March 2019.*

The Group did not receive any dividends from JVCO during the years ended 31 December 2020 and 2019. The Group had a 5 million commitment to provide a cash contribution to JVCO as of 31 December 2019, which was paid during the year ended 31 December 2020. Similarly, the joint venture partner had a 50 million commitment to provide a cash contribution to JVCO as of 31 December 2019, which was also paid during the year ended 31 December 2020. The Group does not have any remaining commitments to JVCO as of 31 December 2020. Furthermore, the Group does not have any contingent liabilities relating to its interests in JVCO as of 31 December 2020 or 2019. While there are no significant restrictions resulting from contractual arrangements with JVCO, entities in China are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than normal course dividends.

27. Shares in subsidiaries

Subsidiary

Detail of the Group´s subsidiaries at the end of the reporting period is as follows

Name of subsidiary	Principal activity	Issued and paid capital	Place of establishment	Proportion of ownership and voting power held by Alvotech	
				31.12.2020	31.12.2019
Alvotech hf.	Biopharm.	3,284,148	Iceland	100.00%	100.00%
Alvotech GmbH	Biopharm.	31,182	Germany	100.00%	100.00%
Alvotech Swiss AG	Biopharm.	153,930	Switzerland	100.00%	100.00%
Alvotech Hannover GmbH	Biopharm.	29,983	Germany	100.00%	100.00%
Alvotech Malta Ltd	Group Serv.	80,450	Malta	100.00%	100.00%
Alvotech USA Inc.	Biopharm.	10	USA	100.00%	100.00%
Alvotech UK Ltd	Group Serv.	135	UK	100.00%	0.00%

28. Financial instruments

28.1 Accounting classification and carrying amounts

Financial assets	31.12.2020	31.12.2019
Cash and cash equivalents	31,689,098	67,402,995
Financial assets measured at amortised cost*	57,102,009	55,531,355
	88,791,107	122,934,350

** Includes restricted cash, trade receivables and receivables from related parties.*

Financial liabilities	31.12.2020	31.12.2019
Borrowings	567,898,920	475,606,741
Derivative financial liabilities	534,692,654	479,263,352
Other financial liabilities*	185,722,197	157,560,666
	1,288,313,771	1,112,430,759

** Includes other long-term liability to a related party, long-term incentive plan measured at FVTPL, trade and other payables, lease liabilities, liabilities to related parties and other current liabilities measured at amortized cost.*

It is management's estimate that the carrying amounts of financial assets and financial liabilities carried at amortized cost approximate their fair value, with the exception of the convertible bonds and convertible shareholder loans. Material differences between the fair values and carrying amounts of these borrowings are identified as follows:

	At 31 December 2020	
	Carrying amount	Fair value
Convertible bonds	391,243,825	399,388,356
Convertible shareholder loans	171,574,411	210,025,622
	562,818,236	609,413,978

	At 31 December 2019	
	Carrying amount	Fair value
Convertible bonds	337,652,398	341,423,160
Convertible shareholder loans	135,681,864	169,456,770
	473,334,262	510,879,930

28. Financial instruments (cont.)

Fair value measurements

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments measured to fair value on a recurring basis as of 31 December 2020 and 2019 (in thousands):

	2020			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	-	534,692,654	534,692,654

	2019			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	-	479,263,352	479,263,352

The Group recognized derivative financial liabilities related to the equity conversion rights in the convertible bonds as well as the equity conversion rights, warrant rights and funding rights in the convertible shareholder loans.

Convertible bonds

The fair value of the derivatives associated with the convertible bonds was 0 and 5.4 million at 31 December 2020 and 2019, respectively. Changes in the fair value of the financial instruments during the period are recognized in the consolidated statements of profit or loss and other comprehensive income or loss.

The equity conversion features associated with the convertible bonds was determined using a lattice model that incorporated inputs as further described below. Probabilities associated with the timing of exercise and/or repayment of the instruments are determined based on all relevant internal and external information available and are reviewed and reassessed at each reporting date. The following table presents the assumptions that were used for the model in valuing the equity conversion

	2020	2019
Stock price at valuation	$201.82	$177.45
Conversion ratio	0.387	0.387
Volatility rate	42.5%	42.5%
Risk-free interest rate	0.1%	1.6%
Expected dividend yield	0.0%	0.0%
Risky yield	11.8%	15.2%
Expected life	0.95 years	0.95-1.95 years

The stock price at valuation is based on the Group's equity valuation upon arms-length transactions that occurred in 2020 and 2019, respectively. The conversion ratio is a calculation based on the stated conversion price of each instrument. The volatility rate is based on historical data from a peer group of public companies with an enterprise value between 500 million and 5 billion. The risk-free interest rate is based on U.S. treasury yields corresponding to the expected life input into the pricing model. The expected dividend yield is based on the Group's expectations for annual dividends and indicated stock price. The risky yield is calculated as of the issuance date of the instruments such that the value of the instrument is equal to its purchase price less any original issue discount. It is then adjusted as of each valuation date based on changes in market yields. The expected life is based on when the Group expects the bond to either reach maturity or be redeemed through conversion or redemption.

28. Financial instruments (cont.)

Convertible shareholder loans

The fair value of the derivatives associated with the convertible shareholder loans is 465.2 million and 452.3 million at 31 December 2020 and 2019, respectively. Changes in the fair value of the financial instruments during the period are recognized in the consolidated statements of profit or loss and other comprehensive income or loss.

The fair value of the equity conversion rights and warrant rights associated with the convertible shareholder loans was determined using a lattice model that incorporated inputs as further described below. Probabilities associated with the timing of exercise and/or repayment of the instruments are determined based on all relevant internal and external information available and are reviewed and reassessed at each reporting date.

The following table presents the assumptions that were used for the model in valuing the equity conversion rights and warrant rights:

	2020	2019
Stock price at valuation	$201.82	$177.45
Conversion ratio	1.399	1.321
Volatility rate	42.5%	42.5%
Risk-free interest rate	0.1%	1.6%
Expected dividend yield	0.0%	0.0%
Risk yield	14.2%	18.5%
Expected life	1-2 years	1-3 years

The stock price at valuation is based on the Group's equity valuation upon arms-length transactions that occurred in 2020 and 2019, respectively. The conversion ratio is a calculation based on the stated conversion price of each instrument. The volatility rate is based on historical data from a peer group of public companies with an enterprise value between 500 million and 5 billion. The risk-free interest rate is based on U.S. treasury yields corresponding to the expected life input into the pricing model. The expected dividend yield is based on the Group's expectations for annual dividends and indicated stock price. The risky yield is calculated as of the issuance date of the instruments such that the value of the instrument is equal to its face value. It is then adjusted as of each valuation date based on changes in market yields. The expected life is based on when the Group expects the loans to either reach maturity or be redeemed through conversion or redemption.

The fair value of the funding rights and excess warrant rights associated with the convertible shareholder loans was determined using a Black-Scholes Option Pricing Model. The following table presents the assumptions that were used for the model in valuing the funding rights and excess warrant rights:

	2020	2019
Stock price at valuation	$201.82	$177.45
Conversion ratio	$71.47	$75.68
Volatility rate	67.5%	42.5%
Risk-free interest rate	0.1%	1.6%
Expected dividend yield	0.0%	0.0%
Risk yield	14.2%	18.5%
Expected life	1-2 years	1-3 years

28. Financial instruments (cont.)

The stock price at valuation is based on the Group's equity valuation upon arms-length transactions that occurred in 2020 and 2019, respectively. The strike price is based on the stated strike price of each instrument. The volatility rate is based on historical data from a peer group of public companies with an enterprise value between 500 million and 5 billion. The risk-free interest rate is based on U.S. treasury yields corresponding to the expected life input into the pricing model. The expected dividend yield is based on the Group's expectations for annual dividends and indicated stock price. The expected life is based on when the Group expects the loans to either reach maturity or be redeemed through conversion or redemption.

In aggregate, the fair value of the derivative liabilities associated with the convertible shareholder loans and convertible bonds at 31 December 2018 was $424.6 million. In 2019, the fair value of the derivative liabilities increased by $54.7 million, resulting in derivative liabilities of $479.3 million at 31 December 2019. In 2020, the fair value of the financial instruments increased by $55.4 million, resulting in derivative liabilities of $534.7 million at 31 December 2020. Included in the changes in fair value of the derivative liabilities is the amortization of a deferred loss associated with the recognition of funding rights at the inception of the convertible shareholder loan with Aztiq. Specifically, at inception, the fair value of the funding rights, determined using unobservable inputs, exceeded the transaction price by $15.0 million. The deferred loss is recognized over the 5-year term of the convertible shareholder loan using the straight-line method of amortization. The unamortized deferred loss, which is netted against derivative financial liabilities on the consolidated statements of financial position, was $5.9 million and $8.9 million as of 31 December 2020 and 2019, respectively.

The Group did not recognize any transfers of assets or liabilities between levels of the fair value hierarchy during the years ended 31 December 2020 and 2019.

28.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of fluctuations in market interest rates relates primarily to the cash in bank that is denominated with floating interest rates.

Interest rate sensitivity analysis

- Effect on profit or loss before income tax	2020	2019
Variable-rate financial liabilities +100	(89,501)	(113,445)
Variable-rate financial liabilities -100	89,501	113,445

28. Financial instruments (cont.)

28.4 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group’s exposure to currency risk arises from financial assets and financial liabilities denominated in other currencies than the functional currency of the Group.

Majority of the Group's financial assets and liabilities are in foreign currency. Below are the foreign currencies that has the most effect on the Group's operation.

	Closing rate		**Average rate**		**Change**
Currency	2020	2019	2020	2019	
EUR	1.230	1.122	1.141	1.119	9.7%
GBP	1.361	1.316	1.283	1.276	3.4%
ISK	0.01	0.01	0.007	0.008	-4.6%
CHF	1.133	1.033	1.066	1.007	9.6%
CNY	0.15	0.143	0.145	0.145	7.2%

Currency risk 31.12.2020	Assets	Liabilities	Net
EUR	11,864,028	11,791,520	72,509
GBP	25,961	437,156	(411,196)
ISK	632,960	114,441,988	(113,809,028)
CHF	230,640	4,497,854	(4,267,214)

Currency risk 31.12.2019	Assets	Liabilities	Net
EUR	28,389,133	20,290,300	8,098,833
GBP	53,634	363,260	(309,626)
ISK	2,422,009	104,053,580	(101,631,571)
CHF	296,951	2,311,824	(2,014,873)

28. Financial instruments (cont.)

	EUR	GBP	ISK	CHF
Net for. curr. pos. 31.12.2020	72,509	(411,196)	(113,809,028)	(4,267,214)
Net for. curr. pos. 31.12.2019	8,098,833	(309,626)	(101,631,571)	(2,014,873)

A reasonable possible strengthening (weakening) of the above currencies against the USD would affect the measurement of financial instruments denominated in a foreign currency and affect equity by the amount shown in the sensitivity analysis table below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	EUR	GBP	ISK	CHF
-10% weakening	7,251	(41,120)	(11,380,903)	(426,721)
+10% strengthening	(809,883)	30,963	10,163,157	201,487

28.5 Credit risk

Credit risk is the risk that a counterparty will not fulfill its contractual obligations under a financial instrument contract, leading to a financial loss.

Maximum credit risk is as follows:	31.12.2020	31.12.2019
Cash and cash equivalents	31,689,098	67,402,995
Restricted cash and certificate deposits	10,086,788	10,086,157
Other receivables	47,015,221	45,445,198
	88,791,107	122,934,350

It is management estimate that the carrying amount of financial assets represents their maximum credit risk exposure. It is the Company´s opinion that the estimated credit loss is immaterial due to the nature of the financial assets.

28. Financial instruments (cont.)

28.6 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Financial liabilities 31.12.2020	Due within a year	2022	2023+	Total
Non-interest bearing	28,742,248	0	48,033,187	76,775,435
Fixed interest bearing - borrowings	4,714,350	117,998,515	554,132,817	676,845,682
Derivative liabilities	0	534,692,654	0	534,692,654
	33,456,598	652,691,169	602,166,004	1,288,313,771
Financial assets 31.12.2020				
Non-interest bearing	47,015,221	0	0	47,015,221
Variable interest bearing	31,689,098	0	10,086,788	41,775,886
	78,704,319	0	10,086,788	88,791,107
Net amount 31.12.2020	45,247,721	(652,691,169)	(592,079,216)	(1,199,522,664)

Financial liabilities 31.12.2019	Due within a year	2021	2022+	Total
Non-interest bearing	33,734,749	0	22,293,000	56,027,749
Fixed interest bearing - borrowings	4,008,596	4,161,652	568,969,410	577,139,658
Derivative liabilities	0	0	479,263,352	479,263,352
	37,743,345	4,161,652	1,070,525,762	1,112,430,759
Financial assets 31.12.2019				
Non-interest bearing	45,445,198	0	0	45,445,198
Variable interest bearing	67,402,995	0	10,086,157	77,489,152
	112,848,193	0	10,086,157	122,934,350
Net amount 31.12.2019	75,104,848	(4,161,652)	(1,060,439,605)	(989,496,409)

29. Restatement of previously issued Consolidated Financial Statements

As discussed in Note 2.2, the Group has restated its previously issued consolidated financial statements as of and for the years ended 31 December 2020 and 31 December 2019.

The following errors caused the Group to conclude that its consolidated financial statements should be restated.

Accounting for the joint venture – As described in Note 26, the Group entered into a joint venture agreement to form JVCO in September 2018. JVCO was incorporated and began operations on 11 March 2019. The Group holds a 50% ownership interest in JVCO, which equals the Group's proportion of voting rights in JVCO and representation on the Board of Directors of JVCO. At the inception of the joint venture agreement, the Group incorrectly determined that it had the practical ability to direct the relevant activities of JVCO, thus resulting in the conclusion that the Group controlled JVCO. As a result, the Group classified JVCO as a subsidiary and consolidated JVCO's assets, liabilities and results of operations within the Group's consolidated financial statements. See Notes 2.6 and 26 for additional information regarding the joint venture.

The Group determined that the consolidated financial statements should be restated to reflect the joint venture as an unconsolidated equity method investment rather than as a consolidated subsidiary because the Group does not control JVCO. The restatement adjustments reflect the de-consolidation of JVCO's results of operations and the removal of non-controlling interest. Under equity method accounting, the restatement adjustments reflect the Group's investment in the joint venture in the consolidated statements of financial position and the Group's share of net losses of the joint venture in the consolidated statements of profit or loss and other comprehensive income or loss. The Group previously presented the components of profit or loss and other comprehensive income or loss as amounts attributable to owners of the Company and amounts attributable to non-controlling interests. These components are no longer presented in the consolidated statements of profit or loss and other comprehensive income or loss nor in the consolidated statements of changes in equity in the revised financial statements. Adjustments related to the correction of the accounting for the joint venture are included in the "Adjustments (JVCO)" column in the reconciliation below. There are no restatement adjustments associated with the joint venture in 2018 as JVCO began operations in 2019 and was not funded by the Group and its joint venture partner until 2019.

Accounting for derivative financial liabilities - As described in Note 28, the Group entered into Convertible Shareholder Loans and Convertible Bonds in December 2017 and December 2018, respectively. As part of the borrowing agreements, the lenders were granted certain conversion rights, warrant rights and additional funding rights. The Group did not appropriately assess these embedded features as derivative financial liabilities requiring separate accounting treatment from the host borrowings. See Notes 21 and 28 for additional information regarding the Convertible Shareholder Loans and the Convertible Bonds.
The Group determined that the consolidated financial statements should be restated to record the derivative financial liabilities and to reduce the initial carrying amounts of the Convertible Bonds and the Convertible Shareholder Loans by the fair values of the respective derivatives at the inception of each borrowing agreement. The restatement adjustments reflect the recognition of the derivative financial liabilities in the consolidated statements of financial position as well as changes in the fair value of the derivative financial liabilities in the consolidated statements of profit or loss and other comprehensive income or loss. The restatement adjustments also reflect a reduction in the initial carrying amounts of the borrowings in the consolidated statements of financial position as well as accretion of the borrowings in the consolidated statements of profit or loss and other comprehensive income or loss.

The effect of the rights mentioned above resulted in a net change in finance charge of $70.1 million (2019 $75.6 million) which includes a fair value gain of $5.4 million (2019 $5.2 million), fair value loss of $60.8 million (2019 $59.9 million) and change in interest on debt and borrowings of $9.9 million (2019 $20.9 million) because of change in amortized cost of borrowings.

29. Restatement of previously issued Consolidated Financial Statements (cont.)

In addition, the Group evaluated the impact of the aforementioned restatement items on its share appreciation right liability due to certain employees. As a result, the Group restated its consolidated financial statements to reduce the outstanding liabilities in the consolidated statements of financial position and reflect the corresponding changes in fair value of the outstanding liabilities in its consolidated statements of profit or loss and other comprehensive income or loss.

Adjustments related to the correction of the accounting for the derivative financial liabilities, including the resulting impact to borrowings and share appreciation right liabilities, are included in the "Adjustments (Derivatives)" column in the reconciliation below.

In addition, certain information within the notes to the consolidated financial statements has been restated to reflect these corrections as well as provide additional disclosure.

The following presents a reconciliation of the consolidated financial statements as previously reported to the restated amounts as of and for the years ended 31 December 2020 and 31 December 2019:

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

	As previously reported	*Adjustments (JVCO)*	*Adjustments (Derivatives)*	*As restated*
Revenue	69,448,450	0	0	69,448,450
Other income	0	0	0	0
Research and development expenses	(103,793,291)	0	0	(103,793,291)
Manufacturing expenses	(30,135,443)	0	0	(30,135,443)
Quality Expenses	(14,445,330)	0	0	(14,445,330)
General and administrative expenses	(62,523,860)	4,870,071	(959,000)	(58,612,789)
Operating loss	(141,449,474)	4,870,071	(959,000)	(137,538,403)
Share of net loss of joint venture	0	(1,505,178)	0	(1,505,178)
Finance income	2,731,113	(2,517,571)	5,393,399	5,606,941
Finance costs	(90,830,814)	(0)	(70,717,336)	(161,548,150)
Exchange rate difference	2,557,926	657,851	0	3,215,777
Non-operating loss	(85,541,775)	(3,364,898)	(65,323,937)	(154,230,610)
Loss before taxes	(226,991,250)	1,505,173	(66,282,937)	(291,769,013)
Income tax expense	121,725,763	0	0	121,725,763
Loss of the year	(105,265,487)	1,505,173	(66,282,937)	(170,043,250)
Other comprehensive income				
Item that will subsequently be reclassified to profit or loss:				
Foreign operations - translation reserve	5,954,004	0	0	5,954,004
Total comprehensive loss	(99,311,483)	1,505,173	(66,282,937)	(164,089,246)

29. Restatement of previously issued Consolidated Financial Statements (cont.)

Consolidated Statement of Financial Position at 31 December 2020

	As previously reported	*Adjustments (JVCO)*	*Adjustments (Derivatives)*	*As restated*
Non-current assets				
Property, plant and equipment	98,221,111	(29,901,911)	0	68,319,200
Right of use assets	108,646,154	0	0	108,646,154
Goodwill	13,426,501	0	0	13,426,501
Other intangible assets	51,661,288	(45,325,872)	0	6,335,416
Contract assets	2,189,545	0	0	2,189,545
Investments in joint venture	0	56,679,457	0	56,679,457
Other long-term assets	5,005,933	(4,290,933)	0	715,000
Restricted cash	10,086,788	0	0	10,086,788
Deferred tax assets	121,863,662	0	0	121,863,662
Total non-current assets	411,100,982	(22,839,259)	0	388,261,723
Current assets				
Inventories	9,646,361	0	0	9,646,361
Trade receivables	582,665	0	0	582,665
Contract assets	32,534,328	0	0	32,534,328
Other receivables	36,494,374	(25,172,640)	0	11,321,734
Receivables from related parties	64,052	322,897	0	386,949
Cash and cash equivalents	91,166,610	(59,477,512)	0	31,689,098
Total current assets	170,488,390	(84,327,255)	0	86,161,135
Total assets	581,589,372	(107,166,514)	0	474,422,858

29. Restatement of previously issued Consolidated Financial Statements (cont.)

	As previously reported	*Adjustments (JVCO)*	*Adjustments (Derivatives)*	*As restated*
Equity				
Share capital	72,591	0	0	72,591
Share premium	166,740,435	0	0	166,740,435
Foreign currency translation reserves	4,973,809	0	0	4,973,809
Accumulated deficit	(547,125,220)	0	(491,904,583)	(1,039,029,803)
Equity attributable to owners of the Company	(375,338,385)	0	(491,904,583)	(867,242,968)
Non-controlling interest	101,382,020	(101,382,020)	0	0
Total Equity	(273,956,365)	(101,382,020)	(491,904,583)	(867,242,968)
Non-current liabilities				
Borrowings	603,015,539	0	(37,620,071)	565,395,468
Derivative financial liabilities	0	0	534,692,654	534,692,654
Contingent consideration	7,440,000	0	0	7,440,000
Obligations under leases	103,473,600	0	0	103,473,600
Long term incentive plan	45,761,187	0	(5,168,000)	40,593,187
Deferred revenues	38,873,692	0	0	38,873,692
Deferred tax liability	216,777	0		216,777
Total Non-current liabilities	798,780,795	0	491,904,583	1,290,685,378
Current liabilities				
Trade and other payables	11,959,382	0	0	11,959,382
Obligations under leases	5,473,162	0	0	5,473,162
Current maturities of borrowings	2,503,452	0	0	2,503,452
Liabilities to related parties	366,782	0	0	366,782
Deferred revenues	14,191,980	0	0	14,191,980
Other current liabilities	22,270,184	(5,784,494)	0	16,485,690
Total current Liabilities	56,764,942	(5,784,494)	0	50,980,448
Total Liabilities	855,545,737	(5,784,494)	491,904,583	1,341,665,826
Total equity and Liabilities	581,589,372	(107,166,514)	(0)	474,422,858

29. Restatement of previously issued Consolidated Financial Statements (cont.)

Consolidated Statement of Cash Flows for the year ended	*As previously reported*	*Adjustments (JVCO)*	*Adjustments (Derivatives)*	*As restated*
Operating activities				
Operating loss	(141,449,474)	4,870,071	(959,000)	(137,538,403)
Long term incentive plan	16,831,565	0	959,000	17,790,565
Depreciation and amortization	16,446,617	(28,800)	0	16,417,817
Impairment of property, plant, and equipment	2,140,992	0	0	2,140,992
Operating cash flow before movement in WC	(106,030,300)	4,841,271	0	(101,189,029)
(Increase) / Decrease in inventories	(3,255,779)	0	0	(3,255,779)
(Increase) / Decrease in operating assets	5,225,777	4,582,459	0	9,808,236
Increase / (Decrease) in operating liabilities	34,610,218	(6,742,499)	0	27,867,719
Cash used in operating activities	(69,450,084)	2,681,231	0	(66,768,853)
Interest received	2,730,482	(2,517,570)	0	212,912
Interest paid	(6,054,323)	0	0	(6,054,323)
Income tax paid	(247,708)	0	0	(247,708)
Net cash used in operating activities	(73,021,633)	163,661	0	(72,857,972)
Investing activities				
Acquisition of property, plant and equipment	(30,206,870)	20,893,852	0	(9,313,018)
Disposal of property, plant and equipment	140,776	(61,486)	0	79,290
Acquisition of intangible assets	(4,086,008)	(22,695)	0	(4,108,703)
Certificate deposits	(22,994,550)	22,994,550	0	0
Investment in joint venture	0	(5,000,000)	0	(5,000,000)
Net cash used in investing activities	(57,146,652)	38,804,221	0	(18,342,431)
Financing activities				
Repayments of borrowings	(2,895,697)	0	0	(2,895,697)
Reimbursement of lease liability	(6,087,017)	0	0	(6,087,017)
Net proceeds from new borrowings	30,000,000	0	0	30,000,000
Proceeds on issue of equity shares	34,384,696	0	0	34,384,696
Joint venture - CCHN contribution	50,000,000	(50,000,000)	0	0
Net cash generated from financing activities	105,401,982	(50,000,000)	0	55,401,982
Increase in cash and cash equivalents	(24,766,303)	(11,032,118)	0	(35,798,421)
Cash and cash equivalents at the beginning of the year	112,818,690	(45,415,695)	0	67,402,995
Effect of movements in exchange rates on cash held	3,114,228	(3,029,704)	0	84,524
Cash and cash equivalents at the end of the year	91,166,610	(59,477,517)	0	31,689,098

29. Restatement of previously issued Consolidated Financial Statements (cont.)

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

	As previously reported	*Adjustments (JVCO)*	*Adjustments (Derivatives)*	*As restated*
Revenue	31,917,871	0	0	31,917,871
Other income	48,692,199	0	0	48,692,199
Project expenses	(44,877,920)			(44,877,920)
Salaries and other employee expenses	(75,234,523)	774,944	6,127,000	(68,332,579)
Facility expenses	(6,833,260)	119,676	0	(6,713,584)
Other operating expenses	(7,947,440)	419,684	0	(7,527,756)
Depreciation and amortization	(14,615,781)	9,428	0	(14,606,533)
Operating loss	(68,898,854)	1,323,552	6,127,000	(61,448,302)
Share of net loss of joint venture	0	(192,092)	0	(192,092)
Finance income	2,499,140	(760,654)	5,193,608	6,932,094
Finance costs	(77,673,225)		(80,793,838)	(158,467,063)
Exchange rate difference	3,968,376	(178,713)	0	3,789,663
Non-operating loss	(71,205,709)	(1,131,459)	(75,600,230)	(147,937,398)
Loss before taxes	(140,104,563)	192,093	(69,473,230)	(209,385,700)
Income tax expense	(491,337)	0	0	(491,337)
Loss of the year	(140,595,900)	192,093	(69,473,230)	(209,877,037)
Other comprehensive income				
Item that will subsequently be reclassified to profit or loss:				
Foreign operations - translation reserve	(1,468,181)	0	0	(1,468,181)
Total comprehensive loss	(142,064,081)	192,093	(69,473,230)	(211,345,218)

29. Restatement of previously issued Consolidated Financial Statements (cont.)

Consolidated Statement of Financial Position at 31 December 2019

	As previously reported	*Adjustments (JVCO)*	*Adjustments (Derivatives)*	*As restated*
Non-current assets				
Property, plant and equipment	76,077,203	(7,201,667)	0	68,875,536
Right of use assets	102,072,049	0	0	102,072,049
Goodwill	12,226,449	0	0	12,226,449
Other intangible assets	48,425,628	(45,329,196)	0	3,096,432
Contract assets	1,689,320	0	0	1,689,320
Investments in joint venture	0	54,020,027	0	54,020,027
Restricted cash	10,086,157	0	0	10,086,157
Total non-current assets	250,576,806	1,489,164	0	252,065,970
Current assets				
Inventories	6,390,582	0	0	6,390,582
Trade receivables	22,353,399	0	0	22,353,399
Contract assets	21,367,333	0	0	21,367,333
Other receivables	55,036,458	(50,124,614)	0	4,911,844
Receivables from related parties	35,146	0	0	35,146
Cash and cash equivalents	112,818,690	(45,415,695)	0	67,402,995
Total current assets	218,001,608	(95,540,309)	0	122,461,299
Total assets	468,578,414	(94,051,145)	0	374,527,269

29. Restatement of previously issued Consolidated Financial Statements (cont.)

	As previously reported	*Adjustments (JVCO)*	*Adjustments (Derivatives)*	*As restated*
Equity				
Share capital	69,371	0	0	69,371
Share premium	102,358,959	0	0	102,358,959
Foreign currency translation reserves	(980,195)	0	0	(980,195)
Accumulated deficit	(443,364,906)	0	(425,621,642)	(868,986,548)
Equity attributable to owners of the Company	(341,916,771)	0	(425,621,642)	(767,538,413)
Non-controlling interest	98,743,001	(98,743,001)	0	0
Total Equity	(243,173,770)	(98,743,001)	(425,621,642)	(767,538,413)
Non-current liabilities				
Borrowings	520,802,048	0	(47,514,709)	473,287,339
Derivative financial liabilities	0	0	479,263,352	479,263,352
Obligations under leases	97,286,880	0	0	97,286,880
Long term incentive plan	28,420,000	0	(6,127,000)	22,293,000
Deferred revenues	15,470,666	0	0	15,470,666
Deferred tax liability	326,586	0	0	326,586
Total Non-current liabilities	662,306,180	0	425,621,642	1,087,927,823
Current liabilities				
Trade and other payables	11,835,303	(102,892)	0	11,732,411
Obligations under leases	4,507,435	0	0	4,507,435
Current maturities of borrowings	2,319,402	0	0	2,319,402
Taxes payable	0	0	0	0
Liabilities to related parties	5,780,113	5,000,000	0	10,780,113
Deferred revenues	13,576,273	0	0	13,576,273
Other current liabilities	11,427,478	(205,253)	0	11,222,225
Total current Liabilities	49,446,004	4,691,856	0	54,137,859
Total Liabilities	711,752,184	4,691,856	425,621,642	1,142,065,682
Total equity and Liabilities	468,578,414	(94,051,145)	(0)	374,527,269

29. Restatement of previously issued Consolidated Financial Statements (cont.)

Consolidated Statement of Cash Flows for the year ended	*As previously reported*	*Adjustments (JVCO)*	*Adjustments (Derivatives)*	*As restated*
Operating activities				
Operating loss	(68,898,854)	1,323,552	6,127,000	(61,448,302)
Sales gain of intellectual property	(45,000,000)	0	0	(45,000,000)
Long term incentive plan	28,420,000	0	(6,127,000)	22,293,000
Depreciation and amortization	14,615,781	(9,248)	0	14,606,533
Operating cash flow before movement in WC	(70,863,073)	1,314,304	0	(69,548,769)
(Increase) / Decrease in inventories	(4,162,769)	0	0	(4,162,769)
(Increase) / Decrease in operating assets	(47,126,119)	(65,260)	0	(47,191,379)
Increase / (Decrease) in operating liabilities	41,082,209	(2,126,529)	0	38,955,680
Cash used in operating activities	(81,069,752)	(877,485)	0	(81,947,237)
Interest received	2,417,823	(760,654)	0	1,657,169
Interest paid	(6,487,593)	0	0	(6,487,593)
Income tax paid	(425,172)	(0)	0	(425,172)
Net cash used in operating activities	(85,564,694)	(1,638,139)	0	(87,202,833)
Investing activities				
Acquisition of property, plant and equipment	(15,842,279)	7,293,419	0	(8,548,860)
Disposal of property, plant and equipment	175,615	0	0	175,615
Acquisition of intangible assets	(1,182,061)	333,364	0	(848,697)
Investment in joint venture		(5,000,000)	0	(5,000,000)
Net cash used in investing activities	(16,848,725)	2,626,783	0	(14,221,942)
Financing activities				
Repayments of borrowings	(27,052,660)	0	0	(27,052,660)
Reimbursement of lease liability	(3,840,875)	0	0	(3,840,875)
Net proceeds from new borrowings	113,825,000	0	0	113,825,000
Change in restricted cash	2,746,812	0	0	2,746,812
Proceeds on issue of equity shares	30,692,002	0	0	30,692,002
Joint venture - CCHN contribution	50,000,000	(50,000,000)	0	0
Change in liabilities from related parties	(1,875,147)	1,875,147	0	0
Net cash generated from financing activities	164,495,132	(48,124,853)	0	116,370,279
Increase in cash and cash equivalents	62,081,713	(47,136,209)	0	14,945,504
Cash and cash equivalents at the beginning of the year	52,252,345	0	0	52,252,345
Effect of movements in exchange rates on cash held	(1,515,368)	1,720,514	0	205,146
Cash and cash equivalents at the end of the year	112,818,690	(45,415,695)	0	67,402,995

30. Subsequent events

In March 2021, Alvotech Holdings SA has closed the remaining 35 million of its private placement round. As part of this second closing, Alvotech Holdings SA has increased its share capital from 72,591.39 represented by 7,163,438 class A ordinary shares and 95,701 class B shares with a nominal value of USD 0.01 each, by an amount of 1,734.27 up to 74,325.66 through the issuance of 173,427 new class A ordinary shares.

On 15 March 2021, Aztiq assigned and transferred an additional 17.5 million of the principal amount outstanding under its convertible shareholder loans to five existing lenders, including Alvogen. The Group's rights and obligations with respect to the transferred borrowings did not change as a result of the transfer.

On 24 June 2021, holders of the Group's convertible bonds converted 100.7 million of principal and accrued interest. In connection with this transaction, 455,687 Class A ordinary shares were issued. The holders agreed to waive their conversion rights on the remaining outstanding bonds and agreed to extend the maturity of the bonds to 2025, among other amendments to the terms and conditions. In addition, the Group issued additional bonds in the amount of 113.8 million to two third-party bondholders.

In August and September of 2021, Alvogen, a holder of the convertible shareholder loans, exercised its warrant rights to purchase Class A Ordinary Shares. As a result of exercising the warrant rights, the Group issued 1,051,767 Class A Ordinary Shares in exchange for $70 million in cash.

31. Going concern

Alvotech Holdings equity at year-end 2020 is negative by 867.2 million which is mainly related to the current year net loss of 170 million and prior year net loss of 209.9 million. This may cast a doubt on the Company's ability to continue on a going concern basis. The Alvotech Holdings business plan is based on developing biosimilar products over the next several years prior to launches occuring in major global markets. Financing of the Company during the development phase will come from several sources including shareholder equity, as well as shareholder and third party debt financing. In late October 2020 and early March 2021, the Company completed its USD 100 million private placement round. It is further intended that the Company will have access to additional funding in Q1/Q2 and that the Company's IPO process will be completed before year end 2021, thereby providing the Company with sufficient funding.

There are currently unusual conditions due to the Covid-19 virus which causes a considerable uncertainty about the impact on the Company. The management team is doing all that it can to minimize the risks posed by the COVID pandemic for the areas of operation that are within the control of the company. While being cautious to protect employees, the company is ensuring continued development of projects. For those areas of operation that are not within span of control, the company is in active communication with business partners and cooperating with them to anticipate any disruptions over the mid- to long-term periods. In the short-term, however, it is the opinion of the company that there is not a material impact on our business to date.

Management is of the opinion that this restatement has no effect on the going concern of the Group as this adjustment resulted from the fact that the conversion rights were in the money, which will result in the shareholders loans being converted upon or before the IPO.