# Alvotech

Annual report and Report of the

*Réviseur d'entreprises agréé* as of

31 December 2023 and 2022 and for the

years ended 31 December 2023 and 2022

Alvotech
9, rue de Bitbourg
L-1273 Luxembourg
Grand Duchy of Luxembourg
RCS Luxembourg B 258.884

# Alvotech

Annual report and Report of the

*Réviseur d'entreprises agréé* as of

31 December 2023 and 2022 and for the

years ended 31 December 2023 and 2022

Table of Contents


| | |
|---|---|
| Endorsement by the Board of Directors | 2-6 |
| Report of the Réviseur d'entreprises agréé | 7-11 |
| Consolidated Statements of Profit or Loss and Other Comprehensive Income or Loss | 12 |
| Consolidated Statements of Financial Position | 13-14 |
| Consolidated Statements of Cash Flows | 15-16 |
| Consolidated Statements of Changes in Equity | 17 |
| Notes to the Consolidated Financial Statements | 18-73 |
| Corporate Governance Report | 74-80 |
| Non-financial disclosure | 81-86 |

Alvotech
Société Anonyme
(the "Company")

Registered Office: 9, rue de Bitbourg, L-1273 Luxembourg
R.C.S. Luxembourg B 258.884

**Management report to the General Meeting of Shareholders**

Dear shareholders,

We hereby wish to submit to you the financial statements of the Company and the Alvotech Group ("**Alvotech**" or the "**Group**") for the financial year ending on 31 December 2023. The present report relates to 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 2023**

On 25 January 2023, the Company issued an additional $10.0 million Tranche B of the December 2022 Convertible Bonds.
On 6 February 2023, Alvotech announced that it had entered into an exclusive agreement with Advanz Pharma, for the commercialization of AVT23, a proposed biosimilar to Xolair (omalizumab). The agreement covers the European Economic Area, UK, Switzerland, Canada, Australia and New Zealand. According to the agreement, Alvotech will be responsible for development and manufacture, while Advanz Pharma will handle registration and commercialization.

On 10 February 2023, Alvotech completed a private placement for gross proceeds of $137.0 million, and transaction costs of $4.1 million, of its Ordinary Shares at a purchase price of $11.57 per Ordinary Share.
On 27 February 2023, Alvotech and Teva signed an amendment to the License and Development Agreement. As part of that amendment, Alvotech agreed to provide future financial consideration to Teva to assist with the cost of launching and marketing the licensed biosimilar products.

On 19 May 2023, Alvotech entered into three termination agreements (the "Termination STADA Agreements") with STADA to terminate the license and supply agreements between Alvotech and STADA pertaining to Alvotech's product candidates AVT03, AVT05, and AVT16. Pursuant to the terms of the Termination STADA Agreements, Alvotech repaid the aggregate amount of €17.4 million that Alvotech had previously received from STADA under the Terminated STADA Agreements. All rights, title and/or interest in respect of the products which became jointly owned as a result of the Agreements with STADA, excluding any trademarks of STADA and/or any of its affiliates, fully reverted back to the entire and sole ownership alone by Alvotech. STADA has no further rights or licenses under the Terminated STADA Agreements. The other agreements between Alvotech and STADA, that pertain to AVT02, AVT04 and AVT06, were not terminated or amended.

On 24 May 2023, Alvotech announced that Alvotech and Advanz Pharma had extended their exclusive partnership agreement, adding the supply and commercialization of five biosimilar candidates in Europe. Alvotech will be responsible for development and commercial supply and Advanz Pharma will be responsible for registration and commercialization in Europe. The agreement includes candidate biosimilars to Simponi (golimumab) and Entyvio (vedolizumab) and also includes three additional early-stage, undisclosed biosimilar candidates. In conjunction with these agreements, which included three biosimilar candidates previously licensed to STADA, Advanz Pharma agreed to make upfront payments of $61 million and agreed to make additional payments for an aggregate amount of up to $287.5 million, upon the achievement of certain development and commercial milestones.

In July 2023, the Company secured a private placement of the December 2022 Convertible Bonds denominated in Icelandic krona and US dollar for a principal amount of $100 million. As part of this private placement, ATP Holdings ehf., which is affiliated with Aztiq, acquired Tranche A Convertible Bonds in principal amount of $30 million

On 24 July 2023, Alvotech announced that it had expanded its strategic partnership agreement with Teva. The expanded agreement pertained to the exclusive commercialization in the U.S. by Teva of two new biosimilar candidates to be developed and manufactured by Alvotech and line extensions of two current biosimilar candidates in the partnership, also to be developed and manufactured by Alvotech. The agreement includes milestone payments, the majority paid following product approvals and upon achieving significant sales milestones. Teva and Alvotech will share profit from the commercialization of the biosimilars. Teva also acquired Tranche B Convertible Bonds which were issued by Alvotech pursuant to a convertible bond agreement, dated 20 December 2022, for $40 million.

In September 2023, Fuji Pharma received marketing approval for AVT04 from the Japanese Ministry of Health, Labor and Welfare.

In October 2023, Alvotech announced that it had entered into an exclusive licensing agreement with Kashiv Biosciences ("Kashiv") for AVT23 (also called ADL018), a proposed biosimilar to Xolair (omalizumab), which is currently in clinical development, following the termination of the co-development agreement with Biosana for this product earlier in the year. The agreement covers all 27 countries of the European Union, the UK, Australia, Canada, and New Zealand. Under terms of the agreement, Alvotech will receive an exclusive license to commercialize AVT23, which will be developed and manufactured by Kashiv. Kashiv received an upfront payment and is eligible for subsequent milestone payments and royalties.

The total assets as of December 31, 2023 amount to **950.1** million United States dollars (USD).

The financial year ending on 31 December 2023 has produced a loss of **551.7** million USD.

In addition to its operating results, as calculated in accordance with IFRS, the Group uses Adjusted EBITDA when monitoring and evaluating operational performance. Adjusted EBITDA is defined as profit or loss for the relevant period, as adjusted for certain items that Alvotech management believes are not indicative of ongoing operating performance. Alvotech believes that this non-IFRS measure assists its shareholders because it enhances the comparability of results each period, helps to identify trends in operating results and provides additional insight and transparency on how management evaluates the business. Alvotech's executive management team uses this non-IFRS measure to evaluate financial measures to budget, update forecasts, make operating and strategic decisions, and evaluate performance. This non-IFRS financial measure is not meant to be considered alone or as a substitute for IFRS financial measures and should be read in conjunction with Alvotech's consolidated financial statements prepared in accordance with IFRS. Additionally, this non-IFRS measure may not be comparable to similarly titled measures used by other companies. The most directly comparable IFRS measure to this non-IFRS measure is loss for the year.

The following table reconciles loss for the year to Adjusted EBITDA for the years ended 31 December 2023 and 2022, respectively:

| *USD in millions* | 2023 | 2022 |
|---|---|---|
| Loss for the year | (551.7) | (513.6) |
| Income tax benefit | (99.3) | (38.1) |
| Total net finance costs | 262.3 | 185.9 |
| Depreciation and amortization | 24.2 | 20.4 |
| Impairment and loss of sale of property, plant and equipment | 0.4 | — |
| Impairment of intangible assets | 1.8 | 2.8 |
| Charge related to contract termination | 18.5 | — |
| Incentive plan expense | 18.1 | 11.0 |
| Share of net loss of joint venture | 7.1 | 2.6 |
| Impairment loss on investment in joint venture | 21.5 | — |
| Exchange rate differences | 5.2 | (10.6) |
| Share listing expense | — | 83.4 |
| Loss on extinguishment of financial liabilities | — | 27.3 |
| Transaction costs | 0.9 | 23.7 |
| **Adjusted EBITDA** | (291.0) | (205.2) |

We suggest the following allocation of the result:

**USD (million)**

| | |
|---|---|
| Result brought forward from the previous year | (1,654.1) |
| Result for the year | (551.7) |
| Distribution of dividends | 0 |
| Result to be carried forward to the following financial year | (2,205.8) |

**II. Future developments**

On 15 February 2024, the Company announced it has reached settlement agreements with Johnson & Johnson in Japan, Canada and in the European Economic Area (EEA) for AVT04, a biosimilar to Stelara (ustekinumab). Regulatory approval for AVT04 in these markets has already been granted. Market applications for AVT04 are currently pending in additional global markets, including in the U.S. Alvotech's commercialization partner in Canada, JAMP Pharma launched AVT04 in Canada on March 1, 2024. Launch of AVT04 in Japan is anticipated after the upcoming round of National Health Insurance reimbursement price listings, in May 2024. Entry to the first European markets is expected as soon as possible after the expiration date of the European Supplementary Protection Certificate (SPC) for Stelara, which is in late July 2024.

On 23 February 2024, the Company announced that the U.S. Food and Drug Administration (FDA) has approved SIMLANDI (adalimumab, or AVT02 for Alvotech) injection, as an interchangeable biosimilar to Humira, for the treatment of adult rheumatoid arthritis, juvenile idiopathic arthritis, adult psoriatic arthritis, adult ankylosing spondylitis, Crohn's disease, adult ulcerative colitis, adult plaque psoriasis, adult hidradenitis suppurativa and adult uveitis. In 2023, Humira was one of the highest-grossing pharmaceutical products in the world, with sales in the U.S. of nearly $12.2 billion. Teva is Alvotech's strategic partner for the exclusive commercialization of SIMLANDI in the United States.

On 26 February 2024, the Company announced the sale of 10,127,132 Ordinary Shares for an approximate value of $166 million (net proceeds of $160 million), par value USD 0.01 per share, at a purchase price of $16.41 per share, or ISK 2,250 per share at foreign exchange rates on 23 February 2024. The Shares will be delivered to the Investors

from previously issued treasury shares held by Alvotech's subsidiary, Alvotech Manco ehf. The Transaction took place on the Nasdaq Iceland Exchange.

However, although management continues to pursue these plans, there is no assurance that the Group will be successful in obtaining sufficient funding on terms acceptable to the Group to fund continuing operations, if at all. If financing is obtained, the terms of such financing may adversely affect the holdings or the rights of the Group's shareholders. The ability to obtain funding, therefore, is outside of management's control and is a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. See further information in note 1.4.

**III. Business risks and their mitigation**

This section contains a summary of the main risks that the Group may face during the normal course of its business. Detailed information on the Group's risks relating to financial instruments, risk management objectives and policies can be found in note 28.

Please note however, that

+ This section does not purport to contain an exhaustive list of the risks faced by the Group, as the Group may be significantly affected by risks that it has not identified, or not considered as material;
+ Some risks faced by the Group, whether they are mentioned in this section or not, may arise from external factors beyond the Group'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's 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 pressure for its products.

**IV. Additional disclosures**

Alvotech is committed to strong and transparent corporate governance. Our corporate governance framework, along with our internal controls and policies, is intended to support sustainable financial performance and long-term value creation for all of our stakeholders including shareholders, patients, employees and other stakeholders. Further information on corporate governance can be found in these financial statements and on the Groups website at www.alvotech.com.

Information about sustainability and non-financial reporting is disclosed in these financial statements, where information about operations, environment, social environment and governance can be found.

In our opinion, the Consolidated Financial Statements of Alvotech as of 31 December 2023 and for the year then ended with the file name 222100DCZBOWV5DZ8372-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Pursuant to Article 68 of the law of 19 December 2002 regarding the trade and companies' register and the accounting as well as annual accounts of companies, as amended, the board of directors hereby declares:

a. 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. Information on subsequent events can be found in note 30.
b. The Group's likely foreseeable future development is stable.

c. Research and development expenses consist primarily of costs incurred in connection with Alvotech's research, development and pre-commercial manufacturing activities prior to the commercialization of its biosimilar products. Expenditures related to research and development activities are generally recognized as an expense in the period in which they are incurred. Due to significant regulatory uncertainties and other uncertainties inherent in the development of pharmaceutical products, Alvotech did not capitalize any research and development expenses as internally developed intangible assets during the year. Research and development activities will continue to be central to Alvotech's business model and will vary significantly based upon the success of its programs. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of development, primarily due to the increased size and duration of later-stage clinical trials. The Group conducts research and development activities at its subsidiaries in Iceland, Germany and Switzerland.

d. The Group owned 22,905,618 treasury shares as of 31 December 2023.

e. The Group does not have established branches.

We kindly ask you to grant discharge to the directors for the exercise of their mandates during the financial year ended on 31 December 2023.

Done in Luxembourg on 20 March 2024,

**For the Board of Directors:**

Robert Wessman
Title: CEO & Chairman

Deloitte.

Deloitte Audit
Société à responsabilité limitée
20 Boulevard de Kockelscheuer
L-1821 Luxembourg

Tel: +352 451 451
www.deloitte.lu

To the Shareholders of
Alvotech S.A.
9, rue de Bitbourg
L - 1273 Luxembourg

**REPORT OF THE *REVISEUR D'ENTREPRISES AGREE***

**Report on the Audit of the Consolidated Financial Statements**

***Opinion***

We have audited the consolidated financial statements of Alvotech S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

***Basis for Opinion***

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 on the audit profession (Law of July 23, 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 EU Regulation No 537/2014, the Law of July 23, 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 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 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.

Société à responsabilité limitée au capital de 360.000 €
RCS Luxembourg B 67.895
Autorisation d'établissement 10022179

© Deloitte Audit, SARL

Deloitte.

**Material Uncertainty Related to Going Concern**

We draw your attention to Note 1.4 to the consolidated financial statements, which indicates that, the Group incurred recurring losses since its inception, including net losses of $551.7 million and $513.6 million for the years ended December 31, 2023 and 2022, respectively, and had an accumulated deficit of $2,205.8 million as of December 31, 2023. The Group has not generated positive operational cash flow, largely due to the continued focus on biosimilar product development and expansion efforts. In February 2024, the closing of the private placement equity offering provided the Group with gross proceeds of $166 million (net proceeds of $160 million) that is expected to be used to finance general corporate purposes and working capital, to strengthen its production capacity and to support expected biosimilars launches. Additionally, the Group expects to continue to source its financing during the development of its biosimilar products from existing out-license contracts with customers. These events or conditions, along with the matters as set forth in Note 1.4, 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.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How the Key Audit Matter Was Addressed in the Audit |
| --- | --- |
| **Deferred Tax Assets — *Refer to Note 2.4 and Note 10 to the Consolidated Financial Statements***<br><br>The Group has deferred tax assets primarily related to tax losses carried forward arising in Iceland. As of December 31, 2023, management considers probable that future taxable profit will be available against which the unused tax losses can be utilized.<br><br>The carrying amount of deferred tax assets is reviewed at the end of each reporting period and impaired 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.<br><br>The valuation of deferred tax assets on tax losses requires management to make significant estimates related to the future taxable income. The assessment of the likelihood of future taxable profits resulting from the product revenues being available requires significant management judgement.<br><br>The deferred tax balance as of December 31, 2023 was $309,807, which is primarily related to tax losses arising in Iceland.<br><br>Given the complexity and subjectivity of management's valuation process, auditing management's estimates of future taxable profit and the determination of whether it is probable that the deferred tax assets will be realized involved an increased extent of effort. | Our audit procedures related to estimates of future taxable profit and determination of whether it is probable that the deferred tax assets will be realized included the following, among others:<br><br>• We evaluated management's assessment over the identifiable causes that resulted in the unused tax losses and the nature of evidence used by management on its assessment that the losses are unlikely to recur.<br>• With the assistance of our tax specialists knowledgeable in Iceland-specific tax matters, we evaluated whether management's estimates of future taxable profit were consistent with available evidence related to management's assessment of the likelihood of future taxable profits being available.<br>• We evaluated the reasonableness of management's estimates of future taxable profit considering available external third-party data, internal and external communications of management and the Board of Directors, and holding discussions with relevant personnel.<br>• Reviewing the adequacy of the disclosures made by the Group in accordance with IFRS. |

Deloitte.

**Other information**

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of the *réviseur d'entreprises agréé* thereon.

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

In connection with our audit of the 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 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 and Those Charged with Governance for the Consolidated Financial Statements***

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

In preparing the 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.

The Board of Directors is responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format as amended ("the ESEF Regulation").

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

The objectives of our audit are to obtain reasonable assurance about whether the 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 EU Regulation N° 537/2014, the Law of July 23, 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 consolidated financial statements.

Deloitte.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 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 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 Directors 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 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 consolidated financial statements, including the disclosures, and whether the 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Our responsibility is also to assess whether the consolidated financial statements have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Deloitte.

**Report on Other Legal and Regulatory Requirements**

We have been appointed as *réviseur d'entreprises agréé* by the Board of Directors on June 6, 2023 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 2 years.

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

The accompanying Corporate Governance Statement is presented on pages 74 to 80. The information required by Article 68ter paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We have checked the compliance of the consolidated financial statements of the Group as at December 31, 2023 with the relevant statutory requirements set out in the ESEF Regulation that are applicable to financial statements
For the Group it relates to:

- Financial statements prepared in a valid xHTML format;
- The XBRL markup of the consolidated financial statements using the core taxonomy and the common rules on markups specified in the ESEF Regulation.

In our opinion, the consolidated financial statements of the Group as at December 31, 2023, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

We confirm that the audit opinion is consistent with the additional report to the audit committee.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

For Deloitte Audit, *Cabinet de révision agréé*

Ludovic Mosca, *Réviseur d'entreprises agréé*
Partner

March 20, 2024

Consolidated Statements of Profit or Loss and Other Comprehensive Income or Loss for the years ended 31 December 2023 and 2022.

| *USD in thousands, except for per share amounts* | **Notes** | **2023** | **2022** |
|---|---|---|---|
| Product revenue | 5 | 48,699 | 24,836 |
| License and other revenue | 5 | 42,735 | 58,193 |
| Other income | | 1,948 | 1,988 |
| Cost of product revenue | | (160,856) | (64,095) |
| Research and development expenses | | (210,827) | (180,622) |
| General and administrative expenses | | (76,559) | (186,742) |
| **Operating loss** | | (354,860) | (346,442) |
| Share of net loss of joint venture | 27 | (7,153) | (2,590) |
| Impairment loss on investment in joint venture | 27 | (21,519) | — |
| Finance income | 7 | 4,823 | 2,549 |
| Finance costs | 7 | (267,157) | (188,419) |
| Exchange rate differences | | (5,183) | 10,566 |
| Loss on extinguishment of financial liabilities | 21 | — | (27,311) |
| **Non-operating loss** | | (296,189) | (205,205) |
| **Loss before taxes** | | (651,049) | (551,647) |
| Income tax benefit | 10 | 99,318 | 38,067 |
| **Loss for the year** | | (551,731) | (513,580) |
| **Other comprehensive loss** | | | |
| *Item that will be reclassified to profit or loss in subsequent periods:* | | | |
| Exchange rate differences on translation of foreign operations | | (86) | (6,111) |
| **Total comprehensive loss** | | (551,817) | (519,691) |
| **Loss per share** | | | |
| Basic and diluted loss for the year per share | 11 | (2.43) | (2.60) |

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

*USD in thousands*

| **Non-current assets** | **Notes** | **31 December 2023** | **31 December 2022** |
|---|---|---|---|
| Property, plant and equipment | 12 | 236,779 | 220,594 |
| Right-of-use assets | 13 | 119,802 | 47,501 |
| Goodwill | 14 | 12,058 | 11,643 |
| Other intangible assets | 15 | 19,076 | 25,652 |
| Contract assets | 5 | 10,856 | 3,286 |
| Investment in joint venture | 27 | 18,494 | 48,568 |
| Other long-term assets | | 2,244 | 5,780 |
| Restricted cash | 16 | 26,132 | 25,187 |
| Deferred tax assets | 10 | 309,807 | 209,496 |
| **Total non-current assets** | | 755,248 | 597,707 |
| **Current assets** | | | |
| Inventories | 17 | 74,433 | 71,470 |
| Trade receivables | | 41,292 | 32,972 |
| Contract assets | 5 | 35,193 | 25,370 |
| Other current assets | 18 | 31,871 | 32,949 |
| Receivables from related parties | 25 | 896 | 1,548 |
| Cash and cash equivalents | 16 | 11,157 | 66,427 |
| **Total current assets** | | 194,842 | 230,736 |
| **Total assets** | | 950,090 | 828,443 |

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

*USD in thousands*

| **Equity** | **Notes** | **31 December 2023** | **31 December 2022** |
|---|---|---|---|
| Share capital | 19 | 2,279 | 2,126 |
| Share premium | 19 | 1,229,690 | 1,058,432 |
| Other reserves | 20 | 42,911 | 30,582 |
| Translation reserve | | (1,528) | (1,442) |
| Accumulated deficit | | (2,205,845) | (1,654,114) |
| **Total equity** | | (932,493) | (564,416) |
| **Non-current liabilities** | | | |
| Borrowings | 21 | 922,134 | 744,654 |
| Derivative financial liabilities | 28 | 520,553 | 380,232 |
| Other long-term liability to related party | 2 | — | 7,440 |
| Lease liabilities | 13 | 105,632 | 35,369 |
| Long-term incentive plan | 22 | — | 544 |
| Contract liabilities | 5 | 73,261 | 57,017 |
| Deferred tax liability | 10 | 53 | 309 |
| **Total non-current liabilities** | | 1,621,633 | 1,225,565 |
| **Current liabilities** | | | |
| Trade and other payables | | 80,563 | 49,188 |
| Lease liabilities | 13 | 9,683 | 5,163 |
| Current maturities of borrowings | 21 | 38,025 | 19,916 |
| Liabilities to related parties | 25 | 9,851 | 1,131 |
| Contract liabilities | 5 | 59,183 | 36,915 |
| Taxes payable | | 925 | 934 |
| Other current liabilities | 26 | 62,720 | 54,047 |
| **Total current liabilities** | | 260,950 | 167,294 |
| **Total liabilities** | | 1,882,583 | 1,392,859 |
| **Total equity and liabilities** | | 950,090 | 828,443 |

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

Consolidated Statements of Cash Flows for the years ended 31 December 2023 and 2022.

*USD in thousands*

| **Cash flows from operating activities** | **Notes** | **2023** | **2022** |
|---|---|---|---|
| Loss for the year | | (551,731) | (513,580) |
| **Adjustments for non-cash items:** | | | |
| Gain on extinguishment of SARs liability | 22 | — | (4,803) |
| Share-listing expense | 1.1 | — | 83,411 |
| Long-term incentive plan expense | 22 | 78 | 5,492 |
| Depreciation and amortization | 8 | 24,210 | 20,409 |
| Impairment of other intangible assets | 15 | 1,779 | 2,755 |
| Change in allowance for receivables | | 18,500 | — |
| Change in inventory reserves | 17 | 8,341 | — |
| Loss on disposal of property, plant and equipment | | 365 | — |
| Impairment loss on investment in joint venture | 27 | 21,519 | — |
| Share of net loss of joint venture | 27 | 7,153 | 2,590 |
| Finance income | 7 | (4,823) | (2,549) |
| Finance costs | 7 | 267,157 | 188,419 |
| Loss/(Gain) on extinguishment of financial liabilities | 21 | — | 27,311 |
| Share-based payments | 23 | 18,033 | 10,317 |
| Exchange rate difference | | 5,183 | (10,566) |
| Income tax benefit | 10 | (99,318) | (38,067) |
| **Operating cash flow before movement in working capital** | | (283,554) | (228,861) |
| Increase in inventories | 17 | (11,304) | (32,412) |
| Increase in trade receivables | | (8,320) | (3,576) |
| Increase in liabilities with related parties | | 2,161 | 56 |
| Increase in contract assets | 5 | (17,393) | (9,218) |
| Increase in other assets | | (802) | (17,194) |
| Increase in trade and other payables | | 31,772 | 16,442 |
| Increase in contract liabilities | 5 | 35,396 | 19,396 |
| Decrease in other liabilities | | (5,182) | (21,384) |
| **Cash used in operations** | | (257,226) | (276,751) |
| Interest received | | 3,649 | 568 |
| Interest paid | | (57,254) | (35,372) |
| Income tax paid | | (1,354) | (834) |
| **Net cash used in operating activities** | | (312,185) | (312,389) |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | 12 | (33,234) | (37,880) |
| Disposal of property, plant and equipment | 12 | 133 | 379 |
| Acquisition of intangible assets | 15 | (13,239) | (11,122) |
| Restricted cash in connection with amended bond agreement | 21 | — | (14,914) |
| **Net cash used in investing activities** | | (46,340) | (63,537) |
| **Cash flows from financing activities** | | | |
| Repayments of borrowings | 21 | (99,367) | (34,714) |
| Repayments of principal portion of lease liabilities | 13 | (8,269) | (11,147) |
| Proceeds from new borrowings | 21 | 278,831 | 193,678 |
| Transaction cost from new borrowings | 21 | (9,004) | — |
| Gross proceeds from private placement equity offering | | 136,879 | — |

| | | | |
|---|---|---|---|
| Gross private placement equity offering fee | | (4,141) | — |
| Proceeds from warrants | | 6,390 | — |
| Transaction costs for amended borrowing agreements | 21 | — | (12,102) |
| Gross proceeds from the PIPE Financing | 1.1 | — | 174,930 |
| Gross PIPE Financing fees paid | 1.1 | — | (5,562) |
| Proceeds from the Capital Reorganization | 1.1 | — | 9,827 |
| Proceeds from loans from related parties | 21 | — | 160,000 |
| Repayment of loans from related parties | 21 | — | (50,000) |
| **Net cash generated from financing activities** | | 301,319 | 424,910 |
| Increase / (decrease) in cash and cash equivalents | | (57,206) | 48,984 |
| Cash and cash equivalents at the beginning of the year | 16 | 66,427 | 17,556 |
| Effect of movements in exchange rates on cash held | | 1,936 | (113) |
| **Cash and cash equivalents at the end of the year** | 16 | 11,157 | 66,427 |

Supplemental cash flow disclosures (Note 29)

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

*USD in thousands*

| | Share capital | Share premium | Other reserves | Translation reserve | Accumulated deficit | Total equity |
|---|---|---|---|---|---|---|
| **At 1 January 2022** | 135 | 1,000,118 | — | 4,669 | (1,140,534) | (135,612) |
| Loss for the year | — | — | — | — | (513,580) | (513,580) |
| Foreign currency translation differences | — | — | — | (6,111) | — | (6,111) |
| Total comprehensive loss | — | — | — | (6,111) | (513,580) | (519,691) |
| PIPE Financing | 175 | 169,193 | — | — | — | 169,368 |
| Settlement of SARs with shares | 35 | 30,267 | — | — | — | 30,302 |
| Capital Reorganization | 1,731 | (173,296) | — | — | — | (171,565) |
| Settlement of related party loans with Ordinary Shares | 50 | 32,150 | — | — | — | 32,200 |
| Recognition of share-based payments | — | — | 14,548 | — | — | 14,548 |
| Recognition of equity component of convertible bonds | — | — | 16,034 | — | — | 16,034 |
| **At 31 December 2022** | 2,126 | 1,058,432 | 30,582 | (1,442) | (1,654,114) | (564,416) |
| Loss for the year | — | — | — | — | (551,731) | (551,731) |
| Foreign currency translation differences | — | — | — | (86) | — | (86) |
| Total comprehensive loss | — | — | — | (86) | (551,731) | (551,817) |
| Capital contribution | 118 | 132,618 | — | — | — | 132,736 |
| Vested earn-out shares | 6 | 8,300 | — | — | — | 8,306 |
| Penny warrants exercised | 25 | 27,159 | — | — | — | 27,184 |
| Public warrants exercised | 6 | 7,612 | — | — | — | 7,618 |
| Recognition of share-based payments | — | — | 16,985 | — | — | 16,985 |
| Settlement of RSUs with shares | 8 | 5,095 | (5,781) | — | — | (678) |
| Settlement of SARs with shares | (10) | (9,526) | (4,231) | — | — | (13,767) |
| Recognition of equity component of convertible bonds | — | — | 5,356 | — | — | 5,356 |
| **At 31 December 2023** | 2,279 | 1,229,690 | 42,911 | (1,528) | (2,205,845) | (932,493) |

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

1. General information

Alvotech (the “Parent” or the “Company” or “Alvotech”), previously known as Alvotech Lux Holdings S.A.S., the surviving company after the Business Combination (as defined below) with, among other parties, Alvotech Holdings S.A. (the “Predecessor”), 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, Grand Duchy of Luxembourg and is registered with the Luxembourg Trade and Companies’ Register under number B 258884. The Company was incorporated on 23 August 2021. These consolidated financial statements were approved by the Group’s Board of Directors, and authorized for issue, on 20 March 2024.

The Company and its subsidiaries (collectively referred to as the “Group”) are a global biotech company specialized in the development and manufacture of biosimilar medicines for patients worldwide. The Group has commercialized a certain biosimilar product and has multiple biosimilar molecules.

1.1 Capital Reorganization

On 15 June 2022 (the “Closing Date”), the Company consummated the capital reorganization with Alvotech Holdings S.A. and OACB (the “Business Combination” or “Capital Reorganization”) pursuant to the business combination agreement, dated as of 7 December 2021, as amended by an amendment agreement dated 18 April 2022 and 7 June 2022 (the “Business Combination Agreement”), by and among the Company, Oaktree Acquisition Corp. II (“OACB”) and the Predecessor. The closing of the Business Combination resulted in the following transactions:

- OACB merged with and into the Company, whereby (i) all of the outstanding ordinary shares of OACB (“OACB Ordinary Shares”) were exchanged for ordinary shares of Alvotech (“Ordinary Shares”) on a one-for-one basis, pursuant to a share capital increase of Alvotech and (ii) all of the outstanding warrants of OACB ceased to represent a right to acquire OACB Ordinary Shares and now represent a right to be issued one Ordinary Share, with Alvotech as the surviving company in the merger. Prior to the merger OACB shares were redeemed, resulting in $9.8 million of cash proceeds from the OACB trust account;
- Alvotech redeemed and canceled the initial shares held by the initial sole shareholder of Alvotech pursuant to a share capital reduction of Alvotech;
- The legal form of Alvotech changed from a simplified joint stock company (société par actions simplifiée) to a public limited liability company (société anonyme) under Luxembourg law; and
- The Predecessor merged with and into the Parent, whereby all outstanding ordinary shares of the Predecessor (“Predecessor Ordinary Shares”) were exchanged for Ordinary Shares, pursuant to a share capital increase of Alvotech, with Alvotech as the surviving company in the merger.

Concurrently with the execution of the Business Combination Agreement, OACB and Alvotech entered into subscription agreements (“Subscription Agreements”) with certain investors (the “PIPE Financing”). On 15 June 2022, immediately prior to the closing of the Business Combination, the PIPE Financing was closed, pursuant to the Subscription Agreements, in which subscribers collectively subscribed for 17,493,000 Ordinary Shares at $10.00 per share for an aggregate subscription price equal to $174.9 million.

As part of the Business Combination, Predecessor shareholders were granted a total of 38,330,000 Ordinary Shares subject to certain vesting conditions (“Predecessor Earn Out Shares”). Former OACB shareholders were granted a total of 1,250,000 Ordinary Shares subject to certain vesting conditions (“OACB Earn Out Shares”). Additionally, as part of the Business Combination the Company assumed the 10,916,647 outstanding warrants (“OACB Warrants”), on substantially the same contractual terms and conditions as were in effect immediately prior to the Business Combination. See Note 28 for further details.

The Business Combination was accounted for as a capital reorganization. Under this method of accounting, OACB was treated as the “acquired” company for financial reporting purposes, with Alvotech Holdings S.A. being the accounting acquirer and accounting predecessor. Accordingly, the capital reorganization was treated as the equivalent of Alvotech issuing shares at the closing of the Business Combination for the net assets of OACB as of the Closing Date, accompanied by a recapitalization. The capital reorganization, which was not within the scope of IFRS 3 since OACB did not meet the definition of a business in accordance with that guidance, was accounted for within the scope of IFRS 2. In accordance with IFRS 2, Alvotech recorded a one-time non-cash share listing expense of $83.4 million, recognized as a general and administrative expense, based on the excess of the fair value of

Alvotech shares issued, at the Closing Date, over the fair value of OACB's identifiable net assets acquired. The fair value of shares issued was estimated based on a market price of $9.38 per share as of 15 June 2022.

| | Shares | (in 000s) |
|---|---|---|
| OACB Shareholders | | |
| Class A Shareholders | 976,505 | |
| Class B Shareholders | 5,000,000 | |
| OACB Earn Out Shares | 1,250,000 | |
| Total Alvotech Shares issued to OACB shareholders | 7,226,505 | |
| Fair value of Shares issued to OACB as of 15 June 2022 | | $56,060 |
| Fair value of OACB Earn Out Shares issued to OACB as of 15 June 2022 | | 9,100 |
| Estimated fair market value | | 65,160 |
| Adjusted net liabilities of OACB as of 15 June 2022 | | (18,251) |
| Difference – being the share listing expense | | 83,411 |

In connection with the Business Combination and PIPE Financing, the Company incurred $28.5 million of transaction costs, which represent legal, financial advisory, and other professional fees in connection with the Business Combination and PIPE Financing, during the year ended December 31, 2022. Of this amount, $5.6 million represented equity issuance costs related to PIPE Financing that were capitalized in share premium. The remaining $22.9 million was recognized as general and administrative expense.

1.2 Information about subsidiaries and joint ventures

| Entity name | Principal activity | Issued and paid capital *(presented in whole shares)* | Place of establishment | Proportion of ownership and voting power held by Alvotech | |
|---|---|---|---|---|---|
| | | | | 31.12.2023 | 31.12.2022 |
| Alvotech hf | Biopharm. | 3,893,650 | Iceland | 100.00% | 100.00% |
| Alvotech Germany 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% | 100.00% |
| Alvotech Manco ehf | Group Serv. | 215,390 | Iceland | 100.00% | 100.00% |
| Alvotech Biosciences India Private Ltd | Biopharm | 96,113 | India | 100.00% | 100.00% |
| Fasteignafelagið Sæmundur hf | Real estate | 12,965,337 | Iceland | 100.00% | 100.00% |
| Alvotech & CCHN Biopharmaceutical Co. Ltd* | Biopharm. | 110,000,021 | China | 50.00% | 50.00% |

* Alvotech & CCHN Biopharmaceutical Co. Ltd. is an unconsolidated joint venture (see Note 27).

1.3 Information about shareholders

Significant shareholders of the Company are Aztiq Pharma Partners S.à r.l. (Aztiq) and Alvogen Lux Holdings S.à r.l. (Alvogen), with 37.9% and 33.7% ownership interest as of 31 December 2023, and 40.7% and 35.8% ownership interest as of 31 December 2022, respectively. The remaining 28.4% ownership interest is held by various entities, with no single shareholder holding more than 2.4% ownership interest as of 31 December 2023.

The remaining 23.5% ownership interest was held by various entities, with no single shareholder holding more than 2.4% ownership interest as of 31 December 2022.

1.4 Going concern

The Group has primarily funded its operations with proceeds from the issuance of ordinary shares and the issuance of loans and borrowings to both related parties and third parties. The Group has also incurred recurring losses since its inception, including net losses of $551.7 million, $513.6 million, and $101.5 million for the years ended 31 December 2023, 2022, and 2021, respectively, and had an accumulated deficit of $2,205.8 millions as of 31 December 2023. The Group has not generated positive operational cash flow, largely due to the continued focus on biosimilar product development and expansion efforts.

As of 31 December 2023, the Group had cash and cash equivalents, excluding restricted cash, of $11.2 millions and current assets less current liabilities of ($66.1) million.

The Group devotes substantially all of its efforts towards obtaining regulatory approval and raising capital necessary to fund its operations and it is subject to a number of risks associated with clinical research and development, the development of and regulatory approval of commercially viable biosimilar products, the need to raise adequate additional financing necessary to fund the development and commercialization of its biosimilar products.

The Company announced in February 2024 that the U.S. Food and Drug Administration ("FDA") has approved SIMLANDI (adalimumab, referred to as AVT02 in Alvotech's biosimilar pipeline) injection, as an interchangeable biosimilar to Humira, for the treatment of adult rheumatoid arthritis, juvenile idiopathic arthritis, adult psoriatic arthritis, adult ankylosing spondylitis, Crohn's disease, adult ulcerative colitis, adult plaque psoriasis, adult hidradenitis suppurativa and adult uveitis. Teva is Alvotech's strategic partner for the exclusive commercialization of SIMLANDI in the United States. SIMLANDI is the first high-concentration, citrate-free biosimilar to Humira that has been granted an interchangeability status by the FDA, and will qualify for interchangeable exclusivity for the 40mg/0.4ml injection. This approval is an important milestone for the Company to access the U.S. market with a unique positioning. The Company expects to launch AVT02 with its partner Teva in the United States during the first half of 2024.

Additionally, in February 2024, the Company announced it has reached settlement agreements with Johnson & Johnson in Japan, Canada and in the European Economic Area (EEA) for AVT04, a biosimilar to Stelara (ustekinumab). Regulatory approval for AVT04 in these markets has already been granted. Market applications for AVT04 are currently pending in additional global markets, including in the U.S. Market entry of AVT04 in Canada started in Q1 2024. Launch of AVT04 in Japan is anticipated after the upcoming round of National Health Insurance reimbursement price listings, in May 2024. Entry to the first European markets is expected as soon as possible after the expiration date of the European Supplementary Protection Certificate for Stelara, which is in late July 2024. These approvals represent another significant milestone for the Company to tap into the Stelara market.

The closing of the private placement equity offering in February 2024 provided the Group with gross proceeds of $166 million (net proceeds of $160 million) that is expected to be used to finance general corporate purposes and working capital, to strengthen its production capacity, and to support expected biosimilars launches. As part of the transaction, the Group sold 10,127,132 Ordinary Shares, par value USD 0.01 per share, at a purchase price of $16.41 per share, or ISK 2,250 per share, at foreign exchange rates on 23 February 2024.

Additionally, the Group expects to continue to source its financing during the development of its biosimilar products from existing out-license contracts with commercial partners. In light of these conditions and events management evaluated whether there is substantial doubt about the Group's ability to continue as a going concern for at least one year after the date that the consolidated financial statements are issued. Based on the cash on hand, funding received, and projected future cash flows, management concluded that the Group has the ability to continue as a going concern for at least one year after the date that the consolidated financial statements are issued. As such, the consolidated financial statements have been prepared on a going concern basis

However, although management continues to pursue these plans, there is no assurance that the Group will be successful in obtaining sufficient funding on terms acceptable to the Group to fund continuing operations, if at all. If financing is obtained, the terms of such financing may adversely affect the holdings or the rights of the Group's shareholders. The ability to obtain funding, therefore, is outside of management's control and is a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance and in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), which comprise all standards and interpretations approved by the IASB and as adopted by the European Union ("EU").

All amendments to IFRSs issued by the IASB that are effective for annual periods that begin on or after 1 January 2023 have been adopted as further described within the footnotes to the consolidated financial statements. The Group has not adopted any standards or amendments to standards in issue that are available for early adoption.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and financial liabilities which have been measured at fair value. 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 U.S. Dollar ("USD") and all values are rounded to the nearest thousand unless otherwise indicated.

### 2.2 Basis of consolidation

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.

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 statements of profit or loss and other comprehensive income or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary. 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.

All intra-group transactions, balances, income and expenses are eliminated in full in consolidation.

### 2.3 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 recognized an impairment loss of $21.5 millions related to its investment in the joint venture for the year ended 31 December 2023. No impairment losses were recognized in 2022.

### 2.4 Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires Group management to make judgments, estimates and assumptions about the reported amounts of assets, liabilities, income and expenses that are not readily apparent from other sources.

The estimates and associated assumptions are based on information available when the consolidated financial statements are prepared, historical experience and other factors that are considered to be relevant. Judgments and assumptions involving key estimates are primarily made in relation to the measurement and recognition of revenue, the impairment of the investment in the joint venture, the valuation of derivative financial liabilities, the valuation of restricted share units ("RSUs"), and the valuation of deferred tax assets. Apart from those involving estimations, critical accounting judgments include the Group's evaluation as to whether it controls its joint venture in China and material uncertainties with respect to the Group's going concern assessment.

Existing circumstances and assumptions may change due to events arising that are beyond the Group's control. Therefore, 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.

### 2.5 Segment reporting

The Group operates and manages its business as one operating segment based on the manner in which the Chief Executive Officer, the Group's chief operating decision maker, assesses performance and allocates resources across the Group.

### 2.6 Revenue recognition

Product revenue

The Company recognizes revenue from the sale of its biosimilar product to commercial partners, identified as the customer, when control is transferred, and the performance obligations have been satisfied. This is when the title passes to the customer, which is upon shipment of the product. At that point, the commercial partner has full discretion over the channel and price to sell the products. Revenue is recognized based on the net selling price from the commercial partners, which is considered to be the transaction price and includes estimated rebates, returns and chargebacks, and other forms of variable consideration recognized by the customer. Variable consideration is accounted for by the Company only to the extent that it is highly probable that a significant reversal in the revenue recognized will not occur. Variable consideration, which includes any adjustments to the net selling price, is estimated based on the most likely amount method on a contract-by-contract basis.

Out-licensing revenue

The majority of the Group's revenue is generated from long-term out-license contracts which provide the customer with an exclusive right to market and sell products in a particular territory once such products are approved for commercialization. These contracts typically include the Group's promises to continue development of the underlying compound and to provide supply of the product to the customer upon commercialization. The Group concludes that the license, development services and commercial supply are separate performance obligations. This is because customers generally have the capabilities to perform the necessary development, manufacturing and commercialization activities on their own or with readily available resources and have the requisite expertise in the industry and the territory for which the license has been granted. Further, the intellectual property is generally in a later phase of development at the time the license is granted such that any subsequent development activities performed by the Group are not expected to significantly modify or transform the intellectual property. The fact that the Group is contractually obligated to perform development activities for and provide commercial supply to the

customer does not impact this conclusion. The Group's promise to provide commercial supply to its customers is contingent upon the achievement of regulatory approval in the particular territory for which the license has been granted.

The consideration to which the Group is entitled pursuant to these contracts generally includes upfront payments and payments based upon the achievement of development and regulatory milestones. All contracts include a potential refund obligation whereby the Group must refund the consideration paid by the customer in the event of a technical failure or the occurrence of certain other matters that result in partial or full cancellation of the contract. As such, the entire transaction price is comprised of variable consideration, which is estimated using the most likely amount method due to the binary nature of the outcomes under these contracts. Such variable consideration is included in the transaction price only when it is highly probable that doing so will not result in a significant reversal of cumulative revenue recognized when the underlying uncertainty associated with the variable consideration is subsequently resolved. The Group does not account for a significant financing component since a substantial amount of consideration promised by the customer is variable and the amount or timing of that consideration varies on the basis of a future event that is not substantially within the control of either party. Certain contracts also include commercialization milestones upon the first commercial sale of a product in a particular territory, as well as royalties. Commercialization milestones and royalties are accounted for as sales-based royalties; therefore, such amounts are not included in the transaction price and recognized as revenue until the underlying sale that triggers the milestone or royalty occurs.

Upfront payments, when applicable, are received in advance of transferring control of all goods and services. Therefore, a portion of upfront payments is recorded as a contract liability upon receipt. Due to the existence of refund provisions, upfront payments and certain development milestone payments are generally included in the transaction price upon submission of the first clinical trial application to the respective regulatory agency, since it is at this point in time that a significant reversal of cumulative revenue recognized related to such payments is no longer highly probable. Other development and regulatory milestones may not be included in the transaction price until such milestones are achieved due to the degree of uncertainty associated with achieving these milestones. Contract liabilities are presented on the consolidated statements of financial position as either current or non-current based upon forecasted performance. In certain contracts, the Group may transfer control of goods and services, and thus recognize revenue, prior to having the right to invoice the customer. In these circumstances, the Group recognizes contract assets for revenue recognized, and subsequently reclasses the contract asset to trade receivables upon issuing an invoice and the right to consideration is only conditional on the passage of time. Contract assets are presented on the consolidated statements of financial position as either current or non-current based upon the expected timing of settlement.

The standalone selling prices of the development services and the license to intellectual property are not directly observable and, therefore, are estimated. The standalone selling price of the development services is estimated based on the expected costs to be incurred during the development period, using various data points such as the underlying development budget, contractual milestones and performance completed at the time of entering into the contract with a customer. The standalone selling price of the license is estimated using the residual approach on the basis that the Group licenses intellectual property for a broad range of amounts and has not previously licensed intellectual property on a standalone basis. Therefore, the Group first allocates the transaction price to the development services and subsequently allocates the remainder of the transaction price to the license. If the product is still in early phase of development and the constraint on variable consideration has not been resolved, all the transaction price is allocated to the development service.

The standalone selling price of the commercial supply is directly observable and the stated prices in the Group's supply contracts reflect the standalone selling price of such goods.

The licenses to intellectual property are right of use licenses on the basis that the ongoing development work performed by the Group does not significantly affect the intellectual property to which the customer has rights. Therefore, control of the license transfers to the customer at the point in time when the right to use the license is granted to the customer. The license is generally granted to the customer at the time the contract is executed with the customer.

The Group satisfies its performance obligation related to the development services over time as the Group's performance enhances the value of the licensed intellectual property controlled by the customer throughout the performance period. The Group recognizes revenue using a cost-based input measure since this measure best reflects the progress of the development services and, therefore, the pattern of transfer of control of the services to the customer. In certain instances, the Group may subcontract services to other parties for which the Group is ultimately responsible. Costs incurred for such subcontracted services are included in the Group's measure of progress for

satisfying its performance obligation. Changes in the total estimated costs to be incurred in measuring the Group's progress toward satisfying its performance obligation may result in adjustments to cumulative revenue recognized at the time the change in estimate occurs.

Upon the achievement of regulatory approval and the commencement of commercial sale of its products, the Group will satisfy its performance obligation related to commercial supply at the point in time when control of the manufactured product is transferred to the customer. Transfer of control for such goods will occur in accordance with the stated shipping terms.

The Group does not incur incremental costs of obtaining a contract with a customer that would require capitalization. Costs to fulfill performance obligations are not incurred in advance of performance and, as such, are expensed when incurred.

Other revenue

Other revenue primarily consists of clinical trial support services rendered by the Group for its customers, which is recognized as the service is provided. Revenue for such services is presented in the consolidated statements of profit or loss and other comprehensive income or loss net of any discounts.

### 2.7 Cost of product revenue

Cost of product revenue includes the cost of inventory sold, labor costs, manufacturing overhead expenses and reserves for expected scrap, as well as shipping and freight costs and royalty costs related to in-license agreements.

### 2.8 Research and development expenses

Research and development expenses primarily consist of personnel costs, material and other lab supply costs, facility costs and internal and external costs related to the execution of studies and other development program advancement initiatives. Such expenses also include costs incurred in preparation for commercial launch, such as designing and developing commercial-scale manufacturing capabilities and processes, quality control processes, production asset validation and other related activities. The costs also include amortization, depreciation and impairment losses related to software, property, plant and equipment, and right-of-use assets used in research and development activities and pre-commercial manufacturing and quality control activities.

An internally generated intangible asset arising from the Group's development is recognized only if the Group can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intent to complete the intangible asset and use or sell it; how 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 expenditures incurred from the date when the intangible asset first meets the aforementioned recognition criteria. If an internally-generated intangible asset cannot be recognized, the related development expenditure is charged to profit or loss in the period in which it is incurred.

Expenditures related to research and development activities are generally recognized as an expense in the period in which they are incurred. The Company did not capitalize any development expenses as intangible assets during the years ended 31 December 2023 and 2022 as not all the criteria in paragraph 57 of IAS 38 have been met.

### 2.9 General and administrative expenses

General and administration expenses primarily consist of personnel-related costs, including salaries and other related compensation expense, for corporate and other administrative and operational functions including finance, human resources, information technology and legal, as well as facility-related costs. These costs relate to the operation of the business and are not related to research and development initiatives.

Expenditures related to general and administration activities are recognized as an expense in the period in which they are incurred.

### 2.10 Finance income and finance cost

Finance income consists of changes in the fair value of derivative financial liabilities and 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.

Finance cost consists of changes in the fair value of derivative financial liabilities, interest expense related to lease liabilities and borrowings, accretion of borrowings and amortization of deferred debt issue costs.

### 2.11 Foreign currency translation

The consolidated financial statements are presented in U.S. Dollars, which is the Group's presentation currency. The Group maintains the financial statements of each entity within the Group in its respective functional currency. The majority of the Group's expenses are incurred in U.S. Dollars and Icelandic Krona, and the majority of the Company's cash and cash equivalents are held in a combination of Icelandic Krona, Euros and U.S. Dollars. Transactions in currencies other than the Group's presentation 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.

Exchange differences arising on translation of a foreign controlled subsidiary are recognized in other comprehensive income or loss and accumulated in a translation reserve within equity. The cumulative translation amount is reclassified to profit or loss if and when the net investment in the foreign controlled subsidiary is disposed.

### 2.12 Fair value measurements

The Group measures certain financial liabilities at fair value through profit or loss (FVTPL) at each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure the fair values of such financial liabilities, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques, as follows:

- Level 1: quoted prices in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (e.g., prices) or indirectly (e.g., derived from prices); and
- Level 3: inputs for the asset or liability that are unobservable.

The carrying amounts of cash and cash equivalents, restricted cash, trade receivables, other current assets, contract assets, trade and other payables and other current liabilities in the Group's consolidated statements of financial position approximate their fair value because of the short maturities and nature of these instruments.

For liabilities that are measured at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the fair value hierarchy by reassessing the inputs used in determining fair value at the end of each reporting period.

2.13 Goodwill and other intangible assets

Goodwill and business combinations

Acquisitions are first reviewed to determine whether a set of assets acquired constitute a business and should be accounted for as a business combination. If the assets acquired do not meet the definition of a business, the Group will account for the transaction as an asset acquisition. If the definition of a business combination is met, the Group will account for the transaction using the acquisition method of accounting. 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 recognized in the consolidated statements of profit or loss and other comprehensive income or loss as incurred.

Goodwill represents 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. Goodwill is reviewed for impairment at least annually, and whenever there is an indication that the asset may be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The value in use calculation is performed using discounted expected future cash flows. The discount rate applied to these cash flows is based on the weighted average cost of capital and reflects current market assessments of the time value of money.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business 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 as 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.

The Group did not complete any business combinations during the years ended 31 December 2023. Refer to Note 1.1 for the Business Combination completed during the year ended 31 December 2022.

Other intangible assets

Other intangible assets consist of software, customer relationships, and intellectual property rights. Intangible assets acquired in a business combination are identified and recognized separately from goodwill if they satisfy the definition of an intangible asset and their fair values can be reliably measured. The cost of intangible assets is their fair value at the acquisition date.

Intangible assets with finite useful lives are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over an asset's estimated useful life. The estimated useful life and amortization method are reviewed at each balance sheet date, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The following useful lives are used in the calculation of amortization:

| | |
|---|---|
| Software | 3-5 years |
| Customer relationships | 7 years |
| Intellectual property rights* | 10 years |

- *From launch date*

Intangible assets with indefinite useful lives are reviewed for impairment at least annually, and whenever there is an indication that the asset may be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The value in use calculation is performed using discounted expected future cash flows. The discount rate applied to these cash flows is based on the weighted average cost of capital and reflects current market assessments of the time value of money.

## 2.14 Income tax

Income tax includes the current tax and deferred tax charge recorded in the consolidated statements of profit or loss and other comprehensive income or loss.

### Current tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statements of profit or loss and other comprehensive income or loss because it excludes 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 expense is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Accruals for tax contingencies are made when it is not probable that a tax authority will accept the tax position, based upon management's interpretation of applicable laws and regulations and the expectation of how the tax authority will resolve the matter. Accruals for tax contingencies are measured using either the most likely amount or the expected value amount depending on which method the entity expects to better predict the resolution of the uncertainty.

### Deferred tax

Deferred tax is provided in full for all 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, except to the extent the temporary difference arises from:

- The initial recognition of an asset or a liability in a transaction that is not a business combination and that affects neither the taxable profit nor accounting profit;
- The initial recognition of residual goodwill (for deferred tax liabilities only); or
- Investments in subsidiaries, branches, associates and joint ventures, where the Group is able to control the timing of the reversal of the temporary difference and it is not probable that it will reverse in the foreseeable future.

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 realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of the assets and liabilities.

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 utilized. 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 is charged or credited to the consolidated statements of profit or loss and other comprehensive income or loss, except when the tax arises from a business combination or it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis in that taxation authority.

## 2.15 Property, plant and equipment

Property, plant and equipment is 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 qualifies for recognition as an asset are initially measured at cost.

The cost of property, plant and equipment includes an asset's purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation is calculated and recognized as an expense on a straight-line basis over an asset's estimated useful life. 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 following useful lives are used in the calculation of depreciation:

| | |
|---|---|
| Facility | 40 years |
| Facility equipment | 5-20 years |
| Computer equipment | 3 years |
| Leasehold improvements | 3-15 years |
| Furniture and fixtures | 5 years |

Certain of the Group's property, plant and equipment assets have been pledged to secure borrowings as further described in Note 21. Significant disposals of pledged assets are subject to lender approval. Upon disposal or retirement of an asset, the difference between the sales proceeds, if applicable, and the carrying amount of the asset is recognized in the consolidated statements of profit or loss and other comprehensive income or loss at the time of disposal or retirement.

At the end of each reporting period, or sooner if events triggering an interim impairment assessment occur, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that the value of such assets are impaired. Triggering events that warrant an interim impairment assessment include, but are not limited to, the technical obsolescence of equipment or failure of such equipment to meet regulatory requirements. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss and the carrying amount of the asset is reduced to its recoverable amount, which is the higher of fair value less costs of disposal and value in use.

### 2.16 Inventories

Inventories, which consist of raw materials and supplies, work in progress and finished goods are stated at the lower of cost or net realizable value. Net realizable value is the expected sales price less completion costs and costs to be incurred in marketing, selling and distributing the inventory. Cost is calculated using the weighted average cost method or the first-in,first-out method, depending on the nature of the inventory.

Inventories include direct costs for raw materials and supplies and, as applicable, direct and indirect labor and overhead expenses that have been incurred to bring inventories to their present location and condition.

If the net realizable value is lower than the carrying amount, a write-down of inventory is recognized for the amount by which the carrying amount exceeds net realizable value.

The Group does not pledge inventories as collateral to secure its liabilities.

### 2.17 Financial assets

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 measured at FVTPL, 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 FVTPL are recognized immediately in profit or loss. There were no transaction costs related to the acquisition of financials assets in 2023 or 2022. All of the Group's financial assets are measured at amortized cost as of 31 December 2023 and 2022.

Financial assets measured at amortized cost

Financial assets measured at amortized cost are debt instruments that give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group's financial assets measured at amortized cost are trade receivables, certain other current assets, receivables from related parties, restricted cash and cash and cash equivalents.

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

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses ("ECL") on its trade receivables and other debt instruments that are measured at amortized cost. In addition, although contract assets are not financial assets, a loss allowance for ECL are also recognized for such assets. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes 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 forecasted direction of conditions at the reporting date, including time value of money where appropriate.

The Group writes off a financial asset when there is no reasonable expectation of recovery, such as information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. A trade receivable or contract asset that is considered uncollectible 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 recognized in profit or loss. The Group did not write off any trade receivables or contract assets during the years ended 31 December 2023 and 2022.

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

Derecognition of financial assets

The Group derecognizes 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 recognizes its retained interest in the asset as well as an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized 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 recognized in other comprehensive income or loss and accumulated in equity is recognized in profit or loss.

### 2.18 Financial liabilities

Financial liabilities

The Group's financial liabilities consist of trade and other payables, certain other current liabilities loans and borrowings, lease liabilities, derivative financial instruments, long-term incentive plans, share appreciation right plans and other long-term liability to a related party. All financial liabilities are initially measured at fair value. Loans and borrowings are recorded net of directly attributable transaction costs and less the value attributable to any embedded derivative financial instruments, if applicable.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled, substantially modified or have expired. Additionally, management elected, as part of its accounting policy, to recognize the difference between the carrying amount of the financial liabilities and the fair value of the consideration paid for the extinguishment in the consolidated statement of profit or loss and other comprehensive income or loss.

Financial liabilities subsequently measured at amortized cost

After initial recognition, financial liabilities other than derivative financial instruments and awards issued pursuant to long-term incentive plans are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts all estimated future cash payments through the expected life of the financial liability, or a shorter period if appropriate, to the amortized cost of a financial liability. The effective interest rate includes the effects of any discount or premium on acquisition of the financial liability, as well as any fees or costs incurred upon acquisition.

Financial liabilities subsequently measured at FVTPL

*Derivative financial instruments*

Certain rights and features pursuant to borrowing arrangements and other contracts may provide the counterparty with one or more financial instruments that need to be evaluated and potentially accounted for separately by the Group. These financial instruments are either embedded in a host instrument or are treated as a separate financial instrument if they are contractually transferable independent from the host instrument. Such rights and features pursuant to the Group's contracts with both third parties and related parties include earn out rights, conversion rights and warrant rights.

Equity conversion features within host debt instruments that meet the definition of a derivative and have economic and risk characteristics that are not closely related to the host instrument are embedded derivatives that are separated from the host instrument and accounted for separately. As part of the accounting for embedded derivatives or separate financial instruments, management considers the appropriate accounting classification under IAS 32.

Embedded derivatives and separate financial instruments that meet the fixed-for-fixed criteria are classified as equity and initially measured at fair value. Warrant rights that provide the holder with an option to purchase ordinary shares at a specified price or pursuant to a specified formula are generally separate derivative financial instruments that are accounted for as derivative liabilities. Earn Out Shares grant the holder with a variable number of Ordinary Shares based on certain vesting conditions tied to the stock price and are accounted for as derivative liabilities. In the event that the fair value of any derivative liabilities, determined using unobservable inputs, exceeds the transaction price of a borrowing arrangement, the Group records a deferred loss at the inception of the borrowing arrangement for the difference between the fair value of the derivative liabilities and the transaction price of the borrowing arrangement. Such deferred losses are recognized over the term of the related borrowing arrangement using the straight-line method of amortization. The deferred loss is netted against derivative financial liabilities on the consolidated statements of financial position. Amortization of the deferred loss is recognized as a component of "Finance costs" in the consolidated statements of profit or loss and other comprehensive income or loss.

The Group recognized derivative liabilities related to the Predecessor Earn Out Shares, OACB Earn Out Shares and assumed OACB warrants. Additionally, the Group recognized an embedded derivative for the conversion feature associated with the Tranche A Convertible Bonds, as further described in Note 21. These features are liability-classified, rather than equity-classified, because the Group is obligated to issue a variable number of ordinary shares to the holder upon conversion or exercise of the feature. Therefore, these derivative liabilities were initially recorded at fair value and remeasured to fair value at each reporting period with gains and losses arising from changes in the fair value recognized in finance income or finance costs, as appropriate.

The fair values of the derivative liabilities were determined using a valuation approach that incorporated a range of inputs that are both observable and unobservable in nature. The inputs used in the initial and subsequent fair value measurements predominantly relate to (i) the price of the Group's Ordinary Shares (ii) the volatility of the Group's Ordinary Shares, (ii) a risky discount rate corresponding to the credit risk associated with the repayment of the host debt instruments, and (iii) the probabilities of each derivative being exercised by the holder and the timing of such exercises. The probabilities are determined based on all relevant internal and external information available and are reviewed and reassessed at each reporting date.

The Group will derecognize any derivative liabilities if and when the rights are exercised by the holders or the time period during which the rights can be exercised expires.

*Liabilities to related parties*

The majority of the Group's liabilities to related parties arose from its acquisition of rights for the commercialization of the Group's biosimilar Adalimumab product in certain territories in Asia from Lotus Pharmaceutical Co. Ltd., a

related party, during the year ended 31 December 2021. Pursuant to the terms of the asset acquisition, the Group made an upfront payment of $1.9 million and is required to pay $7.4 million upon the commercial launch of Adalimumab in China which became due on 31 December 2023.

*Long-term incentive plans*

Share appreciation rights

The Group issued to certain current and former employees share appreciation rights ("SARs") that require settlement in connection with the occurrence of specified, future triggering events. Grants occurred from 2015 through 2020. The awards include a combination of vesting conditions, such as service and performance conditions, as well as non-vesting conditions depending on the particular award. The individuals retain their vested awards upon termination of employment with the Group. Settlement amounts are determined by the change in the Group's market value from the grant date of the SAR until the triggering events occur. The SARs do not expire at a specific date.

Pursuant to the terms of the SAR agreements, management determined that the Group cannot avoid paying cash to settle the awards and, therefore, SARs are liability-classified in the consolidated statements of financial position. Accordingly, SARs were recorded at fair value and were subsequently remeasured each reporting period with the change in fair value reflected as a gain or loss in the consolidated statements of profit or loss and other comprehensive income or loss, as appropriate. The fair value of the SARs was determined using the Black-Scholes-Merton pricing model. In connection with the closing of the Business Combination, the Company reached a settlement agreement for share appreciation rights previously awarded to certain current and former employees. The remaining share appreciation rights were settled through the issuance of fully vested RSUs under the Management Incentive Plan on 1 December 2022.

Employee incentive plan

The Group also sponsors an employee incentive plan for certain qualifying employees. Under the plans, such employees are entitled to cash payments upon achievement of key milestones, such as a research and development milestone or the occurrence of an exit event. The awards include a combination of vesting conditions, such as service and performance conditions, as well as non-vesting conditions depending on the particular award. Since the Group cannot avoid paying cash to settle the awards, the employee incentive plan is liability-classified in the consolidated statements of financial position. Accordingly, awards issued pursuant to the employee incentive plan are recorded at fair value and are subsequently remeasured each reporting period with the change in fair value reflected as a gain or loss in the consolidated statements of profit or loss and other comprehensive income or loss, as appropriate. Employee incentive plan liabilities are presented as either current or non-current on the consolidated statements of financial position based on the anticipated timing of settlement.

The fair value of the employee incentive plan awards is determined by estimating the probability of success in reaching the specified milestones and other levers, such as the anticipated timing of potential milestone achievement.

Management Incentive Plan

The Group can issue share options, restricted share units ("RSUs"), and other share-based awards under the Company's new incentive plan (the "Management Incentive Plan") which was approved by the Board in June 2022. Awards issued under the Management Incentive Plan are accounted for in accordance with IFRS 2. Share-based payments are classified as equity-settled share-based payments as the Company intends to settle the awards with equity and has the commercial substance to do so. Share-based payments are measured at the grant date fair value of the instruments issued and recognized over the expected vesting periods. The number of shares expected to vest are reviewed and adjusted at the end of each reporting period such that the amount of expense recognized shall be based on the number of equity instruments that will eventually vest.

2.19 Litigation and other contingencies

The Group may, from time to time, become involved in legal proceedings arising out of the normal course of its operations. For instance, as a developer and manufacturer of biosimilars, the Group may be subject to lawsuits alleging patent infringement or other similar claims filed by the reference product sponsor. Similarly, the Group may utilize patent challenge procedures to challenge the validity, enforceability or infringement of the reference product

sponsor's patents. Other parties may also file patent infringement claims against the Group alleging that the Group's products or manufacturing process techniques infringe their patents.

The Group establishes reserves for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. When such conditions are not met for a specific legal matter, no reserve is established. Although management currently believes that resolving claims against the Group, including claims where an unfavorable outcome is reasonably possible, will not have a material impact on the liquidity, results of operations, or financial condition of the Group, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. It is possible that an unfavorable outcome of a lawsuit or other contingency could have a material impact on the liquidity, results of operations, or financial condition of the Group.

Significant judgment is required in both the determination of probability of loss and the determination as to whether the amount of loss can be reasonably estimated. Accruals are based only on information available at the time of the assessment, due to the uncertain nature of such matters. As additional information becomes available, management reassesses potential liabilities related to pending claims and litigation and may revise its previous estimates, which could materially affect the Group's results of operations in a given period.

The Group maintains liability insurance coverages for various claims and exposures. The Group's insurance coverage limits its maximum exposure on claims; however, the Group is responsible for any uninsured portion of losses. Management believes that present insurance coverage is sufficient to cover potential exposures.

### 2.20 Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for those with a lease term of twelve months or less and leases of low value assets. For these leases, the Group recognizes 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 Group's leased assets consist of various real estate, fleet and equipment leases.

Right-of-use assets reflect the initial measurement of the lease liability, lease payments made at or before the lease commencement date and any initial direct costs less lease incentives that may have been received by the Group. These assets are subsequently measured at cost less accumulated depreciation, impairment losses and remeasurements of the underlying lease liability. Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset to the Group or the lease includes a purchase option that the Group is reasonably certain to exercise, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

Lease liabilities are 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, which is the rate of interest that the Group would need to pay to borrow, on a collateralized basis, an amount equal to the lease payments over a similar term in a similar economic environment based on information available at the commencement date of the lease. The lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance 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 reasonably certain to be exercised by the Group.

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 payments made during the lease term. The Group remeasures the lease liability if the lease term has changed, when lease payments based on an index or rate change or when a lease contract is modified and the modification is not accounted for as a separate lease.

Variable payments 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 recognized as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, lessees are not required to separate non-lease components from lease components, and instead account for any lease and associated non-lease components as a single lease component. The Group has used this practical expedient.

### 2.21 Loss per share

Holders of the Predecessor Earn Out Shares and OACB Earn Out Shares have equal dividend and participation rights to the ordinary shareholders. However, these participating securities are classified as liabilities and as such, the shares held are not included in the weighted average number of ordinary shares outstanding in the basic loss per share calculation.

The calculation of basic loss per share is based on the loss for the year attributable to ordinary shareholders of the Group and the weighted average number of ordinary shares outstanding during the period.

Diluted loss per share is computed by dividing the loss for the year attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding in the basic loss per share calculation, both of which are adjusted for the effects of all dilutive potential ordinary shares. Antidilutive effects of potential ordinary shares, which result in an increase in earnings per share or a reduction in loss per share, are not recognized in the computation of diluted loss per share.

## 3. New accounting standards

New standards and interpretations adopted and effective during the periods

The following new IFRS standards have been adopted by the Group effective 1 January 2023:

*IFRS 17 - Insurance Contracts*

In May 2017, the IASB issued IFRS 17, Insurance Contracts, which replaces IFRS 4, Insurance Contracts. This standard sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts that are within the scope of IFRS 17. In June 2020, the IASB issued Amendments to IFRS 17, which addresses concerns and implementation challenges that were identified after IFRS 17, Insurance Contracts, was published in 2017. The amendments are effective for annual periods beginning on or after 1 January 2023. IFRS 17 requires fundamental accounting changes to how insurance contracts are measured and accounted for. It introduces the general measurement model, based on a risk-adjusted present value of future cash flows that will arise as the insurance contract is fulfilled. This new measurement model aims to provide relevant information of the future cash flows. The general measurement model is modified for the measurement of reinsurance contracts held, direct participating contracts, and investment contracts with discretionary participation features. Also, while the general measurement model applies to all groups of insurance contracts in scope of IFRS 17, a simplified approach (a premium allocation approach) may be used to measure contracts that meet certain criteria. IFRS 17 also includes new disclosure requirements, providing more clarity and transparency for users of financial statements. The adoption of the standard did not have a material impact on the consolidated financial statements of the Group.

*IAS 1 (Amendment) - Disclosure of Accounting Policies*

The IASB issued Disclosure of Accounting Policies (Amendments to IAS 1) and IFRS Practice Statement 2 Making Materiality Judgements. The amendments replace the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures. The adoption of these amendments did not have a material impact on the consolidated financial statements of the Group.

*IAS 8 (Amendments) - Definition of Accounting Estimates*

The IASB issued amendments on IAS 8 to help entities to distinguish between accounting policies and accounting estimates. The amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, while changes in accounting estimates are applied prospectively. The amendments further clarify that accounting estimates are monetary amounts in the financial statements and are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops accounting estimates to achieve the objective set out by an accounting policy. The amendments are reflected in all financial statements and disclosures of the Group. The adoption of the amendments did not have a material impact on the consolidated financial statements of the Group.

*IAS 12 (Amendments) - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

The IASB issued amendments on IAS 12, which clarifies how companies shall account for deferred tax on transactions such as leases and decommissioning obligations, with a focus on reducing diversity in practice. The amendments narrow the scope of the initial recognition exemption in paragraphs 15 and 24 of IAS 12 so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize deferred tax assets and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The adoption of the amendments did not have a material impact on the consolidated financial statements of the Group.

*IAS 12 (Amendments) - International Tax Reform—Pillar Two Model Rules*

In March 2022, the OECD released technical guidance on its 15% global minimum tax agreed as the second 'pillar' of a project to address the tax challenges arising from digitalisation of the economy. This guidance elaborates on the application and operation of the Global Anti-Base Erosion (GloBE) Rules agreed and released in December 2021 which lay out a co-ordinated system to ensure that multinational enterprises with revenues above €750 million pay tax of at least 15% on the income arising in each of the jurisdictions in which they operate. In May 2023, the IASB issued amendments to IAS12 Income Taxes to introduce a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. As the Company does not meet the revenue thresholds, this guidance had no impact on the Group's financial statements.

New and revised IFRS standards in issue but not yet effective

The following new standards are not yet adopted by or effective for the Group and have not been applied in preparing these consolidated financial statements.

*IAS 1 (Amendments) – Classification of Liabilities as Current or Non-Current*

The IASB issued amendments to IAS 1, which affect the presentation of liabilities as current or non-current in the statement of financial position. The amendment does not impact the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The Group currently evaluates the impact of these amendments on the consolidated financial statements in future periods.

*IAS 1 (Amendments) – Non-current Liabilities with Covenants*

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current. The amendment is effective for annual periods beginning on or after 1 January 2024. The Group currently evaluates the impact of these amendments on the consolidated financial statements in future periods..

*IFRS 16 (Amendment) - Lease Liability in a Sale and Leaseback*

This amendment adds subsequent measurement requirements for sale and leaseback transactions. This amendment includes requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. The amendment is effective for annual periods beginning on or after 1 January 2024. The Group anticipates that the application of this amendment will not have a material impact on the consolidated financial statements.

## 4. Segment reporting

As disclosed in Note 2, the Group operates and manages its business as one operating segment.

A significant portion of the Group's revenue is generated from long-term out-license contracts which provide the customer with exclusive rights to a particular territory, which generally span multiple countries or a particular continent, as well as the Group's promises to continue development of the underlying compound and to provide supply of the product to the customer upon commercialization. Therefore, based on the nature of the customer agreements, revenue information is not currently available on a country-by-country basis.

Revenue from customers based on the geographic market in which the revenue is earned, which predominantly aligns with the rights conveyed to the Group's customers pursuant to its out-license contracts, is as follows:

| | 2023 | 2022 |
|---|---|---|
| Europe | 63,510 | 39,433 |
| North America | 18,306 | 30,780 |
| Asia and other | 9,618 | 12,816 |
| | 91,434 | 83,029 |

Non-current assets, excluding financial instruments and deferred tax assets, based on the location of the asset is as follows:

| | 2023 | 2022 |
|---|---|---|
| Europe | 415,659 | 334,837 |
| North America | 5,094 | 240 |
| Asia and Other | 6,194 | 3,715 |
| | 426,947 | 338,792 |

Revenue from transactions with individual customers that exceeds ten percent or more of the Group's total revenue is as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Revenue | % Total | Revenue | % Total |
| Customer A | 9,430 | 10.3% | 17,940 | 21.6% |
| Customer B | 46,954 | 51.4% | 38,376 | 46.2% |
| Customer C | 8,876 | 9.7% | 12,840 | 15.5% |
| Customer D | 16,556 | 18.1% | — | —% |

## 5. Revenue

*Disaggregated revenue*

The following table summarizes the Groups' revenue from contracts with customers, disaggregated by the type of good or service and timing of transfer of control of such goods and services to customers:

| | 2023 | 2022 |
|---|---|---|
| Product revenue (point in time revenue recognition) | 48,699 | 24,836 |
| License revenue (point in time revenue recognition) | 12,177 | 424 |
| Development and other service revenue (over time revenue recognition) | 30,558 | 57,769 |
| | 91,434 | 83,029 |

*Reassessment of variable consideration*

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of change. The Group updates variable consideration estimates on a quarterly basis. The quarterly changes in estimates did not result in material adjustments to the Group's previously reported revenue or trade receivables during the years ended 31 December 2023 and 2022.

*Contract assets and liabilities*

A reconciliation of the beginning and ending balances of contract assets and contract liabilities is shown in the table below:

| | Contract Assets | Contract Liabilities |
|---|---|---|
| 31 December 2021 | 19,438 | 74,536 |
| Contract asset additions | 29,823 | — |
| Amounts transferred to trade receivables | (19,690) | — |
| Customer prepayments | — | 46,127 |
| Revenue recognized | — | (26,782) |
| Foreign currency adjustment | (915) | 51 |
| 31 December 2022 | 28,656 | 93,932 |
| Contract asset additions | 19,634 | — |
| Amounts transferred to trade receivables | (2,412) | — |
| Derecognition of contract liability | — | (42,089) |
| Customer prepayments | — | 100,555 |
| Revenue recognized | — | (23,101) |
| Foreign currency adjustment | 171 | 3,147 |
| 31 December 2023 | 46,049 | 132,444 |

The net increase in contract assets as of 31 December 2023 is due to revenue recognized when the performance obligation has been met which is offset by the transfer of such amounts to trade receivables on the basis that the Group's right to that consideration is no longer contingent on its performance. The net increase in contract liabilities as of 31 December 2023 is due to customer prepayments in advance of the Group's performance. As of 31 December 2023, $10.9 million and $35.2 million are recorded as non-current contract assets and current contract assets, respectively. Non-current contract assets will materialize over the next 2 to 3 years. As of 31 December 2023, $73.3 million and $59.2 million are recorded as non-current contract liabilities and current contract liabilities, respectively. Non-current contract liabilities will be recognized as revenue over the next 2 to 6 years as either services are rendered or contractual milestones are achieved, depending on the performance obligation to which the payment relates.

*Remaining performance obligations*

Due to the long-term nature of the Group's out-license contracts, the Group's obligations pursuant to such contracts represent partially unsatisfied performance obligations at year-end. The revenues under existing out-license contracts with original expected durations of more than one year are estimated to be $383.0 million. The Group expects to recognize the majority of these revenues over the next 5 years.

## 6. Salaries and other employee expenses

The average number of individuals employed by the Group during the years ended 31 December 2023 and 2022 was 999 and 858, respectively. The aggregate salary and other employee expenses incurred by the Group for these employees were as follows:

| | 2023 | 2022 |
|---|---|---|
| Salary expense | 107,067 | 92,082 |
| Defined contribution plan expense [(1)] | 11,518 | 10,052 |
| Long-term incentive plan expense | 78 | 5,481 |
| Share-based payments (see Note 23) | 18,033 | 10,317 |
| Other employee expense | 19,718 | 11,670 |
| Temporary labor | 8,495 | 5,838 |
| | 164,909 | 135,440 |

(1) Defined contribution plan expense consists of costs incurred by the Group for employees of certain subsidiaries that are required by local laws to participate in pension schemes. These pension schemes are not sponsored or administered by the Group. Pursuant to the requirements of the schemes, the Group is required to contribute a certain percentage of its payroll costs to the pension schemes. Such contributions are charged to the consolidated statements of profit or loss and other comprehensive income or loss as they are incurred in accordance with the rules of the pension schemes.

Salaries and other employee expenses are included within the consolidated statements of profit or loss and other comprehensive income or loss as follows:

| | 2023 | 2022 |
|---|---|---|
| Cost of product revenue | 76,908 | 42,501 |
| Research and development expenses | 44,339 | 52,962 |
| General and administrative expenses | 43,662 | 39,977 |
| Total salary and other employee expenses | 164,909 | 135,440 |

## 7. Finance income and finance costs

Finance income earned during the years ended 31 December 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Changes in the fair value of derivatives (see Note 28) | — | 1,637 |
| Interest income from cash and cash equivalents | 4,547 | 556 |
| Other interest income | 276 | 356 |
| | 4,823 | 2,549 |

Finance costs incurred during the years ended 31 December 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Changes in the fair value of derivatives (see Note 28) | 132,333 | 96,981 |
| Interest on debt and borrowings | 129,327 | 71,452 |
| Consenting fee (see Note 21) | — | 7,430 |
| Loss on remeasurement of bonds (see Note 21) | — | 6,511 |
| Interest on lease liabilities (see Note 13) | 3,840 | 6,022 |
| Amortization of deferred debt issue costs | 1,657 | 23 |
| | 267,157 | 188,419 |

8. Depreciation, amortization and impairment

Depreciation, amortization and impairment expenses incurred during the years ended 31 December 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Depreciation and impairment of property, plant and equipment (see Note 12) | 14,353 | 9,807 |
| Depreciation of right of use assets (see Note 13) | 8,913 | 9,869 |
| Amortization and impairment of intangible assets (see Note 15) | 2,723 | 3,488 |
| | 25,989 | 23,164 |

Depreciation, amortization and impairment expenses are included within the consolidated statements of profit or loss and other comprehensive income or loss as follows:

| | 2023 | 2022 |
|---|---|---|
| Cost of product revenue | 15,582 | 10,053 |
| Research and development expenses | 6,886 | 9,757 |
| General and administrative expenses | 3,521 | 3,354 |
| Total depreciation, amortization and impairment expense | 25,989 | 23,164 |

9. Audit fees

| | 2023 | 2022 |
|---|---|---|
| Financial Statement audit fees | 2,876 | 2,615 |
| Other fees, including tax services | 462 | 676 |
| Total fees | 3,339 | 3,291 |

Financial Statements audit fees consist of fees for the audit of our annual financial statements and other professional services provided in connection with the statutory and regulatory filings or engagements, including fees for the review of our interim financial information.

Other fees, including tax services, include fees for review of our current and historical financial information included in our SEC registration statements, fees for tax compliance, tax advice, and tax planning.

10. Income tax

Taxation recognized in the consolidated statements of profit or loss and other comprehensive income or loss during the years ended 31 December 2023 and 2022, is as follows:

| **Current tax** | | |
|---|---|---|
| | 2023 | 2022 |
| Direct taxes - current | 1,307 | 1,015 |
| Direct taxes – prior year | (60) | (115) |
| Total current tax | 1,247 | 900 |
| **Deferred tax** | | |
| Current | (89,847) | (54,236) |
| Prior year | (10,718) | 15,269 |
| Total deferred tax | (100,565) | (38,967) |
| Total income tax benefit | (99,318) | (38,067) |

The prior year deferred tax impact of $10.7 million mainly relates to foreign currency impact on losses denominated in Icelandic krona.

The factors affecting the tax benefit during the years ended 31 December 2023 and 2022 relate to the recognition of a deferred tax asset on accumulated tax losses, as management assessed that it was probable that the accumulated tax losses would be fully utilized in the coming years, as further described below.

There were no accruals for tax contingencies during the years ended 31 December 2023 and 2022.

The effective tax rate for the year of 15.3% (2022: 6.9%) is lower than the applicable Luxembourgish statutory rate of corporation tax. The reconciling items between the statutory rate and the effective tax rate are as follows:

| | 2023 | 2022 |
|---|---|---|
| Tax rate | 24.9% | 24.9% |
| Effect of tax rate in foreign jurisdictions | (3.4%) | (2.4%) |
| Permanent differences | (6.7%) | (8.9%) |
| Non-recognition of tax losses | (1.5%) | (3.8%) |
| Other items | 2.0% | (2.9%) |
| Effective tax rate | 15.3% | 6.9% |

The movement in net deferred taxes during the years ended 31 December 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance at 1 January | 209,187 | 170,268 |
| Deferred tax credited to profit or loss | 100,567 | 38,919 |
| Balance at 31 December | 309,754 | 209,187 |
| Deferred tax assets | 309,807 | 209,496 |
| Deferred tax liabilities | (53) | (309) |

Where there is a right of offset of deferred tax balances within the same tax jurisdiction, IAS 12 requires these to be presented after such offset in the consolidated statements of financial position. The closing deferred tax balances included above are after offset; however, the disclosure of deferred tax assets by category below are presented before such offset.

The amount of deferred tax recognized in the consolidated statements of financial position as of 31 December 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Deferred tax assets attributable to temporary differences in respect of tax losses | 301,375 | 205,290 |
| Deferred tax assets attributable to other temporary differences | 11,941 | 6,832 |
| Deferred tax liabilities attributable to other temporary differences | (3,562) | (2,935) |
| Net deferred tax assets | 309,754 | 209,187 |

A deferred tax liability has been recognized in relation to ordinary timing differences arising from depreciation, amortization, other provisions and difference in measurement basis of customer relationships. A deferred tax liability of $3.6 million and $2.9 million has been recognized as of 31 December 2023 and 2022, respectively.

A deferred tax asset has been recognized in relation to ordinary timing differences arising from various provisions, reserves, employee benefits and tax losses carried forward in the Group. The deferred tax asset on tax losses relates to tax losses arising in Iceland, and management considers probable that future forecasted profit associated with product and out-licensing revenue will be available to offset the cumulative tax losses as of 31 December 2023. No deferred tax asset is recognized on tax losses arising in Luxembourg as their recoverability is unlikely to be realized. A deferred tax asset of $309.8 million and $209.5 million is recognized as of 31 December 2023 and 2022, respectively.

These tax losses expire as follows:

| | |
|---|---|
| 2024-2026 | 68,821 |
| 2027-2029 | 289,608 |
| Later | 1,155,294 |
| | 1,513,723 |

As of December 2023, the Group has total unused tax losses of $1,514 million which is comprised of $1,501 million of accumulated tax losses in Iceland and $13 million accumulated tax losses in Luxembourg.

## 11. Loss per share

Basic loss per share is computed by dividing loss for the year by the weighted average number of ordinary shares outstanding during the period.

Diluted loss per share is computed by adjusting the calculation of basic loss per share for the effects of dilutive potential ordinary shares from financial instruments that may be converted or exercised into ordinary shares of the Group. For the years ended 31 December 2023 and 2022, 86,745,377 and 148,857,998, respectively, potential ordinary shares pursuant to the RSUs, Senior Bond Warrants, Aztiq Convertible Bond, 2022 Convertible Bonds, OACB Warrants, Predecessor Earn Out Shares, and OACB Earn Out Shares (as defined and discussed in Notes 21 and 28) were excluded in the calculation of diluted loss per share, since the effect of doing so would result in a reduction of loss per share and thus be antidilutive.

The calculation of basic and diluted loss per share for the years ended 31 December 2023 and 2022, is as follows (in thousands, except for share and per share amounts):

| | 2023 | 2022 |
|---|---|---|
| Earnings | | |
| Loss for the year | (551,731) | (513,580) |
| Number of shares | | |
| Weighted average number of ordinary shares outstanding | 227,256,469 | 197,721,710 |
| Basic and diluted loss per share | (2.43) | (2.60) |

12. Property, plant and equipment

Property, plant and equipment consists of facility and computer equipment, furniture, fixtures and leasehold improvements. Movements within property, plant and equipment during the years ended 31 December 2023 and 2022 are as follows:

| | Facility | Facility Equipment | Furniture, fixtures and leasehold improvements | Computer equipment | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1 January 2023 | 115,000 | 145,150 | 9,598 | 1,959 | 271,707 |
| Reclassification of assets | — | 2,771 | (112) | (7) | 2,652 |
| Additions | — | 29,351 | 1,500 | 518 | 31,369 |
| Disposals | — | (1,233) | (23) | (136) | (1,392) |
| Translation difference | — | 679 | (85) | (22) | 572 |
| Balance at 31 December 2023 | 115,000 | 176,718 | 10,878 | 2,312 | 304,908 |
| **Depreciation** | | | | | |
| Balance at 1 January 2023 | 359 | 46,002 | 3,233 | 1,519 | 51,113 |
| Reclassification of assets | — | 3,330 | (112) | (7) | 3,211 |
| Depreciation | 2,875 | 10,572 | 676 | 230 | 14,353 |
| Disposals | — | (737) | (22) | (136) | (895) |
| Translation difference | — | 330 | 40 | (23) | 347 |
| Balance at 31 December 2023 | 3,234 | 59,497 | 3,815 | 1,583 | 68,129 |
| **Net carrying amount** | | | | | |
| Balance at 31 December 2023 | 111,766 | 117,221 | 7,063 | 729 | 236,779 |

| | Facility | Facility Equipment | Furniture, fixtures and leasehold improvements | Computer equipment | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1 January 2022 | — | 88,510 | 32,395 | 1,551 | 122,456 |
| Reclassification of assets | — | 25,486 | (25,486) | — | — |
| Additions | 115,000 | 35,156 | 2,706 | 357 | 153,219 |
| Disposals | — | (2,959) | — | — | (2,959) |
| Translation difference | — | (1,043) | (17) | 51 | (1,009) |
| Balance at 31 December 2022 | 115,000 | 145,150 | 9,598 | 1,959 | 271,707 |
| **Depreciation** | | | | | |
| Balance at 1 January 2022 | — | 33,853 | 8,614 | 1,459 | 43,926 |
| Reclassification of assets | — | 5,985 | (5,985) | — | — |
| Depreciation | 359 | 8,752 | 621 | 75 | 9,807 |
| Disposals | — | (2,597) | — | — | (2,597) |
| Translation difference | — | 9 | (17) | (15) | (23) |
| Balance at 31 December 2022 | 359 | 46,002 | 3,233 | 1,519 | 51,113 |
| **Net carrying amount** | | | | | |
| Balance at 31 December 2022 | 114,641 | 99,148 | 6,365 | 440 | 220,594 |

On 16 November 2022, the Group entered into a share purchase agreement (the "Share Purchase Agreement") relating to shares in Fasteignafélagið Sæmundur hf. ("Saemundur") with ATP Holdings ehf., an affiliate of Aztiq. Pursuant to the Share Purchase Agreement, Alvotech purchased 99.99% of the shares in Saemundur through the issuance the Aztiq Convertible Bond, as defined and discussed in Note 21, and the assumption of debt. At the time of closing, Saemundur's only asset was the property where Alvotech's Reykjavik manufacturing and research facility (the "Facility") are located.

The Share Purchase Agreement was accounted for as an asset acquisition under IFRS 3 as all of the fair value of the gross assets acquired from Saemundur were concentrated in the Alvotech Facility. As a result, the purchase price was determined to be $115.0 million, which consists of $80.0 million related to the fair value of the Aztiq Convertible Bond, $30.0 million in loans assumed by the Company, and $5.0 million associated with the settlement of the pre-existing relationship with Saemundur. The entire purchase price was allocated to the Facility as it was the only asset acquired. Additionally, the Company recognized a $3.9 million loss on the extinguishment of the lease liability related to the Facility. See Note 21 for further details.

The Group pledged $127.4 million and $122.4 million of property, plant and equipment as collateral to secure bank loans with third parties as of 31 December 2023 and 2022, respectively.

13. Leases

The Group's leased assets consist of facilities, fleet and equipment pursuant to both arrangements with third parties and related parties. The carrying amounts of the Group's right-of-use assets and the movements during the years ended 31 December 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| **Right-of-use assets** | | |
| Balance at 1 January | 47,501 | 126,801 |
| Adjustments for indexed leases | 7,354 | 10,201 |
| New leases | 74,109 | 9,583 |
| Cancelled leases | (139) | — |
| Derecognition due to acquisition of Alvotech Facility (see Note 12) | — | (88,941) |
| Reclassification | (443) | |
| Depreciation | (8,913) | (9,869) |
| Translation difference | 333 | (274) |
| Balance at 31 December | 119,802 | 47,501 |

The Group entered into lease agreement with Fasteignafelagid Eyjolfur hf. in April 2023 for a facility expansion in Iceland with remaining lease terms of approximately 15 years as of 31 December 2023. The building is 140,000 square feet and is currently in construction. The expansion is close to being finalized and is expected to be completed in 2024. The lease amount is in substance fixed and is based on construction cost, adjusted monthly. Righ-of-use asset as of 31 December 2023 amounts to $68.5 million.

The Group's right-of-use assets as of 31 December 2023 and 2022 are comprised of the following:

| | 2023 | 2022 |
|---|---|---|
| **Right-of-use assets** | | |
| Facilities | 110,692 | 41,702 |
| Fleet | 389 | 339 |
| Equipment | 8,721 | 5,460 |
| | 119,802 | 47,501 |

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The Group's lease liabilities and the movements during the years ended 31 December 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| **Lease liabilities** | | |
| Balance at 1 January | 40,532 | 122,140 |
| Adjustments for indexed leases | 7,405 | 10,247 |
| New leases | 72,882 | 7,458 |
| Cancelled leases | (167) | — |
| Installment payments | (7,260) | (7,655) |
| Derecognition due to acquisition of Alvotech Facility (see Note 12) | — | (80,075) |
| Foreign currency adjustment | 1,932 | (11,682) |
| Translation difference | (9) | 99 |
| Balance at 31 December | 115,315 | 40,532 |
| Current liabilities | (9,683) | (5,163) |
| Non-current liabilities | 105,632 | 35,369 |

The amounts recognized in the consolidated statements of profit or loss and other comprehensive income or loss during the years ended 31 December 2023 and 2022, in relation to the Group's lease arrangements are as follows:

| | 2023 | 2022 |
|---|---|---|
| Depreciation expense from right-of-use assets | | |
| Facilities | (7,631) | (9,423) |
| Fleet | (180) | (119) |
| Equipment | (1,102) | (327) |
| Total depreciation expense from right-of-use assets | (8,913) | (9,869) |
| Interest expense on lease liabilities | (3,840) | (6,022) |
| Foreign currency difference on lease liability | (1,932) | 11,682 |
| Loss from extinguishment of lease agreement (see Note 12) | (28) | (3,859) |
| Total amount recognized in profit and loss | (14,713) | (8,068) |

The maturity analysis of undiscounted lease payments as of 31 December 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Less than one year | 14,637 | 6,000 |
| One to five years | 51,053 | 20,160 |
| Thereafter | 89,682 | 22,274 |
| | 155,372 | 48,434 |

The Group's lease liabilities as of 31 December 2023 and 2022 do not include $0.7 million and  $0.1 million, respectively, of costs for short-term leases and low value leases.

14. Goodwill

The Group's goodwill balances as of 31 December 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance as of 1 January | 11,643 | 12,367 |
| Translation difference | 415 | (724) |
| Balance as of 31 December | 12,058 | 11,643 |

Goodwill is recognized at the Group level, which is determined to be the smallest cash-generating unit. 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 2024-2030 which reflect the recent business developments of the Group and has been approved by management and the Board of Directors. The Group determined that the terminal growth rate and the discount rate are the key assumptions used in determining the current estimate of value in use.

Cash flows beyond 2030 have been extrapolated using a negative 5% terminal rate in both the 2023 and 2022 value in use calculations, respectively. A discount rate of 25.0% (2022: 27.6%) per annum was used in determining the current estimate of value in use. Since the recoverable amount of the cash-generating unit was substantially in excess of its carrying amount as of 31 December 2023 and 2022, management believes that any reasonably possible change in the key assumptions on which the recoverable amount of the cash-generating unit is based would not cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

There were no goodwill impairment charges recognized in the consolidated statements of profit or loss and other comprehensive income or loss in any prior periods.

15. Other Intangible assets

Other intangible assets consist of software, customer relationships, and licensed intellectual property rights. Movements in intangible assets during the years ended 31 December 2023 and 2022 are as follows:

| | Software | Customer relationships | Intellectual property rights | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 January 2023 | 13,684 | 2,181 | 15,000 | 30,865 |
| Reclassification of assets | 1,002 | — | — | 1,002 |
| Additions | 4,094 | — | 6,000 | 10,094 |
| Impairment | (1,779) | — | — | (1,779) |
| Retirement | — | — | (15,000) | (15,000) |
| Translation difference | 72 | 90 | — | 162 |
| Balance at 31 December 2023 | 17,073 | 2,271 | 6,000 | 25,344 |
| **Amortization** | | | | |
| Balance at 1 January 2023 | 3,343 | 1,870 | — | 5,213 |
| Amortization | 626 | 318 | — | 944 |
| Translation difference | 28 | 83 | — | 111 |
| Balance at 31 December 2023 | 3,997 | 2,271 | — | 6,268 |
| **Net carrying amount** | | | | |
| Balance at 31 December 2023 | 13,076 | — | 6,000 | 19,076 |

| | Software | Customer relationships | Intellectual property rights | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 January 2022 | 8,777 | 2,329 | 15,000 | 26,106 |
| Additions | 7,682 | — | — | 7,682 |
| Impairment | (2,755) | — | — | (2,755) |
| Translation difference | (20) | (148) | — | (168) |
| Balance at 31 December 2022 | 13,684 | 2,181 | 15,000 | 30,865 |
| **Amortization** | | | | |
| Balance at 1 January 2022 | 2,933 | 1,664 | — | 4,597 |
| Amortization | 423 | 310 | — | 733 |
| Translation difference | (13) | (104) | — | (117) |
| Balance at 31 December 2022 | 3,343 | 1,870 | — | 5,213 |
| **Net carrying amount** | | | | |
| Balance at 31 December 2022 | 10,341 | 311 | 15,000 | 25,652 |

Additions during the year ended 31 December 2023 were primarily comprised of licensed intellectual property rights from Kashiv as detailed below.

Expense for amortization of the Group's intangible assets is included within the consolidated statements of profit or loss and other comprehensive income or loss as follows:

| | 2023 | 2022 |
|---|---|---|
| Cost of product revenue | 318 | 471 |
| Research and development expenses | 8 | — |
| General and administrative expenses | 618 | 262 |
| | 944 | 733 |

At 31 December 2023 and 2022, the Group performed a review of its intangible assets and determined certain software development had been abandoned. In assessing recoverable amount, the Group determined the market for resale was non-existent. Management therefore determined to fully impair the assets, resulting in an impairment charge of $1.8 million and $2.8 million during the year ended, 31 December 2023 and 2022, respectively. The impairment charge was recognized as an expense within "General and administrative expense". For the year ended 31 December 2022, the impairment was recognized as an expense as follows: $2.1 million in "Cost of product revenue" and $0.7 million in "General and administrative expense".

At 31 December 2023, following the termination of the agreement with Biosana, the Group derecognized $15.0 million of other intangible assets relating to intellectual property rights for the co-development and commercialization of AVT23. A corresponding receivable was recognized to reflect the claim against Biosana for full reimbursement. See further information on the receivable in Note 18.

Alvotech entered into an exclusive product licensing and supply agreement with Kashiv for the development and commercialization of AVT23 in September 2023. Under the terms of the agreement, Kashiv granted Alvotech an exclusive right for AVT23 which will be produced using Kashiv's proprietary process technology and commercialized by Alvotech in specific territories. In exchange, Alvotech made an upfront payment of $3.0 million upon the signing of the agreement, with an additional $3.0 million due upon the beginning of Phase 3 which coincides with the clinical trial application ("CTA") submission.

In addition, Alvotech may be obligated to pay Kashiv up to an aggregate of $25 million (including the $6 million upfront payments mentioned above), payable upon the achievement of various development and regulatory milestones, as well as certain tiered royalty payments up to an aggregate of $15 million based on commercial sales of AVT23. The agreement terminates 10 years after the launch of AVT23 and is subject to certain customary termination rights.

16. Cash and cash equivalents

Cash and cash equivalents

Cash and cash equivalents include both cash in banks and on hand. Cash and cash equivalents as shown in the as of 31 December 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents denominated in US dollars | 1,466 | 10,377 |
| Cash and cash equivalents denominated in other currencies | 9,691 | 56,050 |
| | 11,157 | 66,427 |

Restricted cash

Restricted cash relates to cash that may only be used pursuant to certain of the Group's borrowing arrangements. Therefore, these deposits are not available for general use by the Group. Movements in restricted cash balances during the years ended 31 December 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance at 1 January | 25,187 | 10,087 |
| Additions during the year | — | 14,914 |
| Interest income | 945 | 186 |
| Balance at 31 December | 26,132 | 25,187 |

The Group's restricted cash is available for use after one year or later.

17. Inventories

The Group's inventory balances as of 31 December 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Raw materials and supplies | 51,524 | 41,961 |
| Work in progress | 33,068 | 29,450 |
| Finished goods | 244 | 2,121 |
| Inventory reserves | (10,403) | (2,062) |
| Balance at 31 December | 74,433 | 71,470 |

The increase in inventory from 31 December 2022 to 31 December 2023 is due to the expansion of the commercial launch of certain of the Group's biosimilar products.

The Group recognised $42.8 million and $20.9 million within cost of goods sold during the years ended 31 December 2023 and 2022, respectively.

During the years ended 31 December 2023 and 2022, write-down of inventories amounted to $10.4 million and $2.1 million respectively, due to product expiration and results from quality control inspections. There were no reversals of inventory write-downs during the years ended 31 December 2023 and 2022.

## 18. Other current assets

The composition of other current assets as of 31 December 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Value-added tax | 8,801 | 6,468 |
| Prepaid expenses | 22,035 | 20,601 |
| Proceeds receivable from Convertible Bonds (see Note 21) | — | 3,520 |
| Derivative asset | — | 851 |
| Other short-term receivables | 1,035 | 1,509 |
| | 31,871 | 32,949 |

During the year, the Group terminated the co-development agreement with Biosana for AVT23 and derecognized $15.0 million of other intangible assets and $3.5 million of prepaid development costs. A receivable of $18.5 million was recognized under other current assets which was fully reserved due to the uncertainty that it would be collected.

## 19. Share capital

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

Prior to the Capital Reorganization the Group's equity consisted of Class A and Class B ordinary shares (together the "Predecessor Ordinary Shares"). The Group's authorized share capital was $99.7 million, consisting of the equivalent of 99,961,829 Class A or Class B ordinary shares with a par value of $0.01 per share. All share capital issued as of 31 December 2023 and 2022 was fully paid.

The Capital Reorganization resulted in the following share capital activity:

- All of the outstanding Predecessor Ordinary Shares were exchanged for 180,600,000 Ordinary Shares and 38,330,000 Predecessor Earn Out Shares;
- 976,505 of Class A OACB Ordinary Shares were exchanged for Ordinary Shares;
- 6,250,000 of Class B OACB Ordinary Shares were exchanged for 5,000,000 Ordinary Shares and 1,250,000 OACB Earn Out Shares; and
- 17,493,000 Ordinary Shares were issued in the PIPE Financing.

No dividends were paid or declared during the years ended 31 December 2023 and 2022.

Share capital and share premium of the Group's Ordinary Shares issued as of 31 December 2023, and 2022 are as follows (in thousands, except for share amounts):

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Shares | Share capital and share premium | Shares | Share capital and share premium |
| Ordinary Shares | 266,821,844 | 1,231,969 | 252,160,087 | 1,060,558 |
| Total share capital and share premium | 266,821,844 | 1,231,969 | 252,160,087 | 1,060,558 |

On 10 February 2023, the Company completed a private placement equity offering for gross proceeds of $137.0 million, and transaction costs of $4.1 million, of its ordinary shares, par value $0.01 per share, at a purchase price of $11.57 per share. The shares were delivered from previously issued ordinary shares held by Alvotech's subsidiary, Alvotech Manco ehf. As a result of proceeds raised from the private placement offering, the Company extinguished the derivative financial liability related to the Senior Bond Warrants since the Company has not anymore the obligation to issue the penny warrants representing 1.0% of the fully diluted ordinary share capital.

This was accounted for as an extinguishment of a derivative financial liability in the consolidated statements of profit or loss and other comprehensive income or loss. See Notes 21 and 28 for further information.

Movements in the Group's Class A and Class B ordinary shares, share capital and share premium during the years ended 31 December 2023 and 2022, are as follows (in thousands, except for share amounts):

| | Ordinary Shares | Predecessor Ordinary Shares | Share capital | Share premium | Total |
|---|---|---|---|---|---|
| Balance at 1 January 2022 | — | 13,481,799 | 135 | 1,000,118 | 1,000,253 |
| Elimination of Predecessor Ordinary Shares (Note 1.1) | — | (13,481,799) | (135) | 135 | — |
| Issuance of Ordinary Shares (Note 1.1) | 186,576,505 | — | 1,866 | 63,169 | 65,035 |
| PIPE Financing (Note 1.1) | 17,493,000 | — | 175 | 174,755 | 174,930 |
| Transaction costs arising on share issue | — | — | — | (5,562) | (5,562) |
| Predecessor Earn Out Shares (Note 1.1) | 38,330,000 | — | — | (227,500) | (227,500) |
| OACB Earn Out Shares (Note 1.1) | 1,250,000 | — | — | (9,100) | (9,100) |
| SARs Settlement (Note 22) | 3,510,582 | — | 35 | 30,267 | 30,302 |
| Settlement of related party loans with Ordinary Shares | 5,000,000 | — | 50 | 32,150 | 32,200 |
| Balance at 31 December 2022 | 252,160,087 | — | 2,126 | 1,058,432 | 1,060,558 |
| Capital contribution | 11,834,061 | — | 118 | 132,618 | 132,736 |
| Vested earn-out shares | — | — | 6 | 8,300 | 8,306 |
| Penny warrants (Note 28) | 2,479,962 | — | 25 | 27,159 | 27,184 |
| Public warrants (Note 28) | 553,552 | — | 6 | 7,612 | 7,618 |
| Settlement of RSUs with shares (Note 23) | 838,919 | — | 8 | 5,095 | 5,103 |
| Settlement of SARs with shares (Note 22) | (1,044,737) | — | (10) | (9,526) | (9,536) |
| Balance at 31 December 2023 | 266,821,844 | — | 2,279 | 1,229,690 | 1,231,969 |

Alvotech Manco ehf., a subsidiary of Alvotech hf., owns 22,905,618 Ordinary Shares in Alvotech. Such shares are intended for the future issuance of Ordinary Shares under the Management Incentive Plan and other equity offerings.

## 20. Other reserves

The composition of other reserves as of 31 December 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Equity component of convertible bonds | 21,391 | 16,034 |
| Share based payments | 21,520 | 14,548 |
| | 42,911 | 30,582 |

## 21. Borrowings

The Group's debt consists of interest-bearing borrowings from financial institutions, related parties and third parties. Outstanding borrowings, net of transaction costs, presented on the consolidated statements of financial position as current and non-current as of 31 December 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Senior Bonds | 549,411 | 530,506 |
| 2022 Convertible Bonds | 155,914 | 32,441 |
| Aztiq Convertible Bond | 80,663 | 65,793 |
| Alvogen Facility | 76,556 | 64,588 |
| Other borrowings | 97,615 | 71,242 |
| Total outstanding borrowings, net of debt issue costs | 960,159 | 764,570 |
| Less: current portion of borrowings | (38,025) | (19,916) |
| Total non-current borrowings | 922,134 | 744,654 |

*Bonds*

On 24 June 2021, holders of the Group's convertible bonds converted $100.7 million of principal and accrued interest and $4.8 million of additional premium offered by the Group to the bondholders into 455,687 Class A ordinary shares. Following the conversion, certain bondholders elected to redeem their remaining bonds for cash, resulting in the payment of $55.3 million in outstanding principal and accrued interest plus an additional $6.1 million of premium that the bondholders elected to be paid in cash.

The remaining unconverted and unredeemed bonds were replaced with new bonds with an extended maturity of June 2025 and the elimination of conversion rights, among other amendments to the terms and conditions. The Group offered the holders of the replaced bonds an extension premium of $8.1 million for their agreement to extend the maturity of the replaced bonds to June 2025, as well as an additional premium of $2.6 million, both of which were granted to the bondholders in the form of additional bonds. The Group also issued an additional $113.8 million of bonds to one previous bondholder and one new bondholder. On the date of issuance, the fair value and the nominal value of the bonds was $358.8 million and $397.4 million, respectively. The difference between the nominal value and fair value was recognized as a discount that will be amortized over the term of the bonds.

The Group determined that the 24 June 2021 transaction was a substantial modification to its convertible bonds and the associated derivative financial liability and accounted for the transaction as an extinguishment. As a result, the Group recognized a gain on extinguishment of financial liabilities of $2.6 million during the year ended 31 December 2021, primarily driven by the difference between the fair value of the post-transaction bonds and the carrying amount of the pre-transaction bonds. The gain on extinguishment of financial liabilities also includes the following:

- Transaction costs and fees incurred as part of the extinguishment;
- The acceleration of previously deferred debt issue costs incurred in connection with the issuance of the pre-transaction bonds; and
- The acceleration of previously unamortized accretion of the pre-transaction bonds.

Prior to the extinguishment of the convertible bonds and as noted above, the bondholders had the option to convert the bonds into Class A ordinary shares up to fourteen days prior to maturity. This conversion right was separately accounted for as a derivative financial liability. During the period from 1 January 2021 to 24 June 2021, there was no change in fair value of the derivative financial liability.

As of 31 December 2021, the carrying amount of the bonds was $363.1 million. Accrued interest on the bonds as of 31 December 2021 is $31.0 million. The Group has the option, at any time, to prepay all or any part of the outstanding bonds. If the Group elects to prepay the bonds within the first three years of the bond agreement, the bondholders are entitled to be paid an additional premium of at least 2.0% of the outstanding principal at the time of such prepayment.

In January and June of 2022, the Group amended the terms of the outstanding bonds. The amendments resulted in the following:

- Following the close of the Business Combination, the interest rate will range from 7.5% to 10.0% depending on the amount of aggregate net proceeds, as defined by the terms of the amended bond agreement;
- A $7.4 million consent fee, recognized as finance costs, paid to the bondholders who did not vote against the Business Combination Agreement;
- The requirement for Alvotech to maintain a minimum of $25.0 million of restricted cash in a separate liquidity account; and
- A decrease in the interest rate to 7.5%, following the closing of the Business Combination, if the Company issues additional shares within six months of the Closing Date, resulting in the Company exceeding the amount of aggregate net proceeds, as defined in the bond agreement.

As a result of the closing of the Business Combination, there was a change in future cash flows on the bonds related to the increase in interest rate from 7.5% to 10.0%. The Company remeasured the carrying value in accordance with IFRS 9 to the present value of the revised cash flows and recognized a $6.5 million loss on the remeasurement of the bonds. The outstanding bonds were subsequently amended as described below.

*Senior Bonds*

On 16 November 2022, the Group amended and upsized the outstanding bonds by $70.0 million. The amended bond agreement (the "Senior Bonds") resulted in the following:

- An increase in principal from $455.7 million at the time of the amendment, to $525.7 million;
- An increase in the interest rate, resulting in a range from 10.75% to 12.0% depending on the occurrence of certain events, as defined by the terms of the agreement. The Group accounted for this interest rate feature (the "Senior Bond Interest Rate Feature") as an embedded derivative, classified as an other current asset in the consolidated statement of financial position as of 31 December 2022;
- Amended the terms of the related party loans from Alvogen, setting forth subordination conditions;
- Contingently issuable penny warrants (exercise price of $0.01) to the bondholders (the "Senior Bond Warrants") if certain events occur, issuable in two tranches representing 1.5% and 1.0% of the fully diluted ordinary share capital, as defined in the Senior Bonds agreement (see Note 28).

The Group determined that the 16 November 2022 transaction was a substantial modification to its bonds and accounted for the transaction as an extinguishment. As a result, the Group recognized a loss on extinguishment of financial liabilities of $40.9 million, including $12.1 million of transaction costs, during the year ended 31 December 2022, primarily driven by the difference between the fair value of the post-transaction Senior Bonds and the Senior Bond Warrants and the carrying amount of the pre-transaction bonds. The loss on extinguishment of financial liabilities includes the following:

- Extinguishment of bonds with a carrying value of $440.1 million, including $4.8 million of accrued interest;
- Net cash proceeds of $57.9 million, including transaction costs paid of $12.1 million;
- Recognition of a $4.6 million derivative asset for the Senior Bond Interest Rate Feature;
- Recognition of $528.2 million and $15.4 million representing the fair value of the new Senior Bonds and Senior Bond Warrants (see Note 28), respectively.

As a result of proceeds raised from the private placement offering executed in February 2023, the Company extinguished the liability related to the senior bond warrants since the Company has not anymore the obligation to issue the penny warrants representing of the 1.0% Senior Bond Warrants (see Note 28 for further information).

As of 31 December 2023, the carrying amount of the Senior Bonds is $549.4 million, compared to $530.5 million as of 31 December 2022. The Group has the option, at any time, to prepay all or any part of the outstanding bonds in exchange for the payment of the redemption premium pursuant to the terms of the agreement.

The Group has pledged its intellectual property as collateral for the Senior Bonds. Additionally, the Group has pledged the Facility of up to $600 million over the Facility as collateral for the Senior Bonds (2nd lien pledge), as further described in Note 12.

*2022 Convertible Bonds*

On 20 December 2022, the Group issued two tranches of convertible bonds (the "2022 Convertible Bonds"). Tranche A is ISK denominated with a principal balance of $59.1 million, of which $3.5 million in cash proceeds were received in February 2023, and carries an annual payment-in-kind interest rate of 15% per year, while Tranche B is USD denominated with a principal balance of $0.6 million and carries an annual payment-in-kind interest rate of 12.5% per year. The maturity date of the Convertible Bonds is the later of the (i) 20 December 2025 or (ii) 91 days after the earlier of the full redemption or the final maturity date of the Senior Bonds. Holders of both the Tranche A and Tranche B of the 2022 Convertible Bonds, may elect, at their sole discretion, to convert all or part of the principal amount and accrued interest into Alvotech Ordinary Shares at a conversion price of $10.00 per share on 31 December 2023, 30 June 2024, or upon mandatory or optional redemption of the bonds.

The conversion features (the "Tranche A Conversion Feature" and "Tranche B Conversion Feature") for both the Tranche A and Tranche B of the 2022 Convertible Bonds were determined to be embedded derivatives as the economic characteristics and risks are not closely related to the debt host. The Group classified the Tranche A Conversion Feature as a liability due to the variability created by conversion rates resulting from the tranche being denominated in ISK and was determined to have a fair value of $24.9 million at issuance date (see Note 28 for further details). The Group classified the Tranche B Conversion Feature as equity due to the conversion price having preservation and passage of time adjustments that meet the fixed-for-fixed criteria.

On 25 January 2023, the Company issued an additional $10.0 million of Tranche B Convertible Bonds. The Tranche B Conversion Feature associated with this additional issuance was determined to have a fair value of $1.4 million at issuance date.

On 24 July 2023, Alvotech announced that Teva and Alvotech have agreed to expand their existing partnership agreement. As part of the agreement, Teva acquired Tranche B Convertible Bonds in principal amount of $40 million. The Tranche B Conversion Feature associated with this additional issuance was determined to have a fair value of $3.9 million at issuance date.

On 31 July 2023, Alvotech completed a private placement of Tranche A Convertible Bonds for a total principal amount of $100 million, or approximately ISK 13 billion at current exchange rates. As part of this private placement, ATP Holdings ehf., an affiliated of Aztiq, acquired Tranche A Convertible Bonds in principal amount of $30 million. The Tranche A Conversion Feature associated with these additional issuances was determined to have a fair value of $45.6 million at issuance date (see Note 28 for further details).

As of 31 December 2023, the carrying amount of the Tranche A and Tranche B of the 2022 Convertible Bonds is $107.1 million and $48.8 million, respectively.

*Aztiq Convertible Bond*

On 16 November 2022, the Group issued a convertible bond (also known as the "Aztiq Convertible Bond") to ATP Holdings ehf, an affiliate of Aztiq, for the Share Purchase Agreement and the acquisition of the Alvotech Facility (See Note 12). The Aztiq Convertible Bond has a principal amount of $80.0 million and carries an interest rate of 12.50% per annum. Interest is payable in six-month intervals and is capitalized and added to the outstanding principal amount of the bonds. The maturity date of the convertible bond is the later of the (i) 16 November 2025 or (ii) 91 days after the earlier of the full redemption or the final maturity date of the Senior Bonds. Bondholders have the right to convert their outstanding bonds into ordinary shares of Alvotech on 30 December 2023, 30 June 2024, or when the bond has been called or put up for mandatory or optional redemption, for a conversion price is $10.00 per share.

The conversion feature (the "Aztiq Conversion Feature") was determined to be an embedded derivative as the economic characteristics and risks are not closely related to the debt host. The Group classified the Aztiq Conversion Feature as equity due to the conversion price having preservation and passage of time adjustments that meet fixed-for-fixed criteria. As a result, the Group recognized the following related to the Aztiq Convertible Bond:

- $64.0 million related to the debt host;

- $16.0 million related to the Aztiq Conversion Feature; and
- $30.0 million related to the loans (the “Facility Loans”) on the building, which were assumed by the Group as part of the asset acquisition.

In April 2023, we were communicated that ATP Holdings ehf. sold a portion of the Aztiq Convertible Bond to Mitsui & Co., Ltd. ("Mitsui"), a global trading and investment company headquartered in Japan, and Shinhan Healthcare fund 5 ("Shinhan"), a fund established under the laws of the Republic of Korea.

As of 31 December 2023, the carrying amount of the Aztiq Convertible Bond was  $80.7 millions and includes $15.1 million held by ATP Holdings ehf. The carrying amount of the Aztiq Convertible Bond was $65.8 million as of 31 December 2022.

*Alvogen Facility*

In connection with an undertaking by Alvotech shareholders to ensure that Alvotech was sufficiently funded through the closing of the Business Combination by providing at least $50.0 million for the operations of the Group, Alvogen and Aztiq provided interest free loan advances to Alvotech. On 22 February 2022, Alvotech borrowed $15.0 million under the facility from Alvogen, as lender. On 29 March 2022, Alvotech withdrew an additional amount of $10.0 million under the facility, for aggregate indebtedness of $25.0 million. On 11 March 2022, Alvotech borrowed $15.0 million under the facility from Aztiq, as lender. On 31 March 2022, Alvotech withdrew an additional amount of $10.0 million under the facility, for aggregate indebtedness of $25.0 million.

On 12 July 2022, the Company entered into settlement agreements with both Aztiq and Alvogen for the $25.0 million in related party loans provided by each party. As a result of the settlement agreements, Aztiq and Alvogen each received 2,500,000 Ordinary Shares. The settlement was accounted for as an extinguishment of financial liabilities. In accordance with IFRS 9, the difference between the fair value of the consideration paid for the settlement, which was determined to be $32.2 million, and the extinguished financial liabilities of $50.0 million was recognized as a gain on the extinguishment of financial liabilities in the consolidated statement of profit or loss and other comprehensive income or loss.

On 11 April 2022, Alvotech entered into a loan agreement with Alvogen, as lender, for a loan of up to $40.0 million bearing an interest rate of 10% per annum. The loan was drawable in two separate installments of $20.0 million each. On 12 April 2022, Alvotech withdrew the first installment of $20.0 million. Alvotech withdrew a second installment of $20.0 million on 9 May 2022 for aggregate indebtedness of $40.0 million.

On 1 June 2022, Alvotech also entered into a loan agreement with Alvogen, as lender, for a loan of $20.0 million bearing an interest rate of 10% per annum. Alvotech withdrew the entire loan amount of $20.0 million on 1 June 2022.

In connection with the 16 November 2022 Senior Bonds amendment, Alvotech entered into a subordinated loan agreement with Alvogen (the “Alvogen Facility”). As part of the subordinated loan agreement, the Group agreed to the following:

- Rollover the $63.3 million outstanding, which includes $3.3 million of accrued interest, under the Alvogen loans, into the new subordinated loan agreement, and withdraw an additional $50.0 million in loans;
- The interest rate was increased from 10% per annum to 17.5% per annum on the outstanding amounts under the loan facility;
- A repayment date of 91 days after the full redemption or the final maturity date of the Senior Bonds; and
- Contingently issuable penny warrants to the bondholders (the “Alvogen Facility Warrants”) if certain events occur, representing 4.0% of the fully diluted ordinary share capital, as defined in the Alvogen Facility agreement.

The Group determined that the 16 November 2022 transaction was a substantial modification to its related party loans and accounted for the transaction as an extinguishment. As a result, the Group recognized the following:

- Extinguishment of bonds with a carrying value of $63.2 million, including $3.2 million of accrued interest;
- Net cash proceeds of $50.0 million; and

- Recognition of $113.2 million and $1.3 million representing the fair value of the new Alvogen Facility and Alvogen Facility Warrants, respectively.

On 20 December 2022, the Company repaid $50.0 million under the Alvogen Facility, with proceeds from the 2022 Convertible Bonds. As a result, Alvotech extinguished the liability to issue the Alvogen Facility Warrants.

As of 31 December 2023, the carrying amount of the Alvogen Facility is $76.6 million, compared to $64.6 million as of 31 December 2022.

*Facility Loans*

As noted above, the Group assumed the Facility Loans as part of the asset acquisition for the Facility. On 9 December 2022, the Group extinguished the assumed loans from Arion banki hf., with an outstanding balance of $30.9 million, with two new loans from Landsbankinn hf. for $48.8 million, with variable interest rate, currently 8.3% and 9.3% per annum. The refinancing resulted in net cash proceeds of $17.2 million after transaction costs paid. The Group has pledged the facility as collateral to secure these loans (1st lien pledge), as further described in Note 12.

These two loans were denominated in Icelandic Krona and included a conversion clause to convert them into USD. The conversion of these two loans took place in March 2023.

Under the terms of the loan agreements after conversion, the first loan includes annuity payments that are due monthly with a final maturity in December 2029 and a variable interest rate of USD Secured Overnight Funding Rate ("SOFR") plus a margin of 4.75%. The second loan is a bullet loan with a final maturity in December 2027 and a variable interest rate of USD SOFR plus a margin of 3.75%

The Group determined that conversion to USD of the two loans was a substantial modification to loan agreements and accounted for the transaction as an extinguishment. No gain or loss was recognized as part of the extinguishment.

As of 31 December 2023, the carrying amount of the Facility Loans is $48.5 million.

*Other borrowings*

In 2015 and 2016, the Group entered into several term loan agreements with a financial institution for a total principal amount of $25.9 million. The loan agreements set forth terms and conditions between the Group and the financial institution, inclusive of certain representations and non-financial covenants. Per the terms of the loan agreements, the loans mature throughout 2024, depending on the issuance date of each loan. Interest on the loans is based on variable interest rate of USD SOFR plus a margin of 4.95%, payable on a monthly basis. Interest accrued and unpaid at the end of each interest period increases the principal obligations owed by the Group to the financial institution. As of 31 December 2023, the outstanding balance on the loans is $0.5 million, compared to a balance of $3.2 million as of 31 December 2022.

On 22 February 2022, the Group entered into a credit facility agreement with Landsbankinn hf. with the ability to draw down an amount up to $8 million. The credit facility is in place to help finance equipment purchases in the future. Per the terms of the credit facility, any borrowings are required to be paid by 1 August 2024 and have a variable interest rate of USD SOFR plus a margin of 4.95%. As of 31 December 2023, the outstanding balance on the credit facility was $7.8 million, compared to $13.9 million as of 31 December 2022.

On 22 February 2022, the Group entered into a loan agreement with Landsbankinn hf. for a principal amount of $3.2 million. The loan is in place to help finance equipment purchases. Per the terms of the loan agreement, annuity payments are due monthly with a final maturity in March 2029. The loan has a variable interest rate of USD SOFR plus a margin of 4.25%. As of 31 December 2023, the outstanding balance on the loan was $2.5 million, compared to $2.9 million as of 31 December 2022.

On 5 August 2022, the Group entered into a loan agreement with Landsbankinn hf. for a principal amount of $1.8 million. The loan is in place to help finance equipment purchases. Per the terms of the loan agreement, annuity payments are due monthly with a final maturity in August 2029. The loan has a variable interest rate of USD SOFR plus a margin of 4.25%. As of 31 December 2023, the outstanding balance on the loan was $1.6 million, compared to $1.8 million as of 31 December 2022.

On 4 August 2023, the Group entered into a loan agreement with Landsbankinn hf. for a principal amount of $11.5 million. The loan is in place to help finance equipment purchases. Per the terms of the loan agreement, annuity payments are due monthly with a final maturity in August 2030. The loan has a variable interest rate of USD SOFR plus a margin of 4.25%. As of 31 December 2023, the outstanding balance on the loan was $11.0 million.

The Group is in compliance with all representations and non-financial covenants required by these agreements. In addition, the Group has pledged equipment as collateral to secure these borrowings, as further described in Note 12.

On 14 December 2023, the Group entered into a qualified receivable financing agreement with Landsbankinn hf. for a principal amount of $25.0 million. The qualified receivable financing arrangement has a variable interest rate of USD SOFR plus a margin of 3.50% and a maturity of April 2024. As of 31 December 2023, the outstanding balance on the loan was $25.0 million. The Group has pledged $25 million of its trade receivables to secure this financing.

Movements in the Group's outstanding borrowings during the years ended 31 December 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Borrowings, net at 1 January | 764,570 | 400,911 |
| Recognition of deferred debt issue costs | (6,115) | (2,889) |
| Accretion/derecognition of borrowings discount | 15,770 | 35,065 |
| Recognition of new borrowings discount | (50,953) | (43,241) |
| Proceeds from new borrowings | 275,311 | 467,196 |
| Loans from related party converted to equity | — | (50,000) |
| Repayments of borrowings | (99,367) | (83,951) |
| Accrued interest | 58,212 | 40,424 |
| Amortization of deferred debt issue costs | 1,657 | 23 |
| Foreign currency exchange difference | 1,075 | 1,032 |
| Borrowings, net at 31 December | 960,159 | 764,570 |

The weighted-average interest rates of outstanding borrowings for the years ended 31 December 2023 and 2022, are 12.73% and 12.41%, respectively.

The table below details the changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

| | 1 January 2023 | Financing Cash flows (a) | Capitalized loan cost changes | Fair value changes, including accretion | Other changes (b) | Foreign exchange impact | 31 December 2023 |
|---|---|---|---|---|---|---|---|
| 2022 Convertible Bonds and Aztiq Convertible Bond | 98,234 | 145,358 | 1,657 | (36,071) | 27,603 | (204) | 236,577 |
| Senior Bonds (including related party) | 530,506 | — | — | 888 | 18,017 | — | 549,411 |
| Other borrowings | 71,242 | 25,102 | — | — | (8) | 1,279 | 97,615 |
| Alvogen Facility | 64,588 | — | — | — | 11,968 | — | 76,556 |
| Borrowings, net | 764,570 | 170,460 | 1,657 | (35,183) | 57,580 | 1,075 | 960,159 |

(a) The cash flows from bank loans, loans from related parties and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.
(b) Other changes include interest accruals and effects of payments including $3.5 million in cash received from borrowings from 2022 Convertible Bond and transaction cost of $9 million paid in 2023.

| | 1 January 2022 | Financing Cash flows (a) | Capitalized loan cost changes | Fair value changes, including accretion | Other changes (b) | Foreign exchange impact | Conversion to Equity | Other non-cash movements | 31 December 2022 |
|---|---|---|---|---|---|---|---|---|---|
| 2022 Convertible Bonds and Aztiq Convertible Bond | — | 55,852 | (2,865) | (40,245) | 1,528 | 444 | — | 83,520 | 98,234 |
| Senior Bonds (including related party) | 394,129 | 70,000 | — | 32,069 | 34,308 | — | — | — | 530,506 |
| Other borrowings | 6,782 | 33,112 | — | — | 762 | 588 | — | 29,998 | 71,242 |
| Alvogen Facility | — | 110,000 | — | — | 4,588 | — | (50,000) | — | 64,588 |
| Borrowings, net | 400,911 | 268,964 | (2,865) | (8,176) | 41,186 | 1,032 | (50,000) | 113,518 | 764,570 |

(a) The cash flows from bank loans, loans from related parties and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.
(b) Other changes include interest accruals and payments.

Contractual maturities of principal amounts on the Group's outstanding borrowings as of 31 December 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Within one year | 38,025 | 19,916 |
| Within two years | 867,273 | 3,804 |
| Within three years | 4,932 | 696,646 |
| Within four years | 37,857 | 3,374 |
| Thereafter | 12,072 | 40,830 |
| | 960,159 | 764,570 |

22. Long-term incentive plans

Share appreciation rights

Prior to 2020, the Group granted SARs to three former employees. During the year ended 31 December 2021 and 2020, the Group granted SARs to one and two current employees, respectively. There were no new granted SARs in the years ended 31 December 2023 and 2022.

*Settlement of SARs*

In connection with the closing of the Business Combination, the Company reached a settlement agreement for share appreciation rights previously awarded to certain current and former employees. The rights were settled as follows:

- two former employees will each receive 1,755,291 Ordinary Shares to be issued one year after the Closing Date. In accordance with IFRS 2, the settlements were accounted for as a modification of a share-based payment transaction that changes the awards classification from cash-settled to equity-settled;
- one former employee will receive a $1.5 million cash payment in July 2022; and
- one current employee can elect to receive a cash payment of $1.5 million or 150,000 Ordinary Shares to be issued one year after the Closing Date. The Company recognized the cash settlement option as a liability with a fair value of $0.8 million and the share settlement option as equity with a fair value of $0.7 million.

The settlement agreements resulted in a net $36.8 million decrease in the SARs liability, a $31.0 million increase in equity equal to the fair value of the Ordinary Shares issued to the two former employees, a $1.5 million increase in other current liabilities and income of $4.3 million in "General and administrative expense" recognized for the difference between the extinguished liabilities and the fair value of consideration paid to the current and former employees. As of 31 December 2022, the Company recognized $0.7 million as an other current liability related to the remaining SARs liability.

All liabilities described above have been fully settled in 2023 as follows:

- Shares were delivered to the two former employees, on a net basis after tax withholding, resulting in a total of 2,465,845 shares which has been reflected accordingly in Note 19.
- The employee who could choose between receiving $1.5 million or 150,000 Ordinary Shares elected to receive the cash payment.

Employee incentive plan

Movements in the Group’s employee incentive plan liabilities during the years ended 31 December 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance at 1 January | 12,317 | 14,935 |
| Additions | 78 | 5,075 |
| Payments | (11,736) | (7,693) |
| Balance at 31 December prior to reclassification | 659 | 12,317 |
| Reclassified to other current liabilities | (659) | (11,773) |
| Balance at 31 December | — | 544 |

23. Share-based payments

On 1 December 2022, the Renumeration Committee authorized and the Group granted RSUs to employees, executives, and directors granting rights to Ordinary Shares once vesting conditions are met. Compensation expense for RSUs is determined based upon the market price of the Ordinary Shares underlying the awards on the date of grant and expensed over the vesting period, which is generally a 1 to 4-year period, with a 1-year cliff vesting period

and subsequent monthly vesting, resulting from participants completing a service condition. Movements in RSUs during the year ended 31 December 2023 are as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | RSUs | Weighted Average Fair Value | RSUs | Weighted Average Fair Value |
| Outstanding at 1 January | 6,979,482 | $6.72 | — | — |
| New grants during the year | 820,602 | $8.79 | 7,659,044 | $6.68 |
| Forfeited during the year | (1,587,929) | $7.11 | — | — |
| Vested during the year | (2,466,374) | $6.67 | (679,562) | $6.30 |
| Outstanding at 31 December | 3,745,781 | $7.04 | 6,979,482 | $6.72 |

The Group recognized $18.0 million and $10.3 million of share-based payment expense during the years ended 31 December 2023 and 2022, respectively, as follows:

| | 2023 | 2022 |
|---|---|---|
| Cost of product revenue | 3,319 | 1,522 |
| Research and development expenses | 3,991 | 2,994 |
| General and administrative expenses | 10,723 | 5,801 |
| | 18,033 | 10,317 |

## 24. Litigation

The Group was involved in four litigations (all now dismissed) in the United States adverse to AbbVie arising out of the development of Alvotech's AVT02 product, and the filing of a biologics license application with the U.S. Food and Drug Administration seeking regulatory approval (the "AbbVie Litigations").

Alvotech entered into the AbbVie U.S. Agreement with AbbVie Inc. and AbbVie Biotechnology Ltd with respect to AVT02 for the U.S. market. Pursuant to the settlement component of the AbbVie U.S. Agreement, the parties agreed to stipulate to the dismissal of all claims, counterclaims and potential claims in the four U.S. litigations, with each party to bear its own fees and costs. The parties further agreed to release each other from certain claims and demands.

The Group incurred approximately $0.0 million and $8.7 million in legal expenses during the years ended 31 December 2023 and 2022, respectively, in preparation for, and/or in relation to, these litigations. Aside from this matter, the Group is not currently a party to any material litigation or similar matters.

## 25. Related parties

Related parties are those parties which have considerable influence over the Group, directly or indirectly, including a parent company, owners or their families, large investors, key management personnel and their families and parties that are controlled by or dependent on the Group, such as affiliates and joint ventures. Key management personnel include the Group's executive officers and directors, since these individuals have the authority and responsibility for planning, directing and controlling the activities of the Group. Interests in subsidiaries are set out in Note 1.

### Transactions with related parties

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged. The Group engages with related parties for both purchased and sold services, loans and other borrowings and other activities.

The Group entered into lease agreement with Fasteignafélagið Eyjólfur hf. in April 2023 for a new facility in Iceland with remaining lease terms of approximately 15 years as of 31 December 2023 (see Note 13). The Group also entered into seventeen separate lease agreements with Flóki Fasteignir ehf. (HRJAF ehf.) throughout 2020, 2021 and 2023 for a group of apartment buildings in Iceland used for temporary housing of employees and third party

contractors. Two of the leases were terminated during the year ended 31 December 2021. The remaining lease terms for the other fifteen leases approximate 7 years, on average, as of 31 December 2023.

The Group entered into office sublease sharing agreement with Alvogen UK Ltd. in August 2023. The agreement was effective from 1 January 2023 and shall terminate upon the expiration or termination of the Lease.

The Group entered into art lease agreement with Flóki-Art ehf. in January 2023, as a result of the Share Purchase Agreement (see Note 12). The leased asset is located in Sæmundargata 15-19, Reykjavik. The remaining lease term for the leased asset is 15 years, as of 31 December 2023.

The Group provides and receives certain support services through arrangements with Aztiq, Alvogen and Alvogen Malta (Outlicensing) Ltd. (Adalvo). Services provided to Alvogen consist of finance, administrative, legal and human resource services. Services received from Alvogen primarily consist of marketing, salary processing and information technology support services. Services received from Adalvo primarily consist of legal, regulatory, supply chain management and portfolio and market intelligence services.

Purchased service includes rental fees and service expenses, as described above. Rental fees and service expenses with related parties are presented as “General and administrative expenses” or “Research and development expenses” in the consolidated statements of profit or loss and other comprehensive income or loss, depending on the nature of the service performed and expense incurred by the Group. Rental liabilities from lease arrangements with related parties are presented as a component of “Lease liabilities” on the consolidated statements of financial position. Service payables are presented as “Liabilities to related parties” on the consolidated statements of financial position.

Interest includes interest expense on borrowings. Interest expenses on loans from related parties are presented as “Finance costs” in the consolidated statements of profit or loss and other comprehensive income or loss. Borrowings are presented as “Borrowings” and “Current maturities of borrowings” on the consolidated statements of financial position. See Note 21 for further details on the borrowing arrangements with related parties.

Sold service includes services provided to related parties, as described above. Income from related parties for such services are presented as “Other income” in the consolidated statements of profit or loss and other comprehensive income or loss. Amounts receivable for such activities are presented as “Receivables from related parties” on the consolidated statements of financial position. The Group has not recorded bad debt provisions for its receivables from related parties.

Related party transactions as of and for the year ended 31 December 2023 are as follows:

| | Purchased service / interest | Sold service | Receivables | Payables/ borrowings |
|---|---|---|---|---|
| Alvogen Lux Holdings S.à r.l. – Sister company (a) | 11,968 | — | — | 76,556 |
| ATP Holdings ehf. - Sister company (a) | 9,193 | — | — | 49,560 |
| Aztiq Fjárfestingar ehf. – Sister company | — | 4 | — | — |
| Aztiq Consulting ehf. – Sister company | 178 | 69 | — | 54 |
| Flóki-Art ehf. - Sister company | 88 | — | — | 422 |
| Alvogen Iceland ehf. - Sister company | 19 | 1 | — | 484 |
| Alvogen ehf. - Sister company | — | 152 | 16 | — |
| Alvogen UK - Sister company | 273 | — | — | 581 |
| Alvogen Finance B.V. - Sister Company | 3,382 | — | — | 65 |
| Lotus Pharmaceuticals Co. Ltd. - Sister company (b) | — | 29 | 29 | 7,440 |
| Lotus International Pte. Ltd. - Sister company | — | 2 | — | — |
| Alvogen Emerging Markets - Sister company | 108 | — | — | — |
| Alvogen Inc. - Sister company | 305 | — | — | 284 |
| Alvotech and CCHT Biopharmaceutical Co., Ltd. (c) | — | — | 758 | 539 |
| Adalvo Limited - Sister company | 402 | 189 | 86 | 337 |
| Adalvo UK - Sister company | — | 49 | — | — |
| Flóki Invest ehf - Sister company | 680 | — | — | 251 |
| Floki Holdings S.à r.l. - Sister company | 40 | — | — | — |
| Alvogen Malta Sh. Services - Sister company | — | — | 7 | — |
| Alvogen Spain SL - Sister company | 14 | — | — | 15 |
| Norwich Clinical Services Ltd - Sister company | 642 | — | — | 170 |
| Fasteignafélagið Eyjólfur ehf - Sister company (d) | 3,807 | 102 | — | 69,732 |
| Flóki fasteignir ehf. - Sister company | 1,682 | — | — | 11,466 |
| | 32,781 | 597 | 896 | 217,956 |

(a) The full amount of purchased service relates to interest expenses from long-term liabilities and the full amount of payables / loans are interest-bearing long-term liabilities (see Note 21). In relation to the private placement of Tranche A Convertible Bonds in July, the Company paid underwriters fee to APT Holding amounting to $3.3 million. The underwriter's fee is accounted for as a transaction cost that is amortized through profit and loss over the life of the instrument.

(b) Payables to Lotus Pharmaceuticals Co. Ltd. consists of the other current liability as further described in Note 2. This other current liability is presented as "Liabilities to related party" on the consolidated statements of financial position.

(c) The amount receivable from Alvotech & CCHN Biopharmaceutical Co., Ltd. relates to amounts due for reference drugs used in research and development studies and certain consulting fees incurred by the Group.

(d) Refer to Note 13 for the details of the new lease.

Related party transactions as of and for the year ended 31 December 2022 are as follows:

| | Purchased service / interest | Sold service | Receivables | Payables/ borrowings |
|---|---|---|---|---|
| Alvogen Lux Holdings S.à r.l. – Sister company (a) | 5,415 | — | — | 64,588 |
| Aztiq Fjárfestingar ehf. – Sister company | 216 | — | — | 20 |
| Aztiq Consulting ehf. - Sister company | 442 | — | — | 25 |
| ATP Holdings ehf. - Sister company (a) | 1,254 | — | 765 | 81,254 |
| Fasteignafélagið Sæmundur hf. - Sister company (e) | 7,189 | — | — | — |
| Fasteignafélagið Eyjólfur ehf - Sister company | — | 196 | — | — |
| Alvogen Iceland ehf.  - Sister company | 465 | 174 | — | 484 |
| Alvogen ehf.  - Sister company | — | 68 | 1 | — |
| Lotus Pharmaceuticals Co. Ltd. - Sister company (b) | — | 3 | 2 | 7,440 |
| Lotus International Pte. Ltd. - Sister company | — | 4 | 3 | — |
| Alvogen Emerging Markets - Sister company | 98 | — | — | — |
| Alvogen Korea co. Ltd - Sister company | — | 1 | — | — |
| Alvogen Inc. - Sister company | 585 | 266 | 12 | 222 |
| Alvotech and CCHT Biopharmaceutical Co., Ltd. (c) | — | — | 758 | — |
| Adalvo Limited - Sister company | 1,218 | 106 | — | 349 |
| Alvogen Malta Sh. Services - Sister company | 603 | — | 7 | — |
| Alvogen Spain SL - Sister Company | 117 | — | — | — |
| Norwich Clinical Services Ltd - Sister company | 301 | — | — | 31 |
| Alvogen Pharma Pvt Ltd - Sister Company | 1,159 | — | — | — |
| Flóki fasteignir ehf. - Sister company | 1,516 | — | — | 8,876 |
| L41 ehf. | 26 | — | — | — |
| Lambhagavegur 7 ehf. (d) | 537 | — | — | — |
| | 21,141 | 818 | 1,548 | 163,289 |

(a) The full amount of purchased service relates to interest expenses from long-term liabilities and the full amount of payables / loans are interest-bearing long-term liabilities including discount and accretion (see Note 21).

(b) Payables to Lotus Pharmaceuticals Co. Ltd. consists of the long-term liability as further described in Note 2. This long-term liability is presented as “Other long-term liability to related party” on the consolidated statements of financial position.

(c) The amount receivable from Alvotech & CCHN Biopharmaceutical Co., Ltd. relates to amounts due for reference drugs used in research and development studies and certain consulting fees incurred by the Group.

(d) Lambahagavegur is no longer a related party as it was sold during the year ended 31 December 2023.

(e) Fasteignafélagið Sæmundur hf. was acquired as part of the Share Purchase Agreement, with ATP Holdings ehf., on 16 November 2022. The related party transactions reflect activity until the acquisition date. See Note 12 and Note 21 for further details.

Commitments and guarantees

The Group does not have any contractual commitments with its related parties other than the receivables, loans and payables previously disclosed.

Key management personnel

At 31 December 2023 and 2022 there are no loans to the members of the Board of Directors and the CEO. In addition, there were no transactions carried out between the Group and members of the Board of Directors nor the CEO in the years ended 31 December 2023 and 2022. The Board of Directors' remuneration is shown in the table below.

| Board of Directors' fee for the year and shares at year end (board fees in thousands and shares in whole amounts). | 2023 | | | |
|---|---|---|---|---|
| | Board fees | Pension contribution | Other long-term benefits | Shares at year-end** |
| Robert Wessman, Chairman of the board* | — | — | — | — |
| Richard Davies, Vice-Chairman | 156 | — | 104 | 1,143,713 |
| Ann Merchant, Board Member | 113 | — | 104 | 10,582 |
| Árni Harðarson, Board Member* | — | — | — | — |
| Faysal Kalmoua, Board Member* | — | — | — | — |
| Linda McGoldrick, Board Member | 81 | — | 104 | 10,582 |
| Lisa Graver, Board Member | 71 | — | 104 | 10,582 |
| Tomas Ekman, Board Member* | — | — | — | — |
| | 421 | — | 416 | 1,175,459 |

* Waived their board compensation (both cash and equity)

** Direct share ownership

| | 2023 | | | |
|---|---|---|---|---|
| **Key employees** | Salaries and benefits | Pension contribution | Termination benefits | Other long- term benefits |
| Robert Wessman CEO | 1,491 | 26 | — | — |
| Other Executive Team Members (9) | 5,020 | 346 | 52 | 9,456 |
| | 6,511 | 372 | 52 | 9,456 |

| Board of Directors' fee for the year and shares at year end (board fees in thousands and shares in whole amounts). | 2022 | | | |
|---|---|---|---|---|
| | Board fees | Pension contribution | Other long-term benefits | Shares at year-end** |
| Robert Wessman, Chairman of the board | 740 | — | — | — |
| Richard Davies, Vice-Chairman | 68 | — | — | 1,133,131 |
| Ann Merchant, Board Member (from 16.6.2022) | 43 | — | — | — |
| Árni Harðarson, Board Member (from 16.6.2022)* | — | — | — | — |
| Faysal Kalmoua, Board Member* | — | — | — | — |
| Linda McGoldrick, Board Member (from 16.6.2022) | 38 | — | — | — |
| Lisa Graver, Board Member (from 16.6.2022) | 38 | — | — | — |
| Tomas Ekman, Board Member* | — | — | — | — |
| Hirofumi Imai, Board member (until 16.6.2022) | — | — | — | — |
| | 927 | — | — | 1,133,131 |

* Waived their board compensation (both cash and equity)
** Direct share ownership

| | 2022 | | | |
|---|---|---|---|---|
| **Key employees** | Salaries and benefits | Pension contribution | Termination benefits | Other long- term benefits |
| Mark Levick CEO | 892 | 162 | 1,157 | — |
| Other Executive Team Members (9) | 5,400 | 446 | 820 | 5,015 |
| | 6,292 | 608 | 1,977 | 5,015 |

## 26. Other current liabilities

The composition of other current liabilities as of 31 December 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Unpaid salary and salary related expenses | 31,340 | 15,620 |
| Accrued interest | 3,333 | 2,249 |
| Accrued vacation leave | 6,075 | 5,025 |
| Employee incentive plan | 659 | 12,433 |
| Accrued expenses | 21,313 | 18,720 |
| | 62,720 | 54,047 |

## 27. 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", "CCHN") to form a newly created joint venture entity, Alvotech & CCHN 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 | | Carrying Amount | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| Alvotech & CCHN Biopharmaceutical Co., Ltd. | China | 50% | 50% | 18,494 | 48,568 |

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 the Group's investment in a joint venture during the years ended 31 December 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Balance at 1 January | 48,568 | 55,307 |
| Share in losses | (7,153) | (2,590) |
| Impairment loss on investment in joint venture | (21,519) | — |
| Translation difference | (1,402) | (4,149) |
| Balance at 31 December | 18,494 | 48,568 |

The Group did not receive any dividends from JVCO during the years ended 31 December 2023 and 2022. The Group does not have any remaining commitments to JVCO as of 31 December 2023 and 2022. Furthermore, the Group does not have any contingent liabilities relating to its interests in JVCO as of 31 December 2023 or 2022. 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 dividends. As of 31 December 2023, it had become clear that there were uncertainties around the economic conditions in China. Accordingly, the Group recorded an impairment loss on its investment in JVCO based on discussion between Alvotech and CCHN to buy back Alvotech´s interest in the joint venture. The Group estimated the recoverable amount using value in use where the recoverable amount is estimated as the future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

## 28. Financial instruments

Accounting classification and carrying amounts

Financial assets as of 31 December 2023 and 2022, all of which are measured at amortized cost, are as follows:

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | 11,157 | 66,427 |
| Restricted cash | 26,132 | 25,187 |
| Trade receivables | 41,292 | 32,972 |
| Other current assets | 1,035 | 5,880 |
| Receivables from related parties | 896 | 1,548 |
| Other long-term assets | 336 | 4,484 |
| | 80,848 | 136,498 |

Financial liabilities as of 31 December 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Borrowings (measured at amortized cost) | 960,159 | 764,570 |
| Derivative financial liabilities (measured at FVTPL) | 520,553 | 380,232 |
| Other long-term liability to related party (measured at amortized cost) | — | 7,440 |
| Long-term incentive plan (measured at FVTPL) | — | 544 |
| Trade and other payables (measured at amortized cost) | 80,563 | 49,188 |
| Lease liabilities (measured at amortized cost) | 115,315 | 40,532 |
| Liabilities to related parties (measured at amortized cost) | 9,851 | 1,131 |
| Other current liabilities | 61,873 | 53,664 |
| | 1,748,314 | 1,297,301 |

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 Senior Bonds, Aztiq Convertible Bond, 2022 Convertible Bonds, and Alvogen Facility, since any applicable interest receivable or payable is either close to current market rates or the instruments are short-term in nature. Material differences between the fair values and carrying amounts of these borrowings are identified as follows:

| | 31 December 2023 | |
|---|---|---|
| | Carrying Amount | Fair Value |
| Senior Bonds | 549,411 | 559,867 |
| Aztiq Convertible Bond | 80,663 | 84,756 |
| 2022 Convertible Bonds | 155,914 | 217,419 |
| Alvogen Facility | 76,556 | 82,060 |
| | 862,544 | 944,102 |

| | 31 December 2022 | |
|---|---|---|
| | Carrying Amount | Fair Value |
| Senior Bonds | 530,506 | 535,167 |
| Aztiq Convertible Bond | 65,793 | 65,772 |
| 2022 Convertible Bonds | 32,441 | 52,463 |
| Alvogen Facility | 64,588 | 66,883 |
| | 693,328 | 720,285 |

Fair value measurements

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments measured at fair value on a recurring basis as of 31 December 2023 and 2022:

| | 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Senior Bond Warrants | 19,715 | | — | 19,715 |
| Tranche A Conversion Feature | — | — | 118,830 | 118,830 |
| Predecessor Earn Out Shares | — | 349,900 | — | 349,900 |
| OACB Earn Out Shares | — | 6,200 | — | 6,200 |
| OACB Warrants | 25,908 | — | — | 25,908 |
| | 45,623 | 356,100 | 118,830 | 520,553 |

| | 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Senior Bond Warrants | — | — | 45,325 | 45,325 |
| Tranche A Conversion Feature | — | — | 38,055 | 38,055 |
| Senior Bond Interest Rate Feature (included in other current assets) | — | — | 851 | 851 |
| Predecessor Earn Out Shares | — | 276,200 | — | 276,200 |
| OACB Earn Out Shares | — | 10,500 | — | 10,500 |
| OACB Warrants | 10,152 | — | — | 10,152 |
| | 10,152 | 286,700 | 84,231 | 381,083 |

The following table provides a reconciliation of Level 3 financial instruments:

| | Senior Bond Warrants | Tranche A Conversion Feature | Senior Bond Interest Rate Feature |
|---|---|---|---|
| 1 January 2023 | 45,325 | 38,055 | 851 |
| Issuance | — | 45,555 | — |
| Revaluation | — | 35,220 | — |
| Transfer to Level 1 | (45,325) | — | — |
| Extinguishment | — | — | (851) |
| 31 December 2023 | — | 118,830 | — |

The Group recognized the transfer of the Senior Bond Warrants from Level 3 to Level 1 for $19.7 million (2022: $45.3 million) during the year ended 31 December 2023 due to the lift of the lock-up period for the un-exercised Senior Bond Warrants. The Group did not recognize any transfer of assets or liabilities between levels of the fair value hierarchy during the year ended 31 December 2022.

On 16 November 2022, the Group amended and upsized the outstanding bonds by $70.0 million. The amended bond agreement of the Senior Bonds resulted in, among other things, an increase in the interest rate, resulting in a range from 10.75% to 12.0% depending on the occurrence of certain events, as defined by the terms of the agreement (see Note 21). The Group accounted for this interest rate feature (the “Senior Bond Interest Rate Feature”) as an embedded derivative, classified as an "Other current assets" in the consolidated statement of financial position as of

31 December 2022. Since the conditions to adjust the coupon rate have not been met as of 31 March 2023 per the terms of the agreement, the interest rate on the Senior Bonds is now fixed and the embedded derivative previously recorded has been extinguished during the year ended 31 December 2023, resulting in a loss on extinguishment of $0.9 million recorded in finance costs.

*Senior Bond Warrants*

As noted in Note 21, As a result of proceeds raised from the private placement offering executed in February 2023, the Company extinguished the derivative financial liability related to the senior bond warrants since the Company has not anymore the obligation to issue the 1.0% Senior Bond Warrants, resulting in a gain on extinguishment of $6.5 million. In January and February 2023, the Senior Bond Warrant holders (also known as penny warrant holders) elected to exercise their warrants. As a result, 2,479,962 ordinary shares were issued in exchange for the exercising of the penny warrants. The Company received an immaterial amount of cash and recognized the transaction as an extinguishment of the derivative financial liabilities.

The fair value of the Senior Bond Warrants was derived from the publicly quoted trading price of the Ordinary Shares at the valuation date. As of 31 December 2023, the Company had 1,718,845 warrants with an exercise price of $0.01, representing the 1.5% tranche of Senior Bond Warrants. The Senior Bond Warrants had a fair value of $19.7 million as of 31 December 2023. The change in fair resulted in $8.1 million of finance costs for the year ended 31 December 2023.

*Tranche A Conversion Feature*

As noted in Note 21, in connection with the Convertible Bonds the Group classified the Tranche A Conversion Feature as an embedded derivative liability due to the variability created by conversion rates resulting from the tranche being denominated in ISK. The conversion feature had a fair value of $118.8 million as of 31 December 2023. The change in fair resulted in $35.2 million of finance costs for the year ended 31 December 2023.

The fair value of the Tranche A Conversion Feature was determined using a lattice model that incorporated inputs and assumptions as further described below. The inputs and assumptions associated with the valuation 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 and inputs that were used for the model in valuing the Tranche A Conversion Feature:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Stock price | $11.48 | $10.00 |
| Conversion price | $10.00 | $10.00 |
| Volatility rate | 57.5 % | 45.0 % |
| Risk-free interest rate | 4.2 % | 4.2 % |
| Dividend yield | 0.0% | 0.0% |
| Risky yield | 16.3 % | 19.3 % |

*Predecessor Earn Out Shares*

As part of the Business Combination, Predecessor shareholders were granted a total of 38,330,000 Ordinary Shares subject to certain vesting conditions ("Predecessor Earn Out Shares"). One half of the Predecessor Earn Out Shares will vest if, at any time during the five years following the closing of the Business Combination, the Alvotech ordinary share price is at or above a volume weighted average price ("VWAP") of $15.00 per share for any ten trading days within any twenty-trading day period, with the other half vesting at a VWAP of $20.00 per share for any ten trading days within any twenty-trading day period. The Predecessor Earn Out Shares are accounted for as derivative financial liabilities in accordance with IAS 32 and will be subject to ongoing mark-to-market adjustments through the consolidated statement of profit or loss and other comprehensive income or loss. The Predecessor Earn Out Shares had a fair value of $349.9 million as of 31 December 2023, resulting in $73.7 million of finance costs during the year ended 31 December 2023.

The fair value of the Predecessor Earn Out Shares was determined using Monte Carlo analysis that incorporated inputs and assumptions as further described below. The inputs and assumptions associated with the valuation 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 and inputs that were used for the model in valuing the Predecessor Earn Out Shares:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Number of shares | 38,330,000 | 38,330,000 |
| Share price | $11.48 | $10.00 |
| Volatility rate | 55.0 % | 45.0 % |
| Risk-free rate | 3.97 % | 4.05 % |

*OACB Earn Out Shares*

Former OACB shareholders were granted a total of 1,250,000 Ordinary Shares subject to certain vesting conditions ("OACB Earn Out Shares"). One half of the OACB Earn Out Shares will vest if, at any time during the five years following the closing of the Business Combination, the Alvotech ordinary share price is at or above a VWAP of $12.50 per share for any ten trading days within any twenty-trading day period, with the other half vesting at a VWAP of $15.00 per share. On 17 February 2023, the first half of OACB Earn Out Shares vested resulting in the issuance of 625,000 ordinary shares by the Group. The OACB Earn Out Shares are accounted for as derivative financial liabilities in accordance with IAS 32 and will be subject to ongoing mark-to-market adjustments through the consolidated statement of profit or loss and other comprehensive income or loss. The OACB Earn Out Shares had a fair value of $6.2 million as of 31 December 2023, resulting in $4.0 million of finance costs during the year ended 31 December 2023.

The fair value of the OACB Earn Out Shares was determined using a Monte Carlo analysis that incorporated inputs and assumptions as further described below. Assumptions and inputs associated with the valuation 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 and inputs that were used for the model in valuing the OACB Earn Out Shares:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Number of shares | 625,000 | 1,250,000 |
| Share price | $11.48 | $10.00 |
| Volatility rate | 55.0 % | 45.0 % |
| Risk-free rate | 3.97 % | 4.05 % |

*OACB Warrants*

Additionally, as part of the Business Combination the Company assumed the 10,916,647 outstanding OACB Warrants, on substantially the same contractual terms and conditions as were in effect immediately prior to the Business Combination, including an exercise price of $11.50. Each warrant entitles the holder to purchase one Alvotech ordinary share. During 2023, holders of the OACB warrants exercised their warrant rights for an exercise price of $11.50 for the rights to one ordinary share per warrant. The exercises resulted in the issuance of 553.552 ordinary shares and cash proceeds of approximately $6.3 million. The OACB warrants are accounted for as derivative financial liabilities in accordance with IAS 32 and will be subject to ongoing mark-to-market adjustments through the consolidated statement of profit or loss and other comprehensive income or loss. The OACB warrants had a fair value of $25.9 million as of 31 December 2023. The fair value of the warrants was derived from the publicly quoted trading price at the valuation date. The change in fair value of the OACB Warrants resulted in $17.0 million of finance costs during the year ended 31 December 2023.

Capital management

The capital structure of the Group consists of equity, debt and cash. For the foreseeable future, the Board of Directors will maintain a capital structure that supports the Group's strategic objectives through managing the budgeting process, maintaining strong investor relations and managing the financial risks of the Group, as further described below. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

Financial risk management

The Group's corporate treasury function provides services across the organization, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the Group's operations through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

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 primarily relates to the cash in bank and borrowings that are subject to floating interest rates.

The following table provides an interest rate sensitivity analysis for the effect on loss before tax:

| | 2023 | 2022 |
|---|---|---|
| Variable-rate financial instruments +100 | (89) | (186) |
| Variable-rate financial instruments -100 | 89 | 186 |

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 uses the US dollar as its reporting currency and conducts business on a global basis in various currencies. As a result, the Group is exposed to foreign currency exchange movements, primarily in European, Icelandic and UK market currencies, as well as in the Swiss franc.

Below are the foreign currencies that have the most significant impact on the Group's operations.

| | Closing rate | | Average rate | | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | Change |
| EUR | 1.105 | 1.061 | 1.091 | 1.052 | 4.1% |
| GBP | 1.275 | 1.204 | 1.266 | 1.233 | 5.9% |
| ISK | 0.007 | 0.007 | 0.007 | 0.007 | 5.1% |
| CHF | 1.188 | 1.071 | 1.156 | 1.047 | 10.9% |
| INR | 0.012 | 0.012 | 0.012 | 0.013 | 0.1% |

The Group's assets and liabilities that are denominated in foreign currencies as of 31 December 2023 are as follows:

| | Assets | Liabilities | Net assets |
|---|---|---|---|
| EUR | 36,568 | 46,303 | (9,735) |
| GBP | 69 | 3,479 | (3,410) |
| ISK | 3,247 | 144,812 | (141,565) |
| CHF | 335 | 7,488 | (7,153) |
| INR | 167 | 536 | (369) |

The Group's assets and liabilities that are denominated in foreign currencies as of 31 December 2022 are as follows:

| | Assets | Liabilities | Net assets |
|---|---|---|---|
| EUR | 36,420 | 26,514 | 9,906 |
| GBP | 111 | 1,538 | (1,427) |
| ISK | 49,484 | 109,507 | (60,023) |
| CHF | 69 | 7,305 | (7,236) |
| INR | 11 | 517 | (506) |

A reasonable possible strengthening or weakening of the Group's significant foreign currencies against the USD would affect the measurement of financial instruments denominated in a foreign currency and affect profit or loss and equity by the amount shown in the sensitivity analysis table below. The analysis assumes that all other variables, such as interest rates, remain constant.

| | EUR | GBP | ISK | CHF | INR |
|---|---|---|---|---|---|
| Year ended 31 December 2023 | | | | | |
| -10% weakening | (974) | (341) | (14,156) | (715) | (37) |
| +10% strengthening | 974 | 341 | 14,156 | 715 | 37 |
| Year ended 31 December 2022 | | | | | |
| -10% weakening | (991) | (143) | (6,002) | (724) | (51) |
| +10% strengthening | 991 | 143 | 6,002 | 724 | 51 |

Credit risk

Credit risk it the risk that a counterparty will not fulfill its contractual obligations under a financial instrument contract, leading to a financial loss for the Group. The maximum credit risk exposure for the Group's financial assets as of 31 December 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | 11,157 | 66,427 |
| Restricted cash | 26,132 | 25,187 |
| Other assets | 43,559 | 44,884 |
| | 80,848 | 136,498 |

The Group's cash and cash equivalents and restricted cash are deposited with high-quality financial institutions. Management believes these financial institutions are financially sound and, accordingly, that minimal credit risk exists. The Group has not experienced any losses on its deposits of cash and cash equivalents and restricted cash yet monitors the credit rating of these financial institutions on a periodic basis.

Other assets primarily consist of other current assets, as described in Note 18, and trade receivables and contract assets recognized in connection with the Group's performance pursuant to its contracts with customers, all of which are large multinational pharmaceutical companies. In 2023, the Group recognized a receivable of $18.5 million in other current assets following the termination of the co-development agreement with Biosana which was fully reserved as of 31 December 2023 due to the uncertainty of its collection (see Note 18). There are no other significant amounts past due as of 31 December 2023 and 2022 and the Group concludes that any expected credit losses with respect to these assets, except as described above, is immaterial.

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.

Contractual maturities of financial assets and liabilities as of 31 December 2023 are as follows:

| | Within one year | One to two years | Thereafter | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Non-interest bearing | 43,223 | — | — | 43,223 |
| Variable-interest bearing | 11,157 | — | 26,468 | 37,625 |
| Total financial assets | 54,380 | — | 26,468 | 80,848 |
| **Financial liabilities** | | | | |
| Non-interest bearing | 142,436 | — | — | 142,436 |
| Fixed-interest bearing - Borrowings | 66,309 | 1,101,185 | — | 1,167,494 |
| Derivative liabilities | — | 520,553 | — | 520,553 |
| Variable-interest bearing - Borrowings | 44,995 | 10,198 | 65,826 | 121,019 |
| Total financial liabilities | 253,740 | 1,631,936 | 65,826 | 1,951,502 |

Contractual maturities of financial assets and liabilities as of 31 December 2022 are as follows:

| | Within one year | One to two years | Thereafter | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Non-interest bearing | 40,400 | — | — | 40,400 |
| Variable-interest bearing | 66,427 | — | 29,671 | 96,098 |
| Total financial assets | 106,827 | — | 29,671 | 136,498 |
| **Financial liabilities** | | | | |
| Non-interest bearing | 104,366 | — | 7,984 | 112,350 |
| Fixed-interest bearing - Borrowings | 45,757 | 66,308 | 896,921 | 1,008,986 |
| Derivative liabilities | — | — | 380,232 | 380,232 |
| Variable-interest bearing - Borrowings | 25,259 | 8,036 | 59,109 | 92,404 |
| Total financial liabilities | 175,382 | 74,344 | 1,344,246 | 1,593,972 |

Refer to Note 13 for the maturity analysis of the Group's undiscounted lease payments.

29. Supplemental cash flow information

Supplement cash flow information for the years ended 31 December 2023 and 2022 is included below.

(see Note 21 for non-cash movements in borrowings).

| **Non-cash investing and financing activities** | 2023 | 2022 |
|---|---|---|
| Acquisition of property, plant and equipment in trade payables and other current liabilities | 2,266 | 4,131 |
| Acquisition of intangibles in trade payables and other current liabilities | 930 | 4,075 |
| Right-of-use assets obtained through new operating leases | 74,109 | 9,583 |
| Purchase of Facility through Aztiq Convertible Bond | — | 115,005 |
| Non-cash issuance of Aztiq Convertible Bond | — | 80,000 |
| Equity issued through conversion of borrowings | — | 32,200 |
| Acquisition of other intangible assets through financing agreements | — | — |
| Settlement of RSUs with shares | 678 | — |
| Settlement of SARs with shares | 13,767 | — |

30. Subsequent events

The Group evaluated subsequent events through 20 March 2024, the date the consolidated financial statements were available to be issued.

On 15 February 2024, the Company announced it has reached settlement agreements with Johnson & Johnson in Japan, Canada and in the (EEA) for AVT04, a biosimilar to Stelara (ustekinumab). Regulatory approval for AVT04 in these markets has already been granted. Market applications for AVT04 are currently pending in additional global markets, including in the U.S. Alvotech's commercialization partner in Canada, JAMP Pharma, launched AVT04 in Canada on March 1, 2024. Launch of AVT04 in Japan is anticipated after the upcoming round of National Health Insurance reimbursement price listings, in May 2024. Entry to the first European markets is expected as soon as possible after the expiration date of the European Supplementary Protection Certificate (SPC) for Stelara, which is in late July 2024.

On 23 February 2024, the Company announced that the FDA has approved SIMLANDI (adalimumab) injection, as an interchangeable biosimilar to Humira, for the treatment of adult rheumatoid arthritis, juvenile idiopathic arthritis, adult psoriatic arthritis, adult ankylosing spondylitis, Crohn’s disease, adult ulcerative colitis, adult plaque psoriasis, adult hidradenitis suppurativa and adult uveitis. In 2023, Humira was one of the highest-grossing pharmaceutical products in the world, with sales in the U.S. of nearly $12.2 billion. Teva is Alvotech’s strategic partner for the exclusive commercialization of SIMLANDI in the United States.

On 26 February 2024, the Company announced the sale of 10,127,132 Ordinary Shares for an approximate value of $166 million (net proceeds of $160 million), par value USD 0.01 per share, at a purchase price of $16.41 per share, or ISK 2,250 per share at the foreign exchange rates on 23 February 2024. The Shares will be delivered to the Investors from previously issued treasury shares held by Alvotech’s subsidiary, Alvotech Manco ehf. The Transaction took place on the Nasdaq Iceland Exchange.

On 12 February 2024, the second tranche of OACB Earn Out Shares vested resulting in the issuance of 625,000 Ordinary Shares. The issuance of Ordinary Shares for the second tranche will be accounted for as an extinguishment of a financial liability in the consolidated statements of profit or loss and other comprehensive income or loss.

On 12 February 2024, the first tranche of Predecessor Earn Out Shares vested resulting in the issuance of 19,165,000 Ordinary Shares. The issuance of Ordinary Shares for the first tranche will be accounted for as an extinguishment of a financial liability in the consolidated statements of profit or loss and other comprehensive income or loss.

Subsequent to 31 December 2023, Senior Bond Warrant holders elected to exercise their warrants. As a result, 1,501,599 Ordinary Shares were issued in exchange for the exercising of the penny warrants. The Company received

an immaterial amount of cash and will recognize the transaction as an extinguishment of the derivative financial liabilities. The difference between the equity issued and carrying value of the derivative financial liabilities will be recognized in the consolidated statements of profit or loss and other comprehensive income or loss.

Subsequent to 31 December 2023, holders of the OACB Warrants exercised their warrant rights for an exercise price of $11.50 for the rights to one Ordinary Share per warrant. The exercises result in the issuance of 419,660 Ordinary Shares and cash proceeds of $4.8 million. The Company will recognize the transaction as an extinguishment of the derivative financial liabilities. The difference between the equity issued and carrying value of the derivative financial liabilities will be recognized in the consolidated statements of profit or loss and other comprehensive income or loss.

## Corporate Governance Report for 2023

This corporate governance report (the "**Report**") covers the period from 1 January 2023 through 31 December 2023 of Alvotech, a *société anonyme*, incorporated and existing under the laws of the Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies' Register under number B258884, having its registered office at 9, rue de Bitbourg, L-1273 Luxembourg, Grand Duchy of Luxembourg ("**Alvotech**" or the "**Company**"). Alvotech was incorporated on August 23, 2021 for the sole purpose of completing a business combination between Alvotech Holdings S.A., Oaktree Acquisition Corp. II and Alvotech. The business combination closed on 15 June 2022 and, concurrently with the closing, the current Directors of Alvotech S.A. were appointed.

The ordinary shares and warrants of Alvotech are listed on The Nasdaq Stock Market LLC ("**Nasdaq US**") under the symbol "ALVO" and "ALVOW", respectively, since 16 June 2022. Alvotech's ordinary shares are also listed on the Nasdaq Iceland Main Market under the ticker symbol "ALVO" since 8 December 2022 and, prior to that, on the Nasdaq First North Growth Market since 23 June 2022 until their admission to trading to the Nasdaq Iceland Main Market. This Report will be a part of the Annual Report for the year ended 31 December 2023, and has been approved by the board of directors of the Company (the "**Board of Directors**" or "**Board**") and reviewed by its Audit Committee.

As regards general meetings of shareholders, at an ordinary general meeting, there is no quorum requirement and resolutions are adopted by a simple majority cast votes. Abstentions are not considered "votes".

Resolutions at an extraordinary general meeting are required for any of the following matters, among others (i) an increase or decrease of the authorized or issued capital, (ii) a limitation or exclusion of preferential subscription rights, (iii) approval of a statutory merger or de-merger (scission), (iv) Alvotech's dissolution and liquidation, (v) any and all amendments to Alvotech´s articles of association and (vi) change of nationality. Pursuant to Alvotech´s articles of associations, for any resolution to be considered at an extraordinary general meeting of shareholders, the quorum shall be at least one half of Alvotech´s issued share capital unless otherwise mandatorily required by law. If the said quorum is not present, a second meeting may be convened, for which Luxembourg Company Law does not prescribe a quorum. Any extraordinary resolution shall be adopted at a quorate general meeting, except otherwise provided by law, by at lease a two-thirds majority of the votes validly cast on such resolution by shareholders. Abstentions are not considered "votes".

An annual general meeting of shareholders ("**AGM**") shall be held in the Grand Duchy of Luxembourg within 6 months of the end of the preceding financial year.

Each Ordinary Share entitles the holder thereof to one vote. Neither Luxembourg law nor Alvotech´s articles of association contain any restrictions as to the voting of Ordinary Shares by non-Luxembourg residents. The Luxembourg Company Law distinguishes ordinary general meeting of shareholders and extraordinary general meetings of shareholders with respect to the required quorums and majorities.

Alvotech is committed to recognizing general principles aimed to ensure good corporate governance. Our approach to corporate governance is further described in this Report.

Alvotech's corporate governance consists of a framework of principles and rules, including its Articles of Association, the 6th edition from February 2021 of the Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce, Nasdaq Iceland Main Market and the Confederation of Icelandic Employers. The Board of Directors also adopted a Code of Business Conduct and Ethics (the "**Code**") applicable to the directors, officers, employees and other team members that complies with the rules and regulations of Nasdaq US, Nasdaq Iceland Main Market, and the SEC. The Code is available on Alvotech's website.
Alvotech's regulatory framework for corporate governance practices consists of the law applicable listed companiesas well as other applicable law and regulations, including those imposed by Nasdaq Iceland Main Market and Nasdaq US available at their respective websites.

The Board of Directors is committed to excellence in corporate governance by complying with the applicable regulatory standards and international best practices in the field of corporate governance.

All directors of the Company must act honestly, with due skill and care in the best interests of the Company and the group. All directors must adhere to the highest standards of honest and ethical conduct, including taking proper and due actions to avoid any conflicts of interest in his or her dealings with the Alvotech or the group, or dealings with other parties that may relate to or affect the group of Alvotech, its interest and assets.

**Internal Control**

The Audit and Risk Committee is responsible, among other things, for establishing procedures for the confidential anonymous submission of complaints (a whistle blowing mechanism).

**Risk Management**

Alvotech has a strong track record of growth. The Board of Directors is responsible for overseeing Alvotech's risk management process. The Board of Directors focuses on Alvotech's general risk management strategy, the most significant risks, and oversees the implementation of risk mitigation strategies by management. The audit and risk committee is also responsible for discussing Alvotech's policies with respect to risk assessment and risk management. The Board of Directors believes its administration of its risk oversight function has not negatively affected the Board's leadership structure. As part of the steady expansion of Alvotech´s risk management processes, the Company has launched a number of initiatives. Each initiative is contributing to achieving the company´s objectives with regard to efficacy and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The Company has identified certain key risks that are given special attention and monitored.

**Audit, accounting and risk**

The Board of Directors adopted the Audit and Risk Committee Charter. The Chief Executive Officer of the Company ensures that the directors are provided with accurate information on Alvotech´s finances, development, operations and risk assessments on a regular basis and the Audit and Risk Committee assists the Board in fulfilling its oversight responsibilities concerning the financial reporting process and the system of internal controls. The Board of Directors ensures that internal procedures for risk management are revised at least annually.

The consolidated financial statements are published on an annual, semi-annual and quarterly basis as applicable, subject to and in accordance with applicable publication requirements under Icelandic and/or Luxembourg and/or U.S laws.

The **AGM** appoints the independent auditor (*réviseur d´entreprises agréé*) and shall determine their office, in accordance with Alvotech´s Articles of Association. The Board´s proposal to the AGM is based on the Audit and Risk Committee´s recommendation on the selection of an audit firm the statutory auditors and shall determine their office, which may not exceed six years, in accordance with Alvotech´s Articles of Association. The Board´s proposal to the AGM is based on the Audit and Risk Committee´s recommendation on the selection of an audit firm. Deloitte hf. has carried out the external audit of Alvotech in recent years. In addition, Deloitte Audit (20, Boulevard de Kockelscheuer L-1821, Luxembourg, Grand Duchy of Luxembourg) is appointed as the independent auditor (*réviseur d´entreprises agréé*) of Alvotech and in recent years conducted external audits in accordance with the Luxembourg law of 23 July 2016 on the audit profession (the "Audit Law"). In accordance with article 51 of the Audit Law and by way of derogation from Article 17 (1) of Regulation (EU) No 537/2014, the maximum duration of a statutory audit of a public-interest entity may be of 20 years, where a public tendering process for the statutory audit is conducted in accordance with paragraphs 2 to 5 of Article 16 of the above-mentioned regulation.

**Compliance**

Alvotech has a Compliance function. The General Counsel of the company is the Compliance Officer and is responsible for the Code, the training of employees and business ethics. Under the Icelandic law no. 60/2021 on actions against market abuse a Securities Compliance Officer has been appointed to oversee the compliance in accordance with the above-mention law and in compliance with the Company´s Insider Trading policy. The Securities Compliance Officer is responsible for assessing and monitoring if Alvotech, its directors, officers and

employees are in compliance with the laws and regulations that apply to a company listed on the Nasdaq Iceland Main Market. The Compliance Officer monitors if the company is in compliance with other applicable law and the Company´s Business Code of Conduct.

**Code of Business Conduct and Ethics**

The Board of Directors adopted a Code of Business Conduct and Ethics for Alvotech´s directors, officers and employees. The Code sets out Alvotech´s code of business conduct and ethics, consisting of the principal business, ethical, moral and legal standards which Alvotech´s directors, officers and employees are required to observe. The aim of the Code is a further testament to Alvotech´s commitment to sustainability, having oversight and managing relevant environment, social and government risks and opportunities in Alvotech´s operations and value chain.

**Sustainability**

Alvotech has adopted a Sustainability Policy that is focused on making its operations exemplary in the pharmaceutical environment based on established international environmental, social and governance ("**ESG**") criteria. The company has a created a separate ESG report for 2023 that will be attached to the 2023 financials.

**Board Committees**

Alvotech has five committees of the Board of Directors (an audit and risk committee, a compensation committee, a nominating and corporate governance committee, a strategy committee and a corporate sustainability committee). All the committees are constituted of members of the Board based on their expertise, skills and experience relevant to that Committee and in accordance with the rules set for each committee by the Board.

**Audit and Risk Committee**

The members of Alvotech's audit and risk committee are Dr. Linda McGoldrick (Chair), Ann Merchant and Richard Davies. Each member of Alvotech's audit and risk committee qualifies as independent directors according to the rules and regulations of the SEC and Nasdaq with respect to audit and risk committee membership. In addition, all audit and risk committee members meet the requirements for financial literacy under applicable SEC and Nasdaq rules and at least one of the audit and risk committee members qualifies as an "audit and risk committee financial expert," as such term is defined in Item 407(d) of Regulation S-K under the United States Securities Act of 1933, as amended. The audit and risk committee is responsible for, among other things:

+ appointing, compensating, retaining, evaluating, terminating and overseeing our independent registered public accounting firm;
+ discussing with our independent registered public accounting firm their independence from management;
+ reviewing, with our independent registered public accounting firm, the scope and results of their audit;
+ approving all audit and permissible non-audit services to be performed by our independent registered public accounting firm;
+ overseeing the financial reporting process and discussing with management and our independent registered public accounting firm the annual financial statements that we file with the SEC;
+ overseeing our financial and accounting controls and compliance with legal and regulatory requirements;
+ reviewing our policies on risk assessment and risk management;
+ reviewing related party transactions; and
+ establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls or auditing matters.

**Compensation Committee**

Richard Davies (Chair), Árni Harðarson and and Tomas Ekman. Mr. Davies qualifies as an independent director according to the rules and regulations of the SEC and Nasdaq with respect to compensation committee membership, including the heightened independence standards for members of a compensation committee. The compensation committee is responsible for, among other things:

+ reviewing and approving the corporate goals and objectives, evaluating the performance of and reviewing and approving, (either alone or, if directed by the board of directors, in conjunction with a majority of the independent members of the board of directors) the compensation of our chief executive officer;
+ overseeing an evaluation of the performance of and reviewing and setting or making recommendations to our board of directors regarding the compensation of our other executive officers;
+ reviewing and approving or making recommendations to our board of directors regarding our incentive compensation and equity-based plans, policies and programs;
+ reviewing and approving all employment agreement and severance arrangements for our executive officers;
+ making recommendations to our shareholders regarding the compensation of our directors; and
+ retaining and overseeing any compensation consultants.

**Corporate Sustainability Committee**

The members of Alvotech's ESG committee are Ann Merchant (Chair), Árni Hardarson and Róbert Wessman. The ESG committee is responsible for, among other things:

+ reviewing, monitoring and setting strategy in the area of corporate responsibility;
+ overseeing Alvotech's activities in the area of corporate responsibility that may have an impact on the Company's reputation and operations;
+ periodically assess the Alvotech's compliance obligations;
+ monitor and review matters of health and safety and report findings to the broader board; and
+ review and evaluate environmental, social and political issues and trends and their relevance to Alvotech's business and make recommendations to the board regarding those trends and issues.

**Nomination and Corporate Governance Committee**

The members of Alvotech's nominating and corporate governance committee are Richard Davies (Chair), Dr. Linda McGoldrick and Ann Merchant. The nominating committee is responsible for, among other things:

+ identifying individuals qualified to become members of our board of directors, consistent with criteria approved by our board of directors;
+ overseeing succession planning for our Chief Executive Officer and other executive officers;
+ periodically reviewing our board of directors' leadership structure and recommending any proposed changes to our board of directors;
+ overseeing an annual evaluation of the effectiveness of our board of directors and its committees; and
+ developing and recommending to our board of directors a set of corporate governance guidelines.

**Strategy Committee**

The Strategy committee is responsible for, among other things, reviewing, monitoring and setting strategy for the business of Alvotech. The members of Alvotech's Strategy committee are Faysal Kalmoua (Chair), Lisa Graver and Róbert Wessman.

**The structure and composition of the Board of Directors**

Alvotech's Board of Directors is currently composed of eight members. In accordance with Alvotech's Articles of Association, the Board is not divided into classes of directors. Each director was appointed at the closing of the business combination on June 15, 2022, to serve as director until the end of the general meeting of shareholders called to approve the Alvotech's annual accounts for the 2024 financial year. There are no limitations on the duration of the board membership. The composition of the board shall at any time be diverse, with regard to educational and professional background, gender and age.

The board undertakes Alvotech´s affairs in between shareholders´ meetings unless otherwise provided by law or Alvotech´s Articles of Association. The board is responsible for setting Alvotech´s general strategy. The board has a supervisory role in overseeing that Alvotech´s organization and activities are at all times in accordance with the relevant law, regulation and good business practices. The board met 16 times last year.

**Members of the Board of Directors**

*Robert Wessman, Chairman and CEO,* is the founder of Alvotech and has served as Executive Chairman and member of the board of directors of Alvotech since January 2019. Since November 2018, he has also served as Director at Fuji Pharma and chairman of the board of directors of Lotus Pharmaceuticals and since May 2009, he has served as a member of the board of directors of Aztiq and as a member of the board of directors of Aztiq GP, the general partner of Aztiq Fund I SCSp, a Luxembourg alternative investment fund, and the parent company of Aztiq. Mr. Wessman is also the founder and main partner of the Aztiq group. Mr. Wessman founded Alvogen in July 2009, and served as its Executive Chairman and Chief Executive Officer until June 2022. He continues to serve as Alvogen's chairman since July 2022. Between 1999 and 2008, Mr. Wessman served as the Chief Executive Officer of Actavis. He has a Bachelor of Science degree in Business Administration from the University of Iceland. We believe Mr. Wessman is qualified to serve on Alvotech's board of directors due to the perspective he brings as Alvotech's founder and his experience in top executive positions in the pharmaceutical industry.

*Richard Davies, Director and Deputy Chairman*, has served as Deputy Chairman of Alvotech's board from June 2022. He was previously the Chairman of Alvotech's board, and as one of Alvotech's directors since January 2019. Since November 2018, he has served as Chief Executive Officer of Auregen Bio Therapeutics SA. Prior to joining Auregen Bio Therapeutics, Mr. Davies served as Chief Executive Officer of Bonesupport AB between 2016 and 2018, as Senior Vice President and Chief Commercial Officer of Hospira Inc. between 2012 and 2015, and in various leadership roles at Amgen Inc between 2003 and 2012. Mr. Davies holds an MBA from the University of Warwick and Bachelor of Science in applied chemistry from the University of Portsmouth.

*Tomas Ekman, Director,* has served as one of Alvotech's directors since January 2019. Since November 2014 he has served as a partner at CVC Capital Partners where he is a member of the CVC Nordics team and is based in Stockholm. Prior to joining CVC in 2014, Mr. Ekman was a partner and Managing Director at 3i, responsible for its Nordic business. Mr. Ekman holds MSc degrees from the University of Strathclyde and Chalmers University of Technology, and an MBA from IMD, Switzerland.

*Faysal Kalmoua, Director,* has served as one of Alvotech's directors since June 2020. Mr. Kalmoua has also served as a partner of the Aztiq group since June 2022. Between April 2020 and June 2022, Mr. Kalmoua served as Executive Vice President of Portfolio, Business Development and Research and Development for Alvogen. Between November 2015 and March 2020, Mr. Kalmoua served as Executive Vice President of Portfolio for Alvogen, Inc. Prior to joining Alvogen, Mr. Kalmoua served in various management positions for Synthon for nearly 16 years. Mr. Kalmoua holds a master's degree in chemistry from the Radboud University Nijmegen and an executive MBA from Insead.

*Ann Merchant, Director,* has served as one of Alvotech's directors since June 2022. Since 2018, she has served as Vice President for MorphoSys, and as Head of Global Supply Chain since January 2019. Prior to joining MorphoSys, from September 2011 to August 2018, Ms. Merchant served as the President for Schreiner Medipharm. Between 1994 and 2011, Ms. Merchant held various roles at Amgen, including Vice President, Head of International Supply Chain and Site Head between 2007 and 2011. Ms. Merchant holds an MBA from the Henley Business School and a Bachelor of Science in Languages from Georgetown University. We believe Ms. Merchant is qualified to serve on Alvotech's board of directors because of her experience in executive positions with several pharmaceutical companies and expertise in financial planning, new product launches and creating and executing international strategies to increase market share.

*Arni Hardarson, Director,* has served as one of Alvotech's directors since June 2022. Mr. Hardarson is a co-founder and partner of the Aztiq group. Between 2009 and June 2022, he served as Deputy to the Chief Executive Officer and General Counsel of Alvogen. Prior to joining Alvogen, Mr. Hardarson was Vice President of Tax and Structure at Actavis, and as partner, member of the executive management committee, and served as a head of tax and legal at Deloitte. Mr. Hardarson holds a Master's degree in law from the University of Iceland. We believe Mr. Hardarson is qualified to serve on Alvotech's board of directors because of his extensive expertise in financial and legal matters and his past experience in top executive positions.

*Lisa Graver, Director,* has served as one of Alvotech's directors since June 2022. Ms. Graver has served in various leadership positions for Alvogen since June 2010, including as President of Alvogen Inc, a subsidiary of Alvogen, since August 2015, as Executive Vice President and Deputy to the Chief Executive Officer of Alvogen Inc. since February 2013, and as Vice president Intellectual Property of Alvogen since June 2010. Prior to joining Alvogen, Ms. Graver was Vice President Intellectual Property and Senior Director Intellectual Property at Actavis Inc. between 2006 and 2008. Ms. Graver holds a BSc in Biology from Lakehead University and a law degree from the Case Western Reserve University School of Law. We believe Ms. Graver is qualified to serve on Alvotech's board of directors because of her extensive expertise in intellectual property and the pharmaceutical industry.

*Dr. Linda McGoldrick, Director*, has served as one of Alvotech's directors since June 2022 and as the Chairman of the Audit Commitee. In 1985, Dr. McGoldrick founded, and currently serves as Chairman and Chief Executive Officer of, Financial Health Associates International, a strategic consulting company specializing in healthcare and life sciences. Since January 2020, she has served as the Chief Executive Officer for 2Enable Health LLC. Prior to joining 2Enable Health LLC, Dr. McGoldrick served as interim CEO at Zillion between June 2019 and December 2019. Over her professional career, Dr. McGoldrick has served in a number of leadership roles, including Senior Vice President and National Development Director for the Healthcare and Life Sciences Industry Practices at Marsh-MMC Companies, International Operations and Marketing Director of Veos plc, and Managing Director Europe for Kaiser Permanente International. In 2018, Dr. McGoldrick was appointed by the Governor of Massachusetts to serve on the state's Health Information Technology Commission. Dr. McGoldrick has served as a director of numerous publicly traded and private held companies and non-profit organizations in the U.S., UK and Europe, including as director for Compass Pathways since September 2020. In 2012, Dr. McGoldrick was named as one of the Top 100 Corporate Directors of Fortune 100 Companies by the Financial Times. Dr. McGoldrick holds a Master's Degree in Healthcare from the University of Pennsylvania and an MBA from Wharton. We believe Ms. McGoldrick is qualified to serve on Alvotech's board of directors because of her extensive expertise in financial matters and the healthcare and life sciences industry.

**Business ethics and Code of Conduct**

Alvotech sets high standards for all employees and directors. We also adhere to ethical commitments in every aspect of our business, with respect to our employees as well as outside stakeholders, including contractors, suppliers, commercial partners, government authorities and the general public. These commitments are spelled out in our Code of Corporate Conduct and Ethics, which applies to all our employees, including our senior executive, officers and directors. We apply our Code of Conduct both in internal and external relations and give preference in our business dealings to those who adhere to comparable ethical standards.

It is the duty of the Board of Directors to serve as fiduciary for shareholders and to oversee the management of the company. To fulfill its responsibilities and to discharge its duties prudently, the Board of Directors follows the procedures and standards that are set forth in guidelines and charters. These documents are subject to modification from time to time as the Board of Directors deems appropriate in the best interests of Alvotech or as required by applicable laws and regulations.

The Code of Conduct and charters for the Board of Directors are accessible on Alvotech's website at https://investors.alvotech.com/corporate-governance/documents-charters

Approved by the board on: 20 March 2024

# Non-financial disclosure

### Business model

Alvotech was founded in 2013 to develop and manufacture biosimilars which have the potential to improve the life and health of millions of patients globally. Our goal is to become the leading global biosimilar company in the development and manufacture of cost-effective biologic medicines, increasing availability for all patients and lowering the cost of healthcare.

Biologics and biosimilars are manufactured using living cells. Alvotech develops its medicines in mammalian cells which have been specialized to produce a specific protein. The protein becomes the active ingredient in a biosimilar that is designed to match the effectiveness and safety of a particular reference biologic. Biologic medicines have proven especially effective in many therapeutic areas, such as oncology and immunology. Alvotech has launched two biosimilars and is developing an addition 9 biosimilar candidates.

Alvotech's headquarters and manufacturing facilities are located in the University of Iceland's Science Park in Reykjavik, Iceland. Alvotech has satellite offices in the U.S., Germany, India and Switzerland.

On average in 2023, Alvotech employed 1041 people, the majority with a master's degree or doctorate. About 80% of the workforce is in Iceland and 20% abroad.

### Due diligence process regarding non-financial disclosures

#### Rules governing Alvotech's quality assurance and certification processes

Alvotech adheres to Good Manufacturing Practice (GMP) standards, similar to other pharmaceutical manufacturing companies that produce medications for human use. To ensure compliance with these standards, Alvotech has established a comprehensive quality assurance framework covering manufacturing, surveillance, and distribution activities. This framework is underpinned by an extensive array of documents, including numerous standard operating procedures (SOPs) relevant to the manufacturing and quality control operations, validation of equipment and instruments, maintenance of environmental systems and facilities, and meticulous document management, among others. These documents are foundational to the quality assurance system, and by extension, the quality of the pharmaceuticals produced. Additionally, pharmaceutical firms operating according to GMP must welcome regular evaluations by both local and international health regulatory bodies that oversee the pharmaceutical sector, including authorities from jurisdictions where the products are marketed.

Alvotech's quality assurance mechanisms received initial certification in 2018, authorizing clinical trial medicine production, followed by a subsequent certification in September 2020 for the manufacture of commercial products. Beyond this, Alvotech has undergone audits by various pharmaceutical partners in light of its international marketing agreements for biosimilars and undergoes routine inspections by medical regulatory authorities in regions and countries where its biosimilars are marketed or pending market approval.

Alvotech's principal divisions operate under an ISO 9001 certified quality management system, extending to several non-financial aspects such as environmental management, with the British Standards Institution (BSI) validating adherence to these standards. The company's compliance officer is tasked with ensuring adherence to the business Code of Conduct, including conducting annual employee training on these topics. The Environmental, Health and Safety committee is dedicated to ensuring compliance with Icelandic law nr. 46/1980, while the executive management and board of directors oversee adherence to all relevant regulations, internal procedures, and ethical guidelines.

Alvotech has also evaluated its adherence to its policies, encompassing environmental, social, and governance considerations, in alignment with section 66.d of the Icelandic Financial Statement Act No. 3/2006. This evaluation sheds light on the company's performance against various international norms and guidelines, offering a comprehensive insight into Alvotech's operational practices. This analysis aids the management in directing efforts towards enhancing risk mitigation and minimizing negative environmental impacts. On July 31, 2023, the European Commission adopted the European Sustainability Reporting Standards ("ESRS"), the first set of corporate sustainability reporting standards under the EU Corporate Sustainability Reporting Directive (CSRD). The CSRD entered into force in January 2023 and went into effect on January 1, 2024. For the fiscal year 2024 and going forward, companies subject to CSRD are required to issue annual sustainability statement according to the ESRS.

## Data on Environmental, Social and Governance metrics

Our reporting framework is based on Nasdaq's ESG Reporting Guide, which was first launched in 2017 and updated in 2019. The first version of the guide was specifically addressed to companies operating in markets such as the Nordic countries where investor expectations regarding Environmental, Social and Governance (ESG) performance are clearer and regulatory actions were taken early on. The advantage of the Nasdaq ESG framework is clarity and simplicity, while it also incorporates developments from other standards such as GRI, UN SDGs etc. We believe that this framework has provided transparency and represents a balanced approach to ESG reporting, but continue to evaluate our methodologies according to a changing regulatory environment , including the implementation of the EU Taxonomy regulation, which has taken effect in Luxembourg and Iceland and applies to 2023 reporting. Companies incorporated in Luxembourg are obligated to report EU Taxonomy information as part of their Non-Financial Reporting (NFR). This information can be included in the management report, as part of the Annual Report that also includes the financial statements, or in a separate report published, such as a sustainability report on the company website, no later than 6 months after the balance sheet date

## Environment

We are committed to understanding and mitigating our impact on the natural environment. From our home-base and manufacturing hub in Reykjavik, Iceland, we can leverage the country's abundant renewable natural resources, including clean water and renewable hydro- and geothermal energy that power a dedicated grid supplying local industry and homes. The use of renewable resources allows us to balance the growth of our operations and prosperity of our stakeholders, with the overarching objective of sustainability.

As a global company, we believe that our impact on the environment correlates strongly with our long-term success and value as an enterprise. We are committed to minimizing the impact we have on natural resources and climate change and recognize that this commitment starts with understanding our contribution through our energy use and CO2 emissions and continues with our dedication to mitigate the energy intensity and emissions intensity of our operations.

We focus on protecting the environment from any adverse impact from our operations. We reach these goals by reducing waste, using energy more efficiently, increasing reuse, recycling as much waste as possible and reducing the use of all raw materials and consumables. We also handle genetically modified cells, biological and chemical waste safely, to reduce the risk of contamination or environmental damage.

It has been demonstrated that monoclonal antibody production in single-use technology reduces overall environmental impact when compared to more traditional durable process technology. However, single-use technology does create a material waste stream from single-use plastics, which is not present in traditional stainless-steel processes. A key part of maturing our sustainability program is focused on understanding and mitigating the impact of single-use plastics on the natural environment.

Alvotech has appointed an Environmental, Health and Safety (EHS) committee with volunteers from its staff. The committee works closely with the company's safety committee. Each committee focuses on improving processes that have an impact on the environment or employee safety. From an environmental perspective, particular emphasis is on sorting waste and reducing the use of raw materials while increasing awareness of how our operation and processes impact these metrics.

Staff is also encouraged to commute to work by bike, walking or on public transport. To further incentivize this behavior, Alvotech offers transportation grants and facilities for those that walk or bike to work.

### Scope 1, 2 and 3 emissions

We can measure Scope 1 and Scope 2 emissions for our facilities in Iceland, including the main manufacturing facility, based on invoices or direct metering. For facilities outside of Iceland we rely on indirect measures, based on headcount, facility size and regional emission factors, to estimate this. We have also begun to track some Scope 3 emissions related to activity under our own control, such as business travel, but are not able at this point to quantify all the emissions that fall under Scope 3.

## Key environmental performance indicators

| GHG Emissions and Emissions Intensity | Unit | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Scope 1 & 2 emissions | tCO2eq. | 218 | 219 | 235 | 229 |
| Scope 1, 2 & 3 emissions | tCO2eq. | 479 | 513 | 957 | 923 |
| Scope 1 emissions | tCO2eq. | 16 | 12 | 19 | 20 |
| Scope 1 emissions from fuel use | tCO2eq. | 2 | 12 | 12 | 15 |
| Scope 1 emissions from refrigerants | tCO2eq. | 14 | 0 | 6 | 5 |
| Scope 2 emissions | tCO2eq. | 202 | 206 | 217 | 209 |
| Scope 2 emissions from electricity use | tCO2eq. | 177 | 181 | 192 | 184 |
| Scope 2 emissions from thermal energy use | tCO2eq. | 25 | 25 | 25 | 25 |
| Scope 3 emissions | tCO2eq. | 261 | 294 | 721 | 555 |
| Scope 3 emissions from flights | tCO2eq. | 192 | 207 | 573 | 379 |
| Scope 3 emissions from waste | tCO2eq. | 69 | 85 | 145 | 174 |
| Scope 3 emissions from fuel and energy use | tCO2eq. | 0.5 | 3.2 | 3.2 | 3.9 |
| Scope 1 & 2 emissions intensity per employee | tCO2eq./emp. | 0.4 | 0.3 | 0.3 | 0.2 |
| Scope 1, 2 & 3 emissions intensity per employee | tCO2eq./emp. | 0.9 | 0.8 | 1.1 | 0.8 |

Nasdaq: E1,E2| GRI: 305-1,305-2,305-3,305-4

| Energy Usage, Energy Intensity and Energy Mix | Unit | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Total use of energy | MWh | 8,438 | 8,190 | 11,326 | 12,505 |
| Total use of electricity | MWh | 4,663 | 4,776 | 5,758 | 6,184 |
| Total use of thermal energy (heat) | MWh | 3,768 | 3,369 | 5,386 | 6,266 |
| Total use of fuel | MWh | 7 | 45 | 46 | 55 |
| Total use of energy per employee | MWh | 16 | 13 | 13 | 12 |
| Percentage of total energy from renewables | % | 94% | 93% | 94% | 95% |

Nasdaq: E3,E4,E5| GRI: 302-1,302-2,302-3

| Water Usage | Unit | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Total water usage | m3 | 48,294 | 40,119 | 60,630 | 97,194 |

Nasdaq: E6| GRI: 303-5

| Environmental Operations | Unit | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Environmental policy in place | Yes/No | Yes | Yes | Yes | Yes |
| Total amount of non-hazardous waste | tons | 97 | 116 | 190 | 235 |
| Total amount of hazardous waste | tons | 42 | 52 | 92 | 114 |

Nasdaq: E7| GRI: 103-2

**Social factors**

One of the most valuable assets for any company is undoubtedly the experience and knowledge obtained by its employees. Alvotech therefore focuses on employee satisfaction and a strong sense of company culture. Alvotech is committed to ensuring the health, safety and well-being of its staff and guests of the company.

**Health and wellbeing**
A strong emphasis on training is part of Alvotech's focus on the staff's health and well-being. We collect and disseminate monthly key indicators about our performance in this area. These include statistics on incidents, accidents, near-accidents, potentially dangerous situations, and risk assessments. We also monitor our impact on the environment and potentially our behaviors by collecting statistics about waste, effluents, water, and energy consumption.

By implementing a reporting system for accidents, near accidents and potentially dangerous events, Alvotech implements risk prevention measures and creates a safety culture among employees. Employees also receive information about the origin of these reports, by department. This creates a sense of duty by employees to show that their department is contributing to the safety culture. Since 2020 the frequency of injury events has slowly been rising, mainly due to increased awareness by employees of the importance of reporting such incidents to support a risk prevention culture.

We have performed detailed risk assessment for each role at Alvotech, which includes a definition of the main sources of risks in regular tasks and preventive measures.

Because of the large number of foreign employees that have migrated to Iceland to work at Alvotech, the company also offers special assistance to ex-pats. This includes offering housing in apartments leased by the company for the first months in Iceland, to help employees better adapt to the new environment and integrate into society.

Other initiatives to improve the workplace environment include support for training and continuing education, a system for shift workers which enhances work-life balance, paid visits to psychiatrist and an online service, which offers counseling for work- and family related matters free of charge. Alvotech regularly offers instructional seminars about health and well-being, which have been very popular with employees. Staff is also offered semi-annual subsidies for sports activities, including health-club memberships or grants to cover the cost of sports-equipment.

**Equality**
Alvotech's gender equality policy was approved and presented to employees in January 2021, with an associated action plan. The goal of this policy is to guarantee that all employees face the same opportunities regardless of gender, age, religion, nationality, race, disability, sexual orientation, or political views and to avoid any discrimination or harassment based on these or other issues unrelated to the quality of work. The policy is implemented to ensure that all employees are evaluated based on their own merit and that they can reach their potential based on skill and ability. The policy should also eliminate ingrained gender bias from the workplace. Furthermore, the policy should lead to more equal ratios of the genders for employees holding each type of position or within departments. Alvotech's equality policy also states that an equality report should be issued each year and made available no later than April based on data for the previous year.

**Equal pay certification**
The first equal pay certification audit for Alvotech was conducted in January 2021, by ICert, a domestic accredited certification body which carries out audits and certification of management systems. In February 2021 Alvotech was awarded an equal pay certification and subsequently given permission to use the equal pay insignia by the Icelandic Equal Rights Administration and the Ministry of Welfare. A new equal pay certification audit was performed in January 2024 and in March 2024 our equal pay certification was renewed. In addition to employees in Iceland, we also implement the same equal pay and equal opportunities policy globally for all our staff.

**Job satisfaction and well-being**
In November 2021 Alvotech started performing periodic comprehensive surveys of employees with respect to job satisfaction and how employees view the company, measuring for example indicators of stress, undue work pressures or employee harassment. The results of employee surveys have been used to identify areas for improvement and implement policies to address issues highlighted by the survey results. The last job satisfaction survey was conducted in late 2022. A new job satisfaction survey is currently pending.

**Anti-harassment policy**
Alvotech enforces a strict policy with respect to bullying and harassment in the workplace. The policy states that any type of bullying, harassment or improper behavior is not condoned and defines a clear policy for dealing with such incidents. Employees responsible for responding to such incidents have been assigned and trained to accept complaints or conduct interviews with the parties involved. All managers are also trained in responding to such incidents.

Alvotech offers free consulting services from the occupational health service Vinnuvernd, where employees can meet with a specialist, discuss their experience, and get confidential advice on next steps. The purpose of this policy is to ensure that all reports about bullying, or harassment incidents are dealt with properly and promptly.

**Human rights and child labor policies**
We have implemented a comprehensive human rights and child labor policy which applies to all Alvotech employees. We expect to broaden the scope of these policies to our vendors as our manufacturing operations scale.

## Key social performance indicators

| Social | Unit | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Ratio of pay of men to women | % | [*] | 120% | 117% | 115% |
| Growth of total headcount | % | 7% | 12% | 40% | 9% |
| Women in management (ratio to total headcount) | % | 27% | 31% | 31% | 35% |
| Women in the company excluding management (ratio to total headcount) | % | 53% | 49% | 58% | 51% |
| Ratio of temporary workers to total headcount | % | 7% | 5% | 4% | 4% |
| Existence of a sexual harassment and/or non-discrimination policy? | Y/N | Yes | Yes | Yes | Yes |
| Frequency of injury events relative to total workforce (TIR) | TIR | 0.63 | 0.24 | 0.87 | 1.64 |
| Existence of an occupational health and/or global health & safety policy? | Y/N | Yes | Yes | Yes | Yes |
| Does your company follow a child and/or forced labor policy? | Y/N | No | No | No | Yes |
| If yes, does the policy cover suppliers and vendors? | Y/N | | | | No |
| Does your company follow a human rights policy? | Y/N | No | No | No | Yes |
| If yes, does the policy cover suppliers and vendors? | Y/N | | | | No |
| Survey of employees regarding job satisfaction | 0-10 | 7.0 | 7.2 | 7.0 | [**] |
| Survey of employees regarding job commitment | 0-10 | 8.7 | 8.6 | 8.6 | [**] |
| Participation rate in job satisfaction and commitment survey | % | 50% | 78% | 89% | [**] |
| Number of new hires | | 171 | 306 | 345 | 261 |
| New hires as percentage of total workforce of the company at year end | % | 29% | 42% | 35% | 24% |
| Number of data privacy breaches | | 0 | 0 | 0 | 0 |

Nasdaq: S2,S3,S4,S5,S6,S7,S8,S9,S10|GRI: 405-1, 406,102-8,103-2,401-1,401-1b,403-9,405-1,405-2,418-1
[*] Data for this year not available [**] Survey will be conducted after publication of this disclosure report.

## Governance

**Human rights and business ethics**
Alvotech conducts its business in a responsible and ethical fashion. Any type of corruption, bribery or violation of human rights is not condoned. To prevent such conduct from taking place the company has implemented a *Code of Conduct* which applies to the company's entire business, including relationships with suppliers, partners, and contractors. The core principle is that Alvotech and its employees always act ethically and honestly in any given circumstance. The Code of Conduct addresses the companies Ethics and Anti-Corruption Policy as well as Whistleblower Policy. The Code of Conduct and a formal certification by the employee of compliance to the code is a part of on-boarding and training.

**Data protection policy**

Alvotech has implemented a data protection policy based on the EU General Data Protection Regulation which has also been transposed into Icelandic law, which applies to all employees, associates, contractors, participants in clinical studies and users of the company's products. Alvotech follows all applicable standards and laws regarding personal privacy and data protection, including specific rules and regulations applying to clinical studies as well as any other rules which apply to our daily business.

## Key governance performance indicators

| Corporate Governance | Unit | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Percentage of total headcount covered by collective bargaining agreement | % | 77% | 76% | 75% | 75% |
| Does your company follow an Ethics and/or Anti-Corruption policy? | Y/N | Yes | Yes | Yes | Yes |
| If yes, what percentage of your workforce has certified its compliance? | % | [*] | 84% | 86% | 86% |
| Does your company follow a Data Privacy policy? | Y/N | Yes | Yes | Yes | Yes |
| Has your company taken steps to comply with GDPR rules? | Y/N | Yes | Yes | Yes | Yes |
| Are your sustainability disclosures assured or validated by a third party? | Y/N | No | No | No | No |
| Does your company have a Whistleblower Policy in place? | Y/N | Yes | Yes | Yes | Yes |
| If yes, what percentage of your workforce has certified its compliance? | % | [*] | 84% | 86% | 86% |

Nasdaq: G4,G6,G7,G8|GRI: 102-16,102-41,102-56,103-2,418 9
[*] Data for this year not available