
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the Month of August 2023

Commission File Number: 001-41421

Alvotech

(Translation of registrant's name into English)

9, Rue de Bitbourg,
L-1273 Luxembourg,
Grand Duchy of Luxembourg
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

INFORMATION CONTAINED IN THIS REPORT ON FORM 6-K

Incorporation by Reference

Certain exhibits to this Report on Form 6-K (this “Report”) of Alvotech (the “Company”), including Exhibits 99.1, 99.2, 99.3, 99.4, 99.5, 99.6 and 99.7 attached hereto, shall be deemed to be incorporated by reference into the Company’s registration statements on Forms F-3 (File Nos. 333-266136 and 333-273262) and the Company’s registration statement on Form S-8 (File No. 333-266881) and to be a part thereof from the date on which this Report is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

Exhibit 99.8 to this Report is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act.

Business Update Conference Call

The Company will conduct a business update conference call and live webcast on Thursday, August 31, at 8:00 am ET (12:00 pm GMT). A live webcast of the call and the presentation will be available on the Company’s website, where you will also be able to find a replay of the webcast, following the call for 90 days.

Cautionary note on forward-looking statements

This Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “may,” “will,” “expect,” “plan,” “anticipate,” “estimate,” “intend” and similar expressions (as well as other words or expressions referencing future events, conditions or circumstances) are intended to identify forward-looking statements. These forward-looking statements are based on the Company’s expectations and assumptions as of the date of this Report. Each of these forward-looking statements involves risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward-looking statements. For a discussion of risk factors that may cause the Company’s actual results to differ from those expressed or implied in the forward-looking statements in this Report, you should refer to the Company’s filings with the U.S. Securities and Exchange Commission, including the “Risk Factors” sections contained therein. Except as required by law, the Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. You should, therefore, not rely on these forward-looking statements as representing the Company’s views as of any date subsequent to the date of this Report.

EXHIBIT INDEX

Exhibit No.	Description
<u>99.1</u>	<u>Unaudited Condensed Consolidated Interim Financial Statements as of 30 June 2023 and for the six months ended 30 June 2023, and 30 June 2022.</u>
<u>99.2</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>
<u>99.3</u>	<u>ATP Holdings Subscription Agreement Tranche A, dated July 30, 2023.</u>
<u>99.4</u>	<u>Accession Agreement.</u>
<u>99.5</u>	<u>Convertible Bond Subscription Agreement Tranche A.</u>
<u>99.6</u>	<u>Convertible Bond Subscription Agreement Tranche B.</u>
<u>99.7</u>	<u>Creditor Accession Undertaking to Subordination Agreement.</u>
<u>99.8</u>	<u>Earnings Release for the six months ended June 30, 2023.</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALVOTECH

Date: August 31, 2023

By: /s/ Tanya Zharov

Name: Tanya Zharov

Title: General Counsel

Alvotech

Unaudited Condensed
Consolidated Interim Financial
Statements as of 30 June 2023 and
for the six months ended 30 June
2023 and 30 June 2022

Alvotech
9, rue de Bitbourg
L-1273 Luxembourg
Grand Duchy of Luxembourg
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Endorsement by the Board of Directors and the CEO

Unless otherwise indicated or the context otherwise requires, all references to “Alvotech,” the “Company,” the “Group,” “we,” “our,” “us” or similar terms refer to Alvotech and its consolidated subsidiaries.

Alvotech is a highly integrated biotech company focused solely on the development and manufacture of biosimilar medicines for patients worldwide. Our purpose is to improve the health and quality of life of patients around the world by improving access to proven treatments for various diseases. Since our inception, we have built our company with key characteristics we believe will help us capture the substantial global market opportunity in biosimilars: a leadership team that has brought numerous successful biologics and biosimilars to market around the world; a purpose-built biosimilars research and development and manufacturing platform; top commercial partnerships in global markets; and a diverse, expanding pipeline addressing many of the biggest disease areas and health challenges globally. Alvotech is a company committed to constant innovation: we focus our platform, people, and partnerships on finding new ways to drive access to more affordable biologic medicines. Alvotech, which was founded in 2013, is led by specialists in biopharmaceutical product creation from around the world that bring extensive combined knowledge and expertise to its mission.

Alvotech currently has eleven product candidates in its pipeline for serious diseases with unmet patients and market need. Product candidates in our pipeline address reference products treating autoimmune, eye, and bone disorders, as well as cancer.

The Unaudited Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2023 comprise the financial statements of Alvotech and its subsidiaries (together “the Group” or “Alvotech”).

The Unaudited Condensed Consolidated Interim Financial Statements are prepared in accordance with IAS 34 ‘Interim financial reporting’ and should be read in conjunction with the Group’s Consolidated Financial Statements as at and for the year ended 31 December 2022.

Financial results for the six months ended 30 June 2023

As of 30 June 2023, the Company had \$60.5 million in cash and cash equivalents, excluding restricted cash. In addition, the Company had borrowings of \$808.6 million, including \$22.5 million of current portion of borrowings, as of 30 June 2023.

Product revenue: The Company successfully launched the AVT02 product in Canada and select European countries during the second quarter of 2022 and increased sales volume in these countries resulted in \$3.9 million and \$22.7 million of product revenue recognized during the six months ended 30 June 2022 and 2023, respectively.

License and other revenue: License and other revenue decreased by \$38.6 million, from \$36.2 million for the six months ended 30 June 2022, to \$(2.5) million for the six months ended 30 June 2023. The decrease in license and other revenue was primarily driven by the recognition of \$34.7 million research and development milestone during the same period in the prior year, due to the completion of the AVT04 main clinical program. The remainder of the decrease is mainly due to the net impact of the changes in licensing arrangements during the six months ended 30 June 2023.

Cost of product revenue: The Company successfully launched AVT02 in select European countries and Canada during the six months ended 30 June 2022. As a result, the Company recognized cost of product revenue in the amount of \$17.8 million and \$67.9 million during the six months ended 30 June 2022 and 2023, respectively. Cost of product revenue includes both variable and fixed manufacturing costs associated with commercial manufacturing. Cost of product revenue for the period is disproportionate relative to product revenue due to the timing of new launches and elevated production-related charges, resulting in higher costs than revenues recognized for the period. The Company expects this relationship to normalize with increased production from the scaling and expansion of new or recent launches. The Company estimates that the anticipated increase in sales volumes will result in a greater absorption of fixed manufacturing costs. Prior to the recognition of cost of product revenues, costs from pre-commercial manufacturing activities were reported as research and development expenses.

Endorsement by the Board of Directors and the CEO

Research and development expenses: Research and development expenses increased by \$12.7 million, or 14.6%, from \$86.9 million for the six months ended 30 June 2022, to \$99.6 million for the six months ended 30 June 2023. The increase was primarily driven by a one-time charge of \$18.5 million relating to the termination of the co-development agreement with Biosana for AVT23, and a \$24.6 million increase in direct program expenses mainly from three biosimilar candidates, AVT03, AVT05 and AVT06, that entered clinical development in 2022. These increases were partially offset by a decrease of \$21.0 million primarily related to programs which have completed clinical phase (i.e., AVT02 and AVT04 programs). In addition, upon the launch of AVT02 during the second quarter of 2022, the Company commenced recognizing pre-commercial manufacturing activities as cost of product revenue. As a result, research and development expenses during the six months ended 30 June 2022 included \$12.3 million of costs relating to AVT02 which have since been recognized as cost of product revenue.

General and administrative expenses: General and administrative expenses decreased by \$97.2 million, or 69.9%, from \$139.1 million for the six months ended 30 June 2022, to \$41.9 million for the six months ended 30 June 2023. The decrease in general and administrative expenses was primarily attributable to a \$83.4 million non-cash share listing expense and \$21.0 million of transaction costs recorded as a result of the Business Combination recognized as of 30 June 2022. The Company also incurred \$10.6 million of IP-related legal expenses during the six months ended 30 June 2022, compared to \$1.3 million during the six months ended 30 June 2023. This decrease was partially offset by a \$7.7 million net increase in other general administrative expenses due to incremental costs from operating as a public company in both the U.S. and Iceland. Lastly, the Company recognized \$7.5 million of general and administrative expenses for share-based payments, resulting from the granting of RSUs during the six months ended 30 June 2023, against \$0.1 million during the six months ended 30 June 2022.

Net Loss: Net loss was \$86.9 million, or \$(0.39) per share on a basic and diluted basis, for the six months ended 30 June 2023 as compared to net loss of \$184.5 million, or \$(1.02) on a basic and diluted basis, for the same six months of 2022.

Pipeline highlights

In April 2023, Alvotech received from the FDA a complete response letter (CRL) for the Company's BLA. The CRL noted that certain deficiencies conveyed following the FDA's recent reinspection of the Company's Reykjavik facility must be satisfactorily resolved before the application may be approved.

On 28 June 2023, the FDA issued a CRL for Alvotech's 2nd BLA, which contained data to support approval as a high-concentration biosimilar and additional information to support the interchangeability designation. The CRL noted that certain deficiencies, which were conveyed following the FDA's reinspection of the Company's Reykjavik facility that concluded in March 2023, must be satisfactorily resolved before the application can be approved.

Alvotech's next three most advanced product candidates, AVT06, AVT03, and AVT05, are proposed biosimilars to Eylea® (aflibercept), Prolia® / Xgeva® (denosumab) and Simponi® / Simponi Aria® (golimumab), respectively. Alvotech announced that the AVT04 filing was accepted in the U.S. in January 2023, and in Europe in February 2023.

In March 2023, Alvotech provided Biosana a notice of termination for the global licensing agreement between the two companies covering the co-development of AVT23, a proposed biosimilar to Xolair® (omalizumab).

On 19 May 2023, Alvotech entered into termination agreements with STADA to terminate the license and supply agreements between Alvotech and STADA pertaining to Alvotech's product candidates AVT03, a biosimilar candidate to Prolia® / Xgeva® (denosumab), AVT05, a biosimilar candidate to Simponi® and Simponi Aria® (golimumab) and AVT16, a proposed biosimilar to Entyvio® (vedolizumab). Pursuant to the terms of the termination agreements, Alvotech repaid the aggregate amount of \$18.9 million in July 2023 that Alvotech had previously received from STADA under the terminated agreements.

On 22 May 2023, Alvotech entered into a master license and supply agreement with Mercury Pharma Group Limited (trading as Advanz Pharma Holdings) ("Advanz") with respect to the supply and commercialization in Europe of AVT05, a biosimilar candidate to Simponi® and Simponi Aria® (golimumab), AVT16, a proposed biosimilar to Entyvio® (vedolizumab), and three additional early-stage, undisclosed biosimilar candidates (each, a "Product Schedule"). Under the terms of the agreements with Advanz, Alvotech will develop the product candidates and provide the dossier of data, information and know-how relating to the relevant product candidate to Advanz. Alvotech retains full ownership of all intellectual property rights in the product candidates and the dossiers. Advanz has an exclusive right to use the dossiers to apply for, and, subject to grant, maintain regulatory approvals for the products and to commercialize them in the European Economic Area, the United Kingdom and Switzerland. Advanz made upfront

Endorsement by the Board of Directors and the CEO

payments in the aggregate amount of \$61.0 million at signing of the Product Schedules 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. Alvotech will manufacture, supply and deliver the product to Advanz and Advanz will exclusively buy the relevant biosimilar candidate from Alvotech at a royalty of approximately 40% of the estimated net selling price or an agreed-upon applicable floor price, whichever is higher, for the duration of the relevant Product Schedule.

On 12 June 2023, Alvotech announced a settlement and license agreement with Johnson & Johnson concerning AVT04, Alvotech's proposed biosimilar to Stelara® (ustekinumab) in the United States. The settlement grants a license entry date for AVT04 in the United States no later than 21 February 2025.

On 24 July 2023, Alvotech announced that Teva Pharmaceuticals, Inc. ("Teva") and Alvotech have agreed to expand their existing strategic partnership agreement. As part of the agreement, Teva will acquire subordinated convertible bond instruments, dated 20 December 2022, for \$40 million. The expansion to the existing strategic partnership agreement pertains to exclusive commercialization in the U.S. by Teva of two new biosimilar candidates (adding to the five products in the current partnership agreement, AVT02, AVT04, AVT05, AVT06 and AVT16) and line extensions of two current biosimilar candidates in the partnership, 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. The agreement also includes increased involvement by Teva regarding manufacturing and quality at Alvotech's manufacturing facility. Teva is actively supporting Alvotech on-site in Iceland to be fully ready for an FDA inspection.

Alvotech also has a number of other programs in earlier phases of development that it plans to advance over the coming years. The two most advanced of these, AVT16 and AVT33, are in early development and with immunology and oncology reference products that have estimated combined global peak sales of approximately \$30 billion.

Corporate highlights

On 25 January 2023, the Company issued an additional \$10.0 million in Tranche B Convertible Bonds. Holders of the Tranche B 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, or 30 June 2024. The conversion feature was accounted for as an embedded derivative and classified as equity.

On 10 February 2023, the Company completed a private placement equity offering of \$137.0 million, at current ISK exchange rates, 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 the proceeds raised from the private placement offering, the Company extinguished the derivative financial liability related to the Senior Bond Warrants resulting in the potential issuance of 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 statement of profit or loss and other comprehensive income or loss.

On 17 February 2023, the first tranche of OACB Earn Out Shares vested resulting in the issuance of 625,000 ordinary shares. The issuance of ordinary shares for the first tranche was accounted for as an extinguishment of a derivative financial liability in the consolidated statement of profit or loss and other comprehensive income or loss.

In January and February 2023, the Senior Bond Warrant holders (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 difference between the fair value of the equity issued and the carrying value of the derivative financial liabilities was recognized in the consolidated statement of profit or loss and other comprehensive income or loss.

From January through March 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 551,261 ordinary shares and cash proceeds of \$6.3 million. The difference between the fair value of the equity issued and the carrying value of the derivative financial liabilities was recognized in the consolidated statement of profit or loss and other comprehensive income or loss.

Endorsement by the Board of Directors and the CEO

Future developments and uncertainties

As mentioned above, in July 2023, the Company expanded its existing strategic partnership agreement with Teva who will acquire subordinated convertible bonds in principal amount of \$40 million.

Also in July 2023, the Company secured a private placement of subordinated convertible bonds denominated in Icelandic krona and US dollar for a par principal amount of \$100 million. ATP Holdings ehf., a subsidiary of Aztiq, the largest shareholder of Alvotech, committed to acquiring any of the bonds which have not been sold to other investors.

In addition to the cash received, the Company expects to continue to source its cash flows during the development of its biosimilar product candidates from new and existing out-license contracts with commercial partners and financing through shareholder equity and related party and third-party debt financing.

For the foreseeable future, Alvotech's Board of Directors will maintain a capital structure that supports Alvotech's strategic objectives through managing the budgeting process, maintaining strong investor relations, and managing financial risks. Consequently, if it is successful in these plans, management and the Board of Directors believe that Alvotech will have sufficient funds, and access to sufficient funds, to continue in operation for at least the next 12 months and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. However, although management continues to pursue these plans, there is no assurance that Alvotech will be successful in obtaining sufficient funding on terms acceptable to Alvotech management to fund continuing operations, if at all. Alvotech's future capital requirements will depend on many factors, including the following:

- the progress, results, and costs of preclinical studies for any programs that Alvotech may develop;
- the costs, timing, and outcome of regulatory review of program candidates;
- Alvotech's ability to establish and maintain collaborations, licensing, and other agreements with partners on favorable terms, if at all;
- the achievement of milestones or occurrence of other developments that trigger payments under the agreements that Alvotech has entered into or may enter into with third parties or related parties;
- the extent to which Alvotech is obligated to reimburse clinical trial costs under collaboration agreements, if any;
- the costs of preparing, filing and prosecuting patent applications and maintaining, defending and enforcing Alvotech's intellectual property rights;
- the extent to which Alvotech acquires or invests in businesses, products, technologies, or other joint ventures;
- the costs of performing commercial-scale manufacturing in-house and, if needed, securing manufacturing arrangements for commercial production of its program candidates; and
- the costs of establishing or contracting for sales and marketing capabilities if Alvotech obtains regulatory approvals to market program candidates.

Statement by the Board of Directors and the CEO

According to the Board of Directors' and CEO's best knowledge, the Unaudited Condensed Consolidated Interim Financial Statements are prepared in accordance with IAS 34 'Interim financial reporting' and give a true and fair view of the consolidated financial performance of the Group for the six-month period ended 30 June 2023, its assets, liabilities and consolidated financial position as at 30 June 2023 and its consolidated cash flows for the six-month period ended 30 June 2023. Furthermore, in our opinion the Unaudited Condensed Consolidated Interim Financial Statements and the endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describe the principal risks and uncertainties faced by the Group.

The Board of Directors and CEO of Alvotech hereby endorse the Unaudited Condensed Consolidated Interim Financial Statements of Alvotech for the six-month period ended 30 June 2023 with their signatures.

Done in Luxembourg on 30 August 2023,
For the Board of Directors and CEO:

Robert Wessman
Title: Director and authorized signatory

Unaudited Condensed Consolidated Interim Statements of Profit or Loss and Other Comprehensive Income or Loss

<i>USD in thousands, except for per share amounts</i>	Notes	Six months ended 30 June 2023	Six months ended 30 June 2022
Product revenue	5	22,715	3,932
License and other revenue	5	(2,460)	36,186
Other income		45	142
Cost of product revenue		(67,909)	(17,813)
Research and development expenses		(99,582)	(86,884)
General and administrative expenses	1.1	(41,910)	(139,147)
Operating loss		<u>(189,101)</u>	<u>(203,584)</u>
Share of net loss of joint venture	21	(2,706)	(1,266)
Finance income	6	122,480	50,968
Finance costs	6	(64,300)	(52,406)
Exchange rate difference		(3,081)	4,744
Non-operating profit		<u>52,393</u>	<u>2,040</u>
Loss before taxes		<u>(136,708)</u>	<u>(201,544)</u>
Income tax benefit	7	49,854	17,073
Loss for the period		<u><u>(86,854)</u></u>	<u><u>(184,471)</u></u>
Other comprehensive loss			
<i>Item that will be reclassified to profit or loss in subsequent periods:</i>			
Exchange rate differences on translation of foreign operations		(1,523)	(4,243)
Total comprehensive loss		<u><u>(88,377)</u></u>	<u><u>(188,714)</u></u>
Loss per share			
Basic and diluted loss for the period per share	8	<u>(0.39)</u>	<u>(1.02)</u>

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Interim Financial Statements

Unaudited Condensed Consolidated Interim Statements of Financial Position

USD in thousands

	Notes	30 June 2023	31 December 2022
Non-current assets			
Property, plant and equipment	9	231,989	220,594
Right-of-use assets	10	101,402	47,501
Goodwill		11,886	11,643
Other intangible assets	11	14,007	25,652
Contract assets	5	8,312	3,286
Investment in joint venture	21	43,613	48,568
Other long-term assets		2,053	5,780
Restricted cash		25,187	25,187
Deferred tax assets	7	260,301	209,496
Total non-current assets		<u>698,750</u>	<u>597,707</u>
Current assets			
Inventories	13	79,366	71,470
Trade receivables		16,307	32,972
Contract assets	5	19,129	25,370
Other current assets	14	34,988	32,949
Receivables from related parties	19	1,656	1,548
Cash and cash equivalents	12	60,466	66,427
Total current assets		<u>211,912</u>	<u>230,736</u>
Total assets		<u>910,662</u>	<u>828,443</u>

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Interim Financial Statements

Unaudited Condensed Consolidated Interim Statements of Financial Position

USD in thousands

	Notes	30 June 2023	31 December 2022
Equity			
Share capital	15	2,271	2,126
Share premium	15	1,224,814	1,058,432
Other reserves		38,308	30,582
Translation reserve		(2,965)	(1,442)
Accumulated deficit		(1,740,968)	(1,654,114)
Total equity		<u>(478,540)</u>	<u>(564,416)</u>
Non-current liabilities			
Borrowings	16	786,175	744,654
Derivative financial liabilities	22	229,046	380,232
Other long-term liability to related party	19	7,440	7,440
Lease liabilities	10	87,416	35,369
Long-term incentive plan		-	544
Contract liabilities	5	57,387	57,017
Deferred tax liability		45	309
Total non-current liabilities		<u>1,167,509</u>	<u>1,225,565</u>
Current liabilities			
Trade and other payables		43,931	49,188
Lease liabilities	10	7,983	5,163
Current maturities of borrowings	16	22,463	19,916
Liabilities to related parties	19	1,137	1,131
Contract liabilities	5	58,978	36,915
Taxes payable		1,520	934
Other current liabilities	20	85,681	54,047
Total current liabilities		<u>221,693</u>	<u>167,294</u>
Total liabilities		<u>1,389,202</u>	<u>1,392,859</u>
Total equity and liabilities		<u>910,662</u>	<u>828,443</u>

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Interim Financial Statements

Unaudited Condensed Consolidated Interim Statements of Cash Flows

<i>USD in thousands</i>	Notes	Six months ended 30 June 2023	Six months ended 30 June 2022
Cash flows from operating activities			
Loss for the period		(86,854)	(184,471)
Adjustments for non-cash items:			
Gain on extinguishment of SARs liability		-	(4,803)
Share listing expense	1.1	-	83,411
Share-based payment expense	17	11,911	5,555
Depreciation and amortization		10,934	9,977
Loss on disposal of property, plant and equipment	9	323	-
Change in allowance for receivables		18,500	-
Share of net loss of joint venture	21	2,706	1,266
Finance income	6	(122,480)	(50,968)
Finance costs	6	64,300	52,406
Exchange rate difference		3,081	(4,744)
Income tax benefit	7	(49,854)	(17,073)
Operating cash flow before movement in working capital		(147,433)	(109,444)
(Increase) in inventories	13	(7,896)	(15,606)
Decrease in trade receivables		16,665	24,092
Increase / (decrease) in liabilities with related parties		(102)	2,825
(Increase) / decrease in contract assets	5	1,215	(20,398)
(Increase) / decrease in other assets		3,711	(11,384)
Increase / (decrease) in trade and other payables		(6,182)	17,408
Increase / (decrease) in contract liabilities		37,679	(12,226)
Increase / (decrease) in other liabilities		4,395	(6,963)
Cash used in operations		(97,948)	(131,696)
Interest received		25	8
Interest paid		(29,427)	(9,220)
Income tax paid		(652)	(248)
Net cash used in operating activities		(128,002)	(141,156)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(22,594)	(17,660)
Disposal of property, plant and equipment		133	379
Acquisition of intangible assets	11	(2,764)	(9,309)
Restricted cash in connection with the amended bond agreement		-	(14,914)
Net cash used in investing activities		(25,225)	(41,504)

Cash flows from financing activities			
Repayments of borrowings	16	(84,507)	(1,414)
Repayments of principal portion of lease liabilities	10	(3,700)	(5,033)
Proceeds from new borrowings	16	93,561	10,786
Gross proceeds from the private placement equity offering fee	15	136,877	-
Gross private placement equity offering fee paid	15	(4,141)	-
Proceeds from warrants	22	6,365	-
Gross proceeds from the PIPE Financing	1.1	-	174,930
Gross PIPE Financing fees paid	1.1	-	(5,561)
Proceeds from the Capital Reorganization	1.1	-	9,827
Proceeds from loans from related parties		-	110,000
Net cash generated from financing activities		<u>144,455</u>	<u>293,535</u>
(Decrease) increase in cash and cash equivalents		(8,772)	110,875
Cash and cash equivalents at the beginning of the period		66,427	17,556
Effect of movements in exchange rates on cash held		2,811	7
Cash and cash equivalents at the end of the period		<u><u>60,466</u></u>	<u><u>128,438</u></u>

Supplemental cash flow disclosures (Note 23)

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Interim Financial Statements

Unaudited Condensed Consolidated Interim Statements of Changes in Equity

<i>USD in thousands</i>	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Translation reserve</u>	<u>Accumulated deficit</u>	<u>Total equity</u>
At 1 January 2022	135	1,000,118	-	4,669	(1,140,534)	(135,612)
Loss for the period	-	-	-	-	(184,471)	(184,471)
Foreign currency translation differences	-	-	-	(4,243)	-	(4,243)
Total comprehensive loss	-	-	-	(4,243)	(184,471)	(188,714)
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)
At 30 June 2022	<u>2,076</u>	<u>1,026,282</u>	<u>-</u>	<u>426</u>	<u>(1,325,005)</u>	<u>(296,221)</u>
At 1 January 2023	2,126	1,058,432	30,582	(1,442)	(1,654,114)	(564,416)
Loss for the period	-	-	-	-	(86,854)	(86,854)
Foreign currency translation differences	-	-	-	(1,523)	-	(1,523)
Total comprehensive loss	-	-	-	(1,523)	(86,854)	(88,377)
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	7,582	-	-	-	7,588
Recognition of share-based payments expense	-	-	10,909	-	-	10,909
Settlement of RSUs with shares	0	249	(333)	-	-	(84)
Settlement of SARs with shares	(10)	(9,526)	(4,231)	-	-	(13,767)
Recognition of equity component of convertible bonds	-	-	1,381	-	-	1,381
At 30 June 2023	<u>2,271</u>	<u>1,224,814</u>	<u>38,308</u>	<u>(2,965)</u>	<u>(1,740,968)</u>	<u>(478,540)</u>

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Interim Financial Statements

Notes to the Unaudited Condensed Consolidated Interim 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 unaudited condensed consolidated interim financial statements were approved by the Group’s Board of Directors, and authorized for issue, on 30 August 2023.

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 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 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;
- 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.

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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

	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 \$26.6 million of transaction costs, which represent legal, financial advisory, and other professional fees, during the six months ended 30 June 2022. Of this amount, \$5.6 million represented equity issuance costs related to PIPE Financing that were capitalized in share premium. The remaining \$21.0 million was recognized as general and administrative expense.

1.2 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 38.0% and 33.4% ownership interest as of 30 June 2023, respectively. The remaining 28.6% ownership interest is held by various shareholders, with no single shareholder holding more than 3.0% ownership interest as of 30 June 2023.

1.3 The impact of Russia and Ukraine Conflict and Economic Conditions

Global economic and business activities continue to face widespread macroeconomic uncertainties, including health epidemics, labor shortages, bank failures, inflation and monetary supply shifts, recession risks and potential disruptions from the Russia- Ukraine conflict. The Company continues to actively monitor the impact of these macroeconomic factors on its financial condition, liquidity, operations, and workforce. We are unable to predict the effect that geopolitical events, including the conflict in Ukraine, global inflation and rising interest rates, may have on our operations. To the extent that geopolitical events adversely affect our business prospects, financial condition, and results of operations, they may also have the effect of exacerbating many of the other risks described or referenced in the section titled “Risk Factors” of our Annual Report on Form 20-F for the year ended 31 December 2022, filed with the SEC on 1 March 2023.

As of 30 June 2023, the conflict in Ukraine has not had a material impact on the Group’s financial condition, results of operations, the timelines for biosimilar product development, expansion efforts or the Group’s operations as a whole.

The Company believes that inflation will have a general impact on the business in line with overall price increases, increases in the cost of borrowing, and operating in an inflationary economy. We cannot predict the timing, strength, or duration of any inflationary period or economic slowdown or its ultimate impact on the Company. If the conditions in the general economy significantly deviate from present levels and continue to deteriorate it could have a material adverse effect on the Group’s business, financial condition, results of operations and growth prospects.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

1.4 Going concern

The Group has primarily funded its operations with proceeds from the issuance of equity 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 \$86.9 million and \$184.5 million for the six months ended 30 June 2023 and 2022, respectively, and had an accumulated deficit of \$1,741.0 million as of 30 June 2023 and \$1,654.1 million as of 31 December 2022. The Group has not generated positive operational cash flow, largely due to the continued focus on biosimilar product development and expansion efforts.

As of 30 June 2023, the Group has cash and cash equivalents, excluding restricted cash, of \$60.5 million and net current assets less current liabilities of \$(9.8) million. The closing of the private placement equity offering in January 2023 provided the Group with gross proceeds of \$137.0 million that is expected to be used to finance the continuing development and commercialization of its biosimilar products. As described in Note 3, the Company extended strategic partnership with Mercury Pharma Group Limited (trading as Advanz Pharma Holdings) (“Advanz”) to commercialize five proposed biosimilars in Europe, yielding upfront payments from Advanz in the aggregate amount of \$61.0 million at signing of the agreement.

In July 2023, the Company expanded its existing strategic partnership agreement with Teva Pharmaceuticals, Inc. (“Teva”) who will acquire subordinated convertible bonds for \$40 million (see Note 24 for further information). The Group expects to continue to source its cash flows during the development of its biosimilar products from new and existing out-license contracts with customers.

During the same month, the Company also secured a private placement of subordinated convertible bonds denominated in Icelandic krona (ISK) and US dollar (USD) for a principal amount of \$100 million. ATP Holdings ehf., a subsidiary of Aztiq, the largest shareholder of Alvotech, committed to acquiring any of the bonds which have not been sold to other investors (see Note 24 for further information).

As such, the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis. Management continues to pursue the funding plans as described above, however 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. Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group as of and for the six months ended 30 June 2023 have been prepared in accordance and in compliance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) as issued by the International Accounting Standards Board (IASB).

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements issued for the year ended 31 December 2022, except for the adoption of new and amended accounting standards effective as of 1 January 2023 set out below. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective. The unaudited condensed consolidated interim financial statements are presented in US dollars and all values are rounded to the nearest thousand unless otherwise indicated.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

In the opinion of the Group's management, these unaudited condensed consolidated interim financial statements contain all normal recurring adjustments necessary to present fairly the financial position and results of operations of the Group for each of the periods presented. The unaudited condensed consolidated interim financial statements do not include all the notes and other information required in an annual financial report. Accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's consolidated financial statements issued for the year ended 31 December 2022. The condensed consolidated statement of financial position as of 31 December 2022 was derived from the consolidated financial statements at that date.

In preparing these unaudited condensed consolidated interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the Group's consolidated financial statements issued for the year ended 31 December 2022.

3. Significant changes in the current reporting period

The financial position and performance of the Group was impacted by the following events and transactions during the six months ended 30 June 2023:

On 25 January 2023, the Company issued an additional \$10.0 million in Tranche B Convertible Bonds. Holders of the Tranche B 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, or 30 June 2024. The conversion feature was accounted for as an embedded derivative, that is bifurcated and classified as equity. See Note 16 for further information.

On 10 February 2023, the Company completed a private placement equity offering of \$137.0 million, at current ISK exchange rates, 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 resulting in the potential issuance of penny warrants representing 1.0% of the fully diluted ordinary share capital (the "1.0% Senior Bond Warrants"). This was accounted for as an extinguishment of a derivative financial liability in the consolidated statement of profit or loss and other comprehensive income or loss. See Notes 15 and 16 for further information.

On 17 February 2023, the first tranche of OACB Earn Out Shares vested resulting in the issuance of 625,000 ordinary shares. The issuance of ordinary shares for the first tranche was accounted for as an extinguishment of a derivative financial liability. The difference between the fair value of the equity issued and the carrying value of the derivative financial liabilities was recognized in the consolidated statement of profit or loss and other comprehensive income or loss. See Note 22 for further information.

On 27 February 2023, the Group and Teva signed an amendment to the license and development agreement. As part of that amendment, the Group agreed to provide future financial consideration to Teva to assist with the cost of launching and marketing the licensed biosimilar products.

In January and February 2023, the Senior Bond Warrant (i.e., penny warrants) 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 difference between the fair value of the equity issued and the carrying value of the derivative financial liabilities was recognized in the consolidated statement of profit or loss and other comprehensive income or loss.

From January through March 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 551,261 ordinary shares and cash proceeds of \$6.3 million. The Company recognized the transaction as an extinguishment of the derivative financial liabilities. The difference between the fair value of the equity issued and the carrying value of the derivative financial liabilities was recognized in the consolidated statements of profit or loss and other comprehensive income or loss. See Note 22 for further information.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

In March 2023, Alvotech provided BiosanaPharma (“Biosana”) a notice of termination for the global licensing agreement between the two companies covering the co-development of AVT23, a proposed biosimilar to Xolair® (omalizumab). See Note 11 for further information.

In April 2023, Alvotech received from the US Food and Drug Administration (FDA) a complete response letter (CRL) for the Company’s Biologics License Application (BLA) for AVT02, a high-concentration biosimilar candidate for Humira® (adalimumab). On 28 June 2023, Alvotech announced that the FDA has issued a CRL for Alvotech’s BLA for AVT02, which contained data to support approval as a high-concentration biosimilar and additional information to support the interchangeability designation. The CRLs noted that certain deficiencies, which were conveyed following the FDA’s reinspection of the company’s Reykjavik facility that concluded in March 2023, must be satisfactorily resolved before the application can be approved.

On 19 May 2023, Alvotech entered into termination agreements with STADA Arzneimittel AG (“STADA”) to terminate the license and supply agreements between Alvotech and STADA pertaining to Alvotech’s product candidates AVT03, a biosimilar candidate to Prolia® / Xgeva® (denosumab), AVT05, a biosimilar candidate to Simponi® and Simponi Aria® (golimumab) and AVT16, a proposed biosimilar to Entyvio® (vedolizumab). Pursuant to the terms of the termination agreements, Alvotech repaid the aggregate amount of \$18.9 million in July 2023 that Alvotech had previously received from STADA under the terminated agreements.

On 22 May 2023, Alvotech entered into a master license and supply agreement with Advanz with respect to the supply and commercialization in Europe of AVT05, a biosimilar candidate to Simponi® and Simponi Aria® (golimumab), AVT16, a proposed biosimilar to Entyvio® (vedolizumab), and three additional early-stage, undisclosed biosimilar candidates (each, a “Product Schedule”). Under the terms of the agreements with Advanz, Alvotech will develop the product candidates and provide the dossier of data, information and know-how relating to the relevant product candidate to Advanz. Alvotech retains full ownership of all intellectual property rights in the product candidates and the dossiers. Advanz has an exclusive right to use the dossiers to apply for, and, subject to grant, maintain regulatory approvals for the products and to commercialize them in the European Economic Area, the United Kingdom and Switzerland. Advanz made upfront payments in the aggregate amount of \$61.0 million at signing of the Product Schedules 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. Alvotech will manufacture, supply and deliver the product to Advanz and Advanz will exclusively buy the relevant biosimilar candidate from Alvotech at a royalty of approximately 40% of the estimated net selling price or an agreed-upon applicable floor price, whichever is higher, for the duration of the relevant Product Schedule.

On 12 June 2023, Alvotech announced a settlement and license agreement with Johnson & Johnson concerning AVT04, Alvotech’s proposed biosimilar to Stelara® (ustekinumab) in the United States. The settlement grants a license entry date for AVT04 in the United States no later than 21 February 2025.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

4. New accounting policy and standards

In the six months ended 30 June 2023, the Group has applied, for the first time, the following new or revised international financial reporting standards (IFRS) issued by the IASB that are mandatorily effective for the period:

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 unaudited condensed consolidated interim 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. These amendments are effective for annual periods beginning on or after 1 January 2023. The adoption of these amendments did not have a material impact on the unaudited condensed consolidated interim financial statements of the Group.

IFRS 8 (Amendments) - Accounting Policies, Changes in Accounting Estimates and Errors

The IASB issued amendments on IFRS 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 applied to all financial statements and disclosures of the Group effective 1 January 2023. The adoption of the amendments did not have a material impact on the unaudited condensed consolidated interim 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 amendments are applied to all financial statements and disclosures of the Group effective 1 January 2023. The adoption of the amendments did not have a material impact on the unaudited condensed consolidated interim financial statements of the Group.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

5. Revenue

Disaggregated revenue

The following table summarizes the Group's 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 during the six months ended 30 June 2023 and 2022 (in thousands):

	30 June	
	2023	2022
Product revenue (point in time revenue recognition)	22,715	3,932
License revenue (point in time revenue recognition)	7,635	424
Research and development and other service revenue (over time revenue recognition)	(10,095)	35,762
	<u>20,255</u>	<u>40,118</u>

Increase in license revenue is mainly due to signing of new commercial contracts with new partners. Decrease in research and development and other service revenue is due to no milestones achieved in the period and termination of commercial contracts (see Note 3 for further information).

Contract assets and liabilities

A reconciliation of the beginning and ending balances of contract assets and contract liabilities related to Alvotech's out-license contracts is shown in the table below (in thousands):

	Contract assets	Contract liabilities
1 January 2023	28,656	93,932
Contract asset additions	(83)	-
Amounts transferred to trade receivables	(1,232)	(7,545)
Amounts transferred to other current liabilities	-	(34,194)
Customer prepayments	-	60,543
Revenue recognized	-	2,377
Foreign currency adjustment	100	1,252
30 June 2023	<u>27,441</u>	<u>116,365</u>

The decrease in contract assets as of 30 June 2023 is primarily due to reclassification from contract assets to trade receivables when the Group has the right to invoice the customer and the receipt of consideration is only conditional upon the passage of time. The net increase in contract liabilities as of 30 June 2023 is mainly due to prepayment from customers as the Group entered into new commercial agreements during the period, offset by termination of agreements which resulted in reclassification to other current liabilities (see Note 3 for further information).

As of 30 June 2023, \$8.3 million and \$19.1 million are recorded as non-current contract assets and current contract assets, respectively. Non-current contract assets will materialize over the next 2 to 4 years. As of 30 June 2023, \$57.4 million and \$59.0 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 7 years as either services are rendered or contractual milestones are achieved, depending on the performance obligation to which the payment relates.

Contract assets and contract liabilities as of 30 June 2022 were \$39.8 million and \$62.3 million, respectively. The Group recognized \$35.1 million of revenue during the six months ended 30 June 2022.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

6. Finance income and finance costs

Finance income earned during the six months ended 30 June 2023 and 2022 is as follows (in thousands):

	30 June	
	2023	2022
Changes in the fair value of derivative financial liabilities	119,528	50,920
Interest income from cash and cash equivalents	2,927	40
Other interest income	25	8
	<u>122,480</u>	<u>50,968</u>

Finance costs incurred during the six months ended 30 June 2023 and 2022 are as follows (in thousands):

	30 June	
	2023	2022
Changes in the fair value of derivative financial liabilities	(5,906)	-
Interest on debt and borrowings	(56,631)	(35,153)
Special put option and consenting fee	-	(7,430)
Loss on remeasurement of bonds	-	(6,511)
Interest on lease liabilities (see Note 10)	(1,362)	(3,312)
Amortization of deferred debt issue costs	(401)	-
	<u>(64,300)</u>	<u>(52,406)</u>

7. Income tax

The Group's effective tax rate for the six months ended 30 June 2023 and 30 June 2022 was 36.47% and 8.47%, respectively, resulting in a tax benefit in both periods. The effective tax rate for both periods is influenced by losses and non-deductible interest incurred in Luxembourg for which no deferred tax asset is recognized and IFRS fair value adjustments which are not tax effected. The tax benefit booked for the current period is driven by operational losses in Iceland and the favorable foreign currency impact arising from the strengthening of the Icelandic krona against the US dollar which increased the US dollar value of tax loss carry-forward.

8. Loss per share

The calculation of basic and diluted loss per share for the six months ended 30 June 2023 and 2022 is as follows (in thousands, except for share and per share amounts):

	30 June	
	2023	2022
Earnings		
Loss for the period	(86,854)	(184,471)
Number of shares		
Weighted average number of ordinary shares outstanding	225,523,805	181,695,118
Basic and diluted loss per share	<u>(0.39)</u>	<u>(1.02)</u>

During the six months ended 30 June 2023 and 2022, the calculation of diluted loss per share did not differ from the calculation of basic loss per share since the inclusion of potential Ordinary Shares pursuant to the Group's earn out agreements, warrant agreements, former convertible loan agreements and convertible bond agreements would have been antidilutive. As such, 72,888,953 and 50,496,647 potential Ordinary Shares were excluded from the calculation of diluted loss per share for the six months ended 30 June 2023 and 2022, respectively.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

9. Property, plant and equipment

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of \$19.5 million, primarily consisting of facility equipment. The Group recognized \$6.8 million and \$4.9 million of depreciation expense for the six months ended 30 June 2023 and 2022, respectively. Disposal of assets in the six months ended 30 June 2023 amounted to \$0.4 million.

During the six months ended 30 June 2023 and 2022, the Group recognized no impairments of property, plant and equipment.

The Group pledged \$119.4 million and \$122.4 million of property, plant and equipment as collateral to secure bank loans with third parties as of 30 June 2023 and 31 December 2022, respectively.

10. Leases

The Group's leased assets consist of facilities, fleet and equipment pursuant to both arrangements with third parties and related parties. In April 2023 the Group started to lease a new building in Reykjavik from Fasteignafélagið Eyjólfur ehf. a related party, (see Note 19). At the commencement of the lease the carrying value of the asset was \$51.7 million. The carrying amounts of the Group's right-of-use assets and the movements during the six months ended 30 June 2023 are as follows (in thousands):

	2023
Right-of-use assets	
Balance at 1 January	47,501
Adjustments for indexed leases	2,780
New or renewed leases	54,846
Cancelled leases	(258)
Depreciation	(3,742)
Translation difference	275
Balance at 30 June	<u>101,402</u>

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 six months ended 30 June 2023 are as follows (in thousands):

	2023
Lease liabilities	
Balance at 1 January	40,532
Adjustments for indexed leases	2,780
New or renewed leases	53,920
Installment payments	(2,889)
Cancelled leases	(266)
Foreign currency adjustment	(16)
Translation difference	1,338
Balance at 30 June	<u>95,399</u>
Current liabilities	<u>(7,983)</u>
Non-current liabilities	<u>87,416</u>

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

The amounts recognized in the unaudited condensed consolidated interim statements of profit or loss and other comprehensive income or loss during the six months ended 30 June 2023 and 2022 in relation to the Group's lease arrangements are as follows (in thousands):

	30 June	
	2023	2022
Total depreciation expense from right-of-use assets	(3,742)	(4,641)
Interest expense on lease liabilities	(1,362)	(3,312)
Foreign currency difference on lease liability	1,338	3,526
Loss of cancelled leases	(8)	-
Total amount recognized in profit and loss	(3,774)	(4,427)

The maturity analysis of undiscounted lease payments as of 30 June 2023 is as follows (in thousands):

	30 June 2023
Less than one year	11,961
One to five years	41,257
Thereafter	69,807
	123,025

11. Other intangible assets

During the six months ended 30 June 2023, the Group acquired \$2.9 million of software assets. The Group recognized \$0.4 million and \$0.4 million of amortization expense for the six months ended 30 June 2023 and 2022, respectively.

During the six months ended 30 June 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.

12. Cash and cash equivalents

Cash and cash equivalents include both cash in banks and on hand. Cash and cash equivalents as of 30 June 2023 and 31 December 2022 are as follows (in thousands):

	30 June 2023	31 December 2022
Cash and cash equivalents denominated in US dollars	9,609	10,377
Cash and cash equivalents denominated in other currencies	50,857	56,050
	60,466	66,427

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

13. Inventories

The Group's inventory balances as of 30 June 2023 and 31 December 2022 are as follows (in thousands):

	30 June 2023	31 December 2022
Raw materials and supplies	47,835	41,961
Work in progress	31,806	29,450
Finished goods	1,514	2,121
Inventory reserves	(1,789)	(2,062)
	<u>79,366</u>	<u>71,470</u>

The increase in inventory from 31 December 2022 to 30 June 2023 is due to ongoing preparation for commercial launch of certain of the Group's biosimilar product candidates.

14. Other current assets

The composition of other current assets as of 30 June 2023 and 31 December 2022 is as follows (in thousands):

	30 June 2023	31 December 2022
Prepaid expenses	22,630	20,601
Value-added tax	7,691	6,468
Proceeds receivable from Convertible Bonds	-	3,520
Derivative asset	-	851
Other short-term receivables	4,667	1,509
	<u>34,988</u>	<u>32,949</u>

15. Share capital

Movements in the Group's Ordinary Shares, share capital and share premium during the six months ended 30 June 2023 is as follows (in thousands, except for share amounts):

	Ordinary shares	Share capital	Share premium	Total
Balance at 1 January 2023	252,160,087	2,126	1,058,432	1,060,558
Capital contribution (Note 3)	11,834,061	118	132,618	132,736
Vested earn-out shares (Note 3)	0	6	8,300	8,306
Penny warrants (Note 3)	2,479,962	25	27,159	27,184
Public warrants (Note 3)	551,300	6	7,582	7,588
Settlement of RSUs with shares	42,328	-	249	249
Settlement of SARs with shares	(1,044,737)	(10)	(9,526)	(9,536)
Balance at 30 June 2023	<u>266,023,001</u>	<u>2,271</u>	<u>1,224,814</u>	<u>1,227,085</u>

No dividends were paid or declared during the six month periods ended 30 June 2023 and 2022.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

16. Borrowings

The Group's debt consists of interest-bearing borrowings from financial institutions, related parties and third parties. Outstanding borrowings, net of net debt issue costs, are as follows (in thousands):

	30 June 2023	31 December 2022
Senior Bonds	540,189	530,506
Convertible Bonds	51,211	32,441
Aztiq Convertible Bond	13,798	65,793
Mitsui Convertible Bond	54,134	—
Shinhan Convertible Bond	5,026	—
Alvogen Facility	70,271	64,588
Other borrowings	74,009	71,242
Total outstanding borrowings, net of debt issue costs	808,638	764,570
Less: current portion of borrowings	(22,463)	(19,916)
Total non-current borrowings	786,175	744,654

The weighted-average interest rates of outstanding borrowings for the six months ended 30 June 2023 and the twelve months ended 31 December 2022 are 12.52% and 12.41%, respectively.

Senior Bonds

As of 30 June 2023, the carrying amount, including accrued interest, of the Senior Bonds was \$540.2 million. 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.

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 resulting in the potential issuance of the 1.0% Senior Bond Warrants (see Note 22 for further information).

The Group has pledged its property, plant and equipment, intellectual property and trademarks as collateral for the Senior Bonds.

Convertible Bonds

On 25 January 2023, the Company issued an additional \$10.0 million in Tranche B convertible bonds (the "Convertible Bonds"). Holders of the Tranche B 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 December 31, 2023, or June 30, 2024.

The conversion feature associated with the Tranche B Convertible Bonds was determined to be an embedded derivative as the economic characteristics and risks are not closely related to the debt host. The Tranche B conversion feature was bifurcated and classified as equity due to the conversion price having preservation and passage of time adjustments that meet the fixed-for-fixed criteria.

As of 30 June 2023, the carrying amount, including accrued interest, of the Tranche A and Tranche B Convertible Bonds was \$41.3 million and \$9.9 million, respectively.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Aztiq Convertible Bond and Other Bonds

In April 2023, ATP Holdings ehf., an affiliate of Aztiq, a related party, 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 30 June 2023, the carrying amount, including accrued interest, of the Aztiq Convertible Bond, the Mitsui Convertible Bond and the Shinhan Convertible Bond was \$13.8 million, \$54.1 million and \$5.0 million, respectively. Fair value measurements of the derivative financial liabilities are set out in Note 22.

Alvogen Facility

In connection with the 16 November 2022 Senior Bond amendment, Alvotech entered into a subordinated loan agreement with Alvogen (the “Alvogen Facility”).

As of 30 June 2023, the carrying amount, including accrued interest, of the Alvogen Facility was \$70.3 million.

Other borrowings

In December 2022 the Group refinanced its manufacturing facility in Reykjavik with two Landsbankinn hf. loans. Those two loans were denominated in ISK 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 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 30 June 2023, the outstanding balance on the two loans was \$17.1 million and \$32.7 million, respectively.

Movements in the Group’s outstanding borrowings during the six months ended 30 June 2023 are as follows (in thousands):

	30 June 2023
Borrowings, net at 1 January	764,570
Extinguishment of borrowings	(81,554)
Repayments of borrowings	(2,954)
Proceeds from new borrowings	96,450
Accrued interest	25,203
Recognition of new borrowing discount	(1,381)
Accretion/derecognition of borrowing discount	5,434
Amortisation of deferred debt issue cost	401
Foreign currency exchange difference	2,469
Borrowings, net at end of period	808,638

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Maturities of the Group's outstanding borrowings as of 30 June 2023 are as follows (in thousands):

	30 June 2023
Within one year	22,463
Within two years	543,530
Within three years	197,841
Within four years	3,468
Thereafter	41,336
	<u>808,638</u>

The Group's indebtedness also includes interest-bearing loans from related parties, Alvogen and Aztiq. The Group's outstanding borrowings from such related party loans are \$84.1 million as of 30 June 2023. See Note 19 for further information.

17. Share-based payments

On 1 December 2022, the Remuneration Committee authorized, and the Group granted restricted stock units ("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 fair value of the Ordinary Shares underlying the awards on the date of grant and expensed over the vesting period, which is generally a one to four-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 period ended 30 June 2023 are as follows:

	2023
Outstanding at 1 January	6,979,486
New grants during the period	326,123
Forfeited during the period	(597,421)
Vested during the period	(633,020)
Shares delivered during the period	(656,086)
Outstanding at 30 June	<u>5,419,082</u>

	RSUs	Weighted Average Fair value
Granted	6,731,665	\$6.83
Vested	(1,312,583)	\$6.33
Outstanding at 30 June	<u>5,419,082</u>	<u>\$6.95</u>

The Group recognized the following share-based payment expense during the periods ended 30 June 2023 and 2022 (in thousands):

	2023	2022
Cost of product revenue	1,769	-
Research and development expenses	2,625	-
General and administrative expenses	7,517	-
	<u>11,911</u>	<u>-</u>

18. Litigation

The Company is involved in legal proceedings and litigation in the ordinary course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Company's combined financial position, results of operations, or liquidity.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

19. Related parties

Related party transactions as of and for the six months ended 30 June 2023 are as follows (in thousands):

	Purchased service / interest	Sold Service	Receivables	Payables / Loans
Alvogen Lux Holdings S.à r.l. – Sister company (a)	5,683	-	-	70,271
ATP Holdings ehf. – Sister company (a)	3,138	-	766	15,843
Aztiq Fjárfestingar ehf. – Sister company	-	5	5	-
Aztiq Consulting ehf. – Sister company	100	55	-	17
Flóki-Art ehf. – Sister company	50	-	-	-
Alvogen Iceland ehf. - Sister company	24	-	-	484
Alvogen ehf. - Sister company	-	73	1	-
Alvogen UK - Sister company	31	-	-	12
Alvogen Finance B.V. - Sister Company	194	-	-	194
Lotus Pharmaceuticals Co. Ltd. - Sister company (b)	-	-	-	7,440
Lotus International Pte. Ltd. - Sister company	-	2	-	-
Alvogen Emerging Markets - Sister company	102	-	-	-
Alvogen Inc. - Sister company	159	-	12	144
Alvotech and CCHT Biopharmaceutical Co., Ltd. (c)	-	-	758	-
Adalvo Limited - Sister company	30	103	103	32
Adalvo UK - Sister company	-	49	-	-
Flóki Invest ehf - Sister company	319	-	-	84
Alvogen Malta Sh. Services - Sister company	-	-	7	-
Norwich Clinical Services Ltd - Sister company	257	-	-	93
Fasteignafélagið Eyjólfur ehf - Sister company	1,636	-	-	52,454
FLÓKI fasteignir ehf. - Sister company	947	-	4	9,012
	<u>12,670</u>	<u>287</u>	<u>1,656</u>	<u>156,080</u>

(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 16).

(b) Payables to Lotus Pharmaceuticals Co. Ltd. is presented as “Other long-term liability to related party” on the unaudited condensed consolidated interim statements of financial position.

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Related party transactions as of and for the six months ended 30 June 2022 and as of 31 December 2022 are as follows (in thousands):

	30 June 2022		31 December 2022	
	Purchased service / interest	Sold Service	Receivables	Payables / Loans
Alvogen Lux Holdings S.à r.l. – Sister company (a)	889	-	-	64,588
ATP Holdings ehf. – Sister company (a)	-	-	765	81,254
Aztiq Consulting ehf. – Sister company	-	-	-	25
Aztiq Fjárfestingar ehf. – Sister company	-	-	-	20
Fasteignafélagið Sæmundur hf. - Sister company (e)	3,987	-	-	-
Alvogen Iceland ehf. - Sister company	470	180	-	484
Alvogen ehf. - Sister company	-	-	1	-
Lotus Pharmaceuticals Co. Ltd. - Sister company (b)	-	-	2	7,440
Lotus International Pte. Ltd. - Sister company	-	2	3	-
Alvogen Emerging Markets - Sister company	98	-	-	-
Alvogen Inc. - Sister company	89	303	12	222
Alvotech and CCHT Biopharmaceutical Co., Ltd. (c)	-	-	758	-
Adalvo Limited - Sister company	545	215	-	349
Alvogen Pharma India Ltd. - Sister company	786	-	-	-
Flóki Invest ehf - Sister company	96	-	-	-
L41 ehf. - Sister company	26	-	-	-
Alvogen Malta Sh. Services - Sister company	522	-	7	-
Alvogen Spain SL - Sister company	97	-	-	-
Norwich Clinical Services Ltd - Sister company	134	-	-	31
Lambhagavegur 7 ehf - Sister company (d)	539	-	-	-
Fasteignafélagið Eyjólfur ehf - Sister company	-	196	-	-
Flóki fasteignir ehf. - Sister company	734	-	-	8,876
	<u>9,012</u>	<u>895</u>	<u>1,548</u>	<u>163,289</u>

(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 16).

(b) Payables to Lotus Pharmaceuticals Co. Ltd. is presented as “Other long-term liability to related party” on the unaudited condensed consolidated interim statements of financial position.

(c) The amount receivable from Alvotech and CCHT 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) Lambhagavegur is no longer a related party as it was sold during the year ended 31 December 2022.

(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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

20. Other current liabilities

The composition of other current liabilities as of 30 June 2023 and 31 December 2022 is as follows (in thousands):

	30 June 2023	31 December 2022
Unpaid salary and salary related expenses	12,077	15,620
Unpaid tax relating to SARs settlements	13,080	-
Accrued interest and financial fees	2,264	2,249
Accrued payables to commercial partners	34,194	-
Accrued vacation leave	5,327	5,025
Employee incentive plan	4,220	12,433
Accrued expenses	14,519	18,720
	<u>85,681</u>	<u>54,047</u>

21. Interests in joint ventures

The following table provides the change in the Group's investment in joint venture for its 50% ownership of Alvotech & CCHT Biopharmaceutical Co., Ltd. (the "joint venture" or "JVCO") during the six months ended 30 June 2023 (in thousands):

	30 June 2023
Balance at 1 January	48,568
Share in losses	(2,706)
Translation difference	(2,249)
	<u>43,613</u>

The Group did not receive any dividends from JVCO during the six months ended 30 June 2023 and 2022. Furthermore, there were no commitments or contingencies outstanding with JVCO as of 30 June 2023. 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

22. Financial instruments

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 statement of profit or loss and other comprehensive income or loss. The Predecessor Earn Out Shares had a fair value of \$176.7 million as of 30 June 2023 and \$276.2 million as of 31 December 2022.

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 Company. 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 statement of profit or loss. The difference between the fair value of the equity issued and the carrying value of the derivative financial liabilities was recognized in the consolidated statement of profit or loss and other comprehensive income or loss. The OACB Earn Out Shares had a fair value of \$3.3 million as of 30 June 2023 and \$10.5 million as of 31 December 2022.

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. Each warrant entitles the holder to purchase one Alvotech ordinary share. From January through March 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 551,261 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 \$12.9 million as of 30 June 2023 and \$10.2 million at 31 December 2022. The fair value of the warrants was derived from the publicly quoted trading price at the valuation date.

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, Mitsui Convertible Bond, Shinhan Convertible Bond and other Convertible Bonds, since any applicable interest receivable or payable is either close to current market rates or the instruments are short-term in nature. Differences between the fair values and carrying amounts of these borrowings as of 30 June 2023 and 31 December 2022 are identified as follows:

	30 June 2023	
	Carrying amount	Fair value
Senior Bonds	540,189	546,510
Aztiq Convertible Bond	13,798	14,721
Mitsui Convertible Bond	54,134	57,755
Shinhan Convertible Bond	5,026	5,362
Convertible Bonds	51,211	73,822
	<u>664,358</u>	<u>698,170</u>
31 December 2022		
	Carrying amount	Fair value
Senior Bonds	530,506	535,167
Aztiq Convertible Bond	65,793	65,772
Convertible Bonds	32,441	52,463
	<u>628,740</u>	<u>653,402</u>

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Fair value measurements

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments measured to fair value on a recurring basis as of 30 June 2023 (in thousands):

	30 June 2023			Total
	Level 1	Level 2	Level 3	
Senior Bond Warrant liabilities	-	-	12,838	12,838
Tranche A Conversion Feature	-	-	23,355	23,355
Predecessor Earn Out Shares	-	176,700	-	176,700
OACB Earn Out Shares	-	3,300	-	3,300
OACB Warrant liabilities	12,853	-	-	12,853
	12,853	180,000	36,193	229,046

The Group did not recognize any transfers of assets or liabilities between levels of the fair value hierarchy during the six-month period ended 30 June 2023.

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. 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. 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 six-month period ended 30 June 2023, resulting in a loss on extinguishment of \$0.9 million recorded in finance costs.

Senior Bond Warrants

The fair value of the Senior Bond Warrants was determined using the Finnerty model along with the publicly quoted trading price of Ordinary Shares and probability of the contingent events occurring at the valuation date. Probabilities associated with the instruments are determined based on all relevant internal and external information available and are reviewed and reassessed at each reporting date. As of 30 June 2023, the Company had 1,718,845 warrants with an exercise price of \$0.01, representing the 1.5% tranche of Senior Bond Warrants (see Note 16 for further information).

Tranche A Conversion Feature

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:

	30 June 2023	31 December 2022
Stock Price	\$7.74	\$10.00
Conversion Price	\$10.00	\$10.00
Volatility rate	52.5%	45.0%
Risk-free interest rate	4.7%	4.2%
Dividend yield	0.0%	0.0%
Risk yield	16.5%	19.3%

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Predecessor Earn Out Shares

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:

	30 June 2023	31 December 2022
Number of shares	38,330,000	38,330,000
Share price	\$7.74	\$10.00
Volatility rate	50.0%	45.0%
Risk-free interest rate	4.32%	4.05%

OACB Earn Out Shares

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:

	30 June 2023	31 December 2022
Number of shares	625,000	1,250,000
Share price	\$7.74	\$10.00
Volatility rate	50.0%	45.0%
Risk-free interest rate	4.32%	4.05%

The number of shares is based on the shares granted as part of the Business Combination Agreement. The stock price is based on Company's stock price at the valuation date. The volatility rate is based on historical data from a peer group of public companies with an enterprise value between \$500 million and \$5 billion. The risk-free interest rate is based on U.S. treasury yields corresponding to the expected life input into the pricing model.

OACB Warrants

The fair value of the warrant liabilities was determined using the public trading price of the warrants. The public trading price of the warrants was \$1.24 at 30 June 2023.

23. Supplemental cash flow information

Supplement cash flow information for the periods ended 30 June 2023 and 2022 is included below (in thousands):

	30 June	
	2023	2022
Non-cash investing and financing activities		
Acquisition of property, plant and equipment in trade payables and current liabilities	1,082	998
Acquisition of intangibles through in trade payables and current liabilities	4,201	-
Right-of-use assets obtained through new operating leases	53,920	1,592
OACB Earn Out Shares recognized	-	9,100
Predecessor Earn Out Shares recognized	-	227,500
Settlement of SARs with shares	13,768	30,302
Settlement of RSUs with shares	84	-

24. Subsequent events

The Group evaluated subsequent events through 30 August 2023, the date these unaudited condensed consolidated interim financial statements were available to be issued.

On 24 July 2023, Alvotech announced that Teva and Alvotech have agreed to expand their existing strategic partnership agreement. As part of the agreement, Teva will acquire subordinated convertible bond instruments, dated 20 December 2022, in principal amount of \$40 million. The expansion to the existing strategic partnership agreement pertains to exclusive commercialization in the U.S. by Teva of two new biosimilar candidates (adding to the five products in the current partnership agreement, AVT02, AVT04, AVT05, AVT06 and AVT16) and line extensions of two current biosimilar candidates in the partnership, 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.

On 31 July 2023, Alvotech completed a private placement of subordinated convertible bonds denominated in Icelandic krona and US dollar for a principal amount of \$100 million, or approximately ISK 13 billion at current exchange rates, in an overseas offering directed solely at qualified investors in Iceland. ATP Holdings ehf., which is affiliated with Aztiq Pharma Partners S.à r.l., the largest shareholder of Alvotech, has entered into an agreement with Alvotech under which ATP Holdings ehf. has committed to acquiring any of the bonds which have not been sold to other investors, after all binding offers from qualified professional investors in the private placement have been submitted, up to the principal amount of \$100 million.

ALVOTECH MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of Alvotech's financial condition and results of operations should be read in conjunction with Alvotech's unaudited condensed consolidated interim financial statements and related notes and other financial information that are included elsewhere in this filing, as well as our audited consolidated financial statements and the related notes for the year ended 31 December 2022 and other financial information included in the Company's annual report on the Form 20-F filed on 1 March 2023. The following discussion is based on Alvotech's financial information prepared in accordance with the International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. Some of the information contained in this discussion and analysis, including information with respect to Alvotech's plans and strategy for its business and related financing, includes forward-looking statements that involve risks and uncertainties. Alvotech's actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Unless otherwise indicated or the context otherwise requires, all references to "Alvotech," the "Company," the "Group," "we," "our," "us" or similar terms refer to Alvotech and its consolidated subsidiaries.

All amounts discussed are in U.S. dollars, unless otherwise indicated.

Company Overview

Alvotech is a highly integrated biotech company focused solely on the development and manufacture of biosimilar medicines for patients worldwide. Our purpose is to improve the health and quality of life of patients around the world by improving access to proven treatments for various diseases. Since our inception, we have built our company with key characteristics we believe will help us capture the substantial global market opportunity in biosimilars: a leadership team that has brought numerous successful biologics and biosimilars to market around the world; a purpose-built biosimilars R&D and manufacturing platform; top commercial partnerships in global markets; and a diverse, expanding pipeline addressing many of the biggest disease areas and health challenges globally. Alvotech is a company committed to constant innovation: we focus our platform, people and partnerships on finding new ways to drive access to more affordable biologic medicines. Alvotech, which was founded in 2013, is led by specialists in biopharmaceutical product creation from around the world that bring extensive combined knowledge and expertise to its mission.

Alvotech currently has eleven product candidates in its pipeline for serious diseases with unmet patient and market need. Product candidates in our pipeline address reference products treating autoimmune, eye, and bone disorders, as well as cancer.

- Alvotech's most advanced product is AVT02, the company's high-concentration biosimilar to Humira® (adalimumab), the world's top-selling non-COVID pharmaceutical product with approximately \$21.2 billion in global sales in 2022. Alvotech received approval for AVT02 for Europe in November 2021 and for Canada and the UK in January 2022. In April 2022, Alvotech's commercial partner, JAMP Pharma, launched AVT02 under the name SIMLANDI in Canada. In June 2022, Alvotech's commercial partner, STADA, launched AVT02 under the name Hukyndra in selected European countries, including France, Germany, Finland, and Sweden. AVT02 was approved in Australia in September 2022 and Saudi Arabia in January 2023. AVT02 is sold in 17 global markets with no negative safety signals or concerns and approved in 42 markets and currently planning for additional launches in additional markets during 2023 pending regulatory clarity.

In September 2020, Alvotech submitted its biologics license application, or BLA, for AVT02 to the FDA and in September 2021, the FDA notified Alvotech it had elected to defer the application. In February 2022, the FDA communicated that it had accepted Alvotech's BLA supporting interchangeability for review. Pursuant to the U.S. AbbVie Agreement, Alvotech and AbbVie settled all U.S. litigation arising out of the development of Alvotech's adalimumab biosimilar, and the filing of the corresponding BLA with the FDA.

In April 2023, Alvotech received from the FDA a complete response letter (CRL) for the Company's BLA. The CRL noted that certain deficiencies conveyed following the FDA's recent reinspection of the company's Reykjavik facility must be satisfactorily resolved before the application may be approved.

On 28 June 2023, the FDA issued a CRL for Alvotech's 2nd BLA, which contained data to support approval as a high-concentration biosimilar and additional information to support the interchangeability designation. The CRL noted that certain deficiencies, which were conveyed following the FDA's reinspection of the company's Reykjavik facility that concluded in March 2023, must be satisfactorily resolved before the application can be approved.

- Alvotech's next three most advanced product candidates, AVT06, AVT03, and AVT05, are proposed biosimilars to Eylea® (aflibercept), Prolia®/Xgeva® (denosumab) and Simponi®/Simponi Aria® (golimumab), respectively. Alvotech announced that the AVT04 filing was accepted in the U.S. in January 2023, and in Europe in February 2023.
- In March 2023, Alvotech provided BiosanaPharma ("Biosana") a notice of termination for the global licensing agreement between the two companies covering the co-development of AVT23, a proposed biosimilar to Xolair® (omalizumab).
- In May 2023, a confirmatory patient study was initiated for AVT05, a proposed biosimilar to Simponi® and Simponi Aria® (golimumab). The objective of the study is to demonstrate clinical similarity of AVT05 to Simponi® in terms of efficacy, safety, immunogenicity, and pharmacokinetics in adult patients with moderate to severe rheumatoid arthritis. In the twelve months up to April 2023, combined net revenues worldwide from sales of Simponi®, and Simponi Aria® were over U.S. \$2.1 billion according to quarterly filings by the manufacturer of the reference products. Currently Alvotech is aware of only one other company that has initiated a study to support a biosimilar candidate for Simponi® and Simponi Aria®.
- On 19 May 2023, Alvotech entered into termination agreements with STADA Arzneimittel AG ("STADA") to terminate the license and supply agreements between Alvotech and STADA pertaining to Alvotech's product candidates AVT03, a biosimilar candidate to Prolia® / Xgeva® (denosumab), AVT05, a biosimilar candidate to Simponi® and Simponi Aria® (golimumab) and AVT16, a proposed biosimilar to Entyvio® (vedolizumab). Pursuant to the terms of the termination agreements, Alvotech repaid the aggregate amount of \$18.9 million in July 2023 that Alvotech had previously received from STADA under the terminated agreements.
- On 22 May 2023, Alvotech entered into a master license and supply agreement with Mercury Pharma Group Limited (trading as Advanz Pharma Holdings) ("Advanz") and agreed on product schedules with respect to the supply and commercialization in Europe of AVT05, a biosimilar candidate to Simponi® and Simponi Aria® (golimumab), AVT16, a proposed biosimilar to Entyvio® (vedolizumab), and three additional early-stage, undisclosed biosimilar candidates (each, a "Product Schedule"). Under the terms of the agreements with Advanz, Alvotech will develop the product candidates and provide the dossier of data, information and know-how relating to the relevant product candidate to Advanz. Alvotech retains full ownership of all intellectual property rights in the product candidates and the dossiers. Advanz has an exclusive right to use the dossiers to apply for, and, subject to grant, maintain regulatory approvals for the products and to commercialize them in the European Economic Area, the United Kingdom and Switzerland. Advanz made upfront payments in the aggregate amount of \$61.0 million at signing of the Product Schedules 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. Alvotech will manufacture, supply and deliver the product to Advanz and Advanz will exclusively buy the relevant biosimilar candidate from Alvotech at a royalty of approximately 40% of the estimated net selling price or an agreed-upon applicable floor price, whichever is higher, for the duration of the relevant Product Schedule.

- On 12 June 2023, Alvotech announced a settlement and license agreement with Johnson & Johnson concerning AVT04, Alvotech’s proposed biosimilar to Stelara® (ustekinumab) in the United States. The settlement grants a license entry date for AVT04 in the United States no later than 21 February 2025.
- On 24 July 2023, Alvotech announced that Teva Pharmaceuticals, Inc. (“Teva”) and Alvotech have agreed to expand their existing strategic partnership agreement. As part of the agreement, Teva will acquire subordinated convertible bond instruments, dated 20 December 2022, for \$40 million. The expansion to the existing strategic partnership agreement pertains to exclusive commercialization in the U.S. by Teva of two new biosimilar candidates (adding to the five products in the current partnership agreement, AVT02, AVT04, AVT05, AVT06 and AVT16) and line extensions of two current biosimilar candidates in the partnership, 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. The agreement also includes increased involvement by Teva regarding manufacturing and quality at Alvotech’s manufacturing facility. Teva is actively supporting Alvotech on-site in Iceland to be fully ready for an FDA inspection.
- Alvotech also has a number of other programs in earlier phases of development that it plans to advance over the coming years. The two most advanced of these, AVT16 and AVT33, are in early development and with immunology and oncology reference products that have estimated combined global peak sales of approximately \$30 billion.

Alvotech’s net loss was \$86.9 million, and \$184.5 million for the six months ended 30 June 2023, and 2022, respectively. Alvotech’s Adjusted EBITDA was \$(146.5) million, and \$(88.5) million for the six months ended 30 June 2023, and 2022, respectively. Alvotech expects to continue to incur expenses and operating losses for the foreseeable future, as it advances its product candidates through preclinical and clinical development and seeks regulatory approvals, manufactures drug product and drug supply, maintains and expands its intellectual property portfolio, hires additional personnel, and pays for accounting, audit, legal, regulatory and consulting services and costs associated with maintaining compliance with exchange listing rules and the requirements of the SEC and the Icelandic stock exchange, director and officer liability insurance premiums, investor and public relations activities and other expenses associated with operating as a public company.

Factors Affecting Alvotech’s Performance

The pharmaceutical industry is highly competitive and highly regulated. As a result, Alvotech faces a number of industry-specific factors and challenges, which can significantly impact its results. For a more detailed explanation of Alvotech’s business and risks, see the “Risk Factors” sections of Alvotech’s filings with the Securities and Exchange Commission. These factors include:

Competition

The regions in which Alvotech conducts business and the pharmaceutical industry in general is highly competitive. Alvotech faces significant competition from a wide range of companies in a highly regulated industry, including competition from both biosimilar developers and manufacturers as well as competition from branded pharmaceutical developers and manufacturers. In addition, Alvotech is at risk of becoming a party to litigation with respect to patent infringement and other related claims.

Research and development uncertainty

Research and development within the pharmaceutical industry has a high degree of uncertainty, and likewise there is uncertainty with respect to the probability of success of Alvotech's biosimilar programs and the timing of the requisite preclinical and clinical steps to achieve regulatory approval of its biosimilar product candidates.

Reliance on commercial partners

Alvotech has partnered with several third parties to commercialize its biosimilar product candidates, once approved by the appropriate regulatory agencies. Alvotech does not currently have the capabilities or the necessary infrastructure to commercialize its products independently.

The Business Combination and PIPE Financing

On 15 June 2022 (the "Closing Date"), Alvotech consummated the business combination with Alvotech Holdings and OACB (the "Business Combination") pursuant to the business combination agreement dated 7 December 2021 and as amended by an amendment agreement dated 18 April 2022 and 7 June 2022 (the "Business Combination Agreement"). The Business Combination was accounted for as a capital reorganization.

Concurrently with the execution of the Business Combination Agreement, OACB and Alvotech entered into 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.

The closing of the Business Combination and the PIPE Financing provided the Group with gross proceeds of \$184.7 million that is expected to be used to finance the continuing development and commercialization of its biosimilar products. The Company also incurred \$26.6 million of transaction costs, which represent legal, financial advisory, and other professional fees in connection with the Business Combination and PIPE Financing, during the six months ended 30 June 2022. Of this amount, \$5.6 million represented equity issuance costs related to PIPE Financing.

The Russia and Ukraine Conflict and Global Economic Conditions

Global economic and business activities continue to face widespread macroeconomic uncertainties, including health epidemics, labor shortages, bank failures, inflation and monetary supply shifts, recession risks and potential disruptions from the Russia-Ukraine conflict. The Company continues to actively monitor the impact of these macroeconomic factors on its financial condition, liquidity, operations, and workforce. We are unable to predict the effect that geopolitical events, including the conflict in Ukraine, global inflation, and rising interest rates, may have on our operations. To the extent that geopolitical events adversely affect our business prospects, financial condition, and results of operations, they may also have the effect of exacerbating many of the other risks described or referenced in the section titled "Risk Factors" of our Annual Report on Form 20-F for the year ended 31 December 2022, filed with the SEC on 1 March 2023.

As of 30 June 2023, the conflict in Ukraine has not had a material impact on the Group's financial condition, results of operations, the timelines for biosimilar product development, expansion efforts or the Group's operations as a whole.

The Company believes that inflation will have a general impact on the business in line with overall price increases, increases in the cost of borrowing and operating in an inflationary economy. We cannot predict the timing, strength, or duration of any inflationary period or economic slowdown or its ultimate impact on the Company. If the conditions in the general economy significantly deviate from present levels and continue to deteriorate it could have a material adverse effect on the Group's business, financial condition, results of operations and growth prospects.

Components of Operations

Product revenue

Starting during the six months ended 30 June 2022, the Company recognized revenue from product sales resulting from the launch of Alvotech's AVT02 product, under the name Hukyndra in select European countries and SIMLANDI in Canada. In June 2022, Alvotech's commercial partner, STADA, launched AVT02 under the name Hukyndra in selected European countries, including France, Germany, Finland, and Sweden. AVT02 was approved in Australia in September 2022 and Saudi Arabia in January 2023. The Company expects to continue to recognize product revenue as products are successfully launched into the marketplace.

License and other revenue

Alvotech generates a majority of its license and other revenue from milestone payments pursuant to long-term out-license contracts which provide its partners with an exclusive right to market and sell Alvotech's biosimilar product candidates in a particular territory once such products are approved for commercialization. These contracts typically include commitments to continue development of the underlying compound and to provide supply of the product to the partner upon commercialization.

In the future, revenue may include new out-license contracts and additional milestone payments. Alvotech expects that any revenue it generates will fluctuate from period to period as a result of the timing and amount of license, research and development services, and milestone and other payments.

Other income

Other income is generated from certain activities performed by Alvotech pursuant to an arrangement with Alvogen Lux Holdings S.à r.l. ("Alvogen"), a related party.

Operating expenses

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. Cost of product revenue also includes depreciation expense for production equipment, changes to our excess and obsolete inventory reserves, certain direct costs such as shipping costs, and royalty costs related to in-license agreements.

Research and development expenses

Research and development expenses consist primarily of costs incurred in connection with Alvotech's research, development and pre-commercial manufacturing activities and include:

- personnel expenses, including salaries, benefits, and other compensation expenses;
- costs of funding the execution of studies performed both internally and externally;
- costs of purchasing laboratory supplies and non-capital equipment used in designing, developing and manufacturing preclinical study and clinical trial materials;
- expenses related to quality control and other advancement development;
- consultant fees;
- expenses related to regulatory activities, including filing fees paid to regulatory agencies;
- facility costs including rent, depreciation, and maintenance expenses;
- fees for maintaining licenses under third party licensing agreements;
- expenses incurred in preparation for commercial launch, such as designing and developing commercial-scale manufacturing capabilities and processes, quality control processes, production asset valuation and other related activities; and
- costs related to amortization, depreciation and impairment losses related to software and property, plant and equipment used in research and development activities.

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 does not capitalize such expenditures as intangible assets until marketing approval by a regulatory authority is obtained or is deemed highly probable. Therefore, Alvotech did not capitalize any research and development expenses as internally developed intangible assets during the six months ended 30 June 2023 and 2022.

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. Alvotech plans to substantially increase research and development expenses in the near term, as it continues to advance the development of its biosimilar product candidates.

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 duration, costs and timing of clinical trials of Alvotech's products in development and any other product candidates will depend on a variety of factors that include, but are not limited to, the following:

- the number of trials required for approval;
- the per patient trial costs;
- the number of patients who participate in the trials;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the dose that patients receive;
- the drop-out or discontinuation rates of patients;
- the potential additional safety monitoring or other studies requested by regulatory agencies;
- the duration of patient follow-up;
- any delays in key trial activities and patient enrollment or diversion of healthcare resources as a result of the COVID-19 pandemic and geopolitical conflicts;
- production shortages or other supply interruptions in clinical trial materials resulting from the COVID-19 pandemic and geopolitical conflicts;
- the timing and receipt of regulatory approvals; and
- the efficacy and safety profile of the product candidates.

In addition, the probability of success of Alvotech's products in development and any other product candidate will depend on numerous factors, including competition, manufacturing capability and commercial viability. Alvotech may never succeed in achieving regulatory approval of its product candidates for any indication in any country. As a result of the uncertainties discussed above, the estimated duration and completion costs of any clinical trial that Alvotech conducts is subject to change. Alvotech is also unable to determine with certainty when and to what extent it will generate revenue from the commercialization and sale of products in development or other product candidates, if at all.

General and administrative expenses

General and administrative expenses primarily consist of personnel-related expenses, including salaries, bonuses, and other related compensation expenses, and external consulting service costs for corporate and other administrative and operational functions including finance, human resources, information technology and legal, as well as facility-related costs not otherwise included in research and development expenses. These costs relate to the operation of the business and are not related to research and development initiatives or cost of product revenue. General and administrative costs are expensed as incurred.

Alvotech expects general and administrative expenses to continue to increase as Alvotech increases its headcount and incurs external costs associated with operating as a public company, including expenses related to legal, accounting, tax, consulting services, and regulatory matters, maintaining compliance with requirements of exchange listings and of the SEC, director and officer liability insurance premiums and investor relations activities and other expenses associated with operating as a public company. Though expected to increase, Alvotech expects these expenses to decrease as a percentage of revenue in the long-term as revenue increases.

Share of net loss / profit of joint venture

Alvotech currently holds a 50% ownership interest in Alvotech and CCHT Biopharmaceutical Co., Ltd. (the “Joint Venture”). Alvotech accounts for its ownership interest in the Joint Venture using the equity method of accounting. Under the equity method of accounting, investments in the Joint Venture are initially recognized at cost and the carrying amount is subsequently adjusted for Alvotech’s share of the profit or loss of the Joint Venture, as well as any distributions received from the Joint Venture. Alvotech’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 Alvotech will include its share of other comprehensive income or loss of the Joint Venture.

Finance income and finance costs

Finance income consists of changes in the fair value of derivative financial liabilities and interest income. Alvotech recognizes interest income from a financial asset when it is probable that the economic benefits will flow to Alvotech and the amount of income can be measured reliably.

Finance costs consist of interest expenses related to lease liabilities and borrowings, changes in the fair value of derivative financial liabilities, accretion of Alvotech’s borrowings and amortization of deferred financing fees.

Exchange rate differences

Exchange rate differences consist of the translation of certain assets and liabilities that are denominated in foreign currency into U.S. dollars.

Income tax benefit

Income tax benefit consists of current tax and deferred tax benefit recorded in the consolidated statement of profit or loss and other comprehensive income or loss.

Results of Operations

Comparison of the Six Months Ended 30 June 2023 and 2022

The following table sets forth Alvotech’s results of operations for the six months ended 30 June:

<i>USD in thousands</i>	2023	2022
Product revenue	22,715	3,932
License and other revenue	(2,460)	36,186
Other income	45	142
Cost of product revenue	(67,909)	(17,813)
Research and development expenses	(99,582)	(86,884)
General and administrative expenses	(41,910)	(139,147)
Operating loss	(189,101)	(203,584)
Share of net loss of joint venture	(2,706)	(1,266)
Finance income	122,480	50,968
Finance costs	(64,300)	(52,406)
Exchange rate differences	(3,081)	4,744
Non-operating profit	52,393	2,040
Loss before taxes	(136,708)	(201,544)
Income tax benefit	49,854	17,073
Loss for the period	(86,854)	(184,471)

Product revenue

<i>USD in thousands</i>	Six Months Ended 30 June		Change	
	2023	2022	2022 to 2023	
			\$	%
<i>Product revenue</i>	22,715	3,932	18,783	nm

nm = not meaningful, refer to explanation below

The Company successfully launched the AVT02 product in Canada and select European countries during the second quarter of 2022 and increased sales volume in these countries resulted in \$3.9 million and \$22.7 million of product revenue recognized during the six months ended 30 June 2022 and 2023, respectively.

License and other revenue

<i>USD in thousands</i>	Six Months Ended 30 June		Change	
	2023	2022	\$	%
<i>License and other revenue</i>	(2,460)	36,186	(38,646)	nm

nm = not meaningful, refer to explanation below

License and other revenue decreased by \$38.6 million, from \$36.2 million for the six months ended 30 June 2022, to \$(2.5) million for the six months ended 30 June 2023. The decrease in license and other revenue was primarily driven by the recognition of \$34.7 million research and development milestone during the same period in the prior year, due to the completion of the AVT04 main clinical program. The remainder of the decrease is mainly due to the net impact of the changes in licensing arrangements during the six months ended 30 June 2023.

Other income

<i>USD in thousands</i>	Six Months Ended 30 June		Change	
	2023	2022	\$	%
<i>Other income</i>	45	142	(97)	(68.3)

Other income decreased by \$0.1 million, or 68.3%, from \$0.1 million for the six months ended 30 June 2022, to \$0.05 million for the six months ended June 30, 2023. The decrease in other income was driven by a decrease in services performed pursuant to Alvotech's support service arrangements with Alvogen, a related party, during the six months ended 30 June 2023, as compared to the six months ended 30 June 2022.

Cost of product revenue

USD in thousands	Six Months Ended 30 June		Change 2022 to 2023	
	2023	2022	\$	%
Cost of product revenue	67,909	17,813	50,096	nm

nm = not meaningful, refer to explanation below

The Company successfully launched AVT02 in select European countries and Canada during the six months ended 30 June 2022. As a result, the Company recognized cost of product revenue in the amount of \$17.8 million and \$67.9 million during the six months ended 30 June 2022 and 2023, respectively. Cost of product revenue includes both variable and fixed manufacturing costs associated with commercial manufacturing. Cost of product revenue for the period is disproportionate relative to product revenue due to the timing of new launches and elevated production-related charges, resulting in higher costs than revenues recognized for the period. The Company expects this relationship to normalize with increased production from the scaling and expansion of new or recent launches. The Company estimates that the anticipated increase in sales volumes will result in a greater absorption of fixed manufacturing costs. Prior to the recognition of cost of product revenues, costs from pre-commercial manufacturing activities were reported as R&D expenses.

Research and development expenses

USD in thousands	Six Months Ended 30 June		Change 2022 to 2023	
	2023	2022	\$	%
AVT02 development program expenses	2,310	5,558	(3,248)	(58.4)
AVT03 development program expenses	12,821	6,060	6,761	nm
AVT04 development program expenses	3,395	14,189	(10,794)	(76.1)
AVT05 development program expenses	13,851	4,933	8,918	nm
AVT06 development program expenses	15,872	8,058	7,814	97.0
Salary and other employee expenses	19,871	30,699	(10,828)	(35.3)
Depreciation and amortization	3,130	5,827	(2,697)	(46.3)
Other research and development expenses ⁽¹⁾	28,332	11,560	16,772	nm
Total research and development expenses	99,582	86,884	12,698	14.6

nm = not meaningful, refer to explanation below

- (1) Other research and development expenses include manufacturing costs, facility costs and other operating expenses recognized as research and development expenses during the period.

Research and development expenses increased by \$12.7 million, or 14.6%, from \$86.9 million for the six months ended 30 June 2022, to \$99.6 million for the six months ended 30 June 2023. The increase was primarily driven by a one-time charge of \$18.5 million relating to the termination of the co-development agreement with Biosana for AVT23, and a \$24.6 million increase in direct program expenses mainly from three biosimilar candidates, AVT03, AVT05 and AVT06, that entered clinical development in 2022. These increases were partially offset by a decrease of \$21.0 million primarily related to programs which have completed clinical phase (i.e., AVT02 and AVT04 programs). In addition, upon the launch of AVT02 during the second quarter of 2022, the Company commenced recognizing pre-commercial manufacturing activities as cost of product revenue. As a result, research and development expenses during the six months ended 30 June 2022 included \$12.3 million of costs relating to AVT02 which have since been recognized as cost of product revenue.

General and administrative expenses

USD in thousands	Six Months Ended 30 June		Change 2022 to 2023	
	2023	2022	\$	%
General and administrative expenses	41,910	139,147	(97,237)	(69.9)

General and administrative expenses decreased by \$97.2 million, or 69.9%, from \$139.1 million for the six months ended 30 June 2022, to \$41.9 million for the six months ended 30 June 2023. The decrease in general and administrative expenses was primarily attributable to a \$83.4 million non-cash share listing expense and \$21.0 million of transaction costs as a result of the Business Combination recognized as of 30 June 2022. See Note 1.1 of the unaudited condensed consolidated interim financial statements as of and for the six months ended 30 June 2023 for additional information. The Company also incurred \$10.6 million of IP-related legal expenses during the six months ended 30 June 2022, compared to \$1.3 million during the six months ended 30 June 2023. This decrease was partially offset by a \$7.7 million net increase in other general administrative expenses due to incremental costs from operating as a public company in both the U.S. and Iceland. Lastly, the Company recognized \$7.5 million of general and administrative expenses for share-based payments, resulting from the granting of RSUs during the six months ended 30 June 2023, against \$0.1 million during the six months ended 30 June 2022.

Share of net loss of joint venture

USD in thousands	Six Months Ended 30 June		Change 2022 to 2023	
	2023	2022	\$	%
Share of net loss of joint venture	2,706	1,266	1,440	nm

nm = not meaningful, refer to explanation below

Share of net loss of Joint Venture increased by \$1.4 million, from a loss of \$1.3 million for the six months ended 30 June 2022, to a loss of \$2.7 million for the six months ended 30 June 2023. The increase in the share of net loss of joint venture was due to losses incurred by the Joint Venture during the six months ended 30 June 2023, as compared to 30 June 2022, primarily driven by higher depreciation expenses due to an increase in fixed assets related to new office and production buildings incurred by the Joint Venture during the six months ended 30 June 2023.

Finance income

USD in thousands	Six Months Ended 30 June		Change 2022 to 2023	
	2023	2022	\$	%
Finance income	122,480	50,968	71,512	nm

nm = not meaningful, refer to explanation below

Finance income during the six months ended 30 June 2023, relates to a \$99.5 million decrease in fair value of the Earn Out shares issued to holders of shares of Alvotech Holdings at the closing of the Business Combination, a \$14.7 million decrease in fair value of the conversion feature for the Tranche A convertible bonds, and a \$5.3 million decrease in the fair value of the senior bonds warrants. The decrease in fair value was predominantly a result of a decrease in the price of Alvotech's ordinary shares. See Note 22 of the unaudited condensed consolidated interim financial statements as of and for the six months ended 30 June 2023, for additional information.

Finance costs

USD in thousands	Six Months Ended 30 June		Change 2022 to 2023	
	2023	2022	\$	%
Finance costs	64,300	52,406	11,894	22.7

Finance costs increased by \$11.9 million, or 22.7%, from \$52.4 million for the six months ended 30 June 2022, to \$64.3 million for the six months ended 30 June 2023. The increase in finance costs is primarily related to a \$21.5 million increase in interest on debt and borrowings due to the additional financing obtained since 30 June 2022 and a \$5.9 million increase in fair value of derivative liabilities mainly driven by the OACB Warrants and the OACB Earn Out shares. This is partially offset by \$13.9 million in non-recurring charges related to the closing of the Business Combination.

See Note 16 of the unaudited condensed consolidated interim financial statements as of and for the six months ended 30 June 2023, for additional information.

Exchange rate differences

<i>USD in thousands</i>	Six Months Ended 30 June		Change	
	2023	2022	2022 to 2023	
<i>Exchange rate differences</i>	(3,081)	4,744	\$ (7,825)	% nm

nm = not meaningful, refer to explanation below

Exchange rate differences decreased by \$7.8 million, from a gain of \$4.7 million for the six months ended 30 June 2022, to a loss of \$3.1 million for the six months ended 30 June 2023. The decrease was primarily driven by the movements in foreign currencies, predominantly Icelandic krona and euros.

Income tax benefit

<i>USD in thousands</i>	Six Months Ended 30 June		Change	
	2023	2022	2022 to 2023	
<i>Income tax benefit</i>	49,854	17,073	\$ 32,781	% nm

nm = not meaningful, refer to explanation below

The income tax benefit increased by \$32.8 million for the six months ended 30 June 2023, compared to the same period for 2022. This increase was driven by \$19.7 million deferred tax credit corresponding to an increase in operating losses and a \$13.8 million favorable foreign currency impact on the strengthening of the Icelandic krona against the US dollar, increasing the US dollar value of tax loss carry-forwards that Alvotech expects to fully utilize against future taxable profits. These increases were partly offset by a \$0.7 million increase in current tax charge.

Reconciliation of non-IFRS financial measure

In addition to its operating results, as calculated in accordance with IFRS as issued by the IASB, Alvotech 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 the operating performance and results of business activities performed. The adjusting items for the periods presented herein include the following:

1. Income tax benefit;
2. Total net finance costs (income);
3. Depreciation and amortization of property, plant, and equipment, right-of-use assets and intangible assets;
4. Impairment and loss on sale of fixed assets;
5. Receivable one-time charge;
6. Long-term incentive plan expense;

7. Share of net loss of joint venture;
8. Exchange rate differences;
9. Gain on extinguishment of SARs liability;
10. Share listing expense; and
11. Transaction costs.

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 operational 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 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 period.

The following table reconciles loss for the period to Adjusted EBITDA for the six months ended 30 June 2023 and 2022:

<i>USD in thousands</i>	2023	2022
Loss for the period	(86,854)	(184,471)
Income tax benefit	(49,854)	(17,073)
Total net finance costs (income)	(58,180)	1,438
Depreciation and amortization	10,934	9,977
Impairment and loss on sale of fixed assets	323	-
Receivable one-time charge (5)	18,500	-
Long-term incentive plan expense (1)	11,911	5,555
Share of net loss of joint venture	2,706	1,266
Exchange rate differences	3,081	(4,744)
Gain on extinguishment of SARs liability (2)	-	(4,803)
Share listing expense (3)	-	83,411
Transaction costs (4)	918	20,956
Adjusted EBITDA	(146,515)	(88,488)

- (1) Represents expense related to the long-term incentive plans, reported within general and administrative expenses.
- (2) Represents the gain on extinguishment of the SARs liability, reported within general and administrative expenses.
- (3) Represents the share listing expense reported within general and administrative expenses, which was recorded in accordance with IFRS 2 as 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.
- (4) Represents transaction costs incurred in connection with the Business Combination and the Icelandic Main Board listing, reported within general and administrative expenses.
- (5) Represents a one-time charge in relation to the termination of the co-development agreement with Biosana for AVT23.

Going Concern, Liquidity, and Capital Resources

Alvotech has a limited operating history and to date 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. Alvotech has also incurred recurring losses since inception, including net losses of \$86.9 million and \$184.5 million for the six months ended 30 June 2023 and 2022, respectively, and had an accumulated deficit of \$1,741.0 million as of 30 June 2023. As of 30 June 2023, Alvotech had cash and cash equivalents, excluding restricted cash, of \$60.5 million and current assets less current liabilities of \$(9.8) million.

On 25 January 2023, the Company issued an additional \$10.0 million in the December 2022 Convertible Bonds. Holders of the Tranche B 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, or 30 June 2024.

On 10 February 2023, Alvotech completed a private placement for proceeds of \$137.0 million, and transaction costs of \$4.1 million, at the then-prevailing exchange rates, of its Ordinary Shares at a purchase price of \$11.57 per Ordinary Share.

In May 2023, the Company extended its strategic partnership with Advanz to commercialize five proposed biosimilars in Europe, yielding upfront payments from Advanz in the aggregate amount of \$61.0 million at signing of the Product Schedules and additional future 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 expanded its existing strategic partnership agreement with Teva who will acquire subordinated convertible bonds in principal amount of \$40 million.

Also in July 2023, the Company secured a private placement of subordinated convertible bonds denominated in Icelandic krona and US dollar for a principal amount of \$100 million. ATP Holdings ehf., a subsidiary of Aztiq, the largest shareholder of Alvotech, committed to acquiring any of the bonds which had not been sold to other investors.

The Company expects to continue to source its cash flows during the development of its biosimilar product candidates from new and existing out-license contracts with commercial partners and financing through shareholder equity and related party and third-party debt financing.

However, even with the aforementioned cash received during 2023, management has determined that there is a material uncertainty that may cast significant doubt about Alvotech's ability to continue as a going concern.

For the foreseeable future, Alvotech's Board of Directors will maintain a capital structure that supports Alvotech's strategic objectives through managing the budgeting process, maintaining strong investor relations, and managing financial risks. Consequently, if it is successful in these plans, management and the Board of Directors believe that Alvotech will have sufficient funds, and access to sufficient funds, to continue in operation for at least the next 12 months and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. However, although management continues to pursue these plans, there is no assurance that Alvotech will be successful in obtaining sufficient funding on terms acceptable to Alvotech management to fund continuing operations, if at all. Alvotech's future capital requirements will depend on many factors, including the following:

- the progress, results, and costs of preclinical studies for any programs that Alvotech may develop;
- the costs, timing, and outcome of regulatory review of program candidates;
- Alvotech's ability to establish and maintain collaborations, licensing, and other agreements with partners on favorable terms, if at all;
- the achievement of milestones or occurrence of other developments that trigger payments under the agreements that Alvotech has entered into or may enter into with third parties or related parties;
- the extent to which Alvotech is obligated to reimburse clinical trial costs under collaboration agreements, if any;
- the costs of preparing, filing and prosecuting patent applications and maintaining, defending and enforcing Alvotech's intellectual property rights;
- the extent to which Alvotech acquires or invests in businesses, products, technologies, or other joint ventures;
- the costs of performing commercial-scale manufacturing in-house and, if needed, securing manufacturing arrangements for commercial production of its program candidates; and
- the costs of establishing or contracting for sales and marketing capabilities if Alvotech obtains regulatory approvals to market program candidates.

As of 30 June 2023, Alvotech had \$808.6 million in borrowings, including payment-in-kind interest and accrued interest, through its shareholders and third-party investors, as mentioned above.

Material Cash Requirements for Known Contractual Obligations and Commitments

The following is a description of commitments for known and reasonably likely cash requirements as of 30 June 2023.

Borrowings

Alvotech's debt consists of interest-bearing borrowings from financial institutions, third parties and related parties. The amount of the outstanding borrowings as of 30 June 2023 totaled \$808.6 million, including payment-in-kind interest and accrued interest. The timing of future payments on the outstanding borrowing amounts, by year, as well as additional information regarding Alvotech's borrowings and rights conveyed to the lenders, can be found in Note 16 of the unaudited condensed consolidated interim financial statements as of and for the six months ended 30 June 2023.

Senior bonds

As of 30 June 2023, the carrying amount, including accrued interest, of the senior bonds was \$540.2 million. The Company 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.

As a result of proceeds raised from the private placement offering executed in January 2023, the Company extinguished the liability related to the senior bond warrants resulting in the potential issuance of penny warrants representing 1.0% of the fully diluted ordinary share capital.

Convertible Bond

On 25 January 2023, the Company issued an additional \$10.0 million in Tranche B convertible bonds (the "Tranche B Convertible Bonds"). Holders of the Tranche B 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, or 30 June 2024.

The conversion feature associated with the Tranche B Convertible Bonds was determined to be an embedded derivative as the economic characteristics and risks are not closely related to the debt host. The Tranche B conversion feature was classified as equity due to the conversion price having preservation and passage of time adjustments that meet the fixed-for-fixed criteria.

As of 30 June 2023, the carrying amount, including accrued interest, of the Tranche A and Tranche B Convertible Bond was \$41.3 million and \$9.9 million, respectively.

Aztiq Convertible Bond and Other Bonds

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

As of 30 June 2023, the carrying amount, including accrued interest, of the Aztiq Convertible Bond, the Mitsui Convertible Bond and the Shinhan Convertible Bond was \$13.8 million, \$54.1 million and \$5.0 million, respectively.

Alvogen Facility

In connection with the 16 November 2022 Senior Bond amendment, Alvotech entered into a subordinated loan agreement with Alvogen (the "Alvogen Facility").

As of 30 June 2023, the carrying amount, including accrued interest, of the Alvogen Facility was \$70.3 million.

Other borrowings

In December 2022 the Group refinanced its manufacturing facility in Reykjavik with two Landsbankinn hf loans. Those two Landsbankinn loans were denominated in Icelandic krona and included a conversion clause to convert them into US dollar. The conversion of these two loans took place in March 2023.

Under the terms of the loan agreements after conversion, the first loan is a bullet loan with a final maturity in December 2029 and includes a variable interest rate of USD SOFR plus a margin of 4.75%. The second loan includes annuity payments that are due monthly 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 US dollars 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 30 June 2023, the outstanding balance on the two loans was \$17.8 million and \$32.7 million, respectively.

Leases

In April 2023 the Group started to lease a new building in Reykjavik from Fasteignafélagið Eyjólfur ehf., a related party. At the commencement of the lease the carrying value of the asset was \$51.7 million.

Alvotech's future undiscounted payments pursuant to lease agreements totaled \$123.0 million as of 30 June 2023. The timing of these future payments can be found in Note 10 of the unaudited condensed consolidated interim financial statements as of and for the six months ended 30 June 2023.

Other long-term liability to a related party

Alvotech's other long-term liability to a related party arose from the acquisition of product rights for commercialization of AVT02 in China from Lotus Pharmaceutical Co. Ltd., a related party, during the year ended 31 December 2020. Pursuant to the terms of the asset acquisition, Alvotech is required to pay \$7.4 million upon the commercial launch of AVT02 in China. Alvotech concluded that the event triggering future payment is probable and, as such, recorded the full amount of the liability as a non-current liability in the condensed consolidated statements of financial position as of 30 June 2023.

Purchase obligations

For the six months ended 30 June 2023 and 2022, Alvotech did not have any purchase obligations.

While Alvotech does not have legally enforceable commitments with respect to capital expenditures, Alvotech expects to continue to make substantial investments in preparation for commercial launch of its biosimilar product candidates.

Cash Flows

Comparison of the Six Months Ended 30 June 2023 and 2022

<i>USD in thousands</i>	Six Months Ended 30 June		Change	
	2023	2022	2022 to 2023	
			\$	%
<i>Cash used in operating activities</i>	(128,002)	(141,156)	(13,154)	(9.3)
<i>Cash used in investing activities</i>	(25,225)	(41,504)	(16,279)	(39.2)
<i>Cash generated from financing activities</i>	144,455	293,535	(149,080)	(50.8)

Operating activities

Net cash used in operating activities decreased by \$13.2 million, or 9.3%, from \$141.2 million for the six months ended 30 June 2022, to \$128.0 million for the six months ended 30 June 2023. The decrease reflected the \$97.6 million decrease in loss for the period, a \$20.2 million increase in interest paid, a \$38.0 million increase in non-cash operating costs and a \$33.7 million decrease in cash used in working capital.

The increase in non-cash operating costs was primarily driven by a \$71.5 million increase in total net finance income and a \$32.8 million increase in income tax benefit and by the \$83.4 million in share listing expense recognized as a result of the Business Combination in the prior period. These were partially offset by a \$18.5 million increase in allowance charges for receivables.

The decrease in cash used in working capital was primarily driven by a \$21.6 million decrease in contract assets, a \$49.9 million increase in contract liabilities, partially offset by a \$23.6 million decrease in other payables. The increase in contract assets and decrease in contract liabilities were driven by the timing of cash collections from Alvotech's partners pursuant to out-license contracts. The decrease in trade receivables is due to the payments received from customers for the achievement of milestones pursuant to out-license contracts.

Investing activities

Net cash used in investing activities decreased by \$16.3 million, or 39.2%, from \$41.5 million for the six months ended 30 June 2022, to \$25.2 million for the six months ended June 30, 2023. The decrease was primarily driven by a \$6.5 million decrease in cash outflow for intangible assets and a decrease of a \$14.9 million in the restricted cash in connection with the amended bond agreement. This is partially offset by the increase of \$4.9 million in acquisition of property, plant and equipment during the six months ended 30 June 2023.

Financing activities

Net cash generated from financing activities decreased by \$149.1 million, or 50.8%, from \$293.5 million for the six months ended 30 June 2022, to \$144.5 million for the six months ended 30 June 2023. The decrease was primarily attributable to the \$169.4 million in proceeds from the PIPE financing, \$9.8 million in proceeds from the Business Combination, and \$110.0 million in proceeds from loans from related parties in the prior period. These decreases were offset by a \$226.3 million increase in net proceeds from new borrowings for the six months ended 30 June 2023.

Quantitative and Qualitative Disclosures about Market Risk

Alvotech is exposed to market risks that may result in changes of foreign currency exchange rates and interest rates, as well as the overall change in economic conditions in the countries where Alvotech conducts business. As of 30 June 2023, Alvotech had cash and cash equivalents of \$60.5 million, excluding restricted cash. Alvotech's cash and cash equivalent include both cash in banks and cash on hand.

Foreign currency exchange risk

Alvotech is subject to foreign exchange risk in its operations, as a majority of its financial assets and financial liabilities are denominated in currencies other than Alvotech's functional currency. Any strengthening or weakening of Alvotech's significant foreign currencies against the USD could impact the measurement of financial instruments in a foreign currency and affect equity. Alvotech's significant assets and liabilities denominated in foreign currencies as of 30 June 2023, are denominated in EUR, GBP, ISK, and CHF.

Interest rate risk

Alvotech's interest-bearing investments and borrowings are subject to interest rate risk. Alvotech's exposure to the risk of fluctuations in market interest rates primarily relates to the cash in bank that is denominated with floating interest rates. Alvotech analyzes at the end of each year the sensitivity to interest rate changes. Specifically, Alvotech has performed an analysis to understand the impact of an increase or decrease of a one hundred basis point on the interest rates, keeping all other variables consistent, as of 30 June 2023. Through this analysis, Alvotech notes that the impacts of the interest rate sensitivity did not have a significant effect on loss before tax.

Critical Accounting Policies and Estimates

Alvotech has prepared its financial statements in accordance with IFRS. The preparation of these financial statements requires Alvotech to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, and related disclosures at the date of the financial statements, as well as revenue and expense recorded during the reporting periods. Alvotech evaluates its estimates and judgments on an ongoing basis. Alvotech bases its estimates on historical experience and other relevant assumptions that it believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements. For a summary of our significant accounting policies, see Note 2 of the audited consolidated financial statements as of and for the years ended 31 December 2022 and 2021.

Recent Accounting Pronouncements

For information on the standards applied for the first time as of 1 January 2023, please refer to Note 4 of the unaudited condensed consolidated interim financial statements as of and for the six months ended 30 June 2023.

Emerging Growth Company Status

Section 102(b)(1) of the Jumpstart our Business Startups Act of 2012 (“JOBS Act”) exempts emerging growth companies from certain SEC disclosure requirements and standards. Alvotech intends to take advantage of some of the reduced regulatory and reporting requirements of emerging growth companies pursuant to the JOBS Act so long as Alvotech qualifies as an emerging growth company, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act.

Material Weaknesses in Internal Control Over Financial Reporting

In connection with the preparation of its audited consolidated financial statements as of 31 December 2022, Alvotech identified material weaknesses in the design and operating effectiveness of its internal control over financial reporting as follows: (i) control environment driven by the lack of a sufficient number of trained professionals with an appropriate level of internal control knowledge, training and experience; (ii) control activities, as Alvotech did not have adequate formal documentation of certain policies and procedures, implementation of all required business process controls, including effective review process of key financial information, and documentation to evidence the design and operating effectiveness of the control activities; (iii) information and communication as we did not implement effective controls over the segregation of duties and certain information technology general controls for information systems that are relevant to the preparation of our financial statements; and (iv) monitoring activities, as Alvotech did not have the evidence to support evaluation of the effectiveness of monitoring controls to ascertain whether the components of internal control are present and functioning. Upon identifying the material weaknesses, Alvotech began taking steps intended to address the underlying causes of the control deficiencies in order to remediate the material weaknesses, which included the implementation of new tools and controls, engagement of outside consultants to develop remediation plans, provide training to control owners and plans to implement a new enterprise resource planning system and automated controls. Alvotech will continue its remediation efforts, including:

- implementing a compliance tool to provide workflow and electronic approval capabilities as well as to maintain control evidence;
- engaging outside consultants to assist in evaluating the internal controls and developing a remediation plan to address the control deficiencies;
- implementing entity level and business process-level controls to mitigate the key risks identified;
- implementing a new ERP system; and
- hiring more accounting resources.

JULY 2023

ALVOTECH

**as Issuer
and
ATP HOLDINGS EHF.**

as

Investor

CONVERTIBLE BOND SUBSCRIPTION AGREEMENT – TRANCHE A

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THIS AGREEMENT (the "Agreement") is dated 30 July 2023 and is made between:

- (1) **ALVOTECH**, a public limited liability 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 registered with the Luxembourg Trade and Companies' Register under number B258884 (the "**Issuer**"); and
- (2) **ATP HOLDINGS EHF.**, a private limited liability company incorporated and registered in Iceland, with registration number 481020-0420, having its registered office is at (the "**Investor**"),

each a "**Party**" and together the "**Parties**" to this Agreement.

Whereas:

- (A) The Issuer and the Investor wish to record the arrangements agreed between them in relation to the subscription by the Investor, and the issuance by the Issuer of the convertible bonds due 2025 (the "**Bonds**") pursuant to the Tranche A Convertible Bond Instrument, dated 20 December 2022.

1. Definitions and Interpretation

Capitalised terms used but not otherwise defined in this Agreement shall have the meaning ascribed to such term in the Tranche A Convertible Bond Instrument. In addition, references in this Agreement to:

- (a) a contract or document are to that contract or document as amended, novated, supplemented, restated or replaced from time to time;
- (b) any person shall include its successors in title, permitted assigns and permitted transferees and references to a person in a particular capacity excludes such person in other capacities;
- (c) any statute or statutory provision or stock exchange listing rules include: (a) that statute or provision or listing rules as from time to time modified, re-enacted or consolidated whether before or after the date of this agreement; (b) any past statute or statutory provision or listing rules (as from time to time modified, re-enacted or consolidated) which that statute or provision has directly or indirectly replaced; and (c) any subordinate legislation made from time to time under that statute or statutory provision; and
- (d) the terms "include", "including", "in particular" and any similar expression shall be construed as illustrative and shall not limit the sense of the words, phrase or term preceding those terms.

2. Issue and Subscription

2.1 Agreement to Issue Bonds

Subject to the representations and warranties of the Investor set forth in Clause 3.2 (*Representations and Warranties from the Investor*) being true, accurate and correct in all

material respects (except for those representations and warranties that are conditioned by materiality, which shall be true and accurate in all respects) on the date hereof and on the Closing Date, the Issuer agrees to issue to the Investor the Bonds in the principal amount equal to ISK 3,600,000,000 on the 11 August 2023 (the "**Closing Date**"), or such other date as the Issuer and the Investor may otherwise agree; *provided* that such date shall not be later than 18 August 2023, for completion of the issue and subscription of the Bonds in accordance with both Clause 6.1 (*Issue of the Bonds*) and Clause 6.2 (*Payment*) ("**Closing**").

In this Agreement, "**Business Day**" means a day other than a Saturday or Sunday on which commercial banks are open for business in Reykjavík and Luxembourg.

2.2 Subscription

Subject to the satisfaction of the conditions set forth in Clause 5 (*Conditions Precedent*) and the entry in the Register of Bondholders (as defined in the Tranche A Convertible Bond Instrument) of the name of the Investor as the Bondholder, which the Parties acknowledge and agree shall be evidenced by a PDF copy of the Register of Bondholders provided by the Registrar (as defined in the Tranche Convertible Bond Instrument) (or if the Registrar is not yet appointed on the Closing Date, the Issuer), the Investor will subscribe for the Bonds. For the avoidance of doubt, none of the Investor or any of its respective affiliates shall have any obligation to subscribe for the Bonds unless all of the conditions set forth in Clause 5 (*Conditions Precedent*) have been satisfied or otherwise waived by the Investor.

3. Representations, Warranties and Covenants

3.1 Representations and Warranties from the Issuer

- (a) The Issuer makes each of the representations and warranties to the Bondholders set out in schedule 1 (*Representations and Warranties from the Issuer*) to this Agreement to the Investor on the date of this Agreement.
- (b) The representations and warranties contained in, or given pursuant to, this Clause 3 (*Representations and Warranties from the Issuer*) shall be deemed to have been repeated on the Closing Date.

3.2 Representations and Warranties from the Investor

Each Investor represents and warrants to the Issuer on the date of this Agreement that:

- (a) it understands that its purchase of the Bonds involves a high degree of risk and is speculative in nature; it (i) has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers in connection herewith to the extent it has deemed necessary; (ii) has had a reasonable opportunity to ask questions of and receive answers from officers and representatives of the Issuer concerning the financial condition and results of operations of the Group and the purchase of the Bonds, and such questions have been answered to its satisfaction; (iii) has had the opportunity to review all publicly available documents concerning the Group that it has considered necessary or appropriate in making an investment decision; (iv) understands and acknowledges that no offering

document or prospectus concerning the Group or the Bonds will be prepared in connection with its purchase of the Bonds; and (v) has reviewed all information that it believes is necessary or appropriate in connection with its purchase of the Bonds;

- (b) it has such knowledge and experience in financial, business and investment matters that it is capable of evaluating the merits and risks of purchasing the Bonds;
- (c) it has the ability to bear the economic risk of its purchase of the Bonds;
- (d) it has full power and authority to enter into this Agreement, which constitutes its valid and legally binding obligation and is enforceable in accordance with its terms;
- (e) it understands that the offer or sale of the Bonds will be made overseas within the meaning of Rule 902(e)(iii) of Regulation S (“**Regulation S**”) under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”);
- (f) it, each of the funds managed by or affiliated with the Investor for which it is acting as nominee, as applicable, or any assignee of the Investor is (a) a resident of Iceland; (b) not a “U.S. person” (as defined in Regulation S); (c) was outside the United States at the time it first expressed an interest in purchasing the and is currently outside of the United States; (d) not an affiliate (as defined in Rule 144 under the Securities Act) of the Issuer or a person acting on behalf of such an affiliate and (e) a “professional investor” for the purposes of Directive 2014/65/EU on markets on financial instruments. The offer by the Issuer to sell the Bonds to the Investor was directed to the Investor in Iceland;
- (g) it understands that the Bonds have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- (h) it understands that no action has been taken to permit a public offering of the Bonds in any jurisdiction and it will not offer or sell any of the Bonds in any jurisdiction or in any circumstance in which such offer or sale is not authorised or to any person to whom it is unlawful to make such offer or sale except under circumstances that complies with any applicable laws and/or regulations; and
- (i) it understands that the foregoing representations and warranties are required in connection with the securities laws of the United States and other jurisdictions. It acknowledges that the Issuer will rely upon the truth and accuracy of its representations and warranties set forth herein, and it agrees to notify the Issuer promptly in writing if, at any time before the Closing, any of its representations or warranties herein ceases to be accurate and complete in all material respect.

The representations and warranties contained in, or given pursuant to, Clause 3.2 shall be deemed to have been repeated on the Closing Date taking into account facts and circumstances subsisting at such date.

4. Undertakings

The Issuer undertakes to the Investor that:

4.1 Taxes

The Issuer will pay:

- (a) any stamp, issue, registration, documentary or other taxes and duties, including interest and penalties in Luxembourg or Iceland and all other relevant jurisdictions paid or payable on or in connection with the creation, issue, offering and/or placing of the Bonds or the execution or delivery of the Contracts except where the Bonds and/or the Contracts are (i) voluntarily presented to the registration formalities, (ii) appended to a document that requires mandatory registration or (iii) deposited with the official records of a notary (*deposé au rang des minutes d'un Notaire*); and
- (b) in addition to any amount payable by it under this Agreement, value added taxes (being value added tax chargeable under or pursuant to Council Directive 2006/112/EC or the Sixth Council Directive of the European Communities and any other similar tax, wherever imposed ("VAT")), goods and services taxes, business or services taxes or similar tax payable in respect thereof in Luxembourg or Iceland and all other relevant jurisdictions (and references in this Agreement to such amount shall be deemed to include any such taxes so payable in addition to it).

4.2 Warranties

The Issuer will forthwith notify the Investor if at any time prior to the Closing Date anything occurs which renders or may render untrue or incorrect in any respect any of its representations, warranties, agreements and indemnities herein and will forthwith take such steps as the Investor may reasonably require to remedy the fact.

4.3 Approvals and Filings

The Issuer shall obtain all approvals and consents and promptly make all notifications, registrations and filings as may from time to time be required in relation to the issue of the Bonds.

4.4 Use of Proceeds

- (a) The Issuer shall use the net proceeds from the issue of the Bonds for:
 - (i) any fees, commissions, costs and expenses, stamp, registration and other Taxes incurred by the Issuer or any of its holding companies, Subsidiaries, Affiliates or successors in title in connection with any of the transactions or documents contemplated or referred to in this Agreement and the Tranche A Convertible Bond Instrument; and
 - (ii) general corporate purposes and working capital (excluding, for the avoidance of doubt, Permitted Investments or any Restricted Payments including any payment or repayments in connection with any shareholder loans of the Issuer or any of its

holding companies, Subsidiaries, or Affiliates).

- (b) The Issuer will not, directly or indirectly, use the proceeds of the offering and sale of the Bonds, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Person, for the purpose of financing the activities of any Person, or in any country or territory, that, at the time of such funding, is subject to or the target of any Sanction.

4.5 Information

To the extent permitted by applicable laws, rules and regulations, the Issuer will, as soon as reasonably practicable, provide the Investor, upon request, with all such information known to it or which on reasonable enquiry ought to be known to it relating to the Group or otherwise as may be reasonably required by the Investor in connection with the issue and sale of the Bonds for the purpose of complying with any applicable law, rule, regulation or direction (including the establishment of any defence to any action under any of the same, whether relating to due diligence or otherwise) or any requirement of any applicable regulatory body.

5. Conditions Precedent

5.1 The obligations of the Investor to subscribe for the Bonds are subject to the fulfilment, prior to or simultaneously at Closing, of the following conditions to the satisfaction of the Investor:

(a) Compliance: on the Closing Date:

- (i) the representations and warranties of the Issuer and the other Group Companies (as defined below) in this Agreement (including those set forth in schedule 1 to this agreement) shall be true, accurate and correct in all material respects (except for those representations and warranties that are conditioned by materiality, which shall be true and accurate in all respects) and not misleading in any material respect on the Closing Date; and
- (ii) the Issuer shall have performed all of their respective material obligations under this Agreement to be performed on or before such date.

(b) No Default

On the Closing Date and after giving effect to the transactions contemplated by the Contracts, including the use of proceeds from the issue and sale of the Bonds, the Issuer is not in breach of or in default (nor has any event occurred which, with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement would result in a default by the Issuer) under the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which it is a party or to which its assets are bound except for any breach or default which would not, individually or in the aggregate, have a Material Adverse Effect.

(c) Bond Documents

On or before the Closing Date, there shall have been delivered to the Investor a copy of the Tranche A Convertible Bond Instrument.

5.2 The obligations of the Issuer to issue the Bonds are subject to the fulfilment, prior to or simultaneously at Closing, of (i) the conditions set out in Clause 5.1 and (ii) on or prior to the date hereof, all consents and approvals required on the part of the Investor in relation to the subscription of the Bonds being obtained. The Investor confirms that no further consent or approvals are required on its part in relation to the subscription of the Bonds.

5.3 Fulfilment

The Issuer shall use its best endeavours to ensure the fulfilment of the conditions set out in Clause 5.1 as soon as reasonably practicable and in any event no later than on the Closing Date.

6. Closing

6.1 Issue of the Bonds

Subject to Clause 6.2 (*Payment*) below, on or before 4:00 pm GMT (or such other time as may be agreed by the Issuer and the Investor) on the Closing Date, the Issuer will issue the Bonds and procure the entry in the Register of Bondholders of the name of the Investor as Bondholder, each of which the Parties acknowledge and agree that such entry shall be evidenced by a PDF copy of the Register of Bondholders provided by the Registrar (as defined in the Tranche A Convertible Bond Instrument) (or if the Registrar is not yet appointed on the Closing Date, the Issuer), and subsequently the Bonds will be electronically registered with Nasdaq CSD Iceland and listed on Nasdaq Iceland First North Growth Market.

Completion of the entries in the Register of Bondholders pursuant to this Clause 6.1 shall constitute the issue and delivery of the Bonds; *provided, however*, that if Closing does not occur for any reason whatsoever including but not limited to non-satisfaction of the conditions set forth in Clause 5 (*Conditions Precedent*), the Bonds shall be deemed not to have been issued, and any entries in the Register of Bondholders relating to the Bonds offered hereby shall be deemed void.

6.2 Payment

Subject to satisfaction of the conditions set forth in Clause 5 (*Conditions Precedent*) and the completion of entries in the Register of Bondholders by the Issuer pursuant to clause 6.1 (*Issue of Bonds*), the Investor will pay or cause to be paid to the Issuer an amount of ISK 3,952,337,500 into a bank account as designated in writing by the Issuer at least two (2) Business Days prior to the Closing Date. For the avoidance of doubt, neither the Investor nor any of its respective affiliates shall have any obligation to subscribe or pay for the Bonds unless all of the conditions set forth in Clause 5 (*Conditions Precedent*) have been satisfied or otherwise waived by the Investors, regardless of any entry in the Register of Bondholders, and neither the Investor nor any of its affiliates shall have any liability whatsoever (in contract, tort or otherwise) to the Issuer or any of its affiliates, or any other person, for any such non-subscription or non-payment for the Bonds.

7. Expenses and Payments

7.1 General Expenses

The Issuer shall pay and indemnify the Investor of all costs, expenses, taxes and charges (including, without limitation, any legal fees, third party fees and out of pocket expenses of the Investor) incurred by the Investor in connection with the Bonds, and the assessment, negotiation, preparation and execution of this Agreement.

7.2 Payment

All payments due under this Agreement are to be made in Icelandic kronas and are stated exclusive of any applicable tax whether income taxes, withholding taxes, VAT, goods and services taxes, business or services taxes or similar taxes (other than taxes imposed in respect of net income by a taxing jurisdiction wherein the recipient is incorporated or resident for tax purposes) ("**Taxes**"). If VAT is or becomes chargeable on any such amounts the Issuer shall, subject to the receipt of a valid VAT invoice in respect of such supply, at the same time and in the same manner as the payment to which such VAT relates, pay an amount equal to such VAT.

- (a) All amounts (if any) payable by the Issuer to the Investor under this Agreement shall be paid, free and clear of, and without any deduction or withholding for or on account of, any current or future taxes, levies, imposts, duties, charges or other deductions or withholdings levied in any jurisdiction from or through which payment is made on behalf of the Issuer or in which the payor is located unless such deduction or withholding is required by applicable law, in which event the Issuer making such payment shall pay such additional amount (including any such withholding or deduction from such additional amount) as is required to ensure that the Investor receives, free from any such withholding, deduction, assessment or levy, the full amount of the payments set out herein.

8. Termination

8.1 Ability of the Investor to Terminate

At any time:

- (a) if any of the conditions specified in Clause 5.1 has not been satisfied, or waived by the Investor, on or prior to the Closing Date; or
- (b) if the Bonds have not been issued by the Closing Date or a later date as agreed in accordance with this Agreement and on or prior to such date, the Parties have not mutually agreed to extend the Closing Date, provided that, if, the failure to issue Bonds is caused by administrative or technical error, the termination right hereunder shall not be exercisable by the Investor if the Issuer has remedied such failure within five (5) Business Days of the Closing Date, or
- (c) if the Closing Date has not occurred by 18 August 2023;

then the Investor shall be entitled (but not bound) by notice to the Issuer to elect to treat

such event, breach or failure as terminating this Agreement notwithstanding any other provisions of this Agreement.

8.2 Consequences of Termination

Upon such notice being given pursuant to Clause 8.1 (*Ability of the Investor to Terminate*), this Agreement shall terminate and be of no further effect and no Party shall be under any liability to any other in respect of this Agreement.

9. Survival of Representations and Obligations

Clause 4 (*Undertakings*) in this Agreement shall continue in full force and effect despite completion of the arrangements for the subscription and issue of the Bonds.

10. Communications

10.1 Addresses

Any communication in connection with this Agreement shall be given by electronic mail or letter:

In the case of notices to the Issuer, to it or them at:

Address:

Email:

Attention:

In the case of notices to the Investor, to it at:

Address:

Email:

Attention:

10.2 Effectiveness

Any such communication shall take effect, in the case of a letter, at the time of delivery, and in the case of electronic mail, at the time of despatch.

11. Assignment

No Party may assign any of its rights or delegate or transfer any of its obligations under this Agreement without the prior written consent of the other Parties.

12. Entire Agreement

This Agreement, together with any documents referred to in it, constitutes the whole agreement between the Parties relating to the issue of and the subscription for the Bonds and supersedes and extinguishes any other prior drafts, agreements, undertakings, representations, warranties and arrangements of any nature, whether in writing or oral, relating to the issue of and the subscription for the Bonds; **provided that** nothing in this Clause 12 shall exclude or limit the liability of any Party for fraudulent misrepresentation.

13. Currency Indemnity

13.1 Currency of Account and Payment

Icelandic kronas (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Issuer under or in connection with this Agreement, including damages.

13.2 Extent of Discharge

An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise), by the Investor in respect of any sum expressed to be due to it from the Issuer will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

13.3 Indemnity

If that Contractual Currency amount able to be so purchased as provided for in Clause 13.2 (*Extent of Discharge*) is less than the Contractual Currency amount expressed to be due to the recipient under this Agreement, the Issuer will indemnify it, to the maximum extent permitted under all applicable laws, against any loss sustained by it as a result. In any event, the Issuer will indemnify the recipient against the cost of making any such purchase.

13.4 Indemnity Separate

The indemnities in this Clause 13 (*Currency Indemnity*) constitute separate and independent obligations from the other obligations in this Agreement, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Investor and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under this Agreement or any other judgment or order.

14. Governing Law and Jurisdiction

14.1 Governing law

This Agreement, as to which time shall be of the essence, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with

Icelandic law.

14.2 **Jurisdiction**

- (a) The District Court of Reykjavík have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement and the Bonds (including a dispute relating to the existence, validity or termination of this Agreement or the Bonds or any non-contractual obligation arising out of or in connection therewith) (a “**Dispute**”) and accordingly any legal action or proceedings in connection with such Dispute (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Investor hereby irrevocably submits to the jurisdiction of such courts.

15. **Waiver of Immunity**

The Issuer hereby waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, agrees not to plead or claim any such immunity in any Proceedings or arbitration, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings or arbitration.

16. **Counterparts**

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

For confirmation of all of the above, this Agreement may be signed by the Parties with a valid electronic signature is in accordance with Act no. 55/2019 on electronic identification and trust service for electronic commerce.

Schedule

1

Representations and Warranties from the Issuer

The Issuer represents and warrants to the Bondholders on the date of this Agreement and the Closing Date that:

(a) Organisation; Power; Authorisation; Enforceability

The Issuer:

- (i) has been duly incorporated, established or organised, is legally existing and is in good standing (or equivalent status or is able to issue a directors' certificate, as applicable) under the laws of its jurisdiction of organisation (to the extent any such concept applies in such jurisdiction);
- (ii) is duly licensed or qualified to do business in good standing (if applicable) in each jurisdiction in which such license or qualification is required by law for the business it is now conducting except where the failure to be so licensed or qualified would not reasonably be expected to have a material adverse effect on (1) the business, operations, assets, liabilities (including contingent liabilities), business or financial condition, results of operations of the Issuer and its Subsidiaries (the "**Group**" or "**Group Companies**") taken as a whole and/or any member of the Group individually, and (2) the ability of the Issuer to perform its obligations under any of the Contracts or the Bonds, ("**Material Adverse Effect**");
- (iii) has the requisite corporate (or equivalent) power and authority to own, lease or operate the properties and assets it purports to own, lease or operate, to carry on its business as presently conducted and to execute, deliver and perform its obligations under each Contract except where the failure to have such power and authority to own, lease or operate such properties and assets and carry on such business would not reasonably be expected to have a Material Adverse Effect.
- (iv) Each Contract has been duly authorised, executed and delivered by the Issuer, and constitutes the valid, legally binding and, assuming due authorisation, execution and delivery by all other parties thereto (subject to general equitable principles, insolvency, liquidation, reorganisation and other laws of general application relating to creditors' rights), enforceable obligation of the Issuer.
- (v) "**Contracts**" means this Agreement and the Tranche A Convertible Bond Instrument.

(b) Securities Laws

- (i) The Issuer is a "foreign issuer" (as such term is defined in Regulation S) under the Securities Act.
-

- (c) None of the Issuer or any of its affiliates (as defined in Rule 144 under the Securities Act) has directly or through any agent engaged in any directed selling efforts in the United States within the meaning of Rule 902(c) of Regulation S with respect to the Bonds; the Issuer, any of its affiliates and any person acting on its or their behalf have complied with any applicable offering restrictions of Regulation S in connection with the issue and sale of the Bonds, except no representation, warranty or agreement is made by the Issuer in this paragraph with respect to the Investor, its affiliates or any person acting on its or their behalf.
- (d) The offer or sale of the Bonds has been made in an overseas directed offering within the meaning of Rule 902(e)(iii) of Regulation S and no offers or sales of Bonds have been made to persons in the United States. Neither the Issuer nor its affiliates, nor to their respective knowledge any distributor in respect of the offering or their respective affiliates, is aware (or is reckless in not being aware) of any substantial portion of the offering being sold or resold outside Iceland.

(e) Governmental and Third Party Authorisations

No exemption from, notice to, registration, filing or declaration with, or consent, approval, authorisation or other action of, any Governmental Authority (as defined in the Tranche A Convertible Bond Instrument) or any other Person (as defined in the Tranche A Convertible Bond Instrument) is necessary or required in connection with (i) the creation, issuance and/or rollover (as applicable) by the Issuer of the Bonds, the execution or delivery by any of the Issuer of any Contract or the performance of obligations by any of the Issuer under any Contract, (ii) the transactions contemplated by the Contracts, other than (1) such exemptions, notices, registrations, filings, declarations, consents, approvals, authorisations and other actions as shall have been taken, given, made or obtained and are in full force and effect as of the Closing Date, (2) such filings required to be made after the date hereof under applicable securities laws, if any, and (3) such exemptions, notices, registrations, filings, declarations, consents, approvals, authorisations and other actions the failure of which to take, give, make or obtain would not have a Material Adverse Effect.

(f) No Conflicts

The execution and delivery by the Issuer of each Contract, the performance of obligations by the Issuer of each Contract and the consummation of the transactions contemplated hereby and thereby do not and will not (i) contravene the terms of the constitutional documents of the Issuer, (ii) violate any law, determination or award applicable to any of the Issuer or its properties or assets or (iii) contravene the terms or provisions of, or constitute a violation, breach or default under, or result in the acceleration of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Issuer is a party or by which the Issuer is bound or to which any of the

property or assets of the Issuer is subject or result in the creation or imposition of any encumbrance upon any assets of the Issuer, except, in the case of paragraphs (ii) and (iii) above, where such violation, conflict, breach, default, acceleration, payment, creation or imposition would not reasonably be expected to individually or in the aggregate have a Material Adverse Effect.

(g) No Violation or Default

The Issuer is not (i) in violation of its constitutional documents, (ii) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Issuer is a party or by which the Issuer is bound or to which any of the property or assets of the Issuer is subject, or (iii) in violation of any law applicable to it or to its properties and assets, except, in each case, for any such default or violation that would not, individually or in the aggregate, have a Material Adverse Effect. On the Closing Date, after giving effect to the transactions contemplated by the Contracts, including the use of proceeds from the issue and sale of the Bonds, there exists no Event of Default (as defined in the Tranche A Convertible Bond Instrument) or any event that, had the Bonds already been issued, would constitute a Default (as defined in the Tranche A Convertible Bond Instrument) or an Event of Default under the Tranche A Convertible Bond Instrument.

(h) Tax Matters

Except as could not reasonably be expected to have a Material Adverse Effect, the Issuer has (i) timely filed or caused to be timely filed all supranational, national, regional, local and other tax returns and reports required by law to be filed and all such tax returns are true and correct and (ii) duly and timely paid or caused to be duly and timely paid, all taxes, assessments, fees and charges levied or imposed upon it or its properties, assets or income otherwise due and payable, except those that are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with IFRS (as defined in the Tranche A Convertible Bond Instrument). Except as would not reasonably be expected to have a Material Adverse Effect, there is no pending or, to the knowledge of the Issuer, proposed tax assessment, deficiency or audit against the Issuer. The Issuer has no outstanding material tax liens. The Issuer is not party to any tax allocation, indemnity or sharing agreement.

(i) Absence of Litigation

There are no actions, suits, proceedings, claims, disputes or investigations at law (including, in each case, with respect to Intellectual Property, that involve opposition, cancellation, revocation or review) or in equity, in arbitration or before any Governmental Authority pending or, to the knowledge of the Issuer, threatened (in writing) against any of the Issuer, that (i) seek to prevent, alter or delay the creation and issuance of the Bonds or the consummation of the

transactions contemplated by the Contracts or (ii) individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

(j) Solvency

(k) No order has been made, and no step has been taken or is currently intended by the Issuer or, to the knowledge of the Issuer, any other Person for the winding-up, liquidation, dissolution, administration, merger or consolidation or for the appointment of a receiver or administrator of the Issuer or all or any of the properties or assets of the Issuer, under any applicable insolvency, reorganisation or similar laws in any jurisdiction having jurisdiction over the Issuer.

(ii) The Issuer can pay its debts as and when they fall due for payment.

(i) Regulatory Filings

Except as would not have a Material Adverse Effect, in the three years ended the date hereof, the Issuer has not failed, to the knowledge of the Issuer, to file with the Regulatory Authorities any required filing, declaration, listing, registration, report or submission with respect to its product candidates. Except as would not have a Material Adverse Effect, all such filings, declarations, listings, registrations, reports or submissions were in material compliance with applicable laws when filed. In the three years ended the date hereof, no deficiencies regarding compliance in material respect with applicable law have been communicated to the Issuer by any applicable Regulatory Authority with respect to any such filings, declarations, listings, registrations, reports or submissions.

(j) Information

All information, as supplemented or amended from time to time, supplied, disclosed or made available in writing or orally from time to time by or on behalf of any member of the Group or any of their respective directors, supervisors, officers, employees, affiliates or agents to the Investor in connection with the subscription of the Bonds and the entering into of the Contracts and the transactions contemplated thereby, was so supplied, disclosed or made available in good faith and was when given and remains in all material respects true and accurate and not misleading; and all forecasts, opinions and estimates relating to any member of the Group so supplied, disclosed or made available have been made after due, careful and proper consideration, are based on reasonable assumptions and represent reasonable and fair expectations honestly held based on facts known to such persons. At the time of the filing thereof, the SEC Filings complied as to form in all material respects with the applicable requirements of the Securities Act, the Exchange Act of 1934, as amended (the "**Exchange Act**"), and the Sarbanes Oxley Act of 2002 (and the regulations promulgated thereunder), and did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the

circumstances under which they were made, not misleading. For the purpose of this Agreement, “**SEC Filings**” means the Issuer’s filings made pursuant to the Securities Act or the Exchange Act, as applicable, prior to the date hereof, including but not limited to the Issuer’s annual report on Form 20-F filed with the Securities and Exchange Commission on March 1, 2023.

(k) No Immunity

No member of the Group, nor any of their respective assets, is entitled to any right of immunity on the grounds of sovereignty or otherwise from any action, suit or proceeding, from set-off or counterclaim, from the jurisdiction of any court, from service of process, from attachment to or in aid of execution of judgment, or from other action, suit or proceeding for the giving of any relief or for the enforcement of any judgment in relation to any Contract or the Bonds; and the waiver and agreement of the Issuer in the Contracts not to plead or claim any such immunity in any action, suit or proceeding arising out of or based on any such Contract or the transactions contemplated thereby is a legal, valid and binding obligation of the Issuer under the laws of its jurisdictions of incorporation.

SIGNATURE PAGE

ALVOTECH

By: Tanya Zharov
Title: Authorised Signatory

ATP Holdings ehf.

By: Árni Harðarson
Title: Director

By: Jóhann G. Jóhannsson
Title: Director

[Signature Page to Tranche A CB Subscription]

Accession Undertaking

To: Madison Pacific Trust Limited for itself and each of the other parties to the Intercreditor Deed referred to below

From: [•]

This Undertaking is made on ____ July 2023 by [•] (incorporated and registered in Iceland, with registration number [•], whose registered office is at [•]) (the “**Acceding Party**”) in relation to the Intercreditor Deed (the “**Intercreditor Deed**”) dated 14 December 2018 between, amongst others, Alvotech as Company, Madison Pacific Trust Limited as Security Trustee and the other Creditors and the other Debtors (each as defined in the Intercreditor Deed). Terms defined in the Intercreditor Deed shall, unless otherwise defined in this Undertaking, bear the same meanings when used in this Undertaking.

In consideration of the Acceding Party being accepted as a Subordinated Creditor for the purposes of the Intercreditor Deed, the Acceding Party confirms that, as from the date of this Undertaking, it intends to be party to the Intercreditor Deed as a Subordinated Creditor and undertakes to perform all the obligations expressed in the Intercreditor Deed to be assumed by a Subordinated Creditor and agrees that it shall be bound by all the provisions of the Intercreditor Deed, as if it had been an original party to the Intercreditor Deed.

The Acceding Party expressly ratifies and approves any and all acts done by the Security Trustee on its behalf prior to execution by the Acceding Party of this Accession Undertaking. This Undertaking and any non-contractual obligations arising out of or in connection with it are governed by English law.

THIS UNDERTAKING has been entered into as delivered on the date stated above.

EXECUTED and **DELIVERED** as a **DEED** on behalf of

[•]

By:

Name:

Title:

Accepted by the Security Trustee

For and on behalf of

MADISON PACIFIC TRUST LIMITED

Signed:

By: _____

Name:

Title:

Date:

JULY 2023

ALVOTECH

**as Issuer
and
[•]**

as

Investor

CONVERTIBLE BOND SUBSCRIPTION AGREEMENT – TRANCHE A

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THIS AGREEMENT (the "Agreement") is dated ____ July 2023 and is made between:

- (1) **ALVOTECH**, a public limited liability 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 registered with the Luxembourg Trade and Companies' Register under number B258884 (the "**Issuer**"); and
- (2) **[•]**, incorporated and registered in [Iceland], with registration number [•], whose registered office is at [•], [Iceland] (the "**Investor**"),

each a "**Party**" and together the "**Parties**" to this Agreement.

Whereas:

- (A) The Issuer and the Investor wish to record the arrangements agreed between them in relation to the subscription by the Investor, and the issuance by the Issuer of the convertible bonds due 2025 (the "**Bonds**") pursuant to the Tranche A Convertible Bond Instrument, dated 20 December 2022.

1. Definitions and Interpretation

Capitalised terms used but not otherwise defined in this Agreement shall have the meaning ascribed to such term in the Tranche A Convertible Bond Instrument. In addition, references in this Agreement to:

- (a) a contract or document are to that contract or document as amended, novated, supplemented, restated or replaced from time to time;
- (b) any person shall include its successors in title, permitted assigns and permitted transferees and references to a person in a particular capacity excludes such person in other capacities;
- (c) any statute or statutory provision or stock exchange listing rules include: (a) that statute or provision or listing rules as from time to time modified, re-enacted or consolidated whether before or after the date of this agreement; (b) any past statute or statutory provision or listing rules (as from time to time modified, re-enacted or consolidated) which that statute or provision has directly or indirectly replaced; and (c) any subordinate legislation made from time to time under that statute or statutory provision; and
- (d) the terms "include", "including", "in particular" and any similar expression shall be construed as illustrative and shall not limit the sense of the words, phrase or term preceding those terms.

2. Issue and Subscription

2.1 Agreement to Issue Bonds

Subject to the representations and warranties of the Investor set forth in Clause 3.2 (*Representations and Warranties from the Investor*) being true, accurate and correct in all material respects (except for those representations and warranties that are conditioned by

materiality, which shall be true and accurate in all respects) on the date hereof and on the Closing Date, the Issuer agrees to issue to the Investor the Bonds in the principal amount equal to ISK [•] on the 11 August 2023 (the “Closing Date”), or such other date as the Issuer and the Investor may otherwise agree; *provided* that such date shall not be later than 18 August 2023, for completion of the issue and subscription of the Bonds in accordance with both Clause 6.1 (*Issue of the Bonds*) and Clause 6.2 (*Payment*) (“Closing”). The Issuer may though, if there will be an oversubscription, reduce the subscription in its sole discretion, and shall notify the Investor of such reduction no later than 31 July 2023.

In this Agreement, “Business Day” means a day other than a Saturday or Sunday on which commercial banks are open for business in Reykjavík and Luxembourg.

2.2 Subscription

Subject to the satisfaction of the conditions set forth in Clause 5 (*Conditions Precedent*) and the entry in the Register of Bondholders (as defined in the Tranche A Convertible Bond Instrument) of the name of the Investor as the Bondholder, which the Parties acknowledge and agree shall be evidenced by a PDF copy of the Register of Bondholders provided by the Registrar (as defined in the Tranche Convertible Bond Instrument) (or if the Registrar is not yet appointed on the Closing Date, the Issuer), the Investor will subscribe for the Bonds. For the avoidance of doubt, none of the Investor or any of its respective affiliates shall have any obligation to subscribe for the Bonds unless all of the conditions set forth in Clause 5 (*Conditions Precedent*) have been satisfied or otherwise waived by the Investor.

3. Representations, Warranties and Covenants

3.1 Representations and Warranties from the Issuer

- (a) The Issuer makes each of the representations and warranties to the Bondholders set out in schedule 1 (*Representations and Warranties from the Issuer*) to this Agreement to the Investor on the date of this Agreement.
- (b) The representations and warranties contained in, or given pursuant to, this Clause 3 (*Representations and Warranties from the Issuer*) shall be deemed to have been repeated on the Closing Date.

3.2 Representations and Warranties from the Investor

Each Investor represents and warrants to the Issuer on the date of this Agreement that:

- (a) it understands that its purchase of the Bonds involves a high degree of risk and is speculative in nature; it (i) has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers in connection herewith to the extent it has deemed necessary; (ii) has had a reasonable opportunity to ask questions of and receive answers from officers and representatives of the Issuer concerning the financial condition and results of operations of the Group and the purchase of the Bonds, and such questions have been answered to its satisfaction; (iii) has had the opportunity to review all publicly available documents concerning the Group that it has considered necessary or appropriate

in making an investment decision; (iv) understands and acknowledges that no offering document or prospectus concerning the Group or the Bonds will be prepared in connection with its purchase of the Bonds; and (v) has reviewed all information that it believes is necessary or appropriate in connection with its purchase of the Bonds;

- (b) it has such knowledge and experience in financial, business and investment matters that it is capable of evaluating the merits and risks of purchasing the Bonds;
- (c) it has the ability to bear the economic risk of its purchase of the Bonds;
- (d) it has full power and authority to enter into this Agreement, which constitutes its valid and legally binding obligation and is enforceable in accordance with its terms;
- (e) it understands that the offer or sale of the Bonds will be made overseas within the meaning of Rule 902(e)(iii) of Regulation S ("**Regulation S**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**");
- (f) it, each of the funds managed by or affiliated with the Investor for which it is acting as nominee, as applicable, or any assignee of the Investor is (a) a resident of Iceland; (b) not a "U.S. person" (as defined in Regulation S); (c) was outside the United States at the time it first expressed an interest in purchasing the and is currently outside of the United States; (d) not an affiliate (as defined in Rule 144 under the Securities Act) of the Issuer or a person acting on behalf of such an affiliate and (e) a "professional investor" for the purposes of Directive 2014/65/EU on markets on financial instruments. The offer by the Issuer to sell the Bonds to the Investor was directed to the Investor in Iceland;
- (g) it understands that the Bonds have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- (h) it understands that no action has been taken to permit a public offering of the Bonds in any jurisdiction and it will not offer or sell any of the Bonds in any jurisdiction or in any circumstance in which such offer or sale is not authorised or to any person to whom it is unlawful to make such offer or sale except under circumstances that complies with any applicable laws and/or regulations; and
- (i) it understands that the foregoing representations and warranties are required in connection with the securities laws of the United States and other jurisdictions. It acknowledges that the Issuer will rely upon the truth and accuracy of its representations and warranties set forth herein, and it agrees to notify the Issuer promptly in writing if, at any time before the Closing, any of its representations or warranties herein ceases to be accurate and complete in all material respect.

The representations and warranties contained in, or given pursuant to, Clause 3.2 shall be deemed to have been repeated on the Closing Date taking into account facts and circumstances subsisting at such date.

4. Undertakings

The Issuer undertakes to the Investor that:

4.1 Taxes

The Issuer will pay:

- (a) any stamp, issue, registration, documentary or other taxes and duties, including interest and penalties in Luxembourg or Iceland and all other relevant jurisdictions paid or payable on or in connection with the creation, issue, offering and/or placing of the Bonds or the execution or delivery of the Contracts except where the Bonds and/or the Contracts are (i) voluntarily presented to the registration formalities, (ii) appended to a document that requires mandatory registration or (iii) deposited with the official records of a notary (*deposé au rang des minutes d'un Notaire*); and
- (b) in addition to any amount payable by it under this Agreement, value added taxes (being value added tax chargeable under or pursuant to Council Directive 2006/112/EC or the Sixth Council Directive of the European Communities and any other similar tax, wherever imposed ("**VAT**")), goods and services taxes, business or services taxes or similar tax payable in respect thereof in Luxembourg or Iceland and all other relevant jurisdictions (and references in this Agreement to such amount shall be deemed to include any such taxes so payable in addition to it).

4.2 Warranties

The Issuer will forthwith notify the Investor if at any time prior to the Closing Date anything occurs which renders or may render untrue or incorrect in any respect any of its representations, warranties, agreements and indemnities herein and will forthwith take such steps as the Investor may reasonably require to remedy the fact.

4.3 Approvals and Filings

The Issuer shall obtain all approvals and consents and promptly make all notifications, registrations and filings as may from time to time be required in relation to the issue of the Bonds.

4.4 Use of Proceeds

- (a) The Issuer shall use the net proceeds from the issue of the Bonds for:
 - (i) any fees, commissions, costs and expenses, stamp, registration and other Taxes incurred by the Issuer or any of its holding companies, Subsidiaries, Affiliates or successors in title in connection with any of the transactions or documents contemplated or referred to in this Agreement and the Tranche A Convertible Bond Instrument; and
 - (ii) general corporate purposes and working capital (excluding, for the avoidance of doubt, Permitted Investments or any Restricted Payments including any payment or

repayments in connection with any shareholder loans of the Issuer or any of its holding companies, Subsidiaries, or Affiliates).

- (b) The Issuer will not, directly or indirectly, use the proceeds of the offering and sale of the Bonds, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Person, for the purpose of financing the activities of any Person, or in any country or territory, that, at the time of such funding, is subject to or the target of any Sanction.

4.5 Information

To the extent permitted by applicable laws, rules and regulations, the Issuer will, as soon as reasonably practicable, provide the Investor, upon request, with all such information known to it or which on reasonable enquiry ought to be known to it relating to the Group or otherwise as may be reasonably required by the Investor in connection with the issue and sale of the Bonds for the purpose of complying with any applicable law, rule, regulation or direction (including the establishment of any defence to any action under any of the same, whether relating to due diligence or otherwise) or any requirement of any applicable regulatory body.

5. Conditions Precedent

5.1 The obligations of the Investor to subscribe for the Bonds are subject to the fulfilment, prior to or simultaneously at Closing, of the following conditions to the satisfaction of the Investor:

(a) Compliance: on the Closing Date:

- (i) the representations and warranties of the Issuer and the other Group Companies (as defined below) in this Agreement (including those set forth in schedule 1 to this agreement) shall be true, accurate and correct in all material respects (except for those representations and warranties that are conditioned by materiality, which shall be true and accurate in all respects) and not misleading in any material respect on the Closing Date; and
- (ii) the Issuer shall have performed all of their respective material obligations under this Agreement to be performed on or before such date.

(b) No Default

On the Closing Date and after giving effect to the transactions contemplated by the Contracts, including the use of proceeds from the issue and sale of the Bonds, the Issuer is not in breach of or in default (nor has any event occurred which, with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement would result in a default by the Issuer) under the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which it is a party or to which its assets are bound except for any breach or default which would not, individually or in the aggregate, have a Material Adverse Effect.

(c) Bond Documents

On or before the Closing Date, there shall have been delivered to the Investor a copy of the Tranche A Convertible Bond Instrument.

5.2 The obligations of the Issuer to issue the Bonds are subject to the fulfilment, prior to or simultaneously at Closing, of (i) the conditions set out in Clause 5.1 and (ii) on or prior to the date hereof, all consents and approvals required on the part of the Investor in relation to the subscription of the Bonds being obtained. The Investor confirms that no further consent or approvals are required on its part in relation to the subscription of the Bonds.

5.3 **Fulfilment**

The Issuer shall use its best endeavours to ensure the fulfilment of the conditions set out in Clause 5.1 as soon as reasonably practicable and in any event no later than on the Closing Date.

6. **Closing**

6.1 **Issue of the Bonds**

Subject to Clause 6.2 (*Payment*) below, on or before 4:00 pm GMT (or such other time as may be agreed by the Issuer and the Investor) on the Closing Date, the Issuer will issue the Bonds and procure the entry in the Register of Bondholders of the name of the Investor as Bondholder, each of which the Parties acknowledge and agree that such entry shall be evidenced by a PDF copy of the Register of Bondholders provided by the Registrar (as defined in the Tranche A Convertible Bond Instrument) (or if the Registrar is not yet appointed on the Closing Date, the Issuer).

Completion of the entries in the Register of Bondholders pursuant to this Clause 6.1 shall constitute the issue and delivery of the Bonds; *provided, however*, that if Closing does not occur for any reason whatsoever including but not limited to non-satisfaction of the conditions set forth in Clause 5 (*Conditions Precedent*), the Bonds shall be deemed not to have been issued, and any entries in the Register of Bondholders relating to the Bonds offered hereby shall be deemed void.

6.2 **Payment**

Subject to satisfaction of the conditions set forth in Clause 5 (*Conditions Precedent*) and the completion of entries in the Register of Bondholders by the Issuer pursuant to clause 6.1 (*Issue of Bonds*), the Investor will pay or cause to be paid to the Issuer an amount of ISK [•] into a bank account as designated in writing by the Issuer at least two (2) Business Days prior to the Closing Date (subject though to reductions pursuant to clause 2.1). For the avoidance of doubt, neither the Investor nor any of its respective affiliates shall have any obligation to subscribe or pay for the Bonds unless all of the conditions set forth in Clause 5 (*Conditions Precedent*) have been satisfied or otherwise waived by the Investors, regardless of any entry in the Register of Bondholders, and neither the Investor nor any of its affiliates shall have any liability whatsoever (in contract, tort or otherwise) to the Issuer or any of its affiliates, or any other person, for any such non-subscription or non-payment for the Bonds.

7. **Expenses and Payments**

7.1 General Expenses

The Issuer shall pay and indemnify the Investor of all costs, expenses, taxes and charges (including, without limitation, any legal fees, third party fees and out of pocket expenses of the Investor) incurred by the Investor in connection with the Bonds, and the assessment, negotiation, preparation and execution of this Agreement.

7.2 Payment

All payments due under this Agreement are to be made in Icelandic kronas and are stated exclusive of any applicable tax whether income taxes, withholding taxes, VAT, goods and services taxes, business or services taxes or similar taxes (other than taxes imposed in respect of net income by a taxing jurisdiction wherein the recipient is incorporated or resident for tax purposes) ("**Taxes**"). If VAT is or becomes chargeable on any such amounts the Issuer shall, subject to the receipt of a valid VAT invoice in respect of such supply, at the same time and in the same manner as the payment to which such VAT relates, pay an amount equal to such VAT.

- (a) All amounts (if any) payable by the Issuer to the Investor under this Agreement shall be paid, free and clear of, and without any deduction or withholding for or on account of, any current or future taxes, levies, imposts, duties, charges or other deductions or withholdings levied in any jurisdiction from or through which payment is made on behalf of the Issuer or in which the payor is located unless such deduction or withholding is required by applicable law, in which event the Issuer making such payment shall pay such additional amount (including any such withholding or deduction from such additional amount) as is required to ensure that the Investor receives, free from any such withholding, deduction, assessment or levy, the full amount of the payments set out herein.

8. Termination

8.1 Ability of the Investor to Terminate

At any time:

- (a) if any of the conditions specified in Clause 5.1 has not been satisfied, or waived by the Investor, on or prior to the Closing Date; or
- (b) if the Bonds have not been issued by the Closing Date or a later date as agreed in accordance with this Agreement and on or prior to such date, the Parties have not mutually agreed to extend the Closing Date, provided that, if, the failure to issue Bonds is caused by administrative or technical error, the termination right hereunder shall not be exercisable by the Investor if the Issuer has remedied such failure within five (5) Business Days of the Closing Date, or
- (c) if the Closing Date has not occurred by 18 August 2023;

then the Investor shall be entitled (but not bound) by notice to the Issuer to elect to treat such event, breach or failure as terminating this Agreement notwithstanding any other

provisions of this Agreement.

8.2 Consequences of Termination

Upon such notice being given pursuant to Clause 8.1 (*Ability of the Investor to Terminate*), this Agreement shall terminate and be of no further effect and no Party shall be under any liability to any other in respect of this Agreement.

9. Survival of Representations and Obligations

Clause 4 (*Undertakings*) in this Agreement shall continue in full force and effect despite completion of the arrangements for the subscription and issue of the Bonds.

10. Communications

10.1 Addresses

Any communication in connection with this Agreement shall be given by electronic mail or letter:

In the case of notices to the Issuer, to it or them at:

Address:

Email:

Attention:

In the case of notices to the Investor, to it at:

Address: [•]

Email: [•]

Attention: [•]

10.2 Effectiveness

Any such communication shall take effect, in the case of a letter, at the time of delivery, and in the case of electronic mail, at the time of despatch.

11. Assignment

No Party may assign any of its rights or delegate or transfer any of its obligations under this Agreement without the prior written consent of the other Parties.

12. Entire Agreement

This Agreement, together with any documents referred to in it, constitutes the whole agreement between the Parties relating to the issue of and the subscription for the Bonds and supersedes

and extinguishes any other prior drafts, agreements, undertakings, representations, warranties and arrangements of any nature, whether in writing or oral, relating to the issue of and the subscription for the Bonds; **provided that** nothing in this Clause 12 shall exclude or limit the liability of any Party for fraudulent misrepresentation.

13. Currency Indemnity

13.1 Currency of Account and Payment

Icelandic kronas (the “**Contractual Currency**”) is the sole currency of account and payment for all sums payable by the Issuer under or in connection with this Agreement, including damages.

13.2 Extent of Discharge

An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise), by the Investor in respect of any sum expressed to be due to it from the Issuer will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

13.3 Indemnity

If that Contractual Currency amount able to be so purchased as provided for in Clause 13.2 (*Extent of Discharge*) is less than the Contractual Currency amount expressed to be due to the recipient under this Agreement, the Issuer will indemnify it, to the maximum extent permitted under all applicable laws, against any loss sustained by it as a result. In any event, the Issuer will indemnify the recipient against the cost of making any such purchase.

13.4 Indemnity Separate

The indemnities in this Clause 13 (*Currency Indemnity*) constitute separate and independent obligations from the other obligations in this Agreement, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Investor and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under this Agreement or any other judgment or order.

14. Governing Law and Jurisdiction

14.1 Governing law

This Agreement, as to which time shall be of the essence, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with Icelandic law.

14.2 Jurisdiction

- (a) The District Court of Reykjavík have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement and the Bonds (including a dispute relating to the existence, validity or termination of this Agreement or the Bonds or any non-contractual obligation arising out of or in connection therewith) (a “**Dispute**”) and accordingly any legal action or proceedings in connection with such Dispute (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Investor hereby irrevocably submits to the jurisdiction of such courts.

15. Waiver of Immunity

The Issuer hereby waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, agrees not to plead or claim any such immunity in any Proceedings or arbitration, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings or arbitration.

16. Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

For confirmation of all of the above, this Agreement may be signed by the Parties with a valid electronic signature is in accordance with Act no. 55/2019 on electronic identification and trust service for electronic commerce.

Schedule
1
Representations and Warranties from the Issuer

The Issuer represents and warrants to the Bondholders on the date of this Agreement and the Closing Date that:

(a) Organisation; Power; Authorisation; Enforceability

The Issuer:

- (i) has been duly incorporated, established or organised, is legally existing and is in good standing (or equivalent status or is able to issue a directors' certificate, as applicable) under the laws of its jurisdiction of organisation (to the extent any such concept applies in such jurisdiction);
- (ii) is duly licensed or qualified to do business in good standing (if applicable) in each jurisdiction in which such license or qualification is required by law for the business it is now conducting except where the failure to be so licensed or qualified would not reasonably be expected to have a material adverse effect on (1) the business, operations, assets, liabilities (including contingent liabilities), business or financial condition, results of operations of the Issuer and its Subsidiaries (the "**Group**" or "**Group Companies**") taken as a whole and/or any member of the Group individually, and (2) the ability of the Issuer to perform its obligations under any of the Contracts or the Bonds, ("**Material Adverse Effect**");
- (iii) has the requisite corporate (or equivalent) power and authority to own, lease or operate the properties and assets it purports to own, lease or operate, to carry on its business as presently conducted and to execute, deliver and perform its obligations under each Contract except where the failure to have such power and authority to own, lease or operate such properties and assets and carry on such business would not reasonably be expected to have a Material Adverse Effect.
- (iv) Each Contract has been duly authorised, executed and delivered by the Issuer, and constitutes the valid, legally binding and, assuming due authorisation, execution and delivery by all other parties thereto (subject to general equitable principles, insolvency, liquidation, reorganisation and other laws of general application relating to creditors' rights), enforceable obligation of the Issuer.
- (v) "**Contracts**" means this Agreement and the Tranche A Convertible Bond Instrument.

(b) Securities Laws

- (i) The Issuer is a "foreign issuer" (as such term is defined in Regulation S) under the Securities Act.
-

- (c) None of the Issuer or any of its affiliates (as defined in Rule 144 under the Securities Act) has directly or through any agent engaged in any directed selling efforts in the United States within the meaning of Rule 902(c) of Regulation S with respect to the Bonds; the Issuer, any of its affiliates and any person acting on its or their behalf have complied with any applicable offering restrictions of Regulation S in connection with the issue and sale of the Bonds, except no representation, warranty or agreement is made by the Issuer in this paragraph with respect to the Investor, its affiliates or any person acting on its or their behalf.
- (d) The offer or sale of the Bonds has been made in an overseas directed offering within the meaning of Rule 902(e)(iii) of Regulation S and no offers or sales of Bonds have been made to persons in the United States. Neither the Issuer nor its affiliates, nor to their respective knowledge any distributor in respect of the offering or their respective affiliates, is aware (or is reckless in not being aware) of any substantial portion of the offering being sold or resold outside Iceland.
- (e) Governmental and Third Party Authorisations

No exemption from, notice to, registration, filing or declaration with, or consent, approval, authorisation or other action of, any Governmental Authority (as defined in the Tranche A Convertible Bond Instrument) or any other Person (as defined in the Tranche A Convertible Bond Instrument) is necessary or required in connection with (i) the creation, issuance and/or rollover (as applicable) by the Issuer of the Bonds, the execution or delivery by any of the Issuer of any Contract or the performance of obligations by any of the Issuer under any Contract, (ii) the transactions contemplated by the Contracts, other than (1) such exemptions, notices, registrations, filings, declarations, consents, approvals, authorisations and other actions as shall have been taken, given, made or obtained and are in full force and effect as of the Closing Date, (2) such filings required to be made after the date hereof under applicable securities laws, if any, and (3) such exemptions, notices, registrations, filings, declarations, consents, approvals, authorisations and other actions the failure of which to take, give, make or obtain would not have a Material Adverse Effect.

- (f) No Conflicts

The execution and delivery by the Issuer of each Contract, the performance of obligations by the Issuer of each Contract and the consummation of the transactions contemplated hereby and thereby do not and will not (i) contravene the terms of the constitutional documents of the Issuer, (ii) violate any law, determination or award applicable to any of the Issuer or its properties or assets or (iii) contravene the terms or provisions of, or constitute a violation, breach or default under, or result in the acceleration of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Issuer is a party or by which the Issuer is bound or to which any of the

property or assets of the Issuer is subject or result in the creation or imposition of any encumbrance upon any assets of the Issuer, except, in the case of paragraphs (ii) and (iii) above, where such violation, conflict, breach, default, acceleration, payment, creation or imposition would not reasonably be expected to individually or in the aggregate have a Material Adverse Effect.

(g) No Violation or Default

The Issuer is not (i) in violation of its constitutional documents, (ii) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Issuer is a party or by which the Issuer is bound or to which any of the property or assets of the Issuer is subject, or (iii) in violation of any law applicable to it or to its properties and assets, except, in each case, for any such default or violation that would not, individually or in the aggregate, have a Material Adverse Effect. On the Closing Date, after giving effect to the transactions contemplated by the Contracts, including the use of proceeds from the issue and sale of the Bonds, there exists no Event of Default (as defined in the Tranche A Convertible Bond Instrument) or any event that, had the Bonds already been issued, would constitute a Default (as defined in the Tranche A Convertible Bond Instrument) or an Event of Default under the Tranche A Convertible Bond Instrument.

(h) Tax Matters

Except as could not reasonably be expected to have a Material Adverse Effect, the Issuer has (i) timely filed or caused to be timely filed all supranational, national, regional, local and other tax returns and reports required by law to be filed and all such tax returns are true and correct and (ii) duly and timely paid or caused to be duly and timely paid, all taxes, assessments, fees and charges levied or imposed upon it or its properties, assets or income otherwise due and payable, except those that are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with IFRS (as defined in the Tranche A Convertible Bond Instrument). Except as would not reasonably be expected to have a Material Adverse Effect, there is no pending or, to the knowledge of the Issuer, proposed tax assessment, deficiency or audit against the Issuer. The Issuer has no outstanding material tax liens. The Issuer is not party to any tax allocation, indemnity or sharing agreement.

(i) Absence of Litigation

There are no actions, suits, proceedings, claims, disputes or investigations at law (including, in each case, with respect to Intellectual Property, that involve opposition, cancellation, revocation or review) or in equity, in arbitration or before any Governmental Authority pending or, to the knowledge of the Issuer, threatened (in writing) against any of the Issuer, that (i) seek to prevent, alter or delay the creation and issuance of the Bonds or the consummation of the

transactions contemplated by the Contracts or (ii) individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

(j) Solvency

(k) No order has been made, and no step has been taken or is currently intended by the Issuer or, to the knowledge of the Issuer, any other Person for the winding-up, liquidation, dissolution, administration, merger or consolidation or for the appointment of a receiver or administrator of the Issuer or all or any of the properties or assets of the Issuer, under any applicable insolvency, reorganisation or similar laws in any jurisdiction having jurisdiction over the Issuer.

(ii) The Issuer can pay its debts as and when they fall due for payment.

(i) Regulatory Filings

Except as would not have a Material Adverse Effect, in the three years ended the date hereof, the Issuer has not failed, to the knowledge of the Issuer, to file with the Regulatory Authorities any required filing, declaration, listing, registration, report or submission with respect to its product candidates. Except as would not have a Material Adverse Effect, all such filings, declarations, listings, registrations, reports or submissions were in material compliance with applicable laws when filed. In the three years ended the date hereof, no deficiencies regarding compliance in material respect with applicable law have been communicated to the Issuer by any applicable Regulatory Authority with respect to any such filings, declarations, listings, registrations, reports or submissions.

(j) Information

All information, as supplemented or amended from time to time, supplied, disclosed or made available in writing or orally from time to time by or on behalf of any member of the Group or any of their respective directors, supervisors, officers, employees, affiliates or agents to the Investor in connection with the subscription of the Bonds and the entering into of the Contracts and the transactions contemplated thereby, was so supplied, disclosed or made available in good faith and was when given and remains in all material respects true and accurate and not misleading; and all forecasts, opinions and estimates relating to any member of the Group so supplied, disclosed or made available have been made after due, careful and proper consideration, are based on reasonable assumptions and represent reasonable and fair expectations honestly held based on facts known to such persons. At the time of the filing thereof, the SEC Filings complied as to form in all material respects with the applicable requirements of the Securities Act, the Exchange Act of 1934, as amended (the "**Exchange Act**"), and the Sarbanes Oxley Act of 2002 (and the regulations promulgated thereunder), and did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the

circumstances under which they were made, not misleading. For the purpose of this Agreement, “**SEC Filings**” means the Issuer’s filings made pursuant to the Securities Act or the Exchange Act, as applicable, prior to the date hereof, including but not limited to the Issuer’s annual report on Form 20-F filed with the Securities and Exchange Commission on March 1, 2023.

(k) No Immunity

No member of the Group, nor any of their respective assets, is entitled to any right of immunity on the grounds of sovereignty or otherwise from any action, suit or proceeding, from set-off or counterclaim, from the jurisdiction of any court, from service of process, from attachment to or in aid of execution of judgment, or from other action, suit or proceeding for the giving of any relief or for the enforcement of any judgment in relation to any Contract or the Bonds; and the waiver and agreement of the Issuer in the Contracts not to plead or claim any such immunity in any action, suit or proceeding arising out of or based on any such Contract or the transactions contemplated thereby is a legal, valid and binding obligation of the Issuer under the laws of its jurisdictions of incorporation.

SIGNATURE PAGE

ALVOTECH

By:
Title: Authorised Signatory

[•]

By:
Title: Authorised Signatory

[Signature Page to Tranche A CB Subscription]

JULY 2023

ALVOTECH

**as Issuer
and
[•]**

as

Investor

CONVERTIBLE BOND SUBSCRIPTION AGREEMENT – TRANCHE B

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THIS AGREEMENT (the "Agreement") is dated ____ July 2023 and is made between:

- (1) **ALVOTECH**, a public limited liability 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 registered with the Luxembourg Trade and Companies' Register under number B258884 (the "**Issuer**"); and
- (2) **[•]**, incorporated and registered in [Iceland], with registration number [•], whose registered office is at [•], [Iceland] (the "**Investor**"),

each a "**Party**" and together the "**Parties**" to this Agreement.

Whereas:

- (A) The Issuer and the Investor wish to record the arrangements agreed between them in relation to the subscription by the Investor, and the issuance by the Issuer of the convertible bonds due 2025 (the "**Bonds**") pursuant to the Tranche B Convertible Bond Instrument, dated 20 December 2022 (the "**Tranche B Convertible Bond Instrument**").

1. Definitions and Interpretation

Capitalised terms used but not otherwise defined in this Agreement shall have the meaning ascribed to such term in the Tranche B Convertible Bond Instrument. In addition, references in this Agreement to:

- (a) a contract or document are to that contract or document as amended, novated, supplemented, restated or replaced from time to time;
- (b) any person shall include its successors in title, permitted assigns and permitted transferees and references to a person in a particular capacity excludes such person in other capacities;
- (c) any statute or statutory provision or stock exchange listing rules include: (a) that statute or provision or listing rules as from time to time modified, re-enacted or consolidated whether before or after the date of this agreement; (b) any past statute or statutory provision or listing rules (as from time to time modified, re-enacted or consolidated) which that statute or provision has directly or indirectly replaced; and (c) any subordinate legislation made from time to time under that statute or statutory provision; and
- (d) the terms "include", "including", "in particular" and any similar expression shall be construed as illustrative and shall not limit the sense of the words, phrase or term preceding those terms.

2. Issue and Subscription

2.1 Agreement to Issue Bonds

Subject to the representations and warranties of the Investor set forth in Clause 3.2 (*Representations and Warranties from the Investor*) being true, accurate and correct in all

material respects (except for those representations and warranties that are conditioned by materiality, which shall be true and accurate in all respects) on the date hereof and on the Closing Date, the Issuer agrees to issue to the Investor the Bonds in the principal amount equal to USD [•] on the 11 August 2023 (the “**Closing Date**”), or such other date as the Issuer and the Investor may otherwise agree; *provided* that such date shall not be later than 18 August 2023, for completion of the issue and subscription of the Bonds in accordance with both Clause 6.1 (*Issue of the Bonds*) and Clause 6.2 (*Payment*) (“**Closing**”). The Issuer may though, if there will be an oversubscription, reduce the subscription in its sole discretion, and shall notify the Investor of such reduction no later than 31 July 2023.

In this Agreement, “**Business Day**” means a day other than a Saturday or Sunday on which commercial banks are open for business in Reykjavík and Luxembourg.

2.2 Subscription

Subject to the satisfaction of the conditions set forth in Clause 5 (*Conditions Precedent*) and the entry in the Register of Bondholders (as defined in the Tranche B Convertible Bond Instrument) of the name of the Investor as the Bondholder, which the Parties acknowledge and agree shall be evidenced by a PDF copy of the Register of Bondholders provided by the Registrar (as defined in the Tranche B Convertible Bond Instrument) (or if the Registrar is not yet appointed on the Closing Date, the Issuer), the Investor will subscribe for the Bonds. For the avoidance of doubt, none of the Investor or any of its respective affiliates shall have any obligation to subscribe for the Bonds unless all of the conditions set forth in Clause 5 (*Conditions Precedent*) have been satisfied or otherwise waived by the Investor. The Bonds shall be subject to and governed by the Tranche B Convertible Bond Instrument, which shall form an integral part of this Agreement.

3. Representations, Warranties and Covenants

3.1 Representations and Warranties from the Issuer

- (a) The Issuer makes each of the representations and warranties to the Bondholders set out in schedule 1 (*Representations and Warranties from the Issuer*) to this Agreement to the Investor on the date of this Agreement.
- (b) The representations and warranties contained in, or given pursuant to, this Clause 3 (*Representations and Warranties from the Issuer*) shall be deemed to have been repeated on the Closing Date.

3.2 Representations and Warranties from the Investor

The Investor represents and warrants to the Issuer on the date of this Agreement that:

- (a) it understands that its purchase of the Bonds involves a high degree of risk and is speculative in nature; it (i) has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers in connection herewith to the extent it has deemed necessary; (ii) has had a reasonable opportunity to ask questions of and receive answers from officers and representatives of the Issuer concerning the financial condition and results of operations of the Group and the purchase of the Bonds, and such questions

have been answered to its satisfaction; (iii) has had the opportunity to review all publicly available documents concerning the Group that it has considered necessary or appropriate in making an investment decision; (iv) understands and acknowledges that no offering document or prospectus concerning the Group or the Bonds will be prepared in connection with its purchase of the Bonds; and (v) has reviewed all relevant information that it believes is necessary or appropriate in connection with its purchase of the Bonds;

- (b) it has such knowledge and experience in financial, business and investment matters that it is capable of evaluating the merits and risks of purchasing the Bonds;
- (c) it has the ability to bear the economic risk of its purchase of the Bonds;
- (d) it has full power and authority to enter into this Agreement, which constitutes its valid and legally binding obligation and is enforceable in accordance with its terms;
- (e) it understands that the offer or sale of the Bonds will be made overseas within the meaning of Rule 902(e)(iii) of Regulation S ("**Regulation S**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**");
- (f) it, each of the funds managed by or affiliated with the Investor for which it is acting as nominee, as applicable, or any assignee of the Investor is (a) a resident of Iceland; (b) not a "U.S. person" (as defined in Regulation S); (c) was outside the United States at the time it first expressed an interest in purchasing the and is currently outside of the United States; (d) not an affiliate (as defined in Rule 144 under the Securities Act) of the Issuer or a person acting on behalf of such an affiliate and (e) a "professional investor" for the purposes of Directive 2014/65/EU on markets on financial instruments. The offer by the Issuer to sell the Bonds to the Investor was directed to the Investor in Iceland;
- (g) it understands that the Bonds have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- (h) it understands that no action has been taken to permit a public offering of the Bonds in any jurisdiction and it will not offer or sell any of the Bonds in any jurisdiction or in any circumstance in which such offer or sale is not authorised or to any person to whom it is unlawful to make such offer or sale except under circumstances that complies with any applicable laws and/or regulations; and
- (i) it understands that the foregoing representations and warranties are required in connection with the securities laws of the United States and other jurisdictions. It acknowledges that the Issuer will rely upon the truth and accuracy of its representations and warranties set forth herein, and it agrees to notify the Issuer promptly in writing if, at any time before the Closing, any of its representations or warranties herein ceases to be accurate and complete in any material respect.

The representations and warranties contained in, or given pursuant to, Clause 3.2 shall be deemed to have been repeated on the Closing Date taking into account facts and

circumstances subsisting at such date.

4. Undertakings

The Issuer undertakes to the Investor that:

4.1 Taxes

The Issuer will pay:

- (a) any stamp, issue, registration, documentary or other taxes and duties, including interest and penalties in Luxembourg or Iceland and all other relevant jurisdictions paid or payable on or in connection with the creation, issue, offering and/or placing of the Bonds or the execution or delivery of the Contracts except where the Bonds and/or the Contracts are (i) voluntarily presented to the registration formalities, (ii) appended to a document that requires mandatory registration or (iii) deposited with the official records of a notary (*deposé au rang des minutes d'un Notaire*); and
- (b) in addition to any amount payable by it under this Agreement, value added taxes (being value added tax chargeable under or pursuant to Council Directive 2006/112/EC or the Sixth Council Directive of the European Communities and any other similar tax, wherever imposed ("VAT")), goods and services taxes, business or services taxes or similar tax payable in respect thereof in Luxembourg or Iceland and all other relevant jurisdictions (and references in this Agreement to such amount shall be deemed to include any such taxes so payable in addition to it).

4.2 Warranties

The Issuer will forthwith notify the Investor if at any time prior to the Closing Date anything occurs which renders or may render untrue or incorrect in any respect any of its representations, warranties, agreements and indemnities herein and will forthwith take such steps as the Investor may reasonably require to remedy the fact.

4.3 Approvals and Filings

The Issuer shall obtain all approvals and consents and promptly make all notifications, registrations and filings as may from time to time be required in relation to the issue of the Bonds.

4.4 Use of Proceeds

- (a) The Issuer shall use the net proceeds from the issue of the Bonds for:
 - (i) any fees, commissions, costs and expenses, stamp, registration and other Taxes incurred by the Issuer or any of its holding companies, Subsidiaries, Affiliates or successors in title in connection with any of the transactions or documents contemplated or referred to in this Agreement and the Tranche B Convertible Bond Instrument; and

- (ii) general corporate purposes and working capital (excluding, for the avoidance of doubt, Permitted Investments or any Restricted Payments including any payment or repayments in connection with any shareholder loans of the Issuer or any of its holding companies, Subsidiaries, or Affiliates).
- (b) The Issuer will not, directly or indirectly, use the proceeds of the offering and sale of the Bonds, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Person, for the purpose of financing the activities of any Person, or in any country or territory, that, at the time of such funding, is subject to or the target of any Sanction.

4.5 Information

To the extent permitted by applicable laws, rules and regulations, the Issuer will, as soon as reasonably practicable, provide the Investor, upon request, with all such information known to it or which on reasonable enquiry ought to be known to it relating to the Group or otherwise as may be reasonably required by the Investor in connection with the issue and sale of the Bonds for the purpose of complying with any applicable law, rule, regulation or direction (including the establishment of any defence to any action under any of the same, whether relating to due diligence or otherwise) or any requirement of any applicable regulatory body.

5. Conditions Precedent

5.1 The obligations of the Investor to subscribe for the Bonds are subject to the fulfilment, prior to or simultaneously at Closing, of the following conditions to the satisfaction of the Investor:

- (a) Compliance: on the Closing Date:
 - (i) the representations and warranties of the Issuer and the other Group Companies (as defined below) in this Agreement (including those set forth in schedule 1 to this Agreement) shall be true, accurate and correct in all material respects (except for those representations and warranties that are conditioned by materiality, which shall be true and accurate in all respects) and not misleading in any material respect on the Closing Date; and
 - (ii) the Issuer shall have performed all of its respective material obligations under this Agreement to be performed on or before such date.
- (b) No Default

On the Closing Date and after giving effect to the transactions contemplated by the Contracts, including the use of proceeds from the issue and sale of the Bonds, the Issuer is not in breach of or in default (nor has any event occurred which, with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement would result in a default by the Issuer) under the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which it is a party or to which its assets are bound except for

any breach or default which would not, individually or in the aggregate, have a Material Adverse Effect.

(c) **Bond Documents**

On or before the Closing Date, there shall have been delivered to the Investor a copy of the Tranche B Convertible Bond Instrument.

5.2 The obligations of the Issuer to issue the Bonds are subject to the fulfilment, prior to or simultaneously at Closing, of (i) the conditions set out in Clause 5.1 and (ii) on or prior to the date hereof, all consents and approvals required on the part of the Investor in relation to the subscription of the Bonds being obtained. The Investor confirms that no further consent or approvals are required on its part in relation to the subscription of the Bonds.

5.3 **Fulfilment**

The Issuer shall use its best endeavours to ensure the fulfilment of the conditions set out in Clause 5.1 as soon as reasonably practicable and in any event no later than on the Closing Date.

6. **Closing**

6.1 **Issue of the Bonds**

Subject to Clause 6.2 (*Payment*) below, on or before 4:00 pm GMT (or such other time as may be agreed by the Issuer and the Investor) on the Closing Date, the Issuer will issue the Bonds and procure the entry in the Register of Bondholders of the name of the Investor as Bondholder, each of which the Parties acknowledge and agree that such entry shall be evidenced by a PDF copy of the Register of Bondholders provided by the Registrar (as defined in the Tranche B Convertible Bond Instrument) (or if the Registrar is not yet appointed on the Closing Date, the Issuer).

Completion of the entries in the Register of Bondholders pursuant to this Clause 6.1 shall constitute the issue and delivery of the Bonds; *provided, however*, that if Closing does not occur for any reason whatsoever including but not limited to non-satisfaction of the conditions set forth in Clause 5 (*Conditions Precedent*), the Bonds shall be deemed not to have been issued on the Closing Date, and any entries in the Register of Bondholders relating to the Bonds offered hereby shall be deemed void.

6.2 **Payment**

Subject to satisfaction of the conditions set forth in Clause 5 (*Conditions Precedent*) and the completion of entries in the Register of Bondholders by the Issuer pursuant to clause 6.1 (*Issue of Bonds*), the Investor will pay or cause to be paid to the Issuer an amount of USD [•] into a bank account as designated in writing by the Issuer at least two (2) Business Days prior to the Closing Date (subject though to reductions pursuant to clause 2.1). For the avoidance of doubt, neither the Investor nor any of its respective affiliates shall have any obligation to subscribe or pay for the Bonds unless all of the conditions set forth in Clause 5 (*Conditions Precedent*) have been satisfied or otherwise waived by the Investors, regardless of any entry in the Register of Bondholders, and neither the Investor nor any of its affiliates shall have any liability

whatsoever (in contract, tort or otherwise) to the Issuer or any of its affiliates, or any other person, for any such non-subscription or non-payment for the Bonds.

7. Expenses and Payments

7.1 General Expenses

The Issuer shall pay and indemnify the Investor of all costs, expenses, taxes and charges (including, without limitation, any legal fees, third party fees and out of pocket expenses of the Investor) incurred by the Investor in connection with the Bonds, and the assessment, negotiation, preparation and execution of this Agreement.

7.2 Payment

All payments due under this Agreement are to be made in US dollars and are stated exclusive of any applicable tax whether income taxes, withholding taxes, VAT, goods and services taxes, business or services taxes or similar taxes (other than taxes imposed in respect of net income by a taxing jurisdiction wherein the recipient is incorporated or resident for tax purposes) ("**Taxes**"). If VAT is or becomes chargeable on any such amounts the Issuer shall, subject to the receipt of a valid VAT invoice in respect of such supply, at the same time and in the same manner as the payment to which such VAT relates, pay an amount equal to such VAT.

- (a) All amounts (if any) payable by the Issuer to the Investor under this Agreement shall be paid, free and clear of, and without any deduction or withholding for or on account of, any current or future taxes, levies, imposts, duties, charges or other deductions or withholdings levied in any jurisdiction from or through which payment is made on behalf of the Issuer or in which the payor is located unless such deduction or withholding is required by applicable law, in which event the Issuer making such payment shall pay such additional amount (including any such withholding or deduction from such additional amount) as is required to ensure that the Investor receives, free from any such withholding, deduction, assessment or levy, the full amount of the payments set out herein.

8. Termination

8.1 Ability of the Investor to Terminate

At any time:

- (a) if any of the conditions specified in Clause 5.1 has not been satisfied, or waived by the Investor, on or prior to the Closing Date; or
- (b) if the Bonds have not been issued by the Closing Date or a later date as agreed in accordance with this Agreement and on or prior to such date, the Parties have not mutually agreed to extend the Closing Date, provided that, if, the failure to issue Bonds is caused by administrative or technical error, the termination right hereunder shall not be exercisable by the Investor if the Issuer has remedied such failure within five (5) Business Days of the Closing Date, or

(c) if the Closing Date has not occurred by 18 August 2023;

then the Investor shall be entitled (but not bound) by notice to the Issuer to elect to treat such event, breach or failure as terminating this Agreement notwithstanding any other provisions of this Agreement.

8.2 Consequences of Termination

Upon such notice being given pursuant to Clause 8.1 (*Ability of the Investor to Terminate*), this Agreement shall terminate and be of no further effect and no Party shall be under any liability to any other in respect of this Agreement.

9. Survival of Representations and Obligations

Clause 4 (*Undertakings*) in this Agreement shall continue in full force and effect despite completion of the arrangements for the subscription and issue of the Bonds.

10. Communications

10.1 Addresses

Any communication in connection with this Agreement shall be given by electronic mail or letter:

In the case of notices to the Issuer, to it or them at:

Address:

Email:

Attention:

In the case of notices to the Investor, to it at:

Address: [•]

Email: [•]

Attention: [•]

10.2 Effectiveness

Any such communication shall take effect, in the case of a letter, at the time of delivery, and in the case of electronic mail, at the time of despatch.

11. Assignment

No Party may assign any of its rights or delegate or transfer any of its obligations under this Agreement without the prior written consent of the other Parties.

12. Entire Agreement

This Agreement, together with any documents referred to in it, constitutes the whole agreement between the Parties relating to the issue of and the subscription for the Bonds and supersedes and extinguishes any other prior drafts, agreements, undertakings, representations, warranties and arrangements of any nature, whether in writing or oral, relating to the issue of and the subscription for the Bonds; **provided that** nothing in this Clause 12 shall exclude or limit the liability of any Party for fraudulent misrepresentation.

13. Currency Indemnity

13.1 Currency of Account and Payment

US dollars (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Issuer under or in connection with this Agreement, including damages.

13.2 Extent of Discharge

An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise), by the Investor in respect of any sum expressed to be due to it from the Issuer will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

13.3 Currency Indemnity

If that Contractual Currency amount able to be so purchased as provided for in Clause 13.2 (*Extent of Discharge*) is less than the Contractual Currency amount expressed to be due to the recipient under this Agreement, the Issuer will indemnify it, to the maximum extent permitted under all applicable laws, against any loss sustained by it as a result. In any event, the Issuer will indemnify the recipient against the cost of making any such purchase.

13.4 Indemnity Separate

The indemnities in this Clause 13 (*Currency Indemnity*) constitute separate and independent obligations from the other obligations in this Agreement, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Investor and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under this Agreement or any other judgment or order.

14. Governing Law and Jurisdiction

14.1 Governing law

This Agreement, as to which time shall be of the essence, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with Icelandic law.

14.2 Jurisdiction

- (a) The District Court of Reykjavík have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement and the Bonds (including a dispute relating to the existence, validity or termination of this Agreement or the Bonds or any non-contractual obligation arising out of or in connection therewith) (a “**Dispute**”) and accordingly any legal action or proceedings in connection with such Dispute (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Investor hereby irrevocably submits to the jurisdiction of such courts.

15. Waiver of Immunity

The Issuer hereby waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, agrees not to plead or claim any such immunity in any Proceedings or arbitration, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings or arbitration.

16. Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

For confirmation of all of the above, this Agreement may be signed by the Parties with a valid electronic signature is in accordance with Act no. 55/2019 on electronic identification and trust service for electronic commerce.

Schedule 1
Representations and Warranties from the Issuer

The Issuer represents and warrants to the Bondholders on the date of this Agreement and the Closing Date that:

(a) Organisation; Power; Authorisation; Enforceability

The Issuer:

- (i) has been duly incorporated, established or organised, is legally existing and is in good standing (or equivalent status or is able to issue a directors' certificate, as applicable) under the laws of its jurisdiction of organisation (to the extent any such concept applies in such jurisdiction);
- (ii) is duly licensed or qualified to do business in good standing (if applicable) in each jurisdiction in which such license or qualification is required by law for the business it is now conducting except where the failure to be so licensed or qualified would not reasonably be expected to have a material adverse effect on (1) the business, operations, assets, liabilities (including contingent liabilities), business or financial condition, results of operations of the Issuer and its Subsidiaries (the "**Group**" or "**Group Companies**") taken as a whole and/or any member of the Group individually, and (2) the ability of the Issuer to perform its obligations under any of the Contracts or the Bonds, ("**Material Adverse Effect**");
- (iii) has the requisite corporate (or equivalent) power and authority to own, lease or operate the properties and assets it purports to own, lease or operate, to carry on its business as presently conducted and to execute, deliver and perform its obligations under each Contract except where the failure to have such power and authority to own, lease or operate such properties and assets and carry on such business would not reasonably be expected to have a Material Adverse Effect.
- (iv) Each Contract has been duly authorised, executed and delivered by the Issuer, and constitutes the valid, legally binding and, assuming due authorisation, execution and delivery by all other parties thereto (subject to general equitable principles, insolvency, liquidation, reorganisation and other laws of general application relating to creditors' rights), enforceable obligation of the Issuer.
- (v) "**Contracts**" means this Agreement and the Tranche B Convertible Bond Instrument.

(b) Securities Laws

- (i) The Issuer is a "foreign issuer" (as such term is defined in Regulation S) under the Securities Act.
-

- (c) None of the Issuer or any of its affiliates (as defined in Rule 144 under the Securities Act) has directly or through any agent engaged in any directed selling efforts in the United States within the meaning of Rule 902(c) of Regulation S with respect to the Bonds; the Issuer, any of its affiliates and any person acting on its or their behalf have complied with any applicable offering restrictions of Regulation S in connection with the issue and sale of the Bonds, except no representation, warranty or agreement is made by the Issuer in this paragraph with respect to the Investor, its affiliates or any person acting on its or their behalf.
- (d) The offer or sale of the Bonds has been made in an overseas directed offering within the meaning of Rule 902(e)(iii) of Regulation S and no offers or sales of Bonds have been made to persons in the United States. Neither the Issuer nor its affiliates, nor to their respective knowledge any distributor in respect of the offering or their respective affiliates, is aware (or is reckless in not being aware) of any substantial portion of the offering being sold or resold outside Iceland.

(e) Governmental and Third Party Authorisations

No exemption from, notice to, registration, filing or declaration with, or consent, approval, authorisation or other action of, any Governmental Authority (as defined in the Tranche B Convertible Bond Instrument) or any other Person (as defined in the Tranche B Convertible Bond Instrument) is necessary or required in connection with (i) the creation, issuance and/or rollover (as applicable) by the Issuer of the Bonds, the execution or delivery by any of the Issuer of any Contract or the performance of obligations by any of the Issuer under any Contract, (ii) the transactions contemplated by the Contracts, other than (1) such exemptions, notices, registrations, filings, declarations, consents, approvals, authorisations and other actions as shall have been taken, given, made or obtained and are in full force and effect as of the Closing Date, (2) such filings required to be made after the date hereof under applicable securities laws, if any, and (3) such exemptions, notices, registrations, filings, declarations, consents, approvals, authorisations and other actions the failure of which to take, give, make or obtain would not have a Material Adverse Effect.

(f) No Conflicts

The execution and delivery by the Issuer of each Contract, the performance of obligations by the Issuer of each Contract and the consummation of the transactions contemplated hereby and thereby do not and will not (i) contravene the terms of the constitutional documents of the Issuer, (ii) violate any law, determination or award applicable to any of the Issuer or its properties or assets or (iii) contravene the terms or provisions of, or constitute a violation, breach or default under, or result in the acceleration of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Issuer is a party or by which the Issuer is bound or to which any of the property or assets of the Issuer is subject or result in the creation or imposition of any

encumbrance upon any assets of the Issuer, except, in the case of paragraphs (ii) and (iii) above, where such violation, conflict, breach, default, acceleration, payment, creation or imposition would not reasonably be expected to individually or in the aggregate have a Material Adverse Effect.

(g) No Violation or Default

The Issuer is not (i) in violation of its constitutional documents, (ii) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Issuer is a party or by which the Issuer is bound or to which any of the property or assets of the Issuer is subject, or (iii) in violation of any law applicable to it or to its properties and assets, except, in each case, for any such default or violation that would not, individually or in the aggregate, have a Material Adverse Effect. On the Closing Date, after giving effect to the transactions contemplated by the Contracts, including the use of proceeds from the issue and sale of the Bonds, there exists no Event of Default (as defined in the Tranche B Convertible Bond Instrument) or any event that, had the Bonds already been issued, would constitute a Default (as defined in the Tranche B Convertible Bond Instrument) or an Event of Default under the Tranche B Convertible Bond Instrument.

(h) Tax Matters

Except as could not reasonably be expected to have a Material Adverse Effect, the Issuer has (i) timely filed or caused to be timely filed all supranational, national, regional, local and other tax returns and reports required by law to be filed and all such tax returns are true and correct and (ii) duly and timely paid or caused to be duly and timely paid, all taxes, assessments, fees and charges levied or imposed upon it or its properties, assets or income otherwise due and payable, except those that are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with IFRS (as defined in the Tranche B Convertible Bond Instrument). Except as would not reasonably be expected to have a Material Adverse Effect, there is no pending or, to the knowledge of the Issuer, proposed tax assessment, deficiency or audit against the Issuer. The Issuer has no outstanding material tax liens. The Issuer is not party to any tax allocation, indemnity or sharing agreement.

(i) Absence of Litigation

There are no actions, suits, proceedings, claims, disputes or investigations at law (including, in each case, with respect to Intellectual Property, that involve opposition, cancellation, revocation or review) or in equity, in arbitration or before any Governmental Authority pending or, to the knowledge of the Issuer, threatened (in writing) against any of the Issuer, that (i) seek to prevent, alter or delay the creation and issuance of the Bonds or the consummation of the transactions contemplated by the Contracts or (ii) individually or in the aggregate could

reasonably be expected to have a Material Adverse Effect.

(j) Solvency

(k) No order has been made, and no step has been taken or is currently intended by the Issuer or, to the knowledge of the Issuer, any other Person for the winding-up, liquidation, dissolution, administration, merger or consolidation or for the appointment of a receiver or administrator of the Issuer or all or any of the properties or assets of the Issuer, under any applicable insolvency, reorganisation or similar laws in any jurisdiction having jurisdiction over the Issuer.

(ii) The Issuer can pay its debts as and when they fall due for payment.

(i) Regulatory Filings

Except as would not have a Material Adverse Effect, in the three years ended the date hereof, the Issuer has not failed, to the knowledge of the Issuer, to file with the Regulatory Authorities any required filing, declaration, listing, registration, report or submission with respect to its product candidates. Except as would not have a Material Adverse Effect, all such filings, declarations, listings, registrations, reports or submissions were in material compliance with applicable laws when filed. In the three years ended the date hereof, no deficiencies regarding compliance in material respect with applicable law have been communicated to the Issuer by any applicable Regulatory Authority with respect to any such filings, declarations, listings, registrations, reports or submissions.

(j) Information

All information, as supplemented or amended from time to time, supplied, disclosed or made available in writing or orally from time to time by or on behalf of any member of the Group or any of their respective directors, supervisors, officers, employees, affiliates or agents to the Investor in connection with the subscription of the Bonds and the entering into of the Contracts and the transactions contemplated thereby, was so supplied, disclosed or made available in good faith and was when given and remains in all material respects true and accurate and not misleading; and all forecasts, opinions and estimates relating to any member of the Group so supplied, disclosed or made available have been made after due, careful and proper consideration, are based on reasonable assumptions and represent reasonable and fair expectations honestly held based on facts known to such persons. At the time of the filing thereof, the SEC Filings complied as to form in all material respects with the applicable requirements of the Securities Act, the Exchange Act of 1934, as amended (the "**Exchange Act**"), and the Sarbanes Oxley Act of 2002 (and the regulations promulgated thereunder), and did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. For the purpose of this Agreement,

“SEC Filings” means the Issuer’s filings made pursuant to the Securities Act or the Exchange Act, as applicable, prior to the date hereof, including but not limited to the Issuer’s annual report on Form 20-F filed with the Securities and Exchange Commission on March 1, 2023.

(k) No Immunity

No member of the Group, nor any of their respective assets, is entitled to any right of immunity on the grounds of sovereignty or otherwise from any action, suit or proceeding, from set-off or counterclaim, from the jurisdiction of any court, from service of process, from attachment to or in aid of execution of judgment, or from other action, suit or proceeding for the giving of any relief or for the enforcement of any judgment in relation to any Contract or the Bonds; and the waiver and agreement of the Issuer in the Contracts not to plead or claim any such immunity in any action, suit or proceeding arising out of or based on any such Contract or the transactions contemplated thereby is a legal, valid and binding obligation of the Issuer under the laws of its jurisdiction of incorporation.

ALVOTECH

By:
Title: Authorised Signatory



By:
Title: Authorised Signatory

[Signature Page to Tranche B CB Subscription Agreement]

Creditor Accession Undertaking

To: Alvogen Lux Holdings S.à r.l. as Senior Lender

From: [Acceding Creditor]

This Undertaking is made on [date] by [insert full name of new Subordinated Creditor] (the “**Acceding Subordinated Creditor**”) in relation to the subordination agreement (the “**Subordination Agreement**”) dated 20 December 2022 between, among others, Alvotech as borrower, Alvogen Lux Holdings S.à r.l. as senior lender and the creditors named in Schedule 1 to the Subordination Agreement as original subordinated creditor. Terms defined in the Subordination Agreement shall, unless otherwise defined in this Undertaking, bear the same meanings when used in this Undertaking.

In consideration of the Acceding Subordinated Creditor being accepted as a Subordinated Creditor for the purposes of the Subordination Agreement, the Acceding Subordinated Creditor confirms that, as from 11 August 2023, it intends to be party to the Subordination Agreement as a Subordinated Creditor and undertakes to perform all the obligations expressed in the Subordination Agreement to be assumed by a Subordinated Creditor and agrees that it shall be bound by all the provisions of the Subordination Agreement as a Subordinated Creditor, as if it had been an original party to the Subordination Agreement in that capacity.

This Undertaking and any non-contractual obligations arising out of or in connection with it are governed by English law.

This Undertaking has been entered into on the date stated above.

Acceding Subordinated Creditor**EXECUTED by**

[insert full name of Acceding Subordinated Creditor]

}

By:

Address:

Email:

Accepted by the Senior Lender

for and on behalf of

Alvogen Lux Holdings S.à r.l.

Date:



Alvotech Reports Financial Results for First Six Months of 2023 and Provides Business Update

- *Product revenue for the first six months of 2023 increased to \$22.7 million, compared to \$3.9 million for the same period in 2022*
- *Investors, including Teva Pharmaceuticals, subscribed to Alvotech's subordinated convertible bonds for an aggregate amount of \$140 million in July 2023*
- *Expanded its existing commercialization partnerships with Teva Pharmaceuticals for the US and with Advanz Pharma for Europe*
- *Settlement reached with Johnson & Johnson securing a US license entry date for AVT04, Alvotech's biosimilar candidate to Stelara[®] (ustekinumab), no later than February 21, 2025*
- *Management will conduct a business update conference call and live webcast on Thursday August 31, 2023, at 8:00 am ET (13:00 pm GMT)*

REYKJAVIK, Iceland, August 30, 2023 - Alvotech (NASDAQ: ALVO, or the "Company"), a global biotech company specializing in the development and manufacture of biosimilar medicines for patients worldwide, today reported unaudited financial results for the first six months of 2023 and provided a summary of recent corporate highlights.

"We continue to make significant investments in our manufacturing and quality processes and receiving US approval for AVT02, our interchangeable biosimilar candidate to high-concentration Humira[®], remains of highest priority," said Robert Wessman, Chairman and CEO of Alvotech. "Meanwhile, we are expanding our global commercialization partnerships, based on extensive due diligence, which we believe demonstrates our partners' trust in Alvotech and the strength of our platform approach to biosimilars development and manufacture. We are pleased with the recently concluded financing round which we believe also showed the capital markets' confidence in our progress."

Recent Highlights

In May 2023, Alvotech and Advanz Pharma, expanded their partnership adding five biosimilar candidates which Advanz Pharma has agreed to commercialize in Europe. The agreement includes supply and commercialization of AVT05 (golimumab) and AVT16 (vedolizumab), candidate biosimilars to Simponi[®] and Entyvio[®], respectively, and also includes three additional early-stage, undisclosed biosimilar candidates. Under the terms of the agreement, Advanz Pharma made upfront payments to Alvotech in the aggregate amount 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 conjunction with the corresponding termination of commercialization agreements for three of the biosimilar candidates previously licensed to STADA Arzneimittel ("STADA"), Alvotech repaid in early July \$18.9 million to STADA.

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In June 2023, Alvotech and Teva Pharmaceuticals Inc. (“Teva”), announced that the partners reached a settlement and license agreement with Johnson & Johnson concerning AVT04, Alvotech’s proposed biosimilar to Stelara® (ustekinumab). The settlement grants a license entry date for AVT04 in the US no later than February 21, 2025.

In June 2023, Alvotech received a complete response letter (CRL) from the US Food and Drug Administration (FDA) for the Company’s second Biologics License Application (BLA) for AVT02, a high-concentration biosimilar candidate for Humira® (adalimumab), which contained data to support approval as a biosimilar and additional information supporting a potential interchangeability designation. The CRL noted that certain deficiencies conveyed following the FDA’s recent reinspection of the Company’s Reykjavik facility must be satisfactorily resolved before the application may be approved.

In July 2023, Alvotech and Teva reached an agreement to expand their existing strategic partnership agreement, pertaining to exclusive commercialization rights in the US by Teva for two new biosimilar candidates developed by Alvotech, as well as line extensions of two current biosimilar candidates. The agreement includes milestone payments to Alvotech, the majority paid following product approvals and upon achieving significant sales milestones, as well as a share of profits from the commercialization of the biosimilars.

In July 2023, Alvotech announced the completion of a convertible private bond placement, in an overseas directed offering directed solely into Iceland to professional clients or eligible counterparties, for a total value of \$100 million. Previously, Teva had also agreed to acquire convertible bonds from Alvotech for an additional \$40 million, in a separate transaction.

Financial Results for First Six Months of 2023

Cash Position and Sources of Liquidity: As of June 30, 2023, the Company had cash and cash equivalents of \$60.5 million, excluding \$25.2 million of restricted cash. In addition, the Company had borrowings of \$808.6 million, including \$22.5 million of current portion of borrowings. Proceeds from the convertible bond placement, as mentioned above, were received subsequent to June 30, 2023.

Product Revenue: Product revenue was \$22.7 million for the six months ended June 30, 2023, compared to \$3.9 million for the same six months of 2022. Revenue for the six months ended June 30, 2023 consisted of product revenue from sales of AVT02 in select European countries and Canada.

License and Other Revenue: License and other revenue decreased by \$38.6 million, which is primarily attributable to the recognition of a \$34.7 million research and development milestone during the same period in the prior year, due to the completion of the AVT04 main clinical program. The remainder of the decrease is principally due to the net impact of the licensing arrangements changed during the period.

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Cost of product revenue: Cost of product revenue was \$67.9 million for the six months ended June 30, 2023, as a result of the successful launch of AVT02 in select European countries and Canada.

Research and Development (R&D) Expenses: R&D expenses were \$99.6 million for the six months ended June 30, 2023, compared to \$86.9 million for the same six months of 2022. The increase was primarily driven by a one-time charge of \$18.5 million relating to the termination of the co-development agreement with Biosana for AVT23, and a \$24.6 million increase in direct program expenses mainly from three biosimilar candidates, AVT03, AVT05 and AVT06, that entered clinical development in 2022. These increases were partially offset by a decrease of \$32.3 million primarily related to programs that have completed clinical phase, and non-recurrence of pre-commercial manufacturing activities.

General and Administrative (G&A) Expenses: G&A expenses were \$41.9 million for the six months ended June 30, 2023, compared to \$139.1 million for the same six months of 2022. The decrease in G&A expenses was primarily attributable to a \$83.4 million non-cash share listing expense, a \$21.0 million of transaction costs recognized as a result of the Business Combination, and a \$10.6 million of non-recurring IP-related legal expenses incurred during the six months ended June 30, 2022. This decrease was partially offset by a \$7.7 million net increase in other general administrative expenses due to incremental costs from operating as a public company. Lastly, the Company recognized \$7.5 million of G&A expenses for share-based payments, resulting from the granting of Restricted Share Units (RSUs) during the six months ended June 30, 2023.

Loss for the Period: Loss for the period was \$86.9 million, or (\$0.39) per share on a basic and diluted basis, for the six months ended June 30, 2023, as compared to a loss of \$184.5 million, or (\$1.02) per share on a basic and diluted basis, for the same six months of 2022.

Business Update Conference Call

Alvotech will conduct a business update conference call and live webcast on Thursday, August 31 at 8:00 am ET (12:00 noon GMT).

A live webcast of the call will be available on Alvotech's website in the Investors Section of the Company's website (<https://investors.alvotech.com>) under "News and Events – Events and Presentations", where you will also be able to find a replay of the webcast, following the call for 90 days.

About AVT02 (adalimumab)

AVT02 is a monoclonal antibody and that has been approved as a biosimilar to Humira® (adalimumab) in several countries globally, including the 27 member states of the European Union, Norway, Lichtenstein, Iceland, the UK, Switzerland, Canada, Australia, Egypt and Saudi Arabia. It is currently marketed in multiple European countries and in Canada. Dossiers are also under review in multiple countries globally.

About AVT03 (denosumab)

AVT03 is a human monoclonal antibody and a biosimilar candidate to Prolia® and Xgeva® (denosumab). Denosumab targets and binds with high affinity and specificity to the RANK ligand membrane protein, preventing the RANK ligand/RANK interaction from occurring, resulting in reduced osteoclast numbers and function, thereby decreasing bone resorption and cancer-induced bone destruction [1]. AVT03 is an investigational product and has not received regulatory approval in any country. Biosimilarity has not been established by regulatory authorities and is not claimed.

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About AVT04 (ustekinumab)

AVT04 is a monoclonal antibody and a biosimilar candidate to Stelara® (ustekinumab). Ustekinumab binds to two cytokines, IL-12 and IL-23, that are involved in inflammatory and immune responses [2]. AVT04 is an investigational product and has not received regulatory approval in any country. Biosimilarity has not been established by regulatory authorities and is not claimed.

About AVT05 (golimumab)

AVT05 is a biosimilar candidate for Simponi® and Simponi Aria® (golimumab). Golimumab is a monoclonal antibody that inhibits tumor necrosis factor alpha. Elevated TNF alpha levels have been implicated in several chronic inflammatory diseases such as rheumatoid arthritis, psoriatic arthritis, and ankylosing spondylitis [3]. AVT05 is an investigational product and has not received regulatory approval in any country. Biosimilarity has not been established by regulatory authorities and is not claimed.

About AVT06 (afibercept)

AVT06 is a recombinant fusion protein and a biosimilar candidate to Eylea® (afibercept), which binds vascular endothelial growth factors (VEGF), inhibiting the binding and activation of VEGF receptors, neovascularization, and vascular permeability [4]. AVT06 is an investigational product and has not received regulatory approval in any country. Biosimilarity has not been established by regulatory authorities and is not claimed.

About AVT16 (vedolizumab)

AVT16 is a biosimilar candidate for Entyvio® (vedolizumab). Vedolizumab is an integrin receptor antagonist and is used for the treatment of moderately to severely active ulcerative colitis and moderately to severely active Crohn's disease [5]. AVT16 is an investigational product and has not received regulatory approval in any country. Biosimilarity has not been established by regulatory authorities and is not claimed.

[1] https://www.pi.amgen.com/-/media/Project/Amgen/Repository/pi-amgen-com/Prolia/prolia_pi.pdf

[2] <https://www.janssenlabels.com/package-insert/product-monograph/prescribing-information/STELARA-pi.pdf>

[3] <https://www.janssenlabels.com/package-insert/product-monograph/prescribing-information/SIMPONI-pi.pdf>

[4] https://www.regeneron.com/downloads/eylea_fpi.pdf

[5] <https://content.takeda.com/?contenttype=PI&product=ENTY&language=ENG&country=USA&documentnumber=1>

Use of trademarks

Humira is a registered trademark of AbbVie Inc., Prolia and Xgeva are registered trademarks of Amgen Inc. Stelara, Simponi and Simponi Aria are registered trademarks of Johnson & Johnson Inc. Eylea is a registered trademark of Regeneron Pharmaceuticals Inc. Entyvio is a trademark of Millenium Pharmaceuticals Inc.

About Alvotech

Alvotech is a biotech company, founded by Robert Wessman, focused solely on the development and manufacture of biosimilar medicines for patients worldwide. Alvotech seeks to be a global leader in the biosimilar space by delivering high quality, cost-effective products, and services, enabled by a fully integrated approach and broad in-house capabilities. Alvotech's current pipeline contains eight biosimilar candidates aimed at treating autoimmune disorders, eye disorders, osteoporosis, respiratory disease, and cancer. Alvotech has formed a network of strategic commercial partnerships to provide global reach and leverage local expertise in markets that include the United States, Europe, Japan, China, and other Asian countries and large parts of South America, Africa and the Middle East. Alvotech's commercial partners include Teva Pharmaceuticals, a US affiliate of Teva Pharmaceutical Industries Ltd. (US), STADA Arzneimittel AG (EU), Fuji Pharma Co., Ltd (Japan), Advanz Pharma (EEA, UK, Switzerland, Canada, Australia and New

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Zealand), Cipla/Cipla Gulf/Cipla Med Pro (Australia, New Zealand, South Africa/Africa), JAMP Pharma Corporation (Canada), Yangtze River Pharmaceutical (Group) Co., Ltd. (China), DKSH (Taiwan, Hong Kong, Cambodia, Malaysia, Singapore, Indonesia, India, Bangladesh and Pakistan), YAS Holding LLC (Middle East and North Africa), Abdi Ibrahim (Turkey), Kamada Ltd. (Israel), Mega Labs, Stein, Libbs, Tuteur and Saval (Latin America) and Lotus Pharmaceuticals Co., Ltd. (Thailand, Vietnam, Philippines, and South Korea). Each commercial partnership covers a unique set of product(s) and territories. Except as specifically set forth therein, Alvotech disclaims responsibility for the content of periodic filings, disclosures and other reports made available by its partners. For more information, please visit www.alvotech.com. None of the information on the Alvotech website shall be deemed part of this press release.

Forward Looking Statements

Certain statements in this communication may be considered “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements generally relate to future events or the future financial operating performance of Alvotech and may include, for example, Alvotech’s expectations regarding competitive advantages, business prospects and opportunities including pipeline product development, future plans and intentions, results, level of activities, performance, goals or achievements or other future events, regulatory submissions, review and interactions, including the resubmission of a BLA for AVT02 and a potential reinspection of Alvotech’s manufacturing facility, the satisfactory responses to the FDA’s inspection findings and resolution of other deficiencies conveyed following the inspection of Alvotech’s manufacturing site, the potential approval and commercial launch of its product candidates, the timing of regulatory approval, including for AVT04, and market launches, the estimated size of the total addressable market of Alvotech’s pipeline products, the availability of financing options, including the size, timeline, securities, terms and conditions of, and use of proceeds from, a potential financing. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “expect”, “intend”, “will”, “estimate”, “anticipate”, “believe”, “predict”, “potential”, “aim” or “continue”, or the negatives of these terms or variations of them or similar terminology. Such forward-looking statements are subject to risks, uncertainties, and other factors which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These forward-looking statements are based upon estimates and assumptions that, while considered reasonable by Alvotech and its management, are inherently uncertain and are inherently subject to risks, variability, and contingencies, many of which are beyond Alvotech’s control. Factors that may cause actual results to differ materially from current expectations include, but are not limited to: (1) the outcome of any legal proceedings that may be instituted against Alvotech or others following the business combination between Alvotech Holdings S.A., Oaktree Acquisition Corp. II and Alvotech; (2) the ability to raise substantial additional funding, which may not be available on acceptable terms or at all; (3) the ability to maintain stock exchange listing standards; (4) changes in applicable laws or regulations; (5) the possibility that Alvotech may be adversely affected by other economic, business, and/or competitive factors; (6) Alvotech’s estimates of expenses and profitability; (7) Alvotech’s ability to develop, manufacture and commercialize the products and product candidates in its pipeline; (8) actions of regulatory authorities, which may affect the initiation, timing and progress of clinical studies or future regulatory approvals or marketing authorizations; (9) the ability of Alvotech or its partners to respond to inspection findings and resolve deficiencies to the satisfaction of the regulators; (10) the ability of Alvotech or its partners to enroll and retain patients in clinical studies; (11) the ability of Alvotech or its partners to gain approval from regulators for planned clinical studies, study plans or sites; (12) the ability of Alvotech’s partners to conduct, supervise and monitor existing and potential future clinical studies, which may impact development timelines and plans; (13) Alvotech’s ability to obtain and maintain regulatory approval or

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authorizations of its products, including the timing or likelihood of expansion into additional markets or geographies; (14) the success of Alvotech's current and future collaborations, joint ventures, partnerships or licensing arrangements; (15) Alvotech's ability, and that of its commercial partners, to execute their commercialization strategy for approved products; (16) Alvotech's ability to manufacture sufficient commercial supply of its approved products; (17) the outcome of ongoing and future litigation regarding Alvotech's products and product candidates; (18) the potential impact of the ongoing COVID-19 pandemic on the FDA's review timelines, including its ability to complete timely inspection of manufacturing sites; (19) the impact of worsening macroeconomic conditions, including rising inflation and interest rates and general market conditions, war in Ukraine and global geopolitical tension, and the ongoing and evolving COVID-19 pandemic on the Company's business, financial position, strategy and anticipated milestones; and (20) other risks and uncertainties set forth in the sections entitled "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" in documents that Alvotech may from time to time file or furnish with the SEC. There may be additional risks that Alvotech does not presently know or that Alvotech currently believes are immaterial that could also cause actual results to differ from those contained in the forward-looking statements. Nothing in this communication should be regarded as a representation by any person that the forward-looking statements set forth herein will be achieved or that any of the contemplated results of such forward-looking statements will be achieved. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. Alvotech does not undertake any duty to update these forward-looking statements or to inform the recipient of any matters of which any of them becomes aware of which may affect any matter referred to in this communication. Alvotech disclaims any and all liability for any loss or damage (whether foreseeable or not) suffered or incurred by any person or entity as a result of anything contained or omitted from this communication and such liability is expressly disclaimed. The recipient agrees that it shall not seek to sue or otherwise hold Alvotech or any of its directors, officers, employees, affiliates, agents, advisors, or representatives liable in any respect for the provision of this communication, the information contained in this communication, or the omission of any information from this communication.

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