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 2022

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

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

INFORMATION CONTAINED IN THIS REPORT ON FORM 6-K

Incorporation by reference

Exhibits 99.1 and 99.2 to this Report on Form 6-K (the "Report") shall be deemed to be incorporated by reference into the registration statement on Form S-8 (File No. 333-266881) of Alvotech (the "Company") and to be a part thereof from the date on which this Report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

Exhibit 99.3 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, September 1, 2022, 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
99.1	Unaudited Condensed Consolidated Interim Financial Statements as of 30 June 2022 and for the six months ended 30 June 2022 and 30 June 2021
99.2	Alvotech management's discussion and analysis of financial condition and results of operations
99.3	Press Release dated August 31, 2022

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, 2022

By: /s/ Tanya Zharov
Name: Tanya Zharov
Title: Deputy Chief Executive Officer

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Exhibit 99.1

Alvotech

Unaudited Condensed Consolidated
Interim Financial Statements as of
30 June 2022 and for the six months
ended 30 June 2022 and 30 June 2021

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

USD in thousands, except for per share amounts	Notes	Six months ended 30 June 2022	Six months ended 30 June 2021
Product revenue	5	3,932	—
License and other revenue	5	36,186	2,008
Other income		142	348
Cost of product revenue		(17,813)	—
Research and development expenses		(86,884)	(90,403)
General and administrative expenses	1.1	(139,147)	(86,360)
Operating loss		(203,584)	(174,407)
Share of net loss of joint venture	21	(1,266)	(837)
Finance income	6	50,968	4
Finance costs	6	(52,406)	(123,575)
Exchange rate differences		4,744	(3,611)
Gain on extinguishment of financial liabilities		—	2,561
Non-operating profit / (loss)		2,040	(125,458)
Loss before taxes		(201,544)	(299,865)
Income tax benefit	7	17,073	25,918
Loss for the period		(184,471)	(273,947)
Other comprehensive income / (loss)			
Item that will be reclassified to profit or loss in subsequent periods:			
Exchange rate differences on translation of foreign operations		(4,243)	243
Total comprehensive loss		(188,714)	(273,704)
Loss per share			
Basic and diluted loss for the period per share	8	(1.02)	(2.77)

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

Unaudited Condensed Consolidated Interim Statement of Financial Position

USD in thousands	Notes	30 June 2022	31 December 2021
Non-current assets			
Property, plant and equipment	9	87,411	78,530
Right-of-use assets	10	131,069	126,801
Goodwill		11,436	12,367
Other intangible assets	11	22,857	21,509
Contract assets	5	14,838	1,479
Investment in joint venture	21	51,334	55,307
Other long-term assets		3,915	1,663
Restricted cash	12	25,001	10,087
Deferred tax assets	7	187,976	170,418
Total non-current assets		535,837	478,161
Current assets			
Inventories	13	54,664	39,058
Trade receivables		5,304	29,396
Contract assets	5	24,998	17,959
Other current assets	14	23,758	14,736
Receivables from related parties	19	1,498	1,111
Cash and cash equivalents	12	128,438	17,556
Total current assets		238,660	119,816
Total assets		774,497	597,977

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

Unaudited Condensed Consolidated Interim Statement of Financial Position

USD in thousands	Notes	30 June 2022	31 December 2021
Equity			
Share capital	15	2,076	135
Share premium	15	1,026,282	1,000,118
Translation reserve		426	4,669
Accumulated deficit		(1,325,005)	(1,140,534)
Total equity		(296,221)	(135,612)
Non-current liabilities			
Borrowings	16	438,187	398,140
Derivative financial liabilities	22	197,470	—
Other long-term liability to related party	19	7,440	7,440
Lease liabilities	10	115,304	114,845
Long-term incentive plan	17	4,408	56,334
Contract liabilities	5	29,982	44,844
Deferred tax liability		141	150
Total non-current liabilities		792,932	621,753
Current liabilities			
Trade and other payables	13	44,726	28,587
Lease liabilities	10	7,282	7,295
Current maturities of borrowings	16	120,836	2,771
Liabilities to related parties	19	4,738	638
Contract liabilities	5	32,328	29,692
Taxes payable		1,047	841
Other current liabilities	20	66,829	42,012
Total current liabilities		277,786	111,836
Total liabilities		1,070,718	733,589
Total equity and liabilities		774,497	597,977

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

Unaudited Condensed Consolidated Interim Statements of Cash Flows

USD in thousands	Notes	Six months ended 30 June 2022	Six months ended 30 June 2021
Cash flows from operating activities			
Loss for the period		(184,471)	(273,947)
Adjustments for non-cash items:			
Gain on extinguishment of SARs liability	17	(4,803)	—
Share listing expense	1.1	83,411	—
Long-term incentive plan	17	5,555	61,201
Depreciation and amortization		9,977	8,928
Impairment of property, plant and equipment		—	2,066
Impairment of other intangible assets		—	3,993
Share of net loss of joint venture	21	1,266	837
Finance income	6	(50,968)	(4)
Finance costs	6	52,406	123,575
Gain on extinguishment of financial liabilities		—	(2,561)
Exchange rate difference		(4,744)	3,611
Income tax benefit	7	(17,073)	(25,918)
Operating cash flow before movement in working capital		(109,444)	(98,219)
Increase in inventories		(15,606)	(10,276)
(Increase) / decrease in trade receivables		24,092	(5,149)
Increase in net liabilities with related parties		2,825	2,756
(Increase) / decrease in contract assets		(20,398)	20,491
Increase in other assets		(11,384)	(5,504)
Increase in trade and other payables		17,408	7,712
Increase / (decrease) in contract liabilities		(12,226)	23,989
Increase / (decrease) in other liabilities		(6,963)	1,032
Cash used in operations		(131,696)	(63,168)
Interest received		8	4
Interest paid		(9,220)	(21,570)
Income tax paid		(248)	—
Net cash used in operating activities		(141,156)	(84,734)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(17,660)	(6,606)
Disposal of property, plant and equipment		379	—
Acquisition of intangible assets		(9,309)	(366)
Restricted cash in connection with the amended bond agreement	12	(14,914)	—
Net cash used in investing activities		(41,504)	(6,972)

Unaudited Condensed Consolidated Interim Statements of Cash Flows

Cash flows from financing activities			
Repayments of borrowings	16	(1,414)	(36,115)
Repayments of principal portion of lease liabilities	10	(5,033)	(3,016)
Proceeds from the Capital Reorganization	1.1	9,827	—
Gross proceeds from the PIPE Financing	1.1	174,930	—
Gross PIPE Financing fees paid	1.1	(5,561)	—
Proceeds from loans from related parties	16	110,000	—
Proceeds from new borrowings	16	10,786	114,282
Net proceeds on issue of equity shares	15	—	26,850
Net cash generated from financing activities		293,535	102,001
Increase in cash and cash equivalents		110,875	10,295
Cash and cash equivalents at the beginning of the period		17,556	31,689
Effect of movements in exchange rates on cash held		7	2
Cash and cash equivalents at the end of the period	12	128,438	41,986

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

USD in thousands	Share capital	Share premium	Translation reserve	Accumulated deficit	Total equity
At 1 January 2021	73	166,740	4,974	(1,039,030)	(867,243)
Loss for the period	—	—	—	(273,947)	(273,947)
Foreign currency translation differences	—	—	243	—	243
Total comprehensive income / (loss)	—	—	243	(273,947)	(273,704)
Increase in share capital	6	127,520	—	—	127,526
At 30 June 2021	79	294,260	5,217	(1,312,977)	(1,013,421)
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	2,076	1,026,282	426	(1,325,005)	(296,221)

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 31 August 2022.

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

1.1 Capital Reorganization

On 15 June 2022 (the "Closing Date"), the Company consummated the capital reorganization with Alvotech Holdings 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.

	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 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 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 40.5% and 35.5% ownership interest as of 30 June 2022, respectively. The remaining 24.0% ownership interest is held by various shareholders, with no single shareholder holding more than 3.0% ownership interest as of 30 June 2022.

1.3 Impact of COVID-19, the Russia and Ukraine Conflict, and Economic Conditions

With the ongoing COVID-19 pandemic, the Group created a COVID-19 task force which implemented a business continuity plan to address and mitigate the impact of the pandemic on the Group’s business and operations across sites. As a result, in the short-term, the pandemic 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. However, the extent to which the pandemic will impact the Group’s business, biosimilar product development and expansion efforts, corporate development objectives and the value of and market for the Ordinary Shares will depend on future developments that are highly uncertain and cannot be predicted with confidence at this time, such as the ultimate direction of the pandemic, emergence and spread of new variants of the disease, travel restrictions, quarantines, social distancing, business closure requirements and the effectiveness of other actions taken globally to contain and treat the disease. The global economic slowdown, the overall disruption of global supply chains and distribution systems, the effects of this on the work of appropriate regulatory authorities in different regions and the other risks and uncertainties associated with the pandemic could have a material adverse effect on the Group’s business, financial condition, results of operations and growth prospects.

In February and March 2022, Russia began a military invasion of Ukraine. The global response to this invasion could have an adverse impact on the Group’s business, including the Group’s ability to market and sell products in Europe, by creating disruptions in global supply chain, and potentially having an adverse impact on the global economy, European economy, financial markets, energy markets, currency rates, and otherwise. Currently, the conflict 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 $184.5 million and $273.9 million for the six months ended 30 June 2022 and 2021, respectively, and had an accumulated deficit of $1,325.0 million as of 30 June 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 2022, the Group has cash and cash equivalents, excluding restricted cash, of $128.4 million and net current assets less current liabilities of ($39.1) 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. In advance of the closing of the Business Combination and in preparation for redemptions of OACB Ordinary Shares as further described below, the Company has secured a Standby Equity Purchase Agreement ("SEPA") facility from YA II PN, Ltd ("Yorkville") for up to $150.0 million. The Company also continues to finalize the terms of a debt facility with Sculptor Capital Investments, LLC ("Sculptor"). The debt facility is currently expected to provide Alvotech with funding between $75.0 million and $125.0 million. Negotiations remain ongoing, which may impact the final terms of the facility. The two facilities are intended to replace redemptions by OACB shareholders that occurred as part of the Business Combination.

Additionally, the Group expects to continue to source its financing during the development of its biosimilar products from new and existing out-license contracts with customers.

Furthermore, while the COVID-19 pandemic has not and is not expected to have a material financial or operational impact on the Group, the pandemic may significantly impact the Group's business, biosimilar product development and expansion efforts, corporate development objectives and the value of and market for the Ordinary Shares. In light of these conditions and events, management evaluated whether there is substantial doubt about the Group's ability to continue as a going concern within one year after the date that the unaudited condensed consolidated interim financial statements are issued.

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 2022 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 2021, except for the product revenue accounting policy and adoption of new and amended accounting standards effective as of 1 January 2022 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 U.S. Dollar (USD) and all values are rounded to the nearest thousand unless otherwise indicated.

In the opinion of the Group's management, the accompanying 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 audited Consolidated Financial Statements issued for the year ended 31 December 2021. The condensed consolidated statement of financial position as of 31 December 2021 was derived from the audited Consolidated Financial Statements at that date.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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 2022:

- Alvotech launched the lead product, AVT02 (adalimumab), a biosimilar to Humira®, in both Canada and selected European countries resulting in the first-time recognition of commercial sales that Alvotech presents as product revenue in the unaudited condensed consolidated interim statements of profit or loss and other comprehensive income or loss. See Note 5 for further information.
- In connection with an undertaking by Alvotech shareholders to ensure that Alvotech is sufficiently funded through the closing of the Business Combination by providing at least $50.0 million for the operations of Alvotech, Alvotech entered into interest free loan advances with Alvogen and Aztiq. On 22 February 2022, Alvotech, as borrower, withdrew $15.0 million under the facility from Alvogen, as lender. On 29 March 2022, Alvotech withdrew an additional amount of $10.0 million under the facility, for aggregate indebtedness of $25.0 million. On 11 March 2022, Alvotech, as borrower, withdrew $15.0 million under the facility from Aztiq, as lender. On 31 March 2022, Alvotech withdrew an additional amount of $10.0 million under the facility, for aggregate indebtedness of $25.0 million. See Note 16 for further information.
- On 8 March 2022, Alvotech entered into an agreement with AbbVie Inc. and AbbVie Biotechnology Ltd with respect to AVT02 for the U.S. market (the "AbbVie U.S. Agreement"). Pursuant to the settlement component of the AbbVie U.S. Agreement, the parties agreed to stipulate to the dismissal of all claims, counterclaims and potential claims in the pending litigation. Under the licensing component of the AbbVie U.S. Agreement, AbbVie granted Alvotech a license effective 1 July 2023 to make, import, use, distribute, sell and offer for sale AVT02 in the U.S. and a license to manufacture, import and store a reasonable amount of AVT02 in anticipation of the commercial launch of AVT02 in the U.S. In return, Alvotech is obligated to pay a royalty to AbbVie in the single-digits of the net sales of AVT02 in the U.S. See Note 18 for further information.
- On 11 April 2022, Alvotech, as borrower, entered into a loan agreement with Alvogen, as lender, for a loan of up to $40.0 million bearing an interest rate of 10% per annum. The loan was drawable in two separate installments of $20.0 million each. Each drawdown is subject to Alvogen approval. The repayment date is currently being renegotiated by the Company and Alvogen to coincide with potential additional capital raises in the future. On 12 April 2022, Alvotech withdrew the first installment of $20.0 million. Alvotech withdrew a second installment of $20.0 million on 9 May 2022, for aggregate indebtedness of $40.0 million. See Note 16 for further information.
- On 1 June 2022, Alvotech, as borrower, also entered into a loan agreement with Alvogen, as lender, for a loan of $20.0 million bearing an interest rate of 10% per annum. Alvotech withdrew the entire loan amount of $20.0 million on 1 June 2022. The repayment date is currently being renegotiated by the Company and Alvogen to coincide with potential additional capital raises in the future. See Note 16 for further information.
- On 15 June 2022, Alvotech closed the Business Combination Agreement and PIPE Financing with OACB. See Note 1.1 for further information.
- In conjunction with the Business Combination, Alvotech terminated certain deferred compensation arrangements by entering into settlement agreements with three former employees and one current employee that had outstanding rights under the share appreciation rights. See Note 17 for further information on the settlement.

4. New accounting policy and standards

Product Revenue

The Company recognizes revenue from the sale of its biosimilar products to commercial partners when control is transferred and the performance obligations have been satisfied. Revenue is recognized based on the net selling price from the commercial partners. Variable consideration is accounted for only to the extent that it is highly probable that a significant reversal in the revenue recognized will not occur.

In the six months ended 30 June 2022, the Group has applied, for the first time, the following revised international financial reporting standards (IFRS) issued by the IASB that are mandatorily effective for the period:

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

IAS 16 (Amendments) – Property, Plant and Equipment – Proceeds before Intended Use

The IASB issued amendments to IAS 16, which prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use; that is, proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarified the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. The amendments are applied to all financial statements and disclosures of the Group effective 1 January 2022. The adoption of the amendments did not have a material impact on the unaudited condensed consolidated interim financial statements of the Group.

IAS 37 (Amendment) – Onerous Contracts – Cost of Fulfilling a Contract

The IASB issued amendments to IAS 37 to specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are applied to all financial statements and disclosures of the Group effective 1 January 2022. The adoption of the amendments did not have a material impact on the unaudited condensed consolidated interim financial statements of the Group.

Annual Improvements to IFRS Standards 2018-2020 Cycle

IFRS 9 Financial Instruments

The IASB issues amendments on IFRS 9, which clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendments are applied to all financial statements and disclosures of the Group effective 1 January 2022. The adoption of the amendments did not have a material impact on the unaudited condensed consolidated interim financial statements of the Group.

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 2022 and 2021 (in thousands):

	30 June	
	2022	2021
Product revenue (point in time revenue recognition)	3,932	—
License revenue (point in time revenue recognition)	424	930
Research and development and other service revenue (over time revenue recognition)	35,762	1,078
	40,118	2,008

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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 2022	19,438	74,536
Contract asset additions	21,014	—
Customer prepayments	—	2,400
Revenue recognized	—	(14,060)
Foreign currency adjustment	(616)	(566)
30 June 2022	39,836	62,310

The increase in contract assets as of 30 June 2022 is primarily due to satisfaction of performance obligations which were not yet invoiced. Amounts are reclassed 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 decrease in contract liabilities as of 30 June 2022 is due to revenue recognized during the period. The Group presents contract assets and contract liabilities arising from the same customer contract on a net basis on the statements of financial position.

As of 30 June 2022, $14.8 million and $25.0 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 2022, $30.0 million and $32.3 million are recorded as non-current contract liabilities and current contract liabilities, respectively. Non-current contract liabilities will be recognized as revenue over the next 2 to 6 years as either services are rendered or contractual milestones are achieved, depending on the performance obligation to which the payment relates.

Contract assets and contract liabilities as of 30 June 2021 were $14.2 million and $77.0 million, respectively. The Group recognized $0.9 million of revenue during the six months ended 30 June 2021.

6. Finance income and finance costs

Finance income earned during the six months ended 30 June 2022 and 2021 is as follows (in thousands):

	30 June	
	2022	2021
Changes in the fair value of derivative financial liabilities	50,920	—
Interest income from cash and cash equivalents	40	—
Other interest income	8	4
	50,968	4

Finance costs incurred during the six months ended 30 June 2022 and 2021 is as follows (in thousands):

	30 June	
	2022	2021
Changes in the fair value of derivative financial liabilities	—	(67,624)
Interest on debt and borrowings	(35,153)	(51,321)
Special put option and consenting fee	(7,430)	—
Loss on remeasurement of bonds	(6,511)	—
Interest on lease liabilities	(3,312)	(3,066)
Amortization of deferred debt issue costs	—	(1,564)
	(52,406)	(123,575)

7. Income tax

The Group's effective tax rate for the six months ended 30 June 2022 and 30 June 2021 was 8.47% and 12.45% (after adjusting for certain non-tax effected Icelandic losses), respectively, resulting in a tax benefit in both periods. The effective tax rate for the six months ended 30 June 2022 is influenced by the losses incurred in Luxembourg, part of which are not tax deductible and no deferred tax asset is recognized on the rest. The tax benefit booked for the current period relates to the operational losses in

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Iceland and increases the deferred tax asset to $188.0 million as of 30 June 2022 (31 December 2021: $170.4 million). This is partly offset by a tax charge arising from currency translation on the historical cumulative tax losses in Iceland. This translation entry adjusts the USD value of the deferred tax asset on such losses which are utilizable in their local currency. The effective tax rate for the six months ended 30 June 2021 has lower losses in Luxembourg for which no tax is booked and greater losses in Iceland for which a tax benefit is taken.

8. Loss per share

The calculation of basic and diluted loss per share for the six months ended 30 June 2022 and 2021 is as follows (in thousands, except for share and per share amounts):

	30 June	
	2022	2021
Earnings		
Loss for the period	(184,471)	(273,947)
Number of shares		
Weighted average number of ordinary shares outstanding	181,695,118	98,826,739
Basic and diluted loss per share	(1.02)	(2.77)

During the six months ended 30 June 2022 and 2021, 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 and former convertible loan agreements and convertible bond agreements would have been antidilutive. As such, 50,496,647 and 4,630,642 potential Ordinary Shares were excluded from the calculation of diluted loss per share for the six months ended 30 June 2022 and 2021, respectively.

9. Property, plant and equipment

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with a cost of $14.9 million, primarily consisting of facility equipment. The Group recognized $4.9 million and $4.1 million of depreciation expense for the six months ended 30 June 2022 and 2021, respectively. Disposal of assets in the six months ended 30 June 2022 amounted to $0.4 million.

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

The Group pledged $15.2 million and $6.8 million of property, plant and equipment as collateral to secure bank loans with third parties as of 30 June 2022 and 31 December 2021, respectively.

10. Leases

The Group's leased assets consist of facilities, fleet and equipment pursuant to both arrangements with third parties and related parties. The carrying amounts of the Group's right-of-use assets and the movements during the six months ended 30 June 2022 is as follows (in thousands):

	2022
Right-of-use assets	
Balance at 1 January	126,801
Adjustments for indexed leases	5,938
New or renewed leases	3,015
Depreciation	(4,641)
Translation difference	(44)
Balance at 30 June	131,069

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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 2022 is as follows (in thousands):

	2022
Lease liabilities	
Balance at 1 January	122,140
Adjustments for indexed leases	5,938
New or renewed leases	1,592
Installment payments	(3,601)
Foreign currency adjustment	(3,526)
Translation difference	43
Balance at 30 June	122,586
Current liabilities	(7,282)
Non-current liabilities	115,304

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 2022 and 2021 in relation to the Group's lease arrangements are as follows (in thousands):

	30 June	
	2022	2021
Total depreciation expense from right-of-use assets	(4,641)	(3,880)
Interest expense on lease liabilities	(3,312)	(3,066)
Foreign currency difference on lease liability	3,526	(3,248)
Total amount recognized in profit and loss	(4,427)	(10,194)

The maturity analysis of undiscounted lease payments as of 30 June 2022 is as follows (in thousands):

	2022
Less than one year	13,707
One to five years	49,757
Thereafter	108,169
	171,633

11. Other intangible assets

During the six months ended 30 June 2022, the Group acquired $1.8 million of software assets. The Group recognized $0.4 million and $0.5 million of amortization expense for the six months ended 30 June 2022 and 2021, respectively.

During the six months ended 30 June 2021, the Group recognized $4.0 million of impairments of other intangible assets for certain software projects under development that have been made redundant. The impairment charge has been recognized as an expense within "Research and development expenses" in the unaudited condensed consolidated statements of profit or loss and other comprehensive income or loss during the six months ended 30 June 2021.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

12. Cash and cash equivalents and restricted cash

Cash and cash equivalents

Cash and cash equivalents include both cash in banks and on hand. Cash and cash equivalents as of 30 June 2022 and 31 December 2021 is as follows (in thousands):

	30 June 2022	31 December 2021
Cash and cash equivalents denominated in US dollars	126,441	15,798
Cash and cash equivalents denominated in other currencies	1,997	1,758
	128,438	17,556

Restricted cash

Movements in restricted cash balances during the six months ended 30 June 2022 is as follows (in thousands):

	2022
Balance at 1 January	10,087
Reclassification in connection with the amended bond agreement (See Note 16)	14,914
Balance at 30 June	25,001

The change in restricted cash is primarily driven by the amended bond agreement as further described in Note 16, whereby Alvotech is required to maintain a minimum of $25.0 million of restricted cash in a separate liquidity account over the term of the bond agreement.

13. Inventories

The Group's inventory balances as of 30 June 2022 and 31 December 2021 are as follows (in thousands):

	30 June 2022	31 December 2021
Raw materials and supplies	36,735	26,590
Work in progress	19,812	13,730
Finished goods	48	—
Inventory reserves	(1,931)	(1,262)
	54,664	39,058

The increase in inventory from 31 December 2021 to 30 June 2022 is due to ongoing preparation for commercial launch of certain of the Group's biosimilar product candidates. This increase in inventory primarily contributed to the increase in trade and other payables from 31 December 2021 to 30 June 2022.

14. Other current assets

The composition of other current assets as of 30 June 2022 and 31 December 2021 is as follows (in thousands):

	30 June 2022	31 December 2021
Value-added tax	5,237	4,725
Prepaid expenses	17,367	9,320
Other short-term receivables	1,154	691
	23,758	14,736

The increase in other current assets from 31 December 2021 to 30 June 2022 is mainly due to an increase in prepayments for clinical studies and prepaid insurance.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

15. Share capital

Movements in the Group's Ordinary Shares, Predecessor Ordinary Shares, share capital and share premium during the six months ended 30 June 2022 is as follows (in thousands, except for share amounts):

	Ordinary Shares	Predecessor Ordinary Shares	Share capital	Share premium	Total
Balance at 1 January 2022	—	13,481,799	135	1,000,118	1,000,253
PIPE Financing (Note 1.1)	17,493,000	—	175	174,755	174,930
Transaction costs on share issue	—	—	—	(5,562)	(5,562)
Capital Reorganization (Note 1.1)	186,576,505	(13,481,799)	1,731	63,304	65,035
Predecessor Earn Out Shares (Note 22)	38,330,000	—	—	(227,500)	(227,500)
OACB Earn Out Shares (Note 22)	1,250,000	—	—	(9,100)	(9,100)
SARs settlement (Note 17)	3,510,582	—	35	30,267	30,302
Balance at 30 June 2022	247,160,087	—	2,076	1,026,282	1,028,358

The Capital Reorganization resulted in the following share capital activity:

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

No dividends were paid or declared during the six-month periods ended 30 June 2022 and 2021.

16. Borrowings

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

	30 June 2022	31 December 2021
Bonds	432,903	394,129
Loans from related party	110,000	—
Other borrowings	16,120	6,782
Total outstanding borrowings, net of debt issue costs	559,023	400,911
Less: current portion of borrowings	(120,836)	(2,771)
Total non-current borrowings	438,187	398,140

The weighted-average interest rates of outstanding borrowings for the six months ended 30 June 2022 is 9.02%.

Bonds

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

- Following the close of the Business Combination, the interest rate will range from 7.5% to 10.0% depending on the amount of aggregate net proceeds, as defined by the terms of the agreement;

- A $5.0 million consent fee, recognized as finance costs, due to the bondholders who did not vote against the Business Combination Agreement;
- The requirement for Alvotech to maintain a minimum of $25.0 million of restricted cash in a separate liquidity account; and
- A decrease in the interest rate to 7.5%, following the closing of the Business Combination, if the Company issues additional shares within six months of the Closing Date, resulting in the Company exceeding the amount of aggregate net proceeds, as defined in the bond agreement.

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

As of 30 June 2022, the outstanding balance on the bonds is $432.9 million. Accrued interest on the bonds as of 30 June 2022 is $1.7 million. The Group has the option, at any time, to prepay all or any part of the outstanding bonds. If the Group elects to prepay the bonds within the first three years of the bond agreement, the bondholders are entitled to be paid an additional premium of at least 2.0% of the outstanding principal at the time of such prepayment.

Related party loans

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

On 11 April 2022, Alvotech entered into a loan agreement with Alvogen, as lender, for a loan of up to $40.0 million bearing an interest rate of 10% per annum. The loan was drawable in two separate installments of $20.0 million each. On 12 April 2022, Alvotech withdrew the first installment of $20.0 million. Alvotech withdrew a second installment of $20.0 million on 9 May 2022 for aggregate indebtedness of $40.0 million. The repayment date, which was originally 30 days from the Closing Date, is currently being renegotiated by the Company and Alvogen.

On 1 June 2022, Alvotech also entered into a loan agreement with Alvogen, as lender, for a loan of $20.0 million bearing an interest rate of 10% per annum. Alvotech withdrew the entire loan amount of $20.0 million on 1 June 2022. The repayment date, which was originally 30 days from the Closing Date, is currently being renegotiated by the Company and Alvogen.

Other borrowings

On 22 February 2022, the Group entered into a credit facility agreement with Landsbankinn hf. with the ability to draw down an amount up to $18.3 million. The credit facility is in place to help finance equipment purchases in the future. Per the terms of the credit facility, any borrowings are required to be paid by 1 August 2022 and have a variable interest rate of USD SOFR plus a margin of 4.95%. As of 30 June 2022, the outstanding balance on the credit facility was $7.6 million.

On 22 February 2022, the Group entered into a loan agreement with Landsbankinn hf. for a principal amount of $3.2 million. The loan is in place to help finance equipment purchases. Per the terms of the loan agreement, annuity payments are due monthly with a final maturity in February 2029. The loan has a variable interest rate of USD SOFR plus a margin of 4.25%. As of 30 June 2022, the outstanding balance on the loan was $3.1 million.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Movements in the Group's outstanding borrowings during the six months ended 30 June 2022 were as follows (in thousands):

	2022
Borrowings, net at 1 January	400,911
Redemption of borrowings	(1,414)
Proceeds from new borrowings	10,786
New loans from related party	110,000
Accrued interest	27,711
Loss on remeasurement of bonds	6,511
Accretion of discount on bonds	4,552
Foreign currency exchange difference	(34)
Borrowings, net at 30 June	559,023

Contractual maturities of principal amounts on the Group's outstanding borrowings as of 30 June 2022 is as follows (in thousands):

	30 June 2022
Within one year	120,836
Within two years	2,479
Within three years	433,441
Within four years	558
Thereafter	1,709
	559,023

The Group's indebtedness also includes both interest-bearing and non-interest-bearing loans from related parties, Alvogen and Aztiq. The Group's aggregate indebtedness from such related party loans is $110.0 million as of 30 June 2022. See Note 3 and Note 19 for further information.

17. Long-term incentive plans

Share appreciation rights

The Group's share appreciation rights (SAR) liability as of 30 June 2022 totaled $3.8 million. In connection with the closing of the Business Combination, the Company reached a settlement agreement for share appreciation rights previously awarded to certain current and former employees. The rights were settled as follows:

- two former employees will each receive 1,755,291 Ordinary Shares to be issued one year after the Closing Date. In accordance with IFRS 2, the settlements were accounted for as a modification of a share-based payment transaction that changes the award's classification from cash-settled to equity-settled;
- one former employee will receive a $1.5 million cash payment in July 2022; and
- one current employee can elect to receive a cash payment of $1.5 million or 150,000 Ordinary Shares to be issued one year after the Closing Date, which will be continued to be accounted for as SAR liability until the cash is paid or the employee elects to receive Ordinary Shares.

The settlement agreements resulted in a net $35.1 million decrease in the SAR liability, a $30.3 million increase in equity equal to the fair value of the Ordinary Shares issued to the two former employees, a $3.1 million increase in other current liabilities and gain of $4.8 million in general and administrative expense recognized for the difference between the extinguished liabilities and the fair value of consideration paid to the current and former employees.

Expense recognized for the Group's SAR liability for the six months ended 30 June 2022 and 2021 totaled $0.6 million and $55.9 million, respectively. The vested portion of the Group's SAR liability as of 30 June 2022 is $2.9 million. There were no other SARs granted or settled during the six months ended 30 June 2022 except for the four individuals whose awards were settled in connection with the closing of the Business Combination.

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Significant assumptions used in the Finnerty model to determine the fair value of the Ordinary Shares to be issued for the settlement as of 15 June 2022 are as follows:

	15 June 2022
Asset price	$ 9.38
Term (years)	1 year
Volatility factor	35.0%
Dividend yield	0.0%
Discount for lack of marketability	8.0%

The asset price is based on the public trading price of Ordinary Shares at the time of the settlement. The term is based on when the holder's will no longer be restricted from trading the Ordinary Shares. 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 dividend yield is based on the expected dividends to be paid out by the Company. The discount for lack of marketability reflects the timing of when the shares will be issued and can be traded by the holders.

Employee incentive plan

Movements in the Group's employee incentive plan liabilities during the six months ended 30 June 2022 and 30 June 2021 is as follows (in thousands):

	30 June 2022	30 June 2021
Balance at 1 January	14,935	10,501
Additions	4,968	5,273
Payments	(943)	(686)
Balance at 30 June prior to reclassification	18,960	15,088
Reclassified to other current liabilities	(18,352)	—
Balance at 30 June	608	15,088

18. Litigation

In 2022, prior to the issuance date of these unaudited condensed consolidated interim financial statements, the Group was involved in four litigations in the United States arising out of the development of its adalimumab biosimilar, and the filing of the corresponding biologics license application with the U.S. Food and Drug Administration.

On 8 March 2022, Alvotech entered into the AbbVie U.S. Agreement with AbbVie Inc. and AbbVie Biotechnology Ltd with respect to AVT02 for the U.S. market. Pursuant to the settlement component of the AbbVie U.S. Agreement, the parties agreed to stipulate to the dismissal of all claims, counterclaims and potential claims in the four U.S. litigations, with each party to bear its own fees and costs. The parties further agreed to release each other from certain claims and demands. Under the licensing component of the AbbVie U.S. Agreement, AbbVie granted Alvotech a license effective 1 July 2023 to make, import, use, distribute, sell and offer for sale AVT02 in the U.S. and a license to manufacture, import and store a reasonable amount of AVT02 in anticipation of the commercial launch of AVT02 in the U.S. Under the agreement, Alvotech may sublicense certain rights to Teva, as a commercialization partner, and may also sublicense to other parties subject to certain conditions. In return, Alvotech is obligated to pay a royalty to AbbVie in the single-digits of the net sales of AVT02 in the U.S. The agreement does not provide for upfront or milestone payments. The obligation of Alvotech to pay royalties shall terminate on the earlier of (i) 11 February 2025; or (ii) a determination that licensed patents are invalid or unenforceable, at which time the license granted will be deemed fully paid up and irrevocable. Each party has the right to terminate the agreement upon breach of certain terms of the agreement that remains uncured for a certain period of time. Additionally, AbbVie may terminate the agreement if Alvotech takes certain actions concerning the patentability, validity or enforceability of AbbVie's patents in the U.S. with respect to AVT02.

The Group will continue to monitor developments of litigations and reassess the potential financial statement impact at each future reporting period.

The Group incurred $8.7 million in legal expenses during the six months ended 30 June 2022 in relation to these litigations. Aside from these matters, the Group was not a party to any material litigations or similar matters during that time period.

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 2022 are as follows (in thousands):

	Purchased service / interest	Sold Service (d)	Receivables	Payables / Loans
Alvogen Lux Holdings S.à r.l. – Sister company (a)	889	—	—	85,889
Alvogen Aztiq AB – Sister company (a)	—	—	—	18
Aztiq Pharma Partners S.à r.l. – Sister company (a).	—	—	—	25,000
Fasteignafélagið Sæmundur hf. – Sister company	3,987	—	—	86,057
Alvogen Iceland ehf. – Sister company	470	180	—	484
Lotus Pharmaceuticals Co. Ltd. – Sister company (b).	—	—	—	7,440
Lotus International Pte. Ltd. – Sister company	—	2	18	—
Alvogen Emerging Markets – Sister company	98	—	—	34
Alvogen Inc. – Sister company	89	303	351	—
Alvotech and CCHT Biopharmaceutical Co., Ltd. (c)	—	—	752	—
Adalvo Limited – Sister company	545	215	112	545
Alvogen Pharma India Ltd. – Sister company	786	—	—	170
Flóki Invest ehf – Sister company	96	—	—	16
L41 ehf – Sister company	26	—	—	—
Alvogen Malta Sh. Services – Sister company	522	—	—	289
Alvogen Spain SL – Sister company	97	—	—	30
Norwich Clinical Services Ltd – Sister company	134	—	—	104
Lambhagavegur 7 ehf – Sister company	539	—	22	12,949
Fasteignafélagið Eyjólfur ehf – Sister company	—	196	243	—
FLÓKI fasteignir ehf. – Sister company	734	—	—	9,294
	9,012	896	1,498	228,319

(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 and non-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 Changchun Alvotech Biopharmac. Co. Ltd. relates to amounts due for reference drugs used in research and development studies and certain consulting fees incurred by the Group.

(d) Sold service consists of income earned from support service arrangements with Alvogen, and is presented as “Other income” on the unaudited condensed consolidated interim statements of profit or loss and other comprehensive income or loss.

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Related party transactions as of and for the six months ended 30 June 2021 and as of 31 December 2021 are as follows (in thousands):

	30 June 2021		31 December 2021	
	Purchased service / interest	Sold service	Receivables	Payables/ loans
Alvogen Lux Holdings S.à r.l. – Sister company (a)	5,275	—	—	—
Alvogen Aztiq AB – Sister company (a)	123	—	—	43
Aztiq Pharma Partners S.à r.l. – Sister company (a)	8,463	—	—	—
Aztiq Investment Advisory AB (a)	—	—	2	—
Fasteignafélagið Sæmundur hf. – Sister company	3,859	—	—	83,770
Alvogen Iceland ehf. – Sister company	346	1,045	109	14
Alvogen ehf. – Sister company	—	—	2	—
Alvogen UK – Sister company	267	—	17	—
Lotus Pharmaceuticals Co. Ltd. – Sister company (b)	—	—	295	7,440
Alvogen Emerging Markets – Sister company	134	—	—	16
Alvogen Inc. – Sister company	—	—	301	—
Alvotech and CCHT Biopharmaceutical Co. Ltd (c)	—	—	320	—
Alvogen Pharma Pvt Ltd. – Sister company	122	—	—	13
Alvogen Malta (Outlicensing) Ltd – Sister company	453	—	65	229
Alvogen Malta Sh. Services – Sister company	512	—	—	283
Alvogen Spain SL – Sister company	148	—	—	23
Norwich Clinical Services Ltd – Sister company	—	—	—	17
FLÓKI fasteignir ehf. – Sister company	684	—	—	9,794
Lambhagavegur 7 ehf	110	—	—	12,661
	20,496	1,045	1,111	114,303

Commitments and guarantees

The Group does not have any contractual commitments with its related parties other than the receivables, loans and payables previously disclosed. Alvogen guarantees $9.4 million of the Group's lease arrangements with other related parties.

Key management personnel

Compensation of key management personnel, which includes the Group's executive officers, during the six months ended 30 June 2022 and 2021 was as follows (in thousands):

	30 June	
	2022	2021
Short-term employee benefits	4,604	3,163
Other long-term benefits	194	63
Termination benefits	27	204
	4,825	3,430

The Group's directors were not provided with any compensation during the six months ended 30 June 2022 and 2021.

20. Other current liabilities

The composition of other current liabilities as of 30 June 2022 and 31 December 2021 is as follows (in thousands):

	30 June 2022	31 December 2021
Unpaid salary and salary related expenses	9,794	10,235
Accrued interest and financial fees	8,117	7,547
Accrued payable to Biosana	—	7,500
Accrued vacation leave	4,737	4,626
Employee incentive plan	21,635	—
Accrued transaction costs	13,970	1,520
Accrued expenses	8,576	10,584
	66,829	42,012

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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 2022 and 2021 (in thousands):

	30 June	
	2022	2021
Balance at 1 January	55,307	56,679
Share in losses	(1,266)	(837)
Translation difference	(2,707)	552
Balance at 30 June	51,334	56,394

The Group did not receive any dividends from JVCO during the six months ended 30 June 2022 and 2021. Furthermore, there were no commitments or contingencies outstanding with JVCO as of 30 June 2022. While there are no significant restrictions resulting from contractual arrangements with JVCO, entities in China are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than dividends.

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 $227.5 million at the Closing Date and $181.0 million as of 30 June 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. 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 and other comprehensive income or loss. The OACB Earn Out Shares had a fair value of $9.1 million at the Closing Date and $7.3 million as of 30 June 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. 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 $11.8 million at the Closing Date and $9.2 million at 30 June 2022. The fair value of the warrants was derived from the publicly quoted trading price at the valuation date.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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 bonds and convertible shareholder loans, since any applicable interest receivable or payable is either close to current market rates or the instruments are short-term in nature. Material differences between the fair values and carrying amounts of these borrowings as of 30 June 2022 and 31 December 2021 are identified as follows:

	30 June 2022	
	Carrying amount	Fair value
Bonds	432,903	453,016

	31 December 2021	
	Carrying amount	Fair value
Bonds	363,100	368,476

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 2022 (in thousands):

	30 June 2022			
	Level 1	Level 2	Level 3	Total
Warrant liabilities	9,170	—	—	9,170
Predecessor Earn Out Shares	—	181,000	—	181,000
OACB Earn Out Shares	—	7,300	—	7,300
	9,170	188,300	—	197,470

The Group recognized derivative financial liabilities related to warrant rights held by certain holders of Ordinary Shares and earn-out liabilities that may be settled through the issuance of Ordinary Shares to members of the management team of both the Predecessor and OACB. Changes in the fair value of the derivative financial liabilities during the period are recognized in the unaudited condensed consolidated interim statements of profit or loss and other comprehensive income or loss.

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:

	15 June 2022
Number of shares	38,330,000
Share price	$ 9.38
Volatility rate	37.5%
Risk-free interest rate	3.4%

	30 June 2022
Number of shares	38,330,000
Share price	$ 8.21
Volatility rate	40.0%
Risk-free interest rate	3.0%

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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

The following table presents the assumptions and inputs that were used for the model in valuing the OACB Earn Out Shares:

	15 June 2022
Number of shares	1,250,000
Share price	$ 9.38
Volatility rate	37.5%
Risk-free interest rate	3.4%

	30 June 2022
Number of shares	1,250,000
Share price	$ 8.21
Volatility rate	40.0%
Risk-free interest rate	3.0%

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.

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 $1.08 and $0.84 at 15 June 2022 and 30 June 2022, respectively.

The Group did not recognize any transfers of assets or liabilities between levels of the fair value hierarchy during the six months ended 30 June 2022.

23. Supplemental cash flow information

Supplement cash flow information for the period ended 30 June 2022 and 2021 is included below (in thousands):

	30 June	
	2022	2021
Non-cash investing and financing activities		
Right-of-use assets obtained through new operating leases	1,592	13,672
OACB Earn Out Shares recognized	9,100	—
Predecessor Earn Out Shares recognized	227,500	—
Settlement of SARs	30,302	—
Equity issued through exercise of convertible bonds	—	92,975
Bonds converted to equity	—	105,501
Change in fair value at initial recognition of bonds	—	27,516

24. Subsequent events

The Group evaluated subsequent events through 31 August 2022, the date these unaudited condensed consolidated interim financial statements were available to be issued.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

On 13 July 22, the Company entered into settlement agreements with both Aztiq and Alvogen for the $25.0 million in related party loans provided by each party. As a result of the settlement agreement, Aztiq and Alvogen each received 2,500,000 Ordinary Shares. The settlement will be accounted for as an extinguishment of financial liabilities. In accordance with IFRS 9, the difference between the fair value of the consideration paid for the settlement, and the extinguished financial liabilities will be recognized in the consolidated statement of profit or loss and other comprehensive income or loss.

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 December 31, 2021 and other financial information included in the shell company report on the Form 20-F filed on June 22, 2022 . 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 eight 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, with combined estimated peak global sales of originator products of more than $85 billion.

- Alvotech's most advanced product is AVT02, the company's high-concentration biosimilar to Humira® (adalimumab), the world's top-selling pharmaceutical product with approximately $20.7 billion in global revenue in 2021. 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. Commercial launches in further European countries are scheduled over the coming months.

  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. The FDA can defer action when no deficiencies have been identified and the application otherwise satisfies the requirements for approval, but a pre-approval inspection(s) is necessary yet cannot be completed due to factors including travel restrictions. 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. Subject to regulatory approval from the FDA, Alvotech expects to launch AVT02 in the United States on July 1, 2023.

- In May 2022, Alvotech reported positive topline results from two clinical studies for its second product candidate, AVT04, a proposed biosimilar to Stelara (ustekinumab). Alvotech expects to file for regulatory approval for AVT04 in the second half of 2022.
- 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 the initiation of clinical programs for AVT06 and AVT03 in July 2022.
- In December 2021, Alvotech entered into a partnership with Biosana Pharma for the co-development of AVT23, a biosimilar candidate to Xolair (omalizumab).
- 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 losses were $184.5 million and $274.0 million for the six months ended June 30, 2022 and 2021, respectively. Alvotech expects to continue to incur increasing 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, 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 June 15, 2022 (the "Closing Date"), Alvotech consummated the business combination with Alvotech Holdings and OACB (the "Business Combination") pursuant to the business combination agreement dated December 7, 2021 and as amended by an amendment agreement dated April 18, 2022 and June 7, 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 June 15, 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 June 30, 2022. Of this amount, $5.6 million represented equity issuance costs related to PIPE Financing.

COVID-19, the Russia and Ukraine Conflict, and Global Economic Conditions

With the ongoing COVID-19 pandemic, Alvotech created a COVID-19 task force which implemented a business continuity plan to address and mitigate the impact of the pandemic on its business and operations across sites. As a result, in the short-term, the pandemic has not had a material impact on Alvotech's financial condition, results of operations, the timelines for biosimilar product development, expansion efforts or its operations as a whole. Furthermore, Alvotech does not currently anticipate that the pandemic will have a prospective material financial or operational impact. However, the extent to which the pandemic will impact Alvotech's business, biosimilar product development and expansion efforts, corporate development objectives and the value of and market for its ordinary shares will depend on future developments that are highly uncertain and cannot be predicted with confidence at this time, such as the ultimate direction of the pandemic, emergence and spread of new variants of the disease, travel restrictions, quarantines, social distancing, business closure requirements and the effectiveness of other actions taken globally to contain and treat the disease. The global economic slowdown, the overall disruption of global supply chains and distribution systems, the effects of this on the work of appropriate regulatory authorities in different regions and the other risks and uncertainties associated with the pandemic could have a material adverse effect on Alvotech's business, financial condition, results of operations and growth prospects.

In February and March 2022, Russia began a military invasion of Ukraine. The global response to this invasion could have an adverse impact on the Group's business, including the Group's ability to market and sell products in Europe, by creating disruptions in global supply chain, and potentially having an adverse impact on the global economy, European economy, financial markets, energy markets, currency rates, and otherwise. Currently, the conflict 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 June 30, 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. 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 revenue from upfront and 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 June 30, 2022 and 2021.

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 (outside of the European Union, Canada and the UK, where it received approval for AVT02). As a result of the uncertainties discussed above, Alvotech is unable to determine in advance the duration and completion costs of any clinical trial that it conducts, or when and to what extent Alvotech 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.

Gain on extinguishment of financial liabilities

Alvotech recognized a gain on extinguishment of financial liabilities during the six months ended June 30, 2021, in connection with the substantial modification of its convertible bond agreement and the exercise of the conversion, warrant and funding rights associated with the convertible shareholder loans.

Income tax benefit

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

Results of Operations

Comparison of the Six Months Ended June 30, 2022 and 2021

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

USD in thousands	2022	2021
Product revenue	3,932	—
License and other revenue	36,186	2,008
Other income	142	348
Cost of product revenue	(17,813)	—
Research and development expenses	(86,884)	(90,403)
General and administrative expenses	(139,147)	(86,360)
Operating loss	(203,584)	(174,407)
Share of net loss of joint venture	(1,266)	(837)
Finance income	50,968	4
Finance costs	(52,406)	(123,575)
Exchange rate differences	4,744	(3,611)
Gain on extinguishment of financial liabilities	—	2,561
Non-operating profit / (loss)	2,040	(125,458)
Loss before taxes	(201,544)	(299,865)
Income tax benefit	17,073	25,918
Loss for the period	(184,471)	(273,947)

Product revenue

USD in thousands	Six Months Ended June 30, 2022	2021	Change 2021 to 2022 $	%
Product revenue	3,932	—	3,932	nm

nm = not meaningful, refer to explanation below

The Company successfully launched the AVT02 product in Canada and select European countries resulting in $3.9 million of product revenue recognized during the six months ended June 30, 2022.

License and other revenue

USD in thousands	Six Months Ended June 30, 2022	2021	Change 2021 to 2022 $	%
License and other revenue	36,186	2,008	34,178	nm

nm = not meaningful, refer to explanation below

License and other revenue increased by $34.2 million, from $2.0 million for the six months ended June 30, 2021 to $36.2 million for the six months ended June 30, 2022. The increase in license and other revenue was primarily driven by a $34.7 million increase in research and development and other service revenue, due to the completion of the milestone related to the AVT04 main clinical program during the six months ended June 30, 2022.

Other income

USD in thousands	Six Months Ended June 30, 2022	2021	Change 2021 to 2022 $	%
Other income	142	348	(206)	59.2

Other income decreased by $0.2 million, or 59.2%, from $0.3 million for the six months ended June 30, 2021 to $0.1 million for the six months ended June 30, 2022. The decrease in other income was driven by a decrease in services performed pursuant to Alvotech's support service arrangements with Alvogen during the six months ended June 30, 2022, as compared to the six months ended June 30, 2021.

Cost of product revenue

USD in thousands	Six Months Ended June 30, 2022	2021	Change 2021 to 2022 $	%
Cost of product revenue	17,813	—	17,813	nm

nm = not meaningful, refer to explanation below

The Company successfully launched AVT02 in select European countries and Canada during the six months ended June 30, 2022. As a result, the Company recognized cost of production revenue in the amount of $17.8 million, which includes both variable and fixed manufacturing costs associated with commercial manufacturing, resulting in higher costs than revenues recognized for the period. The Company expects this to normalize as it increases in scale and expands on new product launches. Ultimately, this increase in volumes will result in the absorption of fixed manufacturing costs. Prior to the recognition of cost of product revenues, these costs were report as research and development expenses as pre-commercial manufacturing activity.

Research and development expenses

USD in thousands	Six Months Ended June 30,		Change 2021 to 2022	
	2022	2021	$	%
AVT02 development program expenses	5,558	8,139	(2,581)	31.7
AVT03 development program expenses	6,060	1,481	4,579	309.2
AVT04 development program expenses	14,189	13,959	230	1.6
AVT05 development program expenses	4,933	216	4,717	nm
AVT06 development program expenses	8,058	4,851	3,207	66.1
Salary and other employee expenses	30,699	33,893	(3,194)	9.4
Depreciation and amortization	5,827	9,560	(3,733)	39.0
Other research and development expenses[(1)]	11,560	18,304	(6,744)	36.8
Total research and development expenses	86,884	90,403	(3,519)	3.9

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 decreased by $3.5 million, or 3.9%, from $90.4 million for the six months ended June 30, 2021, to $86.9 million for the six months ended June 30, 2022. The decrease in research and development expense was primarily attributable to a decrease of $2.6 million in direct expenses for the AVT02 development programs as clinical activities have been completed and the Company has successfully launched the product in certain marketplaces. The decrease in research and development expense was also driven by a decrease of $3.2 million in salary and employee expenses, a $3.7 million decrease in depreciation and amortization expenses and a $6.7 million decrease in other research and development expenses. These decreases resulted from the Company's commercial launch of AVT02 in certain marketplaces during the six months ended June 30, 2022. Manufacturing costs that were previously recognized as research and development expense are now being recognized as cost of product revenue in conjunction with our first commercial launch. These decreases were partially offset by an increase in direct expenses of $4.6 million, $0.2 million, $4.7 million, and $3.2 million for AVT03, AVT04, AVT05, and AVT06, respectively. These increases are due to the start of clinical studies and production of clinical materials during the six months ended June 30, 2022.

General and administrative expenses

USD in thousands	Six Months Ended June 30,		Change 2021 to 2022	
	2022	2021	$	%
General and administrative expenses	139,147	86,360	52,787	61.1

General and administrative expenses increased by $52.8 million, or 61.1%, from $86.4 million for the six months ended June 30, 2021 to $139.1 million for the six months ended June 30, 2022. The increase in general and administrative expenses was primarily attributable to the $83.4 million non-cash share listing expense and $21.0 million of transaction costs recognized as a result of the Business Combination. See Note 1.1 of the unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2022 for additional information. These expenses were partially offset by a $55.7 million decrease in expense related to the long-term incentive plan. The Company recognized $55.9 million of expense related to the share appreciation rights, or SARs, for the six months ended June 30, 2021, due to the increase in the valuation of the Company. In connection with the closing of the Business Combination, the Company reached a settlement agreement for SARs previously awarded to certain current and former employees. The remaining change is due to incremental costs from operating as a public company.

Share of net loss of joint venture

USD in thousands	Six Months Ended June 30, 2022	2021	Change 2021 to 2022 $	%
Share of net loss of joint venture	1,266	837	429	51.3

Share of net loss of Joint Venture increased by $0.4 million, or 51.3%, from a loss of $0.8 million for the six months ended June 30, 2021, to a loss of $1.3 million for the six months ended June 30, 2022. 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 June 30, 2022, as compared to June 30, 2021, primarily driven by higher research and development and administrative expenses incurred by the Joint Venture during the six months ended June 30, 2022.

Finance income

USD in thousands	Six Months Ended June 30, 2022	2021	Change 2021 to 2022 $	%
Finance income	50,968	4	50,964	nm

nm = not meaningful, refer to explanation below

Finance income during the six months ended June 30, 2022, relates to the $46.5 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, the $1.8 million decrease in fair value of earn out shares issued to Oaktree Acquisition Holdings II, L.P. at the closing of the Business Combination, and $2.6 million decrease in the fair value of the OACB warrants. The decrease in fair value was a result of a decrease in the price of Alvotech's ordinary shares. The recognition of these derivative liabilities was a result of the closing of the Business Combination. The fair value of these derivative liabilities was measured at the Closing Date and subsequently remeasured at June 30, 2022. See Note 22 of the unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2022, for additional information

Finance costs

USD in thousands	Six Months Ended June 30, 2022	2021	Change 2021 to 2022 $	%
Finance costs	52,406	123,575	71,169	57.6

Finance costs decreased by $71.2 million, or 57.6%, from $123.6 million for the six months ended June 30, 2021 to $52.4 million for the six months ended June 30, 2022. The decrease in finance costs was primarily attributable to the extinguishment of the convertible bonds and shareholder loans during the year ended December 31, 2021. The derivative liabilities associated with the bonds and loans resulted in $67.6 million of finance costs recognized during the six months ended June 30, 2021, due the change in fair value. There was $16.1 million of interest expense recognized on the extinguished convertible bonds and convertible shareholder loans during to the six months ended June 30, 2021. The decreases related to the extinguished liabilities were partially offset by $7.4 million of expense recognized for the special put option and consent fee paid to bondholders and a $6.5 million loss on the remeasurement of bonds during the six months ended June 30, 2022. See Note 16 of the unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2022 for additional information

Exchange rate differences

USD in thousands	Six Months Ended June 30, 2022	2021	Change 2021 to 2022 $	%
Exchange rate differences	4,744	(3,611)	8,355	231.4

Exchange rate differences increased by $8.4 million, or 231.4%, from an expense of $3.6 million for the six months ended June 30, 2021 to a gain of $4.7 million for the six months ended June 30, 2022. The increase was primarily driven by a change in financial assets and liabilities denominated in Icelandic Krona, resulting in an exchange rate gain during the six months ended June 30, 2022 compared to an exchange rate loss during the six months ended June 30, 2021.

Gain on extinguishment of financial liabilities

USD in thousands	Six Months Ended June 30, 2022	2021	Change 2021 to 2022 $	%
Gain on extinguishment of financial liabilities	—	2,561	(2,561)	nm

nm = not meaningful, refer to explanation below

Alvotech recognized a gain on extinguishment of financial liabilities of $2.6 million during the six months ended June 30, 2021 in connection with the substantial modification to the terms and conditions of the convertible bonds and other related, concurrent transactions.

Income tax benefit

USD in thousands	Six Months Ended June 30, 2022	2021	Change 2021 to 2022 $	%
Income tax benefit	17,073	25,918	(8,845)	34.1

The income tax benefit decreased by $8.8 million for the six months ended June 30, 2022. This change was driven by $3.7 million lower of net operating losses with respect to the 2022 period that Alvotech expects will be fully utilized against future taxable profits, a foreign currency impact of $4.9 million due to weakening of the Icelandic Krona against the US dollar which decreased the US dollar value of tax loss carry-forwards expected to be utilized against future taxable profits, and a $0.2 million increase in current taxes.

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;
3. Depreciation and amortization of property, plant, and equipment, right-of-use assets and intangible assets;
4. Impairment of property, plant, and equipment and other intangible assets;
5. Long-term incentive plan expense;
6. Share of net loss of joint venture;
7. Exchange rate differences;
8. Gain on extinguishment of SARs liability;
9. Share listing expense;
10. Gain on extinguishment of financial liabilities; and
11. Transaction costs incurred in connection with the Business Combination

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 profit/(loss) for the period.

The following table reconciles loss for the period to Adjusted EBITDA for the six months ended June 30, 2022, and 2021:

USD in thousands	2022	2021
Loss for the period	(184,471)	(273,947)
Income tax benefit	(17,073)	(25,918)
Total net finance costs	1,438	123,571
Depreciation and amortization	9,977	8,928
Impairment of property, plant and equipment and other intangible assets	—	6,059
Long-term incentive plan expense (1)	5,555	61,201
Share of net loss of joint venture	1,266	837
Exchange rate differences	(4,744)	3,611
Gain on extinguishment of SARs liability (2)	(4,803)	—
Share listing expense (3)	83,411	—
Gain on extinguishment of financial liabilities	—	(2,561)
Transaction costs (4)	21,000	1,150
Adjusted EBITDA	(88,444)	(97,069)

(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, reported within general and administrative expenses.

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 $184.5 million and $274.0 million for the six months ended June 30, 2022 and 2021, respectively, and had an accumulated deficit of $1,325.0 million as of June 30, 2022. As of June 30, 2022, Alvotech had cash and cash equivalents, excluding restricted cash, of $128.4 million and current assets less current liabilities of ($39.1) million. Furthermore, while the COVID-19 pandemic has not had, and is not expected to have, a material impact on Alvotech's development and expansion efforts and operations as a whole, the pandemic may in the long-term significantly impact Alvotech's business, biosimilar product development and expansion efforts, corporate development objectives and the value of and market for the Alvotech's ordinary shares.

In February and March 2022, Alvotech received $25.0 million from each of Alvogen and Aztiq Pharma Partners S.à r.l. ("Aztiq") pursuant to interest free loan advances provided by both related parties. In April 2022, Alvotech entered into an additional $40.0 million loan agreement with Alvogen, of which the first installment of $20.0 million was received on April 12, 2022, and the second installment was received on May 9, 2022. In June 2022, Alvotech entered into an additional $20.0 million loan agreement with Alvogen and withdrew the entire loan amount on the same date. Alvotech received $30.6 million in milestone payments pursuant to its out-license contracts with commercial partners through the first half of 2022.

The closing of the Business Combination and the PIPE Financing provided the Group with $129.5 million of cash (after deduction of costs related to the Business Combination including liabilities assumed from OACB) that is expected to be used to finance the continuing development and commercialization of its biosimilar product candidates. In advance of the closing of the Business Combination and in preparation for redemptions of OACB Class A Ordinary Shares, the Company secured a Standby Equity Purchase Agreement facility from YA II PN, LTD., a Cayman Islands exempt limited partnership ("Yorkville") for up to $150.0 million. The company also continues to finalize the terms of a debt facility with Sculptor Capital Investments, LLC ("Sculptor"). The debt facility is currently expected to provide Alvotech with funding between $75.0 million and $125.0 million. Negotiations remain ongoing, which may impact the final terms of the facility. Alvotech's entry into the debt facility with Sculptor is, among other conditions precedent, subject to the negotiation and execution of final documentation in a form that is mutually agreeable to all parties involved. There can be no guarantee that the conditions precedent will be satisfied or that the parties will be able to agree on final documentation. The two facilities are intended to replace redemptions by OACB shareholders that occurred as part of the Business Combination.

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

However, even with the aforementioned cash received during 2022, 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, 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 June 30, 2022, Alvotech had $559.0 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 June 30, 2022.

Borrowings

Alvotech's debt consists of interest-bearing borrowings from both financial institutions and related parties. Outstanding borrowings as of June 30, 2022, totaled $559.0 million including payment-in-kind interest and accrued interest. The timing of these future payments, 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 June 30, 2022.

Convertible bonds and bonds

On December 14, 2018, Alvotech issued $300.0 million in convertible bonds. The offering included $125.0 million of Tranche A bonds that included a guarantee from Alvogen and a 10% bonus if the bondholders convert at the time of an IPO. In addition, $175.0 million of Tranche B bonds were issued that do not have a guarantee but includes a 25% bonus if the bondholders elect to convert at the time of an IPO. The bonds offer a 15% payment-in-kind interest rate and a put option to sell the bonds back to Alvotech if an IPO has not occurred within three years from the original date of issuance.

On June 24, 2021, holders of Alvotech's convertible bonds converted $100.7 million of principal and accrued interest and $4.8 million of additional premium offered by Alvotech to the bondholders into 455,687 Class A ordinary shares of Alvotech Holdings. Following the conversion, certain bondholders elected to redeem their remaining bonds for cash, resulting in the payment of $54.1 million in outstanding principal and accrued interest plus an additional $6.1 million of premium that the bondholders elected to be paid in cash. The remaining unconverted and unredeemed bonds were rolled over into new bonds with an extended maturity of June 2025 and the elimination of conversion rights, among other amendments to the terms and conditions. Such bonds, including an additional premium of $2.6 million and an extension premium of $8.1 million offered to the bondholders in the form of additional bonds, totaled $280.9 million. Alvotech also issued an additional $113.8 million of bonds to one previous bondholder and one new bondholder.

In January and June of 2022, the Group amended the terms of the outstanding bonds. The amendments resulted in the interest rate on the bonds ranging from 7.5% to 10.0%, depending on the amount of aggregate net proceeds, following the closing of the Business Combination. Additionally, the Company made a payment of a $5.0 million consent fee to the bondholders who did not vote against the Business Combination Agreement. The payment was made in July 2022. The amendment also included a requirement for Alvotech to maintain a minimum of $25.0 million of restricted cash in a separate liquidity account. As a result of the closing of the Business Combination, there was a change in cash flows on the bonds related to the increase in interest rate from 7.5% to 10.0%. The Company remeasured the carrying value in accordance with IFRS 9 to the present value of the revised cash flows and recognized a $6.5 million loss on the remeasurement of the bonds.

The outstanding principal balance on the bonds was $432.9 million as of June 30, 2022. Accrued interest on the bonds was $1.7 million as of June 30, 2022.

Other borrowings

In 2015 and 2016, Alvotech entered into multiple loan agreements with a financial institution, Landsbankinn hf., for a total principal amount of $25.9 million. Per the terms of the loan agreements, the loans mature in late 2023 and the second half of 2024, depending on the issuance date of each loan. Interest on the loans is variable 1 month USD LIBOR plus 4.95%, payable on a monthly basis. Interest accrued and unpaid at the end of each interest period increases the principal obligations owed by Alvotech to the financial institution. The outstanding principal balance on these borrowings was $4.4 million as of June 30, 2022. Accrued interest on these borrowings was not material as of June 30, 2022.

In 2019, Alvotech entered into two loan agreements with two separate lenders, University Science Park and Lykill fjarmognun hf. The outstanding principal balance on the borrowings held with University Science Park, including accrued interest, was $0.7 million as of June 30, 2022. The loan matures in late 2029. The outstanding principal balance on the borrowings held with Lykill fjarmognun hf., including accrued interest, was $0.1 million as of June 30, 2022. The loan matures in early 2024.

In 2021, Alvotech entered into two loan agreements with two separate lenders, Origo hf. and Arion banki hf. The outstanding principal balance on the borrowings held with Origo hf., including accrued interest, was $0.2 million as of June 30, 2022. The loan matures in early 2024. The outstanding principal balance on the borrowings held with Arion banki hf., including accrued interest, was $0.1 million as of June 30, 2022. The loan matures in late 2023.

On 22 February 2022, the Group entered into a credit facility agreement with Landsbankinn hf. with the ability to draw down an amount up to $18.3 million. The credit facility is in place to help finance equipment purchases in the future. As of 30 June 2022, the outstanding balance on the credit facility was $7.6 million.

On 22 February 2022, the Group entered into a loan agreement with Landsbankinn hf. for a principal amount of $3.2 million. The loan is in place to help finance equipment purchases. As of 30 June 2022, the outstanding balance on the loan was $3.1 million.

Loans from related parties

In connection with an undertaking by Alvotech shareholders to ensure that Alvotech was sufficiently funded through the closing of the Business Combination by providing at least $50.0 million for the operations of the Group, Alvogen and Aztiq provided interest free loan advances to Alvotech. On 22 February 2022, Alvotech, as borrower, withdrew $15.0 million under the facility from Alvogen, as lender. On 29 March 2022, Alvotech withdrew an additional amount of $10.0 million under the facility, for aggregate indebtedness of $25.0 million. On 11 March 2022, Alvotech, as borrower, withdrew $15.0 million under the facility from Aztiq, as lender. On 31 March 2022, Alvotech withdrew an additional amount of $10.0 million under the facility, for aggregate indebtedness of $25.0 million. In July 2022, the Company entered into settlement agreements with both Aztiq and Alvogen for the $25.0 million in related party loans (totaling $50.0 million) that were outstanding as of June 30, 2022. As a result of the settlement agreement, Aztiq and Alvogen each received 2,500,000 Ordinary Shares in full settlement of the loans.

On 11 April 2022, Alvotech, as borrower, entered into a loan agreement with Alvogen, as lender, for a loan of up to $40.0 million bearing an interest rate of 10% per annum. The loan was drawable in two separate installments of $20.0 million each. On 12 April 2022, Alvotech withdrew the first installment of $20.0 million. Alvotech withdrew a second installment of $20.0 million on 9 May 2022 for aggregate indebtedness of $40.0 million. The repayment date, which was originally 30 days from the Closing Date, is currently being renegotiated by Alvotech and Alvogen to coincide with potential additional capital raises in the future. As of June 30, 2022, the outstanding balance under the loan agreement was $40.7 million.

On 1 June 2022, Alvotech, as borrower, also entered into a loan agreement with Alvogen, as lender, for a loan of $20.0 million bearing an interest rate of 10% per annum. Alvotech withdrew the entire loan amount of $20.0 million on 1 June 2022. The repayment date, which was originally 30 days from the Closing Date, is currently being renegotiated by Alvotech and Alvogen to coincide with potential additional capital raises in the future. As of June 30, 2022, the outstanding balance under the loan agreement was $20.2 million.

Leases

Alvotech's future undiscounted payments pursuant to lease agreements totaled $171.6 million as of June 30, 2022. 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 June 30, 2022.

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 (Adalimumab) in China from Lotus Pharmaceutical Co. Ltd., a related party, during the year ended December 31, 2020. Pursuant to the terms of the asset acquisition, Alvotech is required to pay $7.4 million upon the commercial launch of Adalimumab in China.

Purchase obligations

For the six months ended June 30, 2022 and 2021, 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. Alvotech expects to spend approximately $35.0 to $45.0 million in 2022 and an aggregate of approximately $60.0 million from 2022 to 2024 related to such investments.

Cash Flows

Comparison of the Six Months Ended June 30, 2022, and 2021

USD in thousands	Six Months Ended June 30,		Change 2021 to 2022	
	2022	2021	$	%
Cash used in operating activities	(141,156)	(84,734)	(56,422)	66.6
Cash used in investing activities	(41,504)	(6,972)	(34,532)	495.3
Cash generated from financing activities	293,535	102,001	191,534	187.8

Operating activities

Net cash used in operating activities increased by $56.4 million, or 66.6%, from $84.7 million for the six months ended June 30, 2021 to $141.2 million for the six months ended June 30, 2022. The increase reflected the $89.5 million decrease in loss for the period, a $12.4 million decrease in interest paid, a $100.7 million decrease in non-cash operating costs and a $57.3 million increase in cash used in working capital.

The decrease in non-cash operating costs was primarily driven by a $122.1 million decrease in total net finance costs and a $55.6 million decrease in long-term incentive plan expense and a $6.1 million increase in impairment charges on certain non-current assets. These were partially offset by the $83.4 million in share listing expense recognized as a result of the Business Combination.

The increase in cash used in working capital was primarily driven by a $40.9 million increase in contract assets, a $36.2 million decrease in contract liabilities, and a $8.0 million decrease in other liabilities. These were partially offset by a $29.2 million decrease in trade receivables. The increase in contract assets and decrease in contract liabilities and was driven by the timing of cash collections from Alvotech's partners pursuant to out-license contracts. The increase decrease in trade receivables is due to the payments received from customers due to the achievement of milestones pursuant to out-license contracts.

Investing activities

Net cash used in investing activities increased by $34.5 million, or 495.3%, from $7.0 million for the six months ended June 30, 2021 to $41.5 million for the six months ended June 30, 2022. The increase was primarily driven by a $10.8 million increase in cash outflow for the acquisition of property, plant and equipment and $9.3 million in cash outflow for the acquisition of intangible assets during the six months ended June 30, 2022. Additionally, the Group recognized a $14.9 million cash outflow resulting from the amended bond agreement, whereby Alvotech is required to maintain a minimum of $25.0 million of restricted cash in a separate liquidity account.

Financing activities

Net cash generated from financing activities increased by $191.5 million, or 187.8%, from $102.0 million for the six months ended June 30, 2021 to $293.5 million for the six months ended June 30, 2022. The increase 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. These increases were offset by a $103.5 million decrease in net proceeds from new borrowings for the six months ended June 30, 2022.

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 June 30, 2022, Alvotech had cash and cash equivalents of $128.4 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, the USD. 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 asset and liabilities denominated in foreign currencies as of June 30, 2022 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 June 30, 2022. 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 December 31, 2021 and 2020 and Note 4 of the unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2022.

Recent Accounting Pronouncements

For information on the standards applied for the first time as of January 1, 2022, please refer to Note 4 of the unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2022.

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 December 31, 2021, Alvotech identified material weaknesses in the design and operating effectiveness of its internal control over financial reporting. 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.

Alvotech Reports First Half 2022 Financial Results and Business Update

- *Secured funding of approximately $185 million in gross proceeds through the merger with OACB (the "Business Combination") and private placement investment in public equity (PIPE) financing*
- *Debuted as publicly traded company on Nasdaq Stock Exchange in U.S. and on Nasdaq First North Market in Iceland; Board approved plan to move Iceland listing to Nasdaq Main Market*
- *Revenues for first half of 2022 increased to $40 million, driven by revenue from milestones related to pipeline progress and recent launches of AVT02 (adalimumab) in Canada and certain European markets*
- *Continued progress of the pipeline, including becoming the 2nd company to report positive topline results from a patient study for a proposed biosimilar to Stelara®*
- *Management to conduct a business update conference call and live webcast on Thursday, September 1, 2022, at 8:00 am ET (12:00 pm GMT)*

REYKJAVIK, ICELAND (August 31, 2022) — Alvotech (NASDAQ: ALVO, or the "Company"), a global biotech company specializing in the development and manufacture of biosimilar medicines for patients worldwide, today reported financial results for the first half of 2022 and provided a summary of recent corporate highlights. The company also filed the interim financial statements with the Icelandic stock exchange for the first six months of 2022, in accordance with the Nasdaq First North rulebook.

"We have achieved a number of pivotal milestones since we first announced our intention to enter the public markets; launching our first biosimilar in Europe and Canada, advancing multiple biosimilar candidates into clinical trials and transitioning from being a privately held company to being publicly listed both in the U.S. and Iceland," said founder and Executive Chairman of Alvotech, Robert Wessman. "We continue to deliver on our strategy and remain steadfast in our mission to improve people's lives by expanding access to affordable biologic medicines globally, through the promise of biosimilars."

Pipeline Highlights

Received approval for AVT02 in Canada: Health Canada granted marketing authorization for AVT02 paving way for marketing in Canada.

Exclusive global licensing agreement with BiosanaPharma: Entered into an exclusive global licensing agreement with BiosanaPharma to co-develop AVT23, a proposed biosimilar to Xolair® (omalizumab).

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Expanded partnership for Japanese market: Granted Fuji Pharma exclusive commercial rights to an undisclosed biosimilar currently in early phase development by Alvotech. The agreement brings the total number of proposed biosimilars with respect to which the company is partnering to six.

FDA Accepted BLA for AVT02 including biosimilarity and interchangeability: Alvotech is the only known company that has a high-concentration biosimilar candidate to Humira® that has completed a switching study, to support a proposed interchangeable designation for the high concentration adalimumab; goal date in December 2022

Resolved U.S. Patent and Trade Secret Disputes with AbbVie: Alvotech executed a U.S. settlement agreement with AbbVie that grants Alvotech non-exclusive rights to market AVT02 (100mg/mL), its high-concentration, citrate-free biosimilar candidate for Humira® (adalimumab) in the United States. The settlement grants Alvotech a license entry date in the United States of July 1, 2023.

Announced positive results from a PK similarity study for AVT04: Results demonstrate bioequivalence of AVT04 (ustekinumab) to the reference product, Stelara®.

Announced positive results from a clinical patient study for AVT04: Results demonstrate therapeutic equivalence between AVT04 (ustekinumab) and the reference product, Stelara®. Alvotech is the 2nd company to report positive topline results from a patient study for a proposed biosimilar to Stelara®.

Launched AVT02 with JAMP Pharma in Canada: Exclusive Canadian partner JAMP Pharma launched AVT02 (adalimumab) under tradename Simlandi™.

Launched AVT02 with STADA in Europe: Exclusive European partner STADA launched AVT02 (adalimumab) under tradename Hukyndra® in European markets.

Initiated patient study for AVT06: Confirmatory clinical study in patients for AVT06 (aflibercept), a biosimilar candidate to Eylea®.

Initiated Pharmacokinetics study for AVT03: Pharmacokinetic, safety and tolerability study in healthy subjects for AVT03 (denosumab), a biosimilar candidate to Prolia® and Xgeva®.

Initiated Patient Study for AVT03: Confirmatory clinical study in patients for AVT03 (denosumab), a biosimilar candidate for Prolia® and Xgeva®

Corporate Highlights

Completed merger with Oaktree Acquisition Corp. II (OACB): Transaction included a fully committed and upsized $175 million PIPE raised through top-tier investors at $10.00 per share.

Listed on Nasdaq Stock Market in U.S.: Ordinary shares and warrants began trading under ticker symbols “ALVO” and “ALVOW”, respectively. Largest debut by an Icelandic company on a U.S. stock exchange.

Listed on First North Market in Iceland: First dual-listed Icelandic company on both a United States and Icelandic stock market.

Expanded and diversified Board of Directors: Four new members enhance independence and diversity of Board of Directors.

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Announced plan to list on Icelandic Main Market: Board of Directors approved a plan to move share listing in Iceland from the First North Growth Market to the Nasdaq Main Market.

Launched ESG reporting portal: Provides further transparency to stakeholders with reporting on Environmental, Social and Governance indicators.

Financial Results for First Half 2022

As of June 30, 2022, the Company had $128.4 million in cash and cash equivalents. In addition, the Company had borrowings of $559.0 million, including $120.8 million of current portion of borrowings, as of June 30, 2022.

Revenue: Revenue was $40.1 million for the six months ended June 30, 2022, compared to $2.0 million for the same six months of 2021. Revenue in the first six months ended June 30, 2022 consisted of $3.9 million of product revenue from the sales of AVT02 in select European countries and Canada, and $36.2 million of license and other revenue from the completion of the milestone related to the AVT04 main clinical program during the six months ended June 30, 2022.

Cost of Product Revenue: Cost of product revenue was $17.8 million for the six months ended June 30, 2022. These costs were a result of the successful launch of AVT02 in select European countries and Canada during the six months ended June 30, 2022.

Research and Development (R&D) Expenses: R&D expenses were $86.9 million for the six months ended June 30, 2022, compared to $90.4 million for the same six months of 2021. This decrease was primarily due to pre-commercial manufacturing costs that were previously recognized as research and development and are now recognized as cost of product revenue in conjunction with the Company's first commercial launch.

General and Administrative (G&A) Expenses: G&A expenses were $139.1 million for the six months ended June 30, 2022, compared to $86.4 million for the same six months of 2021. This increase was primarily due to the $83.4 million non-cash share listing expense and $21.0 million of transaction costs recognized as a result of the Business Combination. These expenses were offset by a $55.7 million decrease in expenses related to the long-term incentive plan.

Net Loss: Net loss was $184.5 million, or ($1.02) per share on a basic and diluted basis, for the six months ended June 30, 2022 as compared to net loss of $273.7 million, or ($2.77) on a basic and diluted basis, for the same six months of 2021.

Business Update Conference Call

Alvotech will conduct a business update conference call and live webcast on Thursday, September 1, 2022, at 8:00 am ET (12:00 pm GMT).

In order to participate in the conference call, please register in advance following this link to obtain a local or toll-free phone number and your personal pin.

A live webcast of the call will be available on Alvotech's website in the Investors Section of the Company's website 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.

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About AVT02 (adalimumab)

AVT02 is a monoclonal antibody that is being evaluated for biosimilarity and interchangeability to Humira® (adalimumab), which inhibits tumor necrosis factor (TNF). AVT02 has been approved in the EU, Norway, Iceland, Lichtenstein, the UK, Switzerland, and Canada. AVT02 dossiers are under review in multiple countries, including in the United States.

About AVT04 (ustekinumab)

AVT04 is a monoclonal antibody and a biosimilar candidate to Stelara® (ustekinumab). AVT04 was developed using an Sp2/0 host cell line and is manufactured using a continuous perfusion process. The Sp2/0 host cell line allows for more efficient sialyation of the molecule as compared to Chinese hamster ovary (CHO) cells and is the same type of host cell line used to produce Stelara®. Ustekinumab binds to two cytokines, IL-12 and IL-23, that are involved in inflammatory and immune responses. Abnormal regulation of these cytokines has been associated with immune mediated diseases, such as psoriasis, psoriatic arthritis, Crohn's disease, and ulcerative colitis.

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. AVT03 is an investigational product and has not received regulatory approval in any country. Biosimiliarity has not been established by regulatory authorities and is not claimed.

About AVT06 (aflibercept)

AVT06 is a recombinant fusion protein and a biosimilar candidate to Eylea® (aflibercept). Aflibercept binds vascular endothelial growth factors (VEGF), inhibiting the binding and activation of VEGF receptors, neovascularization, and vascular permeability. 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 AVT23 (omalizumab)

AVT23 is a proposed biosimilar to Xolair (omalizumab). Omalizumab is an antibody that targets free IgE; it is used to improve the control of severe persistent allergic asthma, for chronic (long-term) spontaneous urticaria (itchy rash) in patients with elevated IgE who do not respond to treatment with antihistamines and to treat nasal polyps in people 18 years of age and older when medicines to treat nasal polyps called nasal corticosteroids have not worked well enough. Xolair, the only currently approved product containing omalizumab, was first approved in 2003. AVT23 is an investigational compound 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 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), 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 1955, 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 capitalization through equity or debt financing, future growth, results of operations, performance, future capital and other expenditures including the development of critical infrastructure for the global healthcare markets, 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, expected patient enrollment, the potential approval and commercial launch of its product candidates, the timing of the announcement of clinical study results, the commencement of patient studies, regulatory approvals and market launches, and the estimated size of the total addressable market of Alvotech's pipeline products. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expect", "intend", "will", "estimate", "anticipate", "believe", "predict", "potential" 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

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business combination between Alvotech Holdings S.A., Oaktree Acquisition Corp. II and Alvotech; (2) the ability to maintain stock exchange listing standards or meet requirements for listing on the Nasdaq Main Market in Iceland; (3) changes in applicable laws or regulations; (4) the possibility that Alvotech may be adversely affected by other economic, business, and/or competitive factors; (5) Alvotech's estimates of expenses and profitability; (6) Alvotech's ability to develop, manufacture and commercialize the products and product candidates in its pipeline; (7) actions of regulatory authorities, which may affect the initiation, timing and progress of clinical studies or future regulatory approvals or marketing authorizations; (8) the ability of Alvotech or its partners to enroll and retain patients in clinical studies; (9) the ability of Alvotech or its partners to gain approval from regulators for planned clinical studies, study plans or sites; (10) the ability of Alvotech's partners to conduct, supervise and monitor existing and potential future clinical studies, which may impact development timelines and plans; (11) Alvotech's ability to obtain and maintain regulatory approval or authorizations of its products, including the timing or likelihood of expansion into additional markets or geographies; (12) the success of Alvotech's current and future collaborations, joint ventures, partnerships or licensing arrangements; (13) Alvotech's ability, and that of its commercial partners, to execute their commercialization strategy for approved products; (14) Alvotech's ability to manufacture sufficient commercial supply of its approved products; (15) the outcome of ongoing and future litigation regarding Alvotech's products and product candidates; (16) 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; and (17) 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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Unaudited Condensed Consolidated Interim Statements of Profit or Loss and Other Comprehensive Income or Loss

USD in thousands, except for per share amounts	Six months ended 30 June 2022	Six months ended 30 June 2021
Product revenue	3,932	—
License and other revenue	36,186	2,008
Other income	142	348
Cost of product revenue	(17,813)	—
Research and development expenses	(86,884)	(90,403)
General and administrative expenses	(139,147)	(86,360)
Operating loss	(203,584)	(174,407)
Share of net loss of joint venture	(1,266)	(837)
Finance income	50,968	4
Finance costs	(52,406)	(123,575)
Exchange rate differences	4,744	(3,611)
Gain on extinguishment of financial liabilities	—	2,561
Non-operating profit / (loss)	2,040	(125,458)
Loss before taxes	(201,544)	(299,865)
Income tax benefit	17,073	25,918
Loss for the period	(184,471)	(273,947)
Other comprehensive income / (loss)		
Item that will be reclassified to profit or loss in subsequent periods:		
Exchange rate differences on translation of foreign operations	(4,243)	243
Total comprehensive loss	(188,714)	(273,704)
Loss per share		
Basic and diluted loss for the period per share	(1.02)	(2.77)

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Unaudited Condensed Consolidated Interim Statement of Financial Position

USD in thousands	30 June 2022	31 December 2021
Non-current assets		
Property, plant and equipment	87,411	78,530
Right-of-use assets	131,069	126,801
Goodwill	11,436	12,367
Other intangible assets	22,857	21,509
Contract assets	14,838	1,479
Investment in joint venture	51,334	55,307
Other long-term assets	3,915	1,663
Restricted cash	25,001	10,087
Deferred tax assets	187,976	170,418
Total non-current assets	535,837	478,161
Current assets		
Inventories	54,664	39,058
Trade receivables	5,304	29,396
Contract assets	24,998	17,959
Other current assets	23,758	14,736
Receivables from related parties	1,498	1,111
Cash and cash equivalents	128,438	17,556
Total current assets	238,660	119,816
Total assets	774,497	597,977

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Unaudited Condensed Consolidated Interim Statement of Financial Position

USD in thousands	30 June 2022	31 December 2021
Equity		
Share capital	2,076	135
Share premium	1,026,282	1,000,118
Translation reserve	426	4,669
Accumulated deficit	(1,325,005)	(1,140,534)
Total equity	(296,221)	(135,612)
Non-current liabilities		
Borrowings	438,187	398,140
Derivative financial liabilities	197,470	—
Other long-term liability to related party	7,440	7,440
Lease liabilities	115,304	114,845
Long-term incentive plan	4,408	56,334
Contract liabilities	29,982	44,844
Deferred tax liability	141	150
Total non-current liabilities	792,932	621,753
Current liabilities		
Trade and other payables	44,726	28,587
Lease liabilities	7,282	7,295
Current maturities of borrowings	120,836	2,771
Liabilities to related parties	4,738	638
Contract liabilities	32,328	29,692
Taxes payable	1,047	841
Other current liabilities	66,829	42,012
Total current liabilities	277,786	111,836
Total liabilities	1,070,718	733,589
Total equity and liabilities	774,497	597,977

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