Genscript Biotech Corporation

金斯瑞生物科技股份有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1548)

PROFIT ALERT - ESTIMATED REDUCTION IN LOSS

This announcement is made by the board (the "**Board**") of directors (the "**Directors**") of GenScript Biotech Corporation (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board wishes to inform the shareholders of the Company (the "**Shareholders**") and potential investors that, based on the preliminary assessment of the latest unaudited management accounts of the Group for the six months ended 30 June 2024 (the "**Reporting Period**"), and information currently available to the Board, the Group is expected to record approximately US$505.2 million to US$589.4 million in revenue for the Reporting Period, representing an increase of 29.1% to 50.6% as compared with approximately US$391.3 million for the six months ended 30 June 2023 (the "**Prior Period**").

The expected increase in the revenue of the Group is principally attributable to the strong performance of CARVYKTI trade sales and license revenue recognised under collaboration agreements with Janssen Biotech, Inc. and license agreement with Novartis Pharma AG, respectively, by Legend Biotech Corporation ("**Legend Biotech**"), a subsidiary of the Company.

The incremental revenue is expected to lead to a strong increase in gross profit and a continuous decrease in loss of the Group. The Group is expected to record a narrowed net loss of approximately US$212.9 million to US$225.9 million for the Reporting Period, as compared to approximately US$245.8 million for the Prior Period. The net loss was impacted by the following factors.

(1) The Group's increased expenditures on research and development activities: the Group is expected to record research and development expenses of approximately US$224.6 million to US$260.0 million, as compared to approximately US$207.3 million for the Prior Period, mainly due to continuous research and development activities in cilta-cel, including start-up costs for clinical production in Belgium and continued investment in Legend Biotech's solid tumor programs.

(2) The impairment loss recognised for long-term assets for Probio, the Group's biologics contract development and manufacturing organization ("CDMO") business unit: the Group is expected to record a non-cash impairment loss of approximately US$37.2 million to US$38.2 million for the Reporting Period. Our biologics CDMO business is facing significant pressure from global competition and declined demand from biotech customers during the Reporting Period.

(3) The fair value loss recognised for preferred shares in Probio: the Group is expected to record a non-cash fair value loss of approximately US$113.5 million, as compared to approximately US$34.7 million for the Prior Period.

Overall, the Group is expected to record an adjusted net loss of approximately US$64.3 million to US$83.5 million for the Reporting Period, as compared to an adjusted net loss of approximately US$162.0 million for the Prior Period. The adjusted net loss was impacted by the following factors.

(1) Substantially narrowed loss in the cell therapy business: Legend Biotech is expected to report an adjusted net loss before eliminations of approximately US$94.7 million to US$109.7 million, whilst the adjusted net loss of cell therapy business before eliminations was approximately US$195.7 million for the Prior Period. This was mainly attributable to the robust market demand for CARVYKTI products and the significant increase in license revenue.

(2) Slightly decreased net profit in the non-cell therapy business: the adjusted net profit in the Group's non-cell therapy business before eliminations is expected to be approximately US$26.1 million to US$30.3 million, representing a decrease of approximately 9.8% to 22.3%, as compared to approximately US$33.6 million for the Prior Period. The decrease was primarily due to the increased loss from the biologics CDMO business unit, more than offsetting the continued profit growth in our life-science and industrial synthetic biology products business units.

During the reporting period, the adjusted net profit/(loss) in the Group's business excludes (i) equity-settled share-based compensation expenses; (ii) fair value loss of preferred shares; (iii) losses of foreign currency forward and option contracts; (iv) impairment loss of long-term assets, (v) exchange gains, (vi) fair value losses of non-current financial assets; and (vii) finance costs for equity financing activities.

Please refer to the following as the detailed reconciliation table for the Reporting Period:

in US$ in million	**Non-cell therapy business**	**Cell therapy business**	**Eliminations**	**Group**
Net loss	(138.6)~(137.6)	(87.4)~(75.4)	0.1	(225.9)~(212.9)
Equity-settled share-based compensation expenses, net of tax	11.2~13.1	44.5~38.4	-	55.7~51.5
Fair value loss of preferred shares	113.5	-	-	113.5
Losses of foreign currency forward and option contracts, net of tax	0.8~0.9	-	-	0.8~0.9
Impairment loss of long-term assets	37.2~38.2	-	-	37.2~38.2
Exchange gains, net of tax	(1.2)~(1.4)	(66.8)~(57.7)	-	(68.0)~(59.1)
Fair value losses of non-current financial assets	1.1~1.2	-	-	1.1~1.2
Finance costs for equity financing activities	2.1~2.4	-	-	2.1~2.4
Adjusted net profit/(loss)	26.1~30.3	(109.7)~(94.7)	0.1	(83.5)~(64.3)

The information contained in this announcement can only be treated as a preliminary assessment by the Board based on the latest unaudited management accounts of the Group and the information currently available, which are subject to finalisation and other potential adjustments, and is not based on any figures or information that has been audited, confirmed or reviewed by the auditor of the Company. Shareholders and potential investors of the Company are advised to read the interim results announcement of the Company for the Reporting Period, which is expected to be published before the end of August 2024.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Genscript Biotech Corporation
Meng Jiange
Chairman and Executive Director

Hong Kong, 26 July 2024

As at the date of this announcement, the executive Directors are Dr. Zhang Fangliang, Mr. Meng Jiange, Ms. Wang Ye and Dr. Zhu Li; the non-executive Directors is Dr. Wang Luquan; and the independent non-executive Directors are Mr. Dai Zumian, Mr. Pan Jiuan, Mr. Cheung Yiu Leung Andy and Dr. Shi Chenyang.

* *For identification purposes only*