Good morning. Welcome to ST Pharm's second quarter earnings call. Today, we will discuss our financial results for the quarter ended June 30, 2026.

We'll begin with the financial and operational highlights for the quarter, followed by a Q&A session after the announcement. Please remain in listen-only mode during the announcement. For the convenience of our investors, the full transcript of the prepared remarks will be uploaded to our website.

Please be advised that the financial figures and metrics presented today are preliminary. During the call, we may make forward-looking statements regarding our future financial performance, business strategies, and plans. These statements are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those projected. We undertake no obligation to update these statements.

First, we will start with our consolidated financial results for the 2nd quarter of 2026:

ST Pharm reported quarterly revenue of 108.5 billion won, operating profit of 18.3 billion won, and net income of 13.2 billion won.

These figures reflect 58.9% revenue growth compared to the same period of 2025. Quarterly operating profit grew by 41.7%, while net income increased by 145.0% compared to the same period of 2025.

The strong revenue and earnings performance in the second quarter was primarily driven by commercial-stage sales from both Oligonucleotide and Small Molecule segments. Oversea subsidiaries' revenue grew mildly year-over-year as well.

The reason for the margin being short of market consensus was primarily due to a Phase 3 clinical oligonucleotide project. The project's manufacturing costs were elevated due to an extended production cycle involving production of both PPQ and post-PPQ batches, and prolonged process optimization activities.

We expect the margin pressure associated with this project to ease in the second half of 2026, as all shipments currently scheduled for the project this year have been completed.

After approval of the drug, increased batch size and optimized production will lower cost from the current level. Hence, the cost profile for the project observed during the clinical-stage production phase is not expected to be representative of future commercial production.

In addition, we have completed most of the process optimization activities for commercial-scale production for our new Oligo Plant 2. This means we are ready to run our L-line, the commercial-scale line, in Plant 2 at a higher utilization rate while simultaneously moving suitable pipeline productions to the new Plant. We anticipate this to be another tailwind for profitability as we target to push Plant 2's utilization rate comparable to Plant 1 by the end of 2027.

Next, we will move on to results for each of the business segments:

Oligonucleotide CDMO reported sales of 79.6 billion won for the 2nd quarter, growing by 83.1% compared to the same period in 2025.

62% of Oligo sales came from commercial projects, representing solid growth. Meanwhile, the notable growth from the clinical projects reflects our successful execution towards sales diversification and expanded portfolio.

Overall, since the operation of Oligo Plant 2, we have produced 13 different molecules for newly secured projects. During the first half of 2026, we have won 8 new projects and are targeting at least 7 more projects during the second half.

Furthermore, we secured our first conjugation project and successfully shipped out our first Oligo API made using enzymatic ligation to one of our major clients. The conjugation project is an early phase peptide-conjugated oligomer project, or PPMO in short. We hope to build a firm global track record with this project and expand our conjugation CDMO business.

Moving on, Small Molecule CDMO reported sales of 17.5 billion won for the 2nd quarter, representing approximately 162% growth from the same period in 2025.

As mentioned during the 1st quarter earnings comment, the initial commercial batches from 2 commercial-stage projects continue to be the primary tailwind. This will be the case for the following 2nd half and throughout 2027 as well, and we expect steady growth throughout the year. The annual Small Molecule segment growth to be largely on track with our expectations.

The subsidiaries reported revenue of 8.9 billion won for the 2nd quarter, growing by 5.2% compared to the same period in 2025. The CRO segment has reported profit at breakeven level helped by mild business activities and ongoing cost-cutting measures.

Our backlog was valued at approximately 296 million dollars at the end of June. The backlog level, which still represents a 33% growth from last year's end, is in line with our expectations and is maintained at a solid and elevated level. The demand from our clients remains robust, backed by promising individual project's clinical study data. Aligned with our comment during the 1st quarter earnings call, we remain confident in our capability to secure large-volume contracts related to our fast-growing projects. The event trajectory within the next 3 years, involving 3 to 4 new regulatory approvals from our clients' side, remains on track.

Last on the business side, we have disclosed topline results for Phase 2a study for our HIV treatment pipeline STP0404 on the 14th of July. We have confirmed statistically meaningful antiviral activities. No severe adverse effects were observed, and roughly dose proportional increase in exposure was observed. We remained committed to out-licensing approach for the new drug pipeline. To achieve that goal, we are planning on participating in an international academic conferenece later during the 2nd half. Further details of the study results will also be disclosed during the event.

Before wrapping up, although the level of revenue has risen substantially compared to 2024 and 2025, we are still aware of lingering fluctuations in our earnings. So, we have been attempting to stabilize them through longer-term contracts. The path in which we are attempting to demonstrate our achievements in this area is via long-lasting strategic partnerships with some of our largest clients with a global track record in the industry.

This strategic partnership will involve becoming a priority vendor for pipeline franchises and new early-stage projects apart from general long-term orders for mature, commercial projects. We believe this will not only help improve product order visibility but also accelerate our portfolio expansion. Since the opening of our Plant 2 last year, we have secured early strategic partnerships status with two additional clients, summing up to three of such status. By the end of 2027, we are targeting a total of 5 strategic partnerships either from existing or new clients in the Oligonucleotide segment.

That will be all that we have prepared for today's earnings call. We appreciate your participation in the event. Thank you.