

Good morning. Welcome to ST Pharm's third quarter earnings call. Today, we will discuss our financial results for the quarter ended September 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 review our consolidated financial results for the third quarter of 2026:

ST Pharm reported quarterly revenue of 97.6 billion won, operating profit of 15.7 billion won, and net income of 0.9 billion won.

Compared with the same period of 2025, revenue increased by 19.1% and operating profit increased by 6.6%, while net income declined by 94.8%.

Commercial projects continued to serve as the primary driver of growth. Their strong performance provides clear evidence of our growth momentum and underscores the robust level of demand from both our clients and the broader downstream market.

The largest headwind to margins during the quarter was foreign exchange volatility. As the majority of our sales are denominated in U.S. dollars, the sharp appreciation of the Korean won against the U.S. dollar during the third quarter limited revenue and profit growth in Korean won terms. Foreign exchange transaction losses and fair value adjustments also resulted in higher financial costs and were the primary reasons for the significant year-on-year decline in net income.

In addition to foreign exchange volatility, sales of low-margin generic APIs adversely affected margins during the third quarter. These sales were primarily to domestic pharmaceutical companies and carried lower margins than the generic products sold during the previous quarters.

As we expand and reposition our Small Molecule business, we plan to gradually reduce, and potentially phase out, the production of low-margin generic products over the medium to long term.

We remain confident in our utilization ramp-up targets and overall trajectory. We are targeting a utilization rate in the mid-50% to 60% range for Oligo Plant 2 by the end of 2026, followed by a utilization rate in the mid-70% to 80% range by the end of 2027.

Based on this trajectory, we expect the utilization rate of Oligo Plant 2 to become comparable to that of Oligo Plant 1 by end of 2027. We will provide a more detailed update on plant utilization rates in our quarterly report scheduled for release in November.

Next, we will review the performance of each business segment:

Oligonucleotide CDMO reported sales of 69 billion won for the third quarter.

Commercial projects accounted for 72% of total Oligonucleotide sales, while revenue from commercial projects increased by 45.6% year over year. The year-on-year decline in clinical project revenue primarily reflects a high comparison base. In the third quarter of last year, we recognized approximately 20 billion won in sales from a single chronic disease project.

We continue to diversify our clinical project portfolio. Despite the year-on-year decline, third-quarter clinical project revenue remained above the 2025 quarterly average of 15.8 billion won.

During the previous earnings call, we offered a target of securing at least

seven additional projects during the second half of 2026. To date, we have secured four new projects and continue to work toward finalizing additional opportunities to achieve our year-end target.

Although most of these projects remain at an early stage of development, we believe they offer meaningful long-term upside, particularly given the potential for their target indications to expand into larger patient populations.

Next, Small Molecule CDMO reported sales of 11.6 billion won for the third quarter.

Our commercial projects continue to provide stable sources of revenue. We are also engaged in ongoing negotiations to expand the size of these contracts for 2027 and beyond.

As we accumulate additional experience in the commercial-scale production of these projects, we expect utilization at our Chemical Plant to continue improving. This should create opportunities to enhance the profitability of the Small Molecule business, which has operated at relatively low margins over the past several years.

Lastly, the subsidiaries reported revenue of 8.8 billion won for the third quarter, declining by 5.6% compared to the same period in 2025.

The high-interest-rate environment appeared to weigh on business activity among our clients. However, we have not experienced a material decline in contract size yet, and we currently view the associated risks as manageable. Accordingly, our full-year outlook for the CRO subsidiaries remains unchanged.

Our backlog stood at approximately 325 million US dollars as of the end of September. This represents an increase of 46% compared with the end of 2025 and reflects both our clients' confidence in ST Pharm and the continued strength of demand for oligonucleotide therapeutics.

During 2026, we secured three large-scale purchase orders for our commercial projects. Although the specific size of order and pricings may change in the future based on our demand forecasts, under the agreements with our key clients, we expect similar orders to recur every one to two years as each binding purchase order reaches expiration.

In addition to the continued momentum in our commercial projects, we have expanded our conjugation project portfolio by securing our first AOC project.

Based on this momentum, we are aiming to develop a CRDMO business model for conjugation projects to address demand in this rapidly growing modality. Our objective is to establish an end-to-end manufacturing platform covering API, intermediate manufacturing, and conjugation. To support this initiative, we are currently installing pilot-scale facilities to accommodate future research and production requirements.

We are also preparing for growth over the next three to five years. In addition to current commercial projects that are mostly targeting cardiovascular diseases, we have secured multiple Phase 2 projects targeting metabolic, viral, and autoimmune diseases.

Several of these candidates have the potential to become blockbuster or near-blockbuster products. We expect these projects to support our medium-term growth and utilization ramp-up as we expand Oligo Plant 2 during 2028 and 2029.

That concludes our prepared remarks for today.

We appreciate your participation in ST Pharm's third quarter 2026 earnings call.