Good morning, everyone. Welcome to ST Pharm's quarterly earnings call. I'm Jaewook Park from IR team and I will be announcing our financial results for the quarter ended on March 31 of 2025.

We'll be starting with financial and operational highlights for the quarter, followed by a Q&A session after the announcement is completed. So please remain in a listen-only mode during the announcement. For the convenience of our investors, the full transcript of the announcement 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 will undertake no obligation to update these statements.

First, we will start with our consolidated financial results for the first quarter:

Overall, ST Pharm reported Revenue of 52.4 billion won,

Operating Profit of 1 billion won,

and Net Profit of 0.7 billion won.

The figures reflect a 1.4% revenue growth compared to the same period last year.

Operating Profit and Net Profit declined 45.5% and 86.9% respectively, compared to first quarter of 2024.

The first quarter revenue will be the weakest among the quarters this year and we expect revenue to grow quarter over quarter for the remaining period. The fourth quarter revenue will account for a large proportion of our annual revenue, but we believe there will be some alleviation for the skewness.

According to our current projections, there is a strong likelihood of significant improvement during the first half compared to last year. And we are confident that we can maintain our annual revenue guidance of 320 billion won, assuming an exchange rate of one thousand three hundred fifty won per dollar.

We've reported a slight reduction in operating profit in the first quarter primarily due to increased costs. Mainly, we initiated some new R&D projects related to our CDMO business, such as enzymatic ligation and development of sgRNA for RNA editing therapies. New R&D project related cost has been recognized both in production cost and R&D expense. We also recognized a welfare expense in the first quarter, adding to the overall SG&A expense. CRO reported reduced losses compared to last year, signaling business improvement. The details regarding our CRO will be more discussed in the following slide.

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

Oligo CDMO reported sales of 37.6 billion won growing by 8.9% and constituted 71.7% of our total revenue

Commercial oligo projects were the key driver for sales growth this quarter, with the hyperlipidemia project playing a major role. In fact, commercial oligo projects will be the backbone of sales growth through the second quarter as well.

At the moment we are trying to coordinate the shipments of commercial oligo batches to even out our quarterly sales fluctuations. We believe some level of improvement in this respect will be demonstrated starting first half this year.

As of this day, the value of our oligo backlog is 232.7 million dollars. This represents a significant increase of 78.5 million since the end of last year.

Current levels and trends in backlog growth indicate the potential for exceeding 200 billion won in Oligo sales this year for the first time, with commercial project sales contributing approximately 60%.

And should the dollar maintain strength against Korean won for the remaining year, there is potential for further gains.

Small Molecule CDMO reported sales of 1.1 billion won.

At present, the primary driver for our small molecule business is focused on mitochondrial deficiency project. The decrease in sales from last year's quarter was due to the absence of sales from that specific project. Nevertheless, we are confident that the small molecule business will achieve consistent growth on a full-year basis. We do not expect extreme delays to pass onto next year.

Lastly, CRO business reported sales of 7.7 billion won.

The CRO business landscape for our European CRO is not as contracted as in 2024 or 2023. Overall demand continues to be weak, but we are seeing mild recovery trends from our customers. So, despite the adverse impact on our consolidated statement, operating losses have been reduced. But for the first quarter, one of our European client requested a delay in one of their pre-clinical projects, resulting in flat growth compared to last year.

Overall, we do not anticipate losses as significant as those experienced in 2024 or 2023. At the current level, we expect the CROs to incur a loss of approximately 1 ~ 2 billion won on a full-year basis.

Business sentiment aside, we are currently in the process of implementing cost-cutting measures for our European CROs. We also anticipate further detailed evaluation of the business going concern throughout the year. While the final decisions have not yet been made, we would like to underline that various exit strategies are also considered as viable options.

We are also anticipating a number of meaningful business events this year.

First, in oligos, our client's hereditary angioedema project is expected to be approved by the FDA during the third quarter. We are also anticipating a significant phase 3 outcome announcement from another client for the severe hyper tri-glyceride project by the end of this year. Given that the expanding indication is a chronic disease with a large patient population and a high demand in API, we expect it to have a positive impact on our business future color.

Additionally, our product order renewals for the hyperlipidemia project are generally finalized during the second half of each year. Given that our second oligo plant is scheduled to commence operations in the fourth quarter, we are optimistic that additional new large orders will materialize.

In small molecules, we are anticipating the approval of mitochondrial deficiency project in the latter half of this year. Again, new approval may be indicative of increased demand for API quantities that would lead to small molecule sales growth this year.

Apart from the project just mentioned, we are currently in the process of conducting due diligence for a project that we won last year in August. Details of the project, such as indications, will remain undisclosed. However, its product order for the first set of commercial batches may also be finalized during the second half of this year.

Finally, we would like to inform you that the interim Phase 2 data for our in-house pipeline drug Pirmitegravir is scheduled for disclosure during the third quarter as well. This will be the first efficacy data for a new ALLINI indication in an HIV AIDs drug. We will begin the development of out-licensing as soon as we have some solid data available.

Before we wrap up, we understand that there have been various uncertainties regarding tariffs. We would therefore like to clarify our exposures once more.

Based on full year results for 2024, our revenue exposure with US companies exceeds 20%. This information can be inferred from our annual report.

However, in terms of actual shipment and delivery, which is more relevant to our sales exposure, the number is closer to 8%. In short, the adverse effects of US tariffs applied to our products are limited.

Furthermore, in contrast to generic APIs, the costs of new drug APIs represent a minor percentage of the drug price, typically ranging from 3% to 5% at most. Hence even in the event of tariffs being imposed on drug intermediate like APIs, the resulting damage should be manageable. Although our clients have not yet confronted us with the matter, we are positive that the issue of tariff-related costs can be negotiated with our clients.

We would like to reiterate our position in line with our revenue guidance disclosed in March. We acknowledge the market’s disappointment due to last year’s revenue decline and lower-than-expected growth in oligos. This year however, we are confident in our growth prospects, both in terms of topline revenue and improvements in operating margins, and this is just based on our backlog growth. Hopefully, 2025 may be a year in which we would meet or even exceed investors’ expectations based on our guidance. Thank you.