Hearing med Thomas Feldthus, CFO och Nils Brünner, vd WntResearch AB

Nils and Thomas: Welcome to this web-hearing. I am Thomas Feldthus. Together with me this morning I have Nils Brünner, CEO of WntResearch. You can put forward your questions in Swedish or English as you prefer. We will respond in English. Best regards

Filippa: Som jag förstår det ska Foxy-5 användas som komplement i Cancerbehandling. Men när kan det bli? Finns det någon rimlig uppskattning på hur lång tid det kan ta tills dess att vi ser produkt och metod tillgänglig? *(2013-03-18 15:26:39)*

Nils and Thomas: We hope to establish proof of concept for the use of Foxy-5 in combination therapy in 2015. The product could be introduced to the market for the first indication in 2018 following a pivotal phase 2 and/or relative small phase 3. *(2013-03-19 10:02)*

Göran: How many times and how often will Foxy-5 be given to the patients? *(2013-03-18 21:39:52)*

Nils and Thomas: It will be administered 3 times a week in phase 1. However, the dosing schedule may be very different in the final product. It will depend on how fast the product is removed from the blood stream in humans (half-life) and how long the effect will last. We hope to get more information about this in phase 1 and phase 2. Furthermore, it is to be noted that you may change the dosing schedule later by changing the formulation or by the use of other technologies – e.g. from daily or weekly doses to once every second week. *(2013-03-19 10:03)*

Göran: Is it possible that it can be recommended to be given periodically for several years or the rest of the patients life? *(2013-03-18 21:40:31)*

Nils and Thomas: Yes, this might be possible *(2013-03-19 10:03)*

Göran: Do you know if a metastasis always comes from the primary tumor? Or can it come from another metastasis?*(2013-03-18 21:41:16)*

Nils and Thomas: Presumable from both. The first metastasis has to come from the primary tumor. On the contrary, you have examples where a cancer re-emerges after having removed the primary tumor. Colon cancer patients have often metastasis in the liver which is removed by surgery upon identification. However, they tend to remerge relative quickly even in case of a liver transplantation. Consequently, these metastasis must come from a site outside the liver. *(2013-03-19 10:04)*

Sten: According to the memorandum a clinical Phase I application is to be filed no later than March 31th. Has is already been submitted or is it pending? *(2013-03-19 08:47:10)*

Nils and Thomas: It is a quite heavy process involving collection of data, careful drafting of a number of documents, contract negotiations and contributions from many individuals in different organizations and locations. However, the team has made great progress and we remain confident that we will be able to file the CTA this month. *(2013-03-19 10:05)*

Carl: Kommer ni att kunna få någon form av proof of concept redan efter avklarad fas I? *(2013-03-19 09:17:08)*

Nils and Thomas: The primary objective is to evaluate safety and tolerability and to find the recommended dose for Phase 2. However, the inclusion criteria are patients with metastatic breast, colorectal and prostate cancers and no or low level of Wnt-5a expression in the primary tumor. We hope to obtain to obtain some pharmacodynamic data and potentially to assess preliminary evidence of anti-metastatic tumor activity by measuring the number of circulating cancer cells in the blood stream of the patients during the trial. *(2013-03-19 10:06)*

Carl-Johan: Enligt memorandumet ska ett antal icke kliniska studier genomföras under 2013. Vad är dessa för studier, hur lång tid kommer det ta att genomföra dessa och är dessa av sådan karatkär att resultatet av studierna kommer att offentliggöras? Om ja, ungefär under vilket kvartal beräknas resultaten offentliggöras? *(2013-03-18 21:44:32)*

Nils and Thomas: We have initiated animal experiments in colon cancer at Copenhagen University based on funds from the Eurostars program. It is our intention to publish these results in an international scientific paper, hopefully at the end of 2013 or beginning 2014. In addition to this we are investigating the possibility to test Foxy-5 in animal models of ovarian cancer and additional models of breast cancer. *(2013-03-19 10:07)*

Carl-Johan: Enligt memorandum och annons i Svenska Dagbladet ska klinisk fas 1 genomföras i samband med Herlevs universitetssjukhus i Danmark. Att fas 1 ska genomförs i Danmark, innebär detta att studien kan komma att genomföras snabbare än om den skulle genomföras vid ett svenskt sjukhus? *(2013-03-18 21:43:24)*

Nils and Thomas: We are reviewing a number of parameters upon selection of the clinical site including but not limited to quality, price, investigator motivation, collaboration and estimated time to recruit the relevant patients. Herlev university hospital has significant experience with phase 1 clinical trial and the investigator is very interested in the clinical prospect of Foxy-5. Furthermore, Herlev hospital has a significant number of cancer patients. Therefore, we expect to be able to recruit the required number of patients as needed. The phase 1 trial is a classical dose escalating study with 3 patients in each cohort where the patients have to be evaluated at each level before increasing the dose in a new cohort. We believe that the time for completing the study will depend on when we reach a dose limiting toxicity in a given cohort. *(2013-03-19 10:08)*

Carl-Johan: Ungefär hur många patienter kommer att omfattas av fas 1? *(2013-03-18 21:43:57)*

Nils and Thomas: The phase 1 trial is planned to be a classical dose escalating trial where you have 3 patients in each cohort with the possibility to expand to 6 patients in case you experience a potential dose-limiting toxicity in a given cohort. The dose escalation is subject to approval of a safety monitoring committee upon completion of one cycle in each cohort. We cannot tell how many patients will participate upfront because the number of patients will depend on when we reach a dose limiting toxicity in a given cohort. However, we expect to recruit 24 to 30 patients in the phase 1 trial. *(2013-03-19 10:09)*

Göran: As I understand from previous information from WntResearch, Foxy-5 will be administered systemic (into a blood vessel) and not locally into the tumor. Is that correct? Has Foxy-5 been administered in the same way in animal models as will be done in phase 1? *(2013-03-18 21:39:12)*

Nils and Thomas: Foxy-5 will be administered system and not locally into the tumor. Foxy-5 has been administered in the same way in animal models. *(2013-03-19 10:09)*

kim: Ni hoppas se effekt av Foxy-5 i fas I-studien i form av lägre antal cancerceller i blodet. Kommer ni att på något sätt styra urvalet av patienter för att öka chansen att få se denna effekt? Har det gjorts studier som visar att cancerpatienter med lite/inget Wnt-5a i modertumören har högre antal cancerceller i blodet än patienter med mer Wnt-5a i tumören? *(2013-03-18 14:27:07)*

Nils and Thomas: We will recruit patients with no or low level of Wnt5a in the primary tumor only. This should increase the likelihood of response since we only include patients who have a potential benefit of Foxy-5. Tommy Andersson and his group has shown that e.g. breast cancer patients with no or low level of Wnt-5a expression in the primary tumor have much shorter recurrent free survival and thereby time to emergence of metastasis compared to patients with high level of Wnt-5a expression. Furthermore, it is know that metastatic cancer patients have a very high number of cancer cells in the blood stream and that only a tiny fraction of them will succeed in forming new metastasis. Thus, most of the circulating cancer cells will die and not form new metastasis. It is going to be interesting to see whether the use of Foxy-5 will reduce the number of circulating cancer cells and thereby potentially reduce the likelihood of formation of new metastasis. *(2013-03-19 10:10)*

Niels: Hej! En till emission, är det den sista tror ni? När kommer ni kunna redovisa svarta siffror, har ni gett något prognos? *(2013-03-18 11:03:16)*

Nils and Thomas: We believe that will be able to finalize the phase 1 trial if we are successful with this emission. We plan to out-license Foxy-5 or sell part or the entire company upon successful completion of phase 2 clinical trials. We expect to raise SEK 30-50 million for the phase 2 trial either through a new emission or through corporate funds. *(2013-03-19 10:11)*

Leif: Hur stor chans är det att detta lyckas? Att det blir en medicin av det? *(2013-03-19 09:35:36)*

Nils and Thomas: The objective with phase 1 is to establish safety and tolerability of Foxy-5. The generic risk with phase 1 is that the company is not able to recruit the number of required patients within a reasonable time frame and that the product proves to be toxic at dose which is lower than the therapeutic relevant dose. We are performing the trial at Herlev University Hospital in Copenhagen and the inclusion criteria are relative broad. Therefore, we expect to be able to recruit the patients in time. Foxy-5 proved to be well tolerated in the pre-clinical animal studies. We hope and expect that this also proves to be the case in humans. Furthermore, it is to be noted that Foxy-5 is a small peptide which is based on amino-acid sequence which is specific for Wnt-5a, a protein which is expressed and secreted by human cells. *(2013-03-19 10:12)*

Moderator: Will the management again participate in the financing? *(2013-03-19 10:02:27)*

Nils and Thomas: Yes the management including the Chariman and Kjell Steenberg will participate again. *(2013-03-19 10:18)*

kim: Jag inser att risken med en långsiktig placering i WntResearch är hög, så därför undrar jag lite om potentialen. Har ni något huvudspår efter en ev. lyckad fas II? Dvs i valet mellan att licensiera ut projektet, sälja projektet och sälja bolaget. Har jag fattat er rätt att med goda kliniska resultat och en verkligt dedikerad partner med starka finanser efter fas II, så kan Foxy-5 bli ett av världens mest sålda läkemedel? *(2013-03-18 13:25:13)*

Nils and Thomas: I got some IT problems. I will adress the last quetion first and provide the second part as a comment following this. Foxy5 is a truly novel high quality assets within attractive cancer space. It represents a first in class therapy for reestablishment of the Wnt-5a signaling. It offers a paradigm shift in treatment of cancer similar to angiogenesis therapy back in the 00's. Furthermore, it targets metastasis directly, which is the primary driver of mortality in cancer. Therefore, it could indeed be one of the bestselling drug if the concept is supported in the clinics. For further illustration of the potential, please see the following article: Cancer drugs: Remedy required (Nature Medicine, published online 07 March 2011). Here is a link to the article: http://www.nature.com/nm/journal/v17/n3/full/nm0311-231.html *(2013-03-19 10:21)*

Nils and Thomas: The last part of the question follows: We plan to out-license Foxy-5 or sell part or the entire company upon successful completion of phase 2 clinical trials. This also means that we intend to provide an exit to investors within a 3 year time frame which may come as dividends in case of out-licensing and capital gain in case of an acquisition. We believe that a novel and first in class product as Foxy-5, which offers a potential paradigm shift in major cancer indications could be very valuable if it is supported by favorable phase 2 data. The exact value is very difficult to estimate. However, we have studies the disclosed financial data in a number of phase 2 collaboration, which may serve as a peer group for Foxy-5. In general, upfront payments for phase 2 compounds appear to be in the range of $30-100 million, development milestones $3-700 million and royalties in the teens. This significant spread in value depends on a number of parameters such as stage of out-licensing (phase 2 spans from a small phase 2a with 20 patients to a large phase 2b study with several hundred patients), technology (biologics versus small molecules), indications and thereby the size of the market, novelty of your approach and thereby the competition, the actual data generated in phase 2 and the associated risk of performing phase 3 and reach final approval. Furthermore, it is to be noted that phase 2 deals comprise a lot of elements of which many are not disclosed. Deals can have equity component instead of upfront payments and the reported milestone payments may include sales milestones, which is a sort of royalty. The biotech may have retained co-promotion rights or rights to specific territories on the expense of lower cash payments. The deal may comprise elements of risk sharing, where financials

are inflated because the biotech has obligations to co-finance future development. Therefore, these numbers should be interpreted carefully!

Dante: Er prekliniska forskning är massiv. Innebär inte det att Fas I blir ganska lätt att ta sig igenom? *(2013-03-19 09:59:14)*

Nils and Thomas: Thank you for this very positive comment. We hope that phase 1 will run smoothly and we do not expect any major surprises in terms of toxicities, since Foxy-5 is not designed to be cytotoxic. *(2013-03-19 10:26)*

Dante: Vågar ni spekulera i varför värderingen av WNT är så låg, med tanke på blockbuster potentialen? *(2013-03-19 09:59:56)*

Nils and Thomas: The analysts believe that the company is undervalued. We believe that we can improve our communication with the market and be better to explain the company's story and value. According to analyst estimates the value could increase significantly if we succeed. In addition to this we are going to build significant value in the coming period. The company will go from a discovery stage company to a clinical stage company when we initiate the phase 1 clinical trial. This will by itself bring us up in a new category. Furthermore, during the coming year we hope to build further value into the company by establishing: • safety and tolerability for Foxy 1 by successful completing phase 1 • preliminary evidence of anti-metastatic activity in humans • additional proof of principle studies for colon and ovarian cancer as well as additional breast cancer cell lines • Select indication and design protocol for the proof of concept studies in humans This means that there are several major potential inflation points for the next 12 months *(2013-03-19 10:30)*

Moderator: What is your objectives with Foxy 5 *(2013-03-19 10:02:07)*

Nils and Thomas: Our objective is to take Foxy 5 through phase 1 in 2013 and perform a phase 2 trial in 2014/15 with the aim of establishing proof of concept for efficacy of Foxy-5 in combination therapy. We will thereafter capitalize the value and build further value for our investors by out-licensing of Foxy 5 or selling part or the entire company to a major pharmaceutical company with infrastructure and resources to perform the phase 3 trials and commercialize the product. *(2013-03-19 10:30)*

Moderator: Vad har hänt i WntResearch sedan senaste emissionen? *(2013-03-19 10:02:13)*

Nils and Thomas: We have worked in accordance to the plan we have communicated previously. Since the last emission we have finalized the pre-clinical GLP studies which conclude that Foxy-5 is well tolerated and has a favorable toxicology profile. Furthermore we have finalized the GMP production campaign that the material has been released for clinical use. We are now aiming at filing the CTA this month in order to initiate phase 1 clinical trial in Q2, 2013.*(2013-03-19 10:31)*

Bengt: Hur vanligt är det med låga nivåer av Wnt5a vid olika cancerformer? *(2013-03-19 10:21:33)*

Nils and Thomas: Tommy Andersson and his group has generated data on breast cancer, colorectal cancer and prostate cancer which indicates that approximately 50% of these patients have no or low level of Wnt5a expression in the tumor cells. This means that we will most probably be able to include half of the screened patients into our clinical trials. Moreover, the number of patients who will benefit from the drug is potentially very high. *(2013-03-19 10:35)*

Johan Johansson: Regarding timelines and figures, please comment. Regulatory/Ethics approval? Final Protocol? First Patient in? Last patient in? Primary analysis? Number of subject to be enrolled? *(2013-03-19 10:02:51)*

Nils and Thomas: We expect that the approval process will take between 30 and 60 days. First patient in will happen immediately after. Each cohort will comprise 3 patients. Last patients in will

depend on when we observe a dose limiting toxicity. The number of patients will depend on that as well. However, we expect to enroll between 24 and 30 patients. *(2013-03-19 10:40)*

Nils and Thomas: Due to the many questions we will prolong the hearing with 10 minutes.

Moderator: What is the situation regarding competition? *(2013-03-19 10:01:54)*

Nils and Thomas: Foxy-5 represents a first in class therapy for reestablishment of the Wnt-5a signaling. We are not aware of any competing product, which is doing that for the time being. Foxy-5 is going to be one of the first metastasis specific products to enter clinical trials. We are aware of a few programs/concepts which are directed towards metastasis. However, these products/concepts are only targeting one of the many pathways being involved in the metastatic process while Foxy-5 targets many upstream pathways leading to cell migration and formation of metastasis. Foxy-5 is intended to be used in combination with other cancer therapies such as chemotherapies, targeted antibody therapies and angiogenesis therapies. These cancer therapies are consequently not competing therapies. *(2013-03-19 10:41)*

Christer: Ni skriver i ert memorandum att en alternativ substans kan användas mot malignt melanom där ni sett att HÖGA nivåer Wnt-5a ökar risken för metastasering.Vad anser ni om riskerna att Foxy-5 kan hjälpa till att sprida malignt melanom? Eller för den delen tvärt om att Box-5 kan driva på metastasering av bröst-, colon- och prostatacancer? *(2013-03-19 10:16:53)*

Nils and Thomas: One of the exclusion criteria in the trial is that the patients do not have melanoma. *(2013-03-19 10:44)*

Johan Johansson: När ansöker ni till Läkemedelsverket samt etiknämnd i Danmark avseende fas I? *(2013-03-19 10:01:12)*

Nils and Thomas: We are confident tha twe will file this month. *(2013-03-19 10:44)*

PeterL: Finns det några åtaganden från er sida gentemot de samarbetspartners som är med och samfinansierar Eurostarsprojektet? *(2013-03-19 09:53:09)*

Nils and Thomas: The Eurostar group comprises 6 partners. • WntResearch which is the sponsor and owner of the drug. • Smerud Medical Research (UK, Norway) is a full line CRO (Clinical Research Organisation). They conduct the clinical trials • LPT Laboratory (Germany), which provides pre-clinical safety and tox studies • Pharmanalyt (Autria), who provides PK analysis • IWA Consulting (Denmark), who acts as regulatory advisor to the program. • Copenhagen University (Denmark) which will perform biomarker analysis The Eurostar group has received 24.5 million in total and our partners have committed further 13.4 million in further development of Foxy 5. The majority of these money will not be seen in our P&L since only 5 million is granted directly to the company. The benefits come through reduced costs. As an example the fees to our CRO for conducting the Phase 1 trial is fully covered by this grant. Our partners will not dilute existing shareholders. They get other values as for example the rights to perform a phase 2 study etc *(2013-03-19 10:47)*

Moderator: Vad ska emissionslikviden i denna emission användas till? *(2013-03-19 10:02:21)*

Nils and Thomas: The total costs of running the phase 1 program is estimated to be about SEK 17.7 million of which our partners under the Eurostars program is estimated to finance SEK 9.1 million without dilution to the shareholders of WntResearch. In addition this we will receive SEK 1.5 million directly under the Eurostars program. This means that our capital requirement is reduces to about SEK 7.1 million for finalizing the phase 1 trial. We are now offering raising the balance in a right issue where about SEK 2.3 million has been secured through subscribers who have been allowed to utilize the rights of Forskarpatent and the founder, Tommy Andersson. *(2013-03-19 10:48)*

Moderator: Why is it that there are so few products which targets the import metastasis process? *(2013-03-19 10:02:01)*

Nils and Thomas: This is a good question. The following article in Nature Medicine addresses the same question: Cancer drugs: Remedy required (Nature Medicine, published online 07 March 2011). Here is a link to the article: http://www.nature.com/nm/journal/v17/n3/full/nm0311- 231.html The author reviews the difficulties in study metastasis and it is suggested that the comparative lack of resources to study metastasis is partly due to its complexity. Furthermore it is concluded that: "As a result, we presently have a collection of drugs that are not selective for the inhibition of metastasis and whose determination of efficacy is based on whether they confer a statistically significant—but not necessarily clinically meaningful—increase in overall survival or progression-free survival. Encouraging investment in inhibitors of metastasis, coupled with the development of therapies that achieve discrete measures of efficacy, may help truly attain the goal of longer survival for patients with cancer." *(2013-03-19 10:49)*

Moderator: Why do you need to develop Foxy-5 in combination therapy? *(2013-03-19 10:01:47)*

Nils and Thomas: Cancer is very difficult disease. You need to hit the cancer cells and you need to hit them hard if you are going to combat cancer. It is a general belief that we are not going to find the ultimate cure towards cancer and that the way forward is combination therapies. Combination between surgery, radiation, chemotherapy, angiogenesis therapy and targeted therapies such as antibodies towards subsets of cancer patients. We believe that anti-metastasis therapies represent a huge untapped opportunity in this context. *(2013-03-19 10:50)*

Nils and Thomas: The hearing now ends, thanks for your interest! We may not have been able to respond to all questions. If you have any further questions you can email me at: tf@wntresearch.com Best regards