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Lipum advances SOL-116 into phase 2 and carries out a rights issue of up to approximately SEK 187 million at a subscription price of SEK 6.70 per share

The Board of Directors of Lipum AB (publ) ("Lipum" or the "Company") has, based on the so far successful phase 1 study, resolved to advance SOL-116 into phase 2 and has therefore resolved on a rights issue of up to 27,944,055 shares at a subscription price of SEK 6.70 per share (the "Rights Issue"). Through the Rights Issue, the Company will raise proceeds of up to approximately SEK 187 million before deduction of transaction costs. Lipum assesses that the Company's financing needs until the start of the phase 2a study, which according to the current plan is expected to occur at the end of 2025, amount to approximately SEK 100 million. Lipum further assesses that the Company's financing needs to be able to complete the phase 2a study and start the phase 2b study, which according to the current plan is expected to occur at the end of 2026, amount to an additional approximately SEK 80 million (i.e. approximately SEK 180 million in total). Of the proceeds from the Rights Issue, approximately SEK 11 million will be used for the completion of the ongoing phase 1 clinical study of the lead candidate SOL-116, and approximately SEK 52 million will be used for the new production of SOL-116 for clinical phase 2 studies through advance payment to NorthX Biologics AB ("NorthX") [1] under the framework agreement (and a related project agreement) that has been entered into between Lipum and NorthX today. Of the remaining proceeds from the Rights Issue, approximately SEK 54 million is intended to be used for the planning and implementation of clinical phase 2 studies, approximately SEK 22 million is intended to be used for preclinical studies on the mechanism of action and treatment of more diseases with SOL-116, and approximately SEK 48 million is intended to be used to finance Lipum's other operating costs until the end of 2026. The Rights Issue is supported by the Company's larger shareholders and is covered by subscription undertakings in a total amount of approximately SEK 67 million, corresponding to approximately 36 per cent of the Rights Issue. The Board of Directors' resolution on the Rights Issue and the framework agreement (and the related project agreement) with NorthX is subject to approval by an extraordinary general meeting (the "EGM") planned to be held on 2 April 2024.

Summary of the Rights Issue

- The Company's lead candidate SOL-116 is being evaluated in an ongoing clinical phase 1 study. The interim results from the first part of the study, presented in January 2024, showed that SOL-116 is well tolerated with few, and no serious, side effects. In addition, SOL-116 reduced the amount of the target protein BSSL (*bile salt-stimulated lipase*) in plasma to undetectable levels from day 3 after administration, which was maintained until day 90 after the dose. The results suggest that SOL-116 is a potent BSSL-binding antibody that can effectively eliminate freely circulating BSSL in humans after a single dose of SOL-116. Based on these progressions, the Company intends to continue the development as planned and to study the effect of the lead candidate SOL-116 in patients with rheumatoid arthritis (RA) in a clinical phase 2 study. To enable this, a relatively costly new production and formulation of additional quantities of the SOL-116 antibody is required. Therefore, Lipum's Board of Directors has resolved, subject to approval by the EGM, on the Rights Issue.
- If the Rights Issue is fully subscribed, the Company will raise proceeds of approximately SEK 187 million before deduction of transaction costs. Lipum assesses that the Company's financing needs until the start of the phase 2a study, which according to the current plan is expected to occur at the end of 2025, amount to approximately SEK 100 million. Lipum further assesses that the Company's financing needs to be able to complete the phase 2a study and start the phase 2b study, which according to the current plan is expected to occur at the end of 2026, amount to an additional approximately SEK 80 million (i.e. approximately SEK 180 million in total).
- Of the proceeds from the Rights Issue, approximately SEK 11 million will be used for the completion of the ongoing phase 1 clinical study of the lead candidate SOL-116, and approximately SEK 52 million will be used for the new production of SOL-116 for clinical phase 2 studies through advance payment to NorthX under the framework agreement (and a related project agreement) that has been entered into between Lipum and NorthX today. Of the remaining proceeds from the Rights Issue, approximately SEK 54 million is intended to be used for the planning and implementation of clinical phase 2 studies, approximately SEK 22 million is intended to be used for preclinical studies on the mechanism of action and treatment of more diseases with SOL-116, and approximately SEK 48 million is intended to be used to finance Lipum's other operating costs until the end of 2026.
- Lipum has today entered into a framework agreement and a related project agreement with NorthX for, among other things, research, development and manufacturing of SOL-116 as an investigational drug product intended for use in Lipum's phase 2 clinical studies, including production of SOL-116, analysis, filling and several stability tests. The first project agreement under the framework agreement currently comprises 9 work packages and includes all currently foreseen activities, from the start of development activities to manufacturing and release of the investigational drug products for phase 2 clinical studies with SOL-116, including subsequent storage and stability testing with the investigational drug product. The total cost of the 9 work packages under the first project agreement amounts to approximately SEK 52 million. The framework agreement (and the related project agreement) with NorthX constitutes a material related party transaction and thus requires approval by Lipum's EGM.

- Flerie Invest AB (“**Flerie**”), who holds approximately 32 per cent of the shares and votes in Lipum, has undertaken to subscribe for its pro rata share of the Rights Issue and to vote in favour of the Rights Issue and other resolutions required for the implementation of the Rights Issue at the EGM planned to take place on 2 April 2024. In addition, a number of existing shareholders, including the Crafoord Foundation, Adam Dahlberg and Christian von Koenigsegg, have undertaken to subscribe for shares in the Rights Issue and to vote in favour of the Rights Issue, the approval of the framework agreement (and the related project agreement) with NorthX, and other resolutions required for the implementation of the Rights Issue at the EGM. In total, the subscription undertakings cover approximately SEK 67 million, corresponding to approximately 36 per cent of the Rights Issue .
- Those who on the record date, 5 April 2024, are registered as shareholders in the share register maintained by Euroclear Sweden AB on behalf of Lipum have preferential right to subscribe for new shares in relation to the number of shares held on the record date.
- One (1) existing share in Lipum entitles to three (3) subscription rights. One (1) subscription right entitles to subscription for one (1) new share.
- The subscription price has been set at SEK 6.70 per new share, which means that the Company will raise proceeds of approximately SEK 187 million before deduction of transaction costs, provided that the Rights Issue is fully subscribed.
- The subscription period is expected to run during the period 9–23 April 2024.
- A convening notice for the EGM to approve the Rights Issue and the framework agreement (and the related project agreement) with NorthX will be announced in a separate press release later today. The EGM is planned to be held on 2 April 2024.

Commenting on the announcement, Ola Sandborgh, CEO of Lipum, said:

“We have made significant progress with our lead candidate SOL-116 over the past year. Strengthened by excellent interim results from our ongoing phase 1 clinical study, where we show that we can reduce circulating BSSL to undetectable levels over 90 days with a single dose, we now aim to study the effects in phase 2 studies. We are eagerly awaiting to start dosing RA patients at the conclusion of our phase 1 programme, which will provide further valuable knowledge and improve the conditions for a successful and value-creating phase 2 programme. I am very proud of what Lipum’s co-workers have achieved so far and grateful for the continued strong support of our major shareholders and their belief in a continued successful development of SOL-116. I hope that all shareholders see the value Lipum has the potential to create and take advantage of the opportunity to participate in the upcoming rights issue.”

Background and reasons for the Rights Issue

Lipum is a clinical-stage biopharmaceutical company specialising in the development of new treatments for chronic inflammatory diseases. The lead candidate SOL-116 is a humanised antibody that aims to provide safer and more effective treatment by targeting a previously overlooked target molecule (BSSL) in the immune system. Preclinical studies have shown promising results for the treatment of rheumatoid arthritis (RA), and the mechanism of action is also expected to have potential for the treatment of other inflammatory diseases with significant medical need.

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The Company's lead candidate SOL-116 is being evaluated in an ongoing clinical phase 1 study. The interim results from the first part of the study, presented in January 2024, showed that SOL-116 is well tolerated with few, and no serious, side effects. No subjects were found to have anti-drug antibodies (immunogenicity) after dosing. The results showed an expected and preferred pharmacokinetic profile with SOL-116 being well absorbed in the body and having a half-life of 20 days. In addition, SOL-116 reduced the amount of the target protein BSSL in plasma to undetectable levels from day 3 after administration, which was maintained until day 90 post-dose. The results suggest that SOL-116 is a potent BSSL-binding antibody that can effectively eliminate freely circulating BSSL in humans after a single dose of SOL-116. The phase 1 study also includes ongoing studies of multiple doses in healthy subjects and single dose in patients with RA, which will be reported during the year.

Based on these progressions, the Company intends to continue the development as planned and to study the effect of the lead candidate SOL-116 in patients with RA in a clinical phase 2 study. To enable this, a relatively costly new production and formulation of additional quantities of the SOL-116 antibody is required. Therefore, Lipum's Board of Directors has resolved, subject to approval by the EGM, on the Rights Issue.

If the Rights Issue is fully subscribed, the Company will raise proceeds of approximately SEK 187 million before deduction of transaction costs. Lipum assesses that the Company's financing needs until the start of the phase 2a study, which according to the current plan is expected to occur at the end of 2025, amount to approximately SEK 100 million. Lipum further assesses that the Company's financing needs to be able to complete the phase 2a study and start the phase 2b study, which according to the current plan is expected to occur at the end of 2026, amount to an additional approximately SEK 80 million (i.e. approximately SEK 180 million in total). Of the proceeds from the Rights Issue, approximately SEK 11 million will be used for the completion of the ongoing phase 1 clinical study of the lead candidate SOL-116, and approximately SEK 52 million will be used for the new production of SOL-116 for clinical phase 2 studies through advance payment to NorthX under the framework agreement (and a related project agreement) that has been entered into between Lipum and NorthX today. Any remaining portion of the proceeds from the Rights Issue is intended to be used for the following purposes (listed in order of priority):

- Planning and implementation of clinical phase 2 studies, approximately SEK 54 million
- Preclinical studies on the mechanism of action and treatment of more diseases with SOL-116, approximately SEK 22 million
- Financing of Lipum's other operating costs until the end of 2026, approximately SEK 48 million

Entering into a framework agreement and a related project agreement with NorthX

Lipum has today entered into a framework agreement and a related project agreement with NorthX for, among other things, research, development and manufacturing of SOL-116 as an investigational drug product intended for use in Lipum's phase 2 clinical studies, including production of SOL-116, analysis, filling and several stability tests (the "**Master Services Agreement**"). NorthX is a Swedish contract manufacturer specialised in producing plasmids, proteins, vaccines and other advanced biological products and is based in Solna and in Matfors, Sweden. The Master Services Agreement has been entered into with NorthX after Lipum has carried out a procurement process and obtained several different offers from potential European contract manufacturers. The reasons for Lipum choosing to proceed with NorthX as contract manufacturer are partly that Lipum assesses that the cooperation with NorthX will lead to cost and time savings while Lipum can maintain quality and supply security in the manufacturing process, and partly that Lipum has wished to move the manufacturing of investigational drug products to Sweden, which reduces the need for long transports and entails that Lipum is not exposed to time differences or currency effects.

The first project agreement under the Master Services Agreement currently comprises 9 work packages and includes all currently foreseen activities, from the start of development activities to manufacturing and release of the investigational drug product for phase 2 clinical studies with SOL-116, including subsequent storage and stability testing with the investigational drug product. The total cost of the 9 work packages under the first project agreement amounts to approximately SEK 52 million. Lipum has undertaken, subject to the entry into force of the Master Services Agreement, to make an advance payment of approximately SEK 52 million for the total cost of the 9 work packages to NorthX.

The Master Services Agreement constitutes a material related party transaction and thus requires approval by Lipum's EGM. NorthX is a related party to the Company due to the fact that NorthX is a wholly-owned subsidiary of Flerie, which in turn is a related party to Lipum through its shareholding in Lipum. Flerie has undertaken not to vote for its shares in the Company at the EGM's resolution to approve the Master Services Agreement with NorthX. The entry into force of the Master Services Agreement with NorthX is also subject to the Rights Issue being carried out and that the Company raises proceeds of at least SEK 66.9 million before deduction of transaction costs through the Rights Issue. The notice to the EGM, which will be published later today and be available on Lipum's website, www.lipum.se, will include a statement of the material terms of the Master Services Agreement with NorthX.

The current cooperation between Lipum and Abzena (San Diego) Inc ("**Abzena**"), which was entered into on 28 February 2019 regarding the development and production of Lipum's lead candidate SOL-116, continues under the current agreement throughout the entire completion of the phase 1 programme, and Abzena will perform its existing obligations regarding, among other things, stability testing until at least May 2025. Thereafter, the cooperation between Lipum and Abzena will be terminated.

Terms and conditions for the Rights Issue

Those who are registered shareholders in the share register maintained by Euroclear Sweden AB on the record date 5 April 2024 will receive three (3) subscription rights for each share held in Lipum. One (1) subscription right entitles to subscription for one (1) new share. In addition, investors are offered the possibility to subscribe for shares without subscription rights.

If not all of the shares are subscribed for by exercise of subscription rights, the Board of Directors shall resolve on allotment of shares subscribed for without the exercise of subscription rights up to the maximum amount of the share issue. In such case, priority will be given firstly to those who have applied for subscription and subscribed for shares by the exercise of subscription rights, irrespective of whether or not they were shareholders on the record date and, in case of oversubscription, pro rata in relation to the number of subscription rights exercised for the subscription of shares, secondly, allotment shall be made to others who have applied for subscription without subscription rights (the general public in Sweden and qualified investors) and, in case of oversubscription, pro rata in relation to such declared interest, and, thirdly, to those who have entered into any underwriting agreements with the Company and, in case of oversubscription, pro rata in relation to their respective underwritten amounts. To the extent allotment according to the above cannot be made pro rata, allotment shall be made by drawing of lots.

The subscription price has been set at SEK 6.70 per new share. Through the Rights Issue, Lipum's share capital will increase by a maximum of SEK 6,986,013.75, from the current SEK 2,328,671.25, to not more than SEK 9,314,685.00 through the issuance of not more than 27,944,055 new shares. After the Rights Issue, the number of shares in Lipum will amount to not more than 37,258,740 shares. Through the Rights Issue, Lipum will raise gross proceeds of approximately SEK 187 million, provided that the Rights Issue is fully subscribed.

The subscription period runs from and including 9 April 2024, until and including 23 April 2024, with a right for the Board of Directors of Lipum to extend the subscription period and the time for payment. Trading in subscription rights will take place on Nasdaq First North Growth Market during the period from and including 9 April 2024, until and including 18 April 2024, and trading in paid subscribed shares (*Sw. betalda tecknade aktier*) will take place during the period from and including 9 April 2024, until around 3 May 2024.

Shareholders who elect not to participate in the Rights Issue will have their holdings diluted by up to approximately 75 per cent, but have the possibility to compensate themselves financially for the dilution by selling their subscription rights not later than 18 April 2024.

The Rights Issue is subject to approval by an EGM planned to be held on 2 April 2024. The resolution on the Rights Issue presupposes and is conditional upon the EGM also resolving to amend the articles of association in accordance with the Board of Directors' proposal to the EGM. The notice to the EGM will be published through a separate press release later today and be available on Lipum's website, www.lipum.se.

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**Support from major shareholders**

Flerie (who holds approximately 32 per cent of the shares and votes in the Company) has undertaken to subscribe for its pro rata share of the Rights Issue and to vote in favour of the Rights Issue and the other resolutions required for the implementation of the Rights Issue at the EGM planned to take place on 2 April 2024. In addition, a number of existing shareholders, including the Crafoord Foundation, Adam Dahlberg and Christian von Koenigsegg have undertaken to subscribe for shares in the Rights Issue and to vote in favour of the Rights Issue, approval of the Master Services Agreement with NorthX, and other resolutions required for the implementation of the Rights Issue at the EGM.

In total, the subscription undertakings cover approximately SEK 67 million of the Rights Issue, corresponding to approximately 36 per cent .

Flerie currently holds approximately 32 per cent of the shares and votes in Lipum. The Swedish Securities Council (Sw. *Aktiemarknadsnämnden*) has granted Flerie an exemption from the mandatory takeover bid requirement that would arise if Flerie increases its share of the voting rights in Lipum as a consequence of Flerie's undertaking to subscribe for its pro rata share of the Rights Issue. The Swedish Securities Council's statement (AMN 2024:17) will be published on the Swedish Securities Council's website (www.aktiemarknadsnamnden.se).

Prospectus

Detailed information on the Rights Issue will be included in the prospectus which is expected to be published around 3 April 2024.

Postponement of the publication of the interim report for the period January–March 2024

Due to the Rights Issue, the Board of Directors of Lipum has decided to postpone the publication of the interim report for the period January–March 2024 to 28 May 2024 instead of 26 April 2024 as previously communicated.

Preliminary timetable for the Rights Issue

The timetable below is preliminary and may be subject to change.

2 April 2024 EGM to approve the Board of Directors' resolution on the Rights Issue and the Master Services Agreement with NorthX

3 April 2024 Last trading day including the right to receive subscription rights

3 April 2024 Expected publication of the prospectus

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4 April 2024 First trading day excluding the right to receive subscription rights

5 April 2024 Record date for participation in the Rights Issue, i.e. holders of shares who are registered in the share register on this day will receive subscription rights for participation in the Rights Issue

9–18 April 2024 Trading in subscription rights on Nasdaq First North Growth Market

9–23 April 2024 Subscription period

9 April–around 3 May 2024 Trading in BTAs (*Sw. betalda tecknade aktier*)

23 April 2024 Announcement of the preliminary outcome of the Rights Issue

25 April 2024 Announcement of the final outcome of the Rights Issue

Advisors

Zonda Partners is financial adviser and Mannheimer Swartling Advokatbyrå is legal adviser to Lipum in connection with the Rights Issue. Nordic Issuing acts as issuing agent in connection with the Rights Issue.

Important information

The information in this press release does not contain or constitute an offer to acquire, subscribe or otherwise trade in shares, subscription rights or other securities in Lipum in any jurisdiction. Any offer to the persons concerned to participate in Lipum's rights issue will only be made through the prospectus that Lipum estimates to publish on or around 3 April 2024 on the Company's website, www.lipum.se/eng.

This press release may not be released, published or distributed, directly or indirectly, in whole or in part, in or into, the United States, Australia, Hong Kong, Japan, Canada, New Zealand, Singapore, South Africa, or any other jurisdiction where such action is wholly or partially subject to legal restrictions or where such action would require additional prospectuses, registrations or other actions in addition to what follows from Swedish law. Nor may the information in this press release be forwarded, reproduced or disclosed in a manner that contravenes such restrictions or would entail such requirements. Failure to comply with this instruction may result in a violation of applicable securities laws.

The securities referred to in this press release have not been and will not be registered under the United States Securities Act of 1933, as amended ("**Securities Act**"), or under the securities laws of any state or other jurisdiction in the United States and may not be offered, subscribed, used, pledged, sold, resold, allotted, delivered or transferred, directly or indirectly, in or into the United States. All offers and sales of securities in connection with any rights issue in Lipum will be made outside of the United States and in reliance on, and in compliance with, Regulation S under the Securities Act. There will be no public offering in the United States.

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No public offering of securities in Lipum is made to any country within the European Economic Area (the “EEA”) other than Sweden. In other member states of the EEA, such offering may be made only under an applicable exemption in the Prospectus Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”) and/or under any relevant implementation measure. What is said above about member states in the EEA shall also apply to the United Kingdom, where the Prospectus Regulation is part of domestic law under the European Union (Withdrawal) Act 2018.

Lipum has made the assessment that the Company conducts protection-worthy activities under the Swedish foreign direct investment review Act (Sw. *lagen (2023:560) om granskning av utländska direktinvesteringar*) (the “**FDI Act**”). This entails that investors that gain certain influence in the Company may need to notify investments in the Company to, and obtain approval from, the Swedish Inspectorate of Strategic Products (Sw. *Inspektionen för Strategiska Produkter*) before such investments can be completed. Each shareholder should consult an independent legal adviser on the possible application of the FDI Act in relation to the Rights Issue for the individual shareholder.

This press release contains certain forward-looking information that reflects the Company’s present view of future events as well as financial and operational development. Words such as “intend”, “assess”, “expect”, “may”, “plan”, “believe”, “estimate” and other expressions entailing indications or predictions of future development or trends, not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties as it depends on future events and circumstances. Forward-looking information is not a guarantee of future results or development and actual outcomes may differ materially from the statements set forth in the forward-looking information.

[1] NorthX Biologics AB is a wholly-owned subsidiary of the Company’s principal shareholder Flerie Invest AB.

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About Us

Lipum AB (publ) is a clinical stage biopharmaceutical company specialized in discovery and development of a novel treatment for chronic inflammatory diseases. The lead candidate SOL-116 is a humanized antibody designed to provide efficacious therapy by blocking a previously overlooked target molecule of the immune system (BSSL). SOL-116 is in clinical stage supported by solid data for rheumatoid arthritis. Lipum also explores other inflammatory diseases with a high unmet medical need. The company is based in Umeå, an excellent life science cluster in Sweden. Lipum’s unique approach has attracted international attention, including a major European Commission Horizon 2020 grant. The company’s share (LIPUM) is traded on the Nasdaq First North Growth Market. Certified Adviser is G&W Fondkommission.

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This information is information that Lipum is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 2024-02-29 08:45 CET.

Attachments

Lipum advances SOL-116 into phase 2 and carries out a rights issue of up to approximately SEK 187 million at a subscription price of SEK 6.70 per share