

# SoftOx Solutions AS with consolidated financial statements

ORGANIZATION NUMBER: 998516390

## Annual Report 2019

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## Board of Directors Report

SoftOx Solutions AS (SoftOx) is a Medical Technical Company listed on the Merkur list on the Oslo Stock Exchange. The company was founded in 2012 and listed on the Merkur list on June 1, 2018 with the ticker "SOFTOX-ME". SoftOx Solutions AS, together with its subsidiaries Water Innovation AB, Malmö, SoftOx Disinfection AS, Oslo and SoftOx Solutions Denmark AS, Copenhagen, constitute the SoftOx Solutions AS Group. Based on the Group's patented technology, the business idea is to continue developing disinfectants and antimicrobial products to prevent and treat difficult infections. The product idea includes developing products for the treatment of bacterial infections where biofilm and antibiotic resistance are formed.

The company's head office is in Hoffsvæien 1A, Skøyen in the municipality of Oslo.

The Board of Directors is of the opinion that the annual report and accounts including notes reflect a true and fair view of the company's and the Group's financial position during the period from 01.01.2019 to 31.12.2019 under the assumption of continued current operations.

### Private placement December 2019 completed and accepted by the General Assembly

The General Assembly approved a share issue amounting to NOK 75 million, based on NOK 62,500 in new share capital with a total of 3,125,000 shares, at a price per share of NOK 24.

The General Assembly approved a general authorization to the Board of Directors to issue shares with a nominal value of up to NOK 16,000.

### Key figures

Key figures (NOK 1,000)	SoftOx Solutions AS		SoftOx Solutions Group	
	2019	2018	2019	2018
<b>SoftOx Solutions Group</b>				
Total revenue and other income	4 099	4 323	4 099	2 323
Total operating expenses	26 008	21 760	25 969	21 609
Operating result	-21 909	17 437	-20 171	-17 286
Net result before taxes	-22 217	-17 613	-22 177	-17 462
Net proceeds from equity issues	88 314	600	88 194	600
Net cash flow	74 638	-16 014	70 246	-15 862
Cash and cash equivalents at end of period	75 711	17 087	71 483	1 237
Outstanding shares, beginning of the period	3 778 650	2 488 500	3 778 650	2 488 500
Outstanding shares, end of the period	7 751 000	3 778 650	7 751 000	3 778 650
Employees, end of the period	9	7	12	10

As of December 31, 2019, there were 9 employees in the Company and 12 in the Group., The Group consists of 5 female and 7 male employees. The Board of Directors has in 2019 consisted of 3 men and 1 woman. It is the company's policy to promote diversity and inclusion, and ensure that employees are not discriminated against, based on factors such as race, gender, or cultural beliefs. The company does not impose any activities that could potentially pose a health risk, and the



working environment promotes a positive atmosphere. In addition, the company reported having a low absenteeism associated with illness in 2019.

The company does not pollute the external environment.

In 2019, the company underwent significant developments. Throughout the year, the company has transformed from documenting technology in the lab to documenting preclinical safety and efficacy in animal models, and to continuing clinical testing of the first product, SoftOx Wound Irrigation Solution, in human surgical wounds. The first clinical trial was finished in 2019 with positive results.

The company has also established internal quality systems in accordance with the ISO-10993 series, which are under continuous development as required.

## The SoftOx Technology

The SoftOx technology's mode of action is based on the discovery of the unique and synergistic combination effect between two natural chemical agents well known in the human body, hypochlorous acid and acetic acid. The SoftOx proprietary formulations show very strong antimicrobial activity, both for planktonic (free-floating) and biofilm-associated bacteria. Killing effects above 8 Log<sub>10</sub> (>99.999999%) have been documented among the most threatening bacteria causing serious infections, according to World Health Organisation's (WHO's) list. A similar effect is documented towards viruses, fungi, and spores. To our knowledge, no other product on the market can show comparable effects, including today's market leaders (figure 1). In addition, many of today's solutions have either shown carcinogenic effects or have contributed to the creation of bacterial resistance.

Antimicrobial resistance is a global threat, and it is therefore a widely discussed topic. Research confirms that SoftOx-technology does not induce resistance or cross resistance in multiple bacterial species

Hypochlorous acid is the same chemical that is produced by the white blood cells as part of our defence system against invading microbes and acetic acid is commonly found in foods and is a natural end product of alcohol metabolism in the human body. SoftOx has developed its technology platform in close collaboration with expert scientists and clinicians from the University of Copenhagen and Rigshospitalet in Denmark.

In line with the above, SoftOx products are expected to be well-tolerated and highly active against a broad spectrum of microbes, without inducing resistance. Consequently, SoftOx is developing topical antimicrobial agents for disinfection of skin/surfaces and for the prevention and treatment of difficult infections in various types of wounds. This shows versatility of SoftOx-technology, enabling the creation of a multitude of products, including biocidal, medical device and medicinal product lines. Our first registered product we have is a hand disinfectant and expected to be launched in 2020.

Stability of hypochlorous acid, when produced by traditional methods has been challenging. Through SoftOx' patented formulation and production method, the stability issue has been solved, making it possible to produce products with adequate shelf-lives.



## Research and development

### *Hand disinfectant*

SoftOx offers health care workers and private consumers with sensitive and irritated skin a superior effective antimicrobial hand disinfectant, which entered the market in second quarter of 2020. The formulation has shown no signs of inducing antimicrobial resistance and has recently been clinically tested in acute human wounds – showing excellent safety and tolerability, without impeding natural wound healing. SoftOx has also demonstrated a unique effect in disinfection via the Clinical Development in our wound care program.

During 1<sup>st</sup> half year the company has established high-quality production lines that will be used for both hand disinfection and surface disinfection products. Market introduction is expected to take some time, but the company aims to become highly competitive in the disinfection market and the company has completed its first sales.

### *Medical Device*

Development of the company's medical device, SoftOx Wound Irrigation Solution (SWIS), is progressing in line with expectations. After a successful pilot clinical study, preparations for the next pivotal clinical trial (SWIS-02) is advancing according to plan, aiming for regulatory application at the end of 2020. In parallel, the Design Review process and Quality Management System (QMS) are progressing as planned.

### *Pharmaceutical development, Biofilm Eradicator (BE)*

The company's candidate for treating infected wounds (SoftOx Biofilm Eradicator, SBE) is currently undergoing repeated dosing toxicity studies in full depth wounds in a GLP animal study at the European Research Biology Center in Italy. Preliminary results from these important studies are expected in 2020 and will be crucial for continued clinical development. Based on these results the company will design dose finding studies in humans.

### *Animal products*

SoftOx has two product lines in development targeting specific needs in animals:

*Wound Irrigation for small pets* is a mild, but effective solution to use on wounds and scratches to clean the wound and prevent infections.

*Wound Irrigation in infected wounds* is the most effective solution in the product range. This product is intended for wounds that are hard to heal and/or are infected.

### *Collaborations*

SoftOx has established collaborations with commercial and scientific organizations and universities in the Scandinavian region including Copenhagen, Malmö, Lund, Trondheim and Oslo for the continued development of SoftOx' technology. This research is led by world leading experts on biofilm and antibiotic resistance affecting both animal and human health. SoftOx has also continued its ongoing clinical collaboration with Excite International Toronto, Canada and is a member of the World Health Organization' (WHO) project group (POPS) for fighting Hospital Acquired Infections (HAI).

## Major milestones in 2019

### *Completed first clinical trial*

First trial in humans shows positive effects in acute wounds. SoftOx Solutions' (SoftOx) first-in-man clinical trial (SWIS-01) with its wound rinsing product, abbreviated SWIS, has been successfully



completed. The pilot study which was conducted at the Department of Dermatology and Copenhagen Wound Healing Center at Bispebjerg University Hospital, was designed to explore safety and performance properties of SWIS in patients with split skin transplant donor sites, serving as a model for surgically inflicted acute wounds. Overall results show that SWIS has a very good safety profile, which was the primary endpoint of the study. Performance-wise, the SWIS irrigation procedure documents bacterial reduction, without impeding the epithelialization rate (wound closure). More information on this study can be found at [www.clinicaltrials.gov](https://www.clinicaltrials.gov/ct2/show/study?term=NCT03742284) (NCT03742284).

#### *SoftOx signs distribution agreement with VESO, one of Norway's leading companies for Animal Health.*

SoftOx signs distribution agreement with VESO, one of Norway's leading companies for animal health. The agreement opens a new and exciting market for SoftOx. VESO, is Norway's leading supplier of vaccines and drug for animal health and aqua culture. The agreement means that VESO will distribute SoftOx's new product line. The total market for these types of products is approx. 100 million in Norway. SoftOx and VESO initially entered into a distribution agreement on existing products in a new market. The agreement also covers products under development from SoftOx. The agreement confirms that the close cooperation with scientific institutions at the University of Copenhagen and Oslo will create new product opportunities within the wound care area for the prevention and treatment of bacterial infections. The expected market size is valued at NOK 6 billion in Europe and the US. This is our first commercial agreement within the animal health segment, and is a significant milestone for the company. SoftOx's products are an important step in reducing the use of antibiotics in both humans and animals.

#### *SoftOx signs distribution agreement with KiiltoClean AS*

Signed distribution agreement with KiiltoCleanAS (former Antibac) for hand disinfectant in the Scandinavian market, September 2019.

#### *Private placement completed and accepted by the General Assembly*

The General Assembly approved a share issue in the amount of NOK 75 million, based on TNOK 62,5 in new share capital with a total of 3,125,000 shares, at a price per share of NOK 24.

## Outlook and risks

The company's plans for 2020 include:

- Preparation and commencement of the confirmatory clinical investigation of SWIS medical device
- Commercialization and distribution of SoftOx-hand-disinfectant.
- Establish Production facilities to meet the market demand
- Completion of the preclinical repeated dose toxicity studies on SBE drug candidates
- Preparation of first-in-human drug study (phase I) for SoftOx Infection Remover (SBE)
- Continued dialogue with European players for establishing a distribution partnership for SoftOx hand disinfectant products outside the Nordic and Baltic countries
- The company sees the uncertainty associated with clinical studies, and their outcomes, as an inherent risk, due to the nature of these studies.



The company expects a positive cashflow from operations before the end of 2021. Although the goal may be ambitious, the Company believes it is attainable due to increased demands associated with Covid 19, and the introduction of disinfection products to the market.

## The opportunity

### *SoftOx hand disinfectant*

Today's market for hand disinfectant is valued at USD 2 bn in Europe and the US. Out of 18.8 million health care workers in the EU and the US, 13.3 million report irritated skin and eczema creating a large market opportunity. This unmet medical need among healthcare professionals is estimated to have a value of USD 20 bn.

In partnership with several major distributors, SoftOx will distribute its hand disinfection products to the abovementioned region in addition to seeking strong strategic partnerships for entry into the rest of Europe and the US.

### *SoftOx animal health*

SoftOx will offer three variants of wound cleansers (see product development for details). The EU animal wound-treatment market is valued at USD 220 million with a CAGR of 6,5 %. The total market for disinfection and wound care in animals is USD 10 million in Norway.

In partnership with VESO, market leader in the Norwegian market, SoftOx will distribute its wound cleansers for animals to the Norwegian market in addition to seeking strong strategic partnerships for entry into the rest of Europe and the US.

### *SoftOx wound products*

The market for SoftOx Biofilm Eradicator (SBE) for treatment of chronic infections in leg ulcers is estimated at USD 7,2 billion in Europe and the US and USD 4 billion in the rest of the world. To secure market adoption the company cooperates closely with EXCITE International in Canada on clinical development.

The market for SoftOx Wound Irrigation Solution (SWIS) for the prevention of chronic infections is estimated at USD 2 billion in Europe and the US.

## Confirmation from the Board of Directors and CEO 2019

We confirm, to the best of our knowledge, that the financial statements for the period from 1 January to 31 December 2019 have been prepared in accordance with IFRS adopted by EU and reflect a true and fair view of the Group and the Company's consolidated assets, liabilities, financial position, results of operations, and that the Report of the Board of Directors provides a true and fair view of the development and performance of the business as well as the position of the Group and the Company along with a description of the key risks and uncertainty factors that the Company may be facing.

### *Corporate Governance Policy and Annual Review*

SoftOx Solutions AS has made a strong commitment to ensure trust in the Company and to enhance shareholder value through effective decision-making and improved communication between the management, the board of directors and the shareholders. The Company's framework for corporate governance is intended to decrease business risk, maximize value and utilize the Company's resources in an efficient, sustainable manner, to the benefit of shareholders, employees and society at large. The Company will seek to comply with the Norwegian Code of Practice for Corporate Governance (the "Corporate Governance Code").

## Financial review

"Other operating revenue in 2019 attributes mostly to accrued grants from the Norwegian Research Council under the BIA program and "Skattefunn". Total grants in 2019 were TNOK 4.099, compared with TNOK 4.323 last year.

Personnel expenses increased to TNOK 8.027 in 2019, compared to TNOK 6.153 in 2018, due to planned staff increases, both in the parent company and the Danish subsidiary.

"Other operating expenses decreased to TNOK 17.981 compared to TNOK 15.607 in 2018.

At the end of 2019, the group had cash in the amount of KNOK 75.995.

Net results before taxes, at the end of 2019 showed a net loss of TNOK -22.217 in 2019 compared to TNOK -17,463 in 2018, mainly due to increased cost for personnel. Taxes are estimated to show an increase in deferred tax of TNOK 5.844 for 2019 compared with TNOK 4.546 in 2018. Total deferred taxes at end of year 2019 was TNOK 18.135 compared to TNOK 12.305 at end of year 2018.

At the end of year 2019 the Group had other intangible assets of TNOK 4.927 compared with TNOK 3.343, primarily attributable to capitalized patent expenses in the Swedish subsidiary.

Oslo 18th of June 2020

SoftOx Solutions AS

SIGN

Lars Johan Frigstad

Chairman of the Board

SIGN

Olav Jarlsby

Member of the Board

SIGN

Kari Grønås

Member of the Board

SIGN

Geir Hermod Almås

Chief Executive Officer



# Profit and loss

## SoftOx Solutions AS

Operating income and operating expenses	Notes	2019	2018
Intercompany revenues		-	-
Other Income		4 099 031	4 323 136
<b>Total operating income</b>		<b>4 099 031</b>	<b>4 323 136</b>
		-	-
<b>Operating expenses</b>		-	-
Personnel expenses	1, 8	8 027 498	6 153 203
Other operating expenses		17 981 096	15 607 058
<b>Total operating expenses</b>		<b>26 008 593</b>	<b>21 760 260</b>
<b>Operating result</b>		<b>-21 909 562</b>	<b>-17 437 124</b>
<b>Financial income and financial expenses</b>			
Interest income		51 758	2 907
Other financial income		3 361	-39 963
Other interest expense		-146 372	569
Other financial expenses		-216 450	-139 470
<b>Profit and loss on financial activities</b>		<b>-307 703</b>	<b>-175 957</b>
		-	-
<b>Profit before tax</b>		<b>-22 217 266</b>	<b>-17 613 081</b>
		-	-
		-	-
Taxes	2	5 844 980	4 546 974
<b>Profit on ordinary activities</b>		<b>-16 372 286</b>	<b>-13 066 107</b>
		-	-
		-	-
Extraordinary income and expenses		-	-
		-	-
<b>Annual profit/loss</b>		<b>-16 372 286</b>	<b>-13 066 107</b>
		-	-
Transfers		-	-
Allocated to/- reduction of share premium reserve		-16 372 286	-13 066 107
<b>Total transfers</b>		<b>-16 372 286</b>	<b>-13 066 107</b>



## Balance sheet

### SoftOx Solutions AS

Assets	Noter	2019	2018
<b>Non-current assets</b>			
Other intangible assets		14 600	14 600
Derferred tax assets	2	17 173 458	11 328 478
<b>Fixed assets</b>		<b>17 188 058</b>	<b>11 343 078</b>
<b>Financial fixed assets</b>			
Shares in subsidiaries	3	5 377 048	5 377 048
Loans to subsidiaries	4	1 501 535	4 996 545
<b>Total financial fixed assets</b>		<b>6 878 583</b>	<b>10 373 593</b>
		-	-
<b>Total Non-Current assets</b>		<b>24 066 641</b>	<b>21 716 671</b>
		-	-
<b>Current assets</b>			
<b>Receivables</b>			
Other short-term receivables	5	5 560 177	6 061 476
<b>Total receivables</b>		<b>5 560 177</b>	<b>6 061 476</b>
Deposits, cash, etc.	9	75 711 108	1 072 797
		-	-
<b>Total current assets</b>		<b>81 271 284</b>	<b>7 134 273</b>
		-	-
<b>Total assets</b>		<b>105 337 925</b>	<b>28 850 944</b>

# Balance sheet

## SoftOx Solutions AS

Equity and debt	Noter	2019	2018
<b>Paid-up capital</b>			
Share capital	6	155 020	75 573
Share capital, not registered	6	-	-
Share premium reserve	6	89 712 573	17 770 606
Share premium reserve, not regist	6	-	-
<b>Total paid-up capital</b>		<b>89 867 593</b>	<b>17 846 179</b>
		-	-
<b>Retained earnings</b>		-	-
Other equity		-	-
<b>Total retained earnings</b>		-	-
		-	-
<b>Total equity</b>		<b>89 867 593</b>	<b>17 846 179</b>
		-	-
<b>Long term debts</b>		-	-
Other long term debts		-	-
Long term debts to owners		-	-
<b>Total long term debts</b>		-	-
		-	-
<b>Short-term debt</b>		-	-
Unpaid public duties	7	659 357	703 795
Short-term debt to owners		3 101 440	2 000 000
Other short-term debt	7	940 410	1 574 549
Supplier debt	7	10 769 125	6 726 422
<b>Total current liabilities</b>		<b>15 470 332</b>	<b>11 004 766</b>
		-	-
<b>Total debt</b>		<b>15 470 332</b>	<b>11 004 766</b>
		-	-
<b>Total Equity and debts</b>		<b>105 337 925</b>	<b>28 850 945</b>
Oslo, den 18.06. 2020			
SIGN		SIGN	
Lars Johan Frigstad		Olav Jarlsby	
Chairman of the Board		Board member	
SIGN		SIGN	
Kari Grønås		Geir Hermod Almås	
Board member		Chief Excecutive Officer	



# Profit and loss

## SoftOx Solutions Group

	Noter	2019	2018
Other Income		4 099 031	4 323 136
<b>Total operating income</b>		<b>4 099 031</b>	<b>4 323 136</b>
<b>Operating expenses</b>			
Personnel expenses	1, 8	11 196 802	8 183 296
Other operating expenses		13 071 345	12 310 903
<b>Total operating expenses</b>		<b>1 701 075</b>	<b>1 115 293</b>
<b>Total operating expenses</b>		<b>25 969 221</b>	<b>21 609 492</b>
<b>Operating result</b>		<b>-21 870 190</b>	<b>-17 286 356</b>
<b>Financial income and financial expenses</b>			
Interest income		51 758	2 907
Other financial income		3 361	-39 963
Other interest expense		-146 372	501
Other financial expenses		-216 450	-139 470
<b>Profit and loss on financial activities</b>		<b>-307 703</b>	<b>-176 025</b>
		-	-
<b>Profit before tax</b>		<b>-22 177 894</b>	<b>-17 462 382</b>
Taxes	2	5 841 651	4 533 606
<b>Profit on ordinary activities</b>		<b>-16 336 243</b>	<b>-12 928 775</b>
Extraordinary income and expenses		-	-
Transfers		-	-
Allocated to/- reduction of share premium reserve		-16 336 243	-12 928 775
<b>Total transfers</b>		<b>-16 336 243</b>	<b>-12 928 775</b>

## Balance sheet

### SoftOx Solutions Group

	Noter	2019	2018
<b>Assets</b>			
<b>Intangible assets</b>			
Other intangible assets		4 927 589	3 342 730
Derferred tax assets	2	18 135 097	12 305 124
Goodwill from purchase		-	-
<b>Non-tangeble assets</b>		<b>23 062 686</b>	<b>15 647 854</b>
<b>Fixed assets</b>			
Production assets		241 725	326 651
<b>Fixed assets</b>		<b>241 725</b>	<b>326 651</b>
<b>Tangible assets</b>		<b>23 304 411</b>	<b>15 974 505</b>
<b>Financial fixed assets</b>			
Shares in subsidiaries	3	-	-
Loans to subsidiaries	4	-	-
<b>Total financial fixed assets</b>		<b>-</b>	<b>-</b>
<b>Total Non-Current assets</b>		<b>23 304 411</b>	<b>15 974 505</b>
<b>Current assets</b>			
<b>Receivables</b>			
Other short-term receivables	5	5 664 257	6 182 319
<b>Total receivables</b>		<b>5 664 257</b>	<b>6 182 319</b>
Deposits, cash, etc.	9	75 995 858	1 236 531
<b>Total current assets</b>		<b>81 660 115</b>	<b>7 418 850</b>
<b>Total assets</b>		<b>104 964 526</b>	<b>23 393 356</b>



## Balance sheet

### SoftOx Solutions Group

Equity and debt	Noter	2019	2018
<b>Paid-up capital</b>			
Share capital	6	155 020	75 573
Share capital, not registered	6	-	-
Share premium reserve	6	89 712 573	17 770 606
Share premium reserve, not regist	6	-	-
<b>Total paid-up capital</b>		<b>89 867 593</b>	<b>17 846 179</b>
<b>Retained earnings</b>			
Other equity		-3 398 618	-3 437 562
<b>Total retained earnings</b>		<b>-3 398 618</b>	<b>-3 437 562</b>
<b>Total equity</b>		<b>86 468 976</b>	<b>14 408 617</b>
<b>Other long term debts</b>			
Other long term debts		113 683	-
Other long term debts to owners		-	-
<b>Total long term debts</b>		<b>113 683</b>	<b>-</b>
<b>Short-term debt</b>			
Unpaid public duties	9	659 357	706 257
Short-term debt to owners		3 101 440	2 000 000
Other short-term debt	7	3 621 678	1 867 513
Supplier debt		10 999 392	4 410 970
<b>Total current liabilities</b>		<b>18 381 867</b>	<b>8 984 739</b>
<b>Total debt</b>		<b>18 495 550</b>	<b>8 984 739</b>
<b>Total equity and debts</b>		<b>104 964 526</b>	<b>23 393 356</b>

## Cashflow statement

### SoftOx Solutions AS and the Group

	Morselskap		Konsern	
Liquidity added to and spent on business operations	2019	2018	2019	2018
Result before tax	-22 217 266	-17 613 081	-22 177 894	-17 462 381
Paid tax				
Depreciation of fixed assets, & goodwill	0	0	1 701 075	1 115 279
Changes short-term receivables	501 299	-3 309 846	518 062	-3 386 025
Changes short-term debt	4 465 566	6 905 842	9 397 128	4 793 773
<b>Net Changes resulting from business operations</b>	<b>-17 250 401</b>	<b>-14 017 085</b>	<b>-10 561 629</b>	<b>-14 939 354</b>
<b>Added liquidity / Spent on investments</b>				
Investments in property, plant and equipment and long-term receivables	3 495 010	-2 597 172	-3 201 008	-1 443 974
<b>Net Change resulting from investments</b>	<b>3 495 010</b>	<b>-2 597 172</b>	<b>-3 201 008</b>	<b>-1 443 974</b>
<b>LIQUIDS ADDED/SPENT ON FINANCING</b>				
Issues for cash	88 393 700	600 000	88 393 700	600 000
Other financing activities	0	0	113 683	0
Translation differences	0	0	14 059	-78 409
<b>Net change resulting from financing</b>	<b>88 393 700</b>	<b>600 000</b>	<b>88 521 442</b>	<b>521 591</b>
<b>Annual Net Liquidity Change</b>	<b>74 638 310</b>	<b>-16 014 257</b>	<b>74 758 806</b>	<b>-15 861 737</b>
<b>Liquidity reserves as of 1 January</b>	<b>1 072 797</b>	<b>17 087 054</b>	<b>1 236 533</b>	<b>17 098 270</b>
<b>Liquidity reserves as of 31 December</b>	<b>75 711 106</b>	<b>1 072 797</b>	<b>75 995 339</b>	<b>1 236 533</b>



## Accounting Principles

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in small companies in Norway.

## Basis for consolidation

The Group's consolidated financial statements comprise SoftOx Solutions AS and companies in which SoftOx Solutions AS has a controlling interest. A controlling interest is normally obtained when the Group owns more than 50% of the shares in the company and can exercise control over the company. Minority interests are included in the Group's equity. Transactions between group companies have been eliminated in the consolidated financial statement. The consolidated financial statement has been prepared in accordance with the same accounting principles for both parent and subsidiary.

The purchase method is applied when accounting for business combinations. Companies which have been bought or sold during the year are included in the consolidated financial statements from the date when control is achieved and until the date when control ceases.

An associate is an entity in which the Group has a significant influence but does not exercise control the management of its finances and operations (normally when the Group owns 20%-50% of the company). The consolidated financial statements include the Group's share of the profits/losses from associates, accounted for using the equity method, from the date when a significant influence is achieved and until the date when such influence ceases.

When the Group's share of a loss exceeds the Group's investment in an associate, the amount carried in the Group's balance sheet is reduced to zero and further losses are not recognized unless the Group has an obligation to cover any such loss.

## Use of estimates

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway

## Foreign currency translation

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognized in the income statement as they occur during the accounting period.

## Revenue recognition

Revenues from the sale of goods are recognized in the income statement once delivery has taken place and most of the risk and return has been transferred.

Revenues from the sale of services and long-term manufacturing projects are recognized in the income statement according to the project's level of completion provided the outcome of the



transaction can be estimated reliably. Progress is measured as the number of hours spent compared to the total number of hours estimated. When the outcome of the transaction cannot be estimated reliably, only revenues equal to the project costs that have been incurred will be recognized as revenue. The total estimated loss on a contract will be recognized in the income statement during the period when it is identified that a project will generate a loss.

## Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as tax rate of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognized directly in equity to the extent that they relate to equity transactions.

## Balance sheet classification

Current assets and short-term liabilities consist of receivables and payables due within one year, and items related to the inventory cycle. Other balance sheet items are classified as fixed assets / long term liabilities.

Current assets are valued at the lower of cost and fair value. Short term liabilities are recognized at nominal value.

Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognized at nominal value.

## Research and development

Development costs are capitalized providing that a future economic benefit associated with development of the intangible asset can be established and costs can be measured reliably. Otherwise, the costs are expensed as incurred. Capitalized development costs is amortized linearly over its useful life. Research costs are expensed as incurred.

## Plant and equipment

Plant and equipment is capitalized and depreciated linearly over the estimated useful life. Significant fixed assets which consist of substantial components with dissimilar economic life have been unbundled; depreciation of each component is based on the economic life of the component. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property plant and equipment are added to the acquisition cost and depreciated with the related asset. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realizable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are discounted are used.



## Subsidiaries

Subsidiaries are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognized if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

## Inventories

Inventories are recognized at the lowest of cost and net selling price. The net selling price is the estimated selling price in the case of ordinary operations minus the estimated completion, marketing and distribution costs. The cost is arrived at using the FIFO method and includes the costs incurred in acquiring the goods and the costs of bringing the goods to their current state and location.

## Accounts receivable and other receivables

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss.

## Pensions

Defined benefit plans are valued at the present value of accrued future pension benefits at the balance sheet date. Pension plan assets are valued at their fair value.

Changes in the pension obligations due to changes in pension plans are recognized over the estimated average remaining service period. The accumulated effect of changes in estimates and in financial and actuarial assumptions (actuarial gains or losses) that is less than 10% of the higher of defined benefit pension obligations and pension plan assets at the beginning of the year is not recognized. When the accumulated effect is above 10% limit in the beginning of the financial period, the excess amount is recognized in the income statement over the estimated average remaining service period. The net pension cost for the period is classified as salaries and personnel costs.

## Cash flow statement

The cash flow statement is presented using an indirect method. Cash and cash equivalents include cash, bank deposits and other short term, highly liquid investments with maturities of three months or less.

## Notes to the Financial Statements for 2019

### Note 1 Salaries, number of employees, remuneration and more

<b>Note 1 Payroll, holiday pay etc.</b>	<b>SoftOx Solutions AS 2019</b>	<b>SoftOx Solutions Group 2019</b>	<b>SoftOx Solutions AS 2018</b>	<b>SoftOx Solutions Group 2018</b>
Payroll, holiday pay etc.	7 763 674	10 932 979	6 119 669	7 901 706
Tax refund	-1 084 620	-1 084 621	-932 580	-932 580
Employer's contribution	1 118 804	1 118 804	882 931	892 009
Other personnel expenses	229 639	229 639	83 183	322 161
<b>Total personnel expenses</b>	<b>8 027 498</b>	<b>11 196 802</b>	<b>6 153 203</b>	<b>8 183 296</b>
<b>Number of employees 31.12.2019</b>	<b>9</b>	<b>12</b>	<b>7</b>	<b>10</b>

The company's board of directors received compensation of NOK 100.000 per member in 2019. The CEO received NOK 1.430.290 in salary and pensions in 2019.

Total expenses for auditing was NOK 110,625. In addition, there was a fee of 13,125 for general consulting audit purposes.

The CEO and the members of the Board do not possess any privilege over the rest, should termination of employment occur.

### Note 2 Tax

The tax effect of temporary differences and tax loss which has been carried forward, has created an increase in the deferred tax benefits, due to these temporary differences.

<b>Tax</b>	<b>SoftOx Solutions AS</b>		<b>SoftOx Solutions Group</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Income tax on ordinary profit:				
Tax payable		0	0	0
Change deferred tax assets	5 844 980	4 546 974	5 841 651	-4 533 606
<b>Tax ordinary profit</b>	<b>-5 845 094</b>	<b>-4 546 974</b>	<b>5 841 651</b>	<b>-4 533 606</b>
Taxable income:				
Ordinary profit before tax	-22 217 266	-17 613 081	-22 177 894	-17 462 382
Permanent differences	4 351 343	-4 395 201	-4 351 343	-4 395 201
Change temporary differences		0	-	0
<b>Taxable income</b>	<b>-26 568 608</b>	<b>-22 008 282</b>	<b>-26 529 236</b>	<b>-21 857 583</b>
Tax payable in the balance sheet:				
Payable tax on profit for the year		0	0	0
<b>Total tax payable on the balance sheet</b>		<b>0</b>	<b>0</b>	<b>0</b>

The effects of the taxation related to the afore mentioned differences have contributed to an increased tax burden, associated with the tax carried forward.



### Deferred taxes

SoftOx Solutions AS	2019	2018	Changes
Accumulated loss carry-forward	-78 061 173	-51 493 084	-26 568 608
Basis for calculation of deferred tax	78 061 173	-51 493 084	-26 568 608
Deferred tax asset (22%)	17 173 458	-11 328 478	-5 845 094

The Swedish subsidiary WIAB Water Innovation AB has carried -forward a loss of SEK 4.859.269 per share. 31.12.2019.

### Note 3 Shares in other companies and intra-group transactions

In 2013, the company purchased all 1,500 shares with a nominal value of SEK 100 in WIAB Water Innovation AB, with an office address in Malmö, Sweden.

The shares are valued at the lower of the following: cost Vs fair value. SoftOx Solutions Denmark AS was established in 2018. The company became founded with DKK 500,000, - in share capital

### Note 4 Financial Claims/ Accounts receivable on subsidiaries

In 2013, SoftOx Solutions AS purchased claims on the subsidiary WIAB Water Innovation AB from shareholders and settled the purchase by issuing shares in the parent company.

The receivable balance was valued at an acquisition cost translated from Swedish kroner to Norwegian kroner at the time of the acquisition.

The receivable balance has since increased to NOK 2,524,429. The claim is not expected to be repaid within 12 months. Interest on the claim has not been calculated

### Note 5 Other claims /Accounts receivable

As of December 31, 2019, SoftOx Solutions AS has other receivables totaling NOK 5,560,177, including tax foundations grants (Skattefunn) earned in 2019 in the amount of NOK 4,351,343, and BIA grants from the Research Council of Norway equal to 1,233,534.

### Note 6 Share Capital

The company has per. 31.12.19 registered 7,751,000 shares with a nominal value of NOK 0.02 per share.

#	Share %	Name	Comments
1	24,6 %	DINGE INVEST AS	
2	15,2 %	HERMOD FARM Geir Almås	
3	6,5 %	ALMÅS KRISTIAN	
4	4,1 %	CS-HOLDING AS Claus Seeberg	
5	3,9 %	MONSTRO AS	
6	3,4 %	GEMALLO AS	
7	3,2 %	PENSJONSORDNINGEN	
8	2,9 %	LOYD AS	
9	2,6 %	NORDISKE RENT Hans Petter Grette	
10	2,3 %	SKOGBRYNET EIENDOM AS	
11	2,2 %	ALMHAUG BOLIG AS	
12	2,0 %	WL-01 HOLDING AS	
13	1,7 %	RAVI INVESTERING AS	
14	1,4 %	Danske Bank A/S	
15	1,3 %	AS JACO	
16	1,2 %	XO EXECUTIVE ADVISORS AS	
17	1,2 %	HERKULES CONFETTI FABRIKKER AS	
18	1,2 %	NAVUS AS	
19	1,0 %	RESULTING AS	
20	0,9 %	HAREFRØKEN INVEST AS	

#### Note 7 Options and incentive programs

In total, the company has issued 560,100 options, with a weighted strike price of NOK. 51.4, of which 199,000 have a strike price below the share price as of January 2, 2019

Of the 560,100 allocated options, 138,500 are proposed to be allocations of bonus options to employees for 2018 and 2019 at a strike price of NOK 30 / share (corresponding to the stock price at year-end) with a 5 year maturity, 27,500 of which were given to CEO Geir Hermod Almås

The company's shares are listed on the Merkur list on the Oslo Stock Exchange, with ticker SOFTOX-ME

#### Note 8 Occupational pension

The company has taken out occupational pensions in Gjensidige Insurance Company. The pension scheme is a defined contribution plan.



### Note 9 Tied -up liabilities

SoftOx Solutions AS has its own account for tax deductions. The balance on this account as of December 31, 1999 was NOK 368,347

### Note 10 Fixed assets

The fixed assets are trademark registrations, which are not depreciated. As of 31.12.2018 these assets have been assessed and the preliminary cost is reflected as current value.

#### SoftOx Solutions AS

	Other Intangible assets	
	2019	2018
Acquisition cost 1.1	14 600	14 600
Access		
Exchange rate adjustments	14 600	14 600
Total acquisition cost 1st of January		
Yearly depreciation		
Accumualted depreciation 31.12.	-	-
Book value 31.12	14 600	14 600

### Assets

#### Group:

	Production assets		Intangible assets		Goodwill	
	2019	2018	2019	2018	2019	2018
Acquisition cost 1.1	1 394 560	1 436 967	5 136 700	3 661 976	617 673	617 673
Access		-	3 199 125	1 517 743		
Exchange rate adjustments	-16 532	-42 407	35 890	-43 020		
Total acquisition cost	1 378 028	1 394 560	8 371 715	5 136 700	617 673	617 673
Accumualted depreciation 1.1	-1 067 908	-965 307	-1 793 970	-792 951	617 673	617 673
Yearly depreciation	-78 678	-125 736	-1 622 427	-982 585	-	-
Exchange rate adjustments	10 283	23 135	-27 729	-18 435		
Accumualted depreciation 31.12.	-1 136 303	-1 067 909	-3 444 126	-1 793 971	617 673	617 673
Book value 31.12	241 724	326 651	4 927 589	3 342 729	1 235 346	1 235 346

The fixed assets are trademark registrations, which are not depreciated. The value of these assets has been assessed as of 31.12.2018 and the preliminary cost price is reflected as current value.

## Note 11 Equity Development

Facevalue 0,02 kr.

SoftOx Solutions AS	Share capital	Non-registered share capital	Share premium reserve	Share premium reserve	Other owners capital	Total owners capital
<b>Per 01.01.2018</b>	<b>49 770</b>	<b>25 403</b>	<b>6 472 242</b>	<b>23 764 871</b>	<b>-</b>	<b>30 312 286</b>
Registered capital increase	25 403	-25 403	23 764 871	-23 764 871	-	-
Capital increase, registered	400	-	599 600	-	-	600 000
Capital increase, not registered	-	-	-	-	-	-
Transfer of accumulated loss against Share premium reserve	-	-	-	-	-	-
Year end result	-	-	-13 066 107	-	-	-13 066 108
<b>Per 31.12.18</b>	<b>75 573</b>	<b>-</b>	<b>17 770 605</b>	<b>0</b>	<b>-</b>	<b>17 846 178</b>
Registered capital increase	-	-	-	-	-	-
Capital increase	79 447	-	88 314 253	-	-	88 393 700
Year end result	-	-	-16 372 286	-	-	-16 372 286
<b>Per 31.12.19</b>	<b>155 020</b>	<b>-</b>	<b>89 712 572</b>	<b>0</b>	<b>-</b>	<b>89 867 593</b>

Hver aksje har pålydende verdi på 0,02 kr.

SoftOx Solutions Group	Share capital	Non-registered share capital	Share premium reserve	Share premium reserve	Other owners capital	Total owners capital
<b>Per 01.01.2018</b>	<b>49 770</b>	<b>1 702</b>	<b>6 472 242</b>	<b>23 764 871</b>	<b>-3 465 883</b>	<b>26 822 702</b>
Registered capital increase	25 403	-25 403	23 764 871	-23 764 871	-	-
Capital increase, registered	400	-	599 600	-	-	600 000
Capital increase, not registered	-	-	-	-	-	-
Transfer of accumulated loss against share premium reserve	-	-	-	-	-	-
Conversion difference	-	-	-137 333	-	28 321	-109 012
Year end result	-	-	-12 928 775	-	-	-12 928 775
<b>Per 31.12.18</b>	<b>75 573</b>	<b>-</b>	<b>17 770 604</b>	<b>0</b>	<b>-3 437 562</b>	<b>14 408 616</b>
Registered capital increase	-	-	0	-0	-	-
Capital increase	79 447	-	88 314 253	-	-	88 393 700
Translation differences	-	-	-	-	2 903	2 903
Annual result	-	-	-16 336 243	-	-	-16 336 243
<b>Per 31.12.19</b>	<b>155 020</b>	<b>-</b>	<b>89 748 615</b>	<b>-</b>	<b>-3 434 659</b>	<b>86 468 976</b>

## Note 12 Governmental and Public Funding

SoftOx is developing wound handling products to prevent and treat wound infections. In 2019, the company had NOK 21.7 million in research and development costs. Public funding for R&D was NOK 3.8 million from the Norwegian Research Council. and NOK 300,000 from Horizon 2020. In addition, NOK 4.3 million has been accepted in the Governmental Tax refund program (Skattefunn). Tax findings are entered as a cost reduction in the income statement. The present value of expected earnings from ongoing research and development exceeds the investment cost



To the Shareholders' Meeting of Softox Solutions AS

## **Independent auditor's report**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Softox Solutions AS (the Company), in our opinion:

- The financial statements are prepared in accordance with laws and regulations
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at December 31, 2019, and (of) its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at December 31, 2019, and (of) its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at December 31, 2019, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at December 31, 2019, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

#### **Basis for Opinion**

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

#### ***berge & lundal revisjonsselskap as***

statsautorisert revisor, medlem av Den norske Revisorforeningen

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Rev.nr./Org.nr. 967 418 064



### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Directors and the Managing Director for the Financial Statements**

The Board of Directors and the Managing Director (Management) are responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Groups's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting insofar as it is not likely that the Company or Group will cease operations.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Refer to [revisorforeningen.no/revisjonsberetninger](http://revisorforeningen.no/revisjonsberetninger) which contains a description of Auditor's responsibilities.

### **Report on Other Legal and Regulatory Requirements**

#### **Opinion on the Board of Directors' report**

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.




**Opinion on Registration and Documentation**

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 18 june 2020

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Hans Berge

Registered Public Accountant