



Annual report

2020

SoftOx Solutions
Organization Number: 998516390

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01

Our business

SoftOx in a brief

SoftOx Solutions AS (“SoftOx”/“Company”) is a Scandinavian biotech company, founded in 2012. The Company has been listed on Euronext Growth Oslo (formerly called Merkur Market, a multi-lateral trading facility operated by Oslo Børs ASA) since 2018. SoftOx Solutions AS together with its subsidiaries Water Innovation AB (“WIAB”), Malmö; SoftOx Disinfection AS, Oslo; and SoftOx Solutions Denmark A/S, Copenhagen constitute the SoftOx Solutions AS Group (“Group”).

After years of research and product development with leading Nordic research institutions, SoftOx Solutions has developed compositions utilizing its non-toxic and highly effective antiseptic technology, which eradicates and prevents biofilm infections and is fully virucidal. The Group has a strong patented product portfolio and subsidiaries in Denmark and Sweden with 21 employees located in Oslo, Norway and Copenhagen, Denmark.

The Company’s primary focus is to combat difficult-to-treat biofilm and resistant infections in wounds, including the 12 pathogenic bacteria that pose the greatest threat to human health (as addressed by the World Health Organization¹ (“WHO”)). The Company’s research and development activities are also focused on the fight

against viral epidemics/pandemics caused by the coronavirus (such as MERS-CoV, SARS-CoV-1 and SARS-CoV-2), influenza virus, Ebola virus, norovirus, poliovirus and others.

SoftOx Solutions is developing an anti-microbial product portfolio that will:

1. Reduce emergence of antimicrobial resistance;
2. Prevent and treat biofilm infections; and
3. Combat viral outbreaks and pandemics.

Our main market segments are the civil health care sector and military sector.

1 <https://www.who.int/news/item/27-02-2017-who-publishes-list-of-bacteria-for-which-new-antibiotics-are-urgently-needed>



Letters to shareholders

2020 has been a year of breakthrough for SoftOx. Our accomplishments this year have given us new perspectives through launching new products, building public and scientific support from major players in our field and initiating several new projects with significant potential.

Our vision still holds true. At SoftOx, we put the patient first. Our technology is made for “Helping the World Fighting Infections”, and we are confident that our solutions will play a vital role in doing so.

In 2020, we launched our first product, a disinfectant, based on our technological platform. We have worked to develop the world’s best hand disinfectants; no other known product has proven to be fully virucidal and inactivates the coronavirus so fast. We are very proud of what we as a team have achieved. Our relatively small organization has been able to launch a product, establish sufficient production with the capacity to serve large markets, and build a broad distribution network with promising forecasts for 2021. We are also preparing to launch in several new markets as soon as the approval on our EU application is in hand.

Looking back on the last 12 months, the agenda has been dominated by the COVID-19 pandemic caused by SARS-CoV-2. In recent times we have rarely seen an infectious organism causing so much ravage, at least in industrialized countries, with a huge impact on the world economy and social life. Infectious organisms threaten and claim millions of lives each year. One example is acute pneumonia which kills close to a million children under the age of 5 each year, and the bacteria *Mycobacterium tuberculosis* kills close to two million people every year. The world desperately needs a new pan-treatment to combat both viruses and bacteria.

Our primary investigator, Professor Thomas Bjarnsholt, is convinced that we now have such a treatment in the SoftOx Inhalation Solution (“SIS”):

“It is my belief that SIS could and will contribute to limiting child death due to respiratory infections. SIS will put an end to COVID-19 domination as well as the regular influenza and other known airway infections. Also, SIS will help prepare us for the next pandemic by giving us a highly effective weapon with wide applications making a crucial difference as we face disease X. I foresee we are stepping into a new era due to SIS; a new era with less use of antibiotics for bacterial respiratory infections as well as a world which does not have to close down due to a simple virus. SIS offers a harmless, simple way of ending or at least mitigating known and even unknown respiratory infections”.

Thomas Bjarnsholt, DMSc and Professor at Copenhagen University and University Hospital

One of our greatest achievements in 2020 was when the US Navy under the Department of Defense (“DoD”) awarded SoftOx, approx. USD 2 million for the research and development of the SoftOx Biofilm Eradicator (“SBE”). SoftOx considers the funding and support from one of the world’s leading research organizations as a great honour. This award gives us both the means and confirmation to continue this important work. Our SBE project functions as an infection remover in chronic wounds and is a safe disinfectant with the unique ability to remove hard-to-treat microbes embedded in biofilm. Recent studies have shown that SBE is significantly more effective than competitors against serious infections like *Pseudomonas aeruginosa* and *Staphylococcus aureus*, the most common bacteria in chronic wounds.

Our technological platform spans from hand disinfection to advanced drug development with multiple applications and several development pathways. We like to think of it as a new class of topical antibiotics with no induction of resistance. Therefore, we call it “new ways of eradicating infections and fighting antimicrobial resistance”. We will continue building our technological platform with cutting-edge applications to solve major global challenges and fulfil unmet needs in the field of infectious disease.

Finally, we are very pleased to acknowledge that the financial market has strong belief in the future of our company. The last capital increase was oversubscribed in record time. Without our investors, we could not manage to take on new projects and initiate new studies. We are grateful for the support, and we will do our utmost to be worthy of this trust from our investors. We would like to extend our sincere gratitude to our shareholders for their continued support of SoftOx.

We are now looking forward to continuing our journey to develop cutting-edge, efficacious technologies and create value for the patients that need it the most.

Highlights 2020

01

January

Patent protection approved for the US.

03

March

- SoftOx hand disinfectant confirmed with full virucidal effect on all types of viruses.
- First production line established in Norway.

04

April

The Norwegian Medicines Agency approves SoftOx's new products for surface disinfection.

07

July

The Danish Medicines Agency ("DKMA") authorized the clinical investigation «SWIS-02» in accordance with the executive order on medical devices. The study is a confirmatory clinical investigation to document safety and performance and SoftOx Wound Irrigation Solution (SWIS) compared to Normal Saline (NS) in a human wound model.

09

September

SoftOx Solutions AS with potential breakthrough in the fight against COVID-19. Positive results from testing of inhalation solution in animals. DKMA has given its recommendation for further development of the SoftOx inhalation solution for the treatment of respiratory infections, including COVID-19.

11

November

SoftOx receives \$1.977 million (USD) for research and development of the SoftOx Infection Remover (Biofilm Eradicator) from the DoD.

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December

- The Swedish Chemicals Agency ("KemI") has evaluated and recommended the approval of SoftOx Solutions' disinfectant products, including Antivir. This creates the opportunity for approval within all countries in the EU.
- Signed agreements with several new distributors for SoftOx disinfection products in 2021. This includes some of the largest sport chains and grocery chains in Norway.
- Private placement December 2020 completed. SoftOx raised approx. NOK 50 million in gross proceeds through private placement by issuance of 909 090 new shares, at a price per offer share of NOK 55. The placement consists of two tranches: one tranche with 500 000 offer shares and a second tranche with 409 090 offer shares. Settlement in Tranche 2 occurs in January 2021.

Key achievements

Key financial figures

NOK 1,000	SoftOx Solution Group		SoftOx Solutions AS	
	2020	2019	2020	2019
Total revenue and other income	9 839	4 099	6 149	4 099
Total operating expenses	61 203	25 969	50 427	26 008
Operating profit (loss)	-51 363	-20 171	-44 278	-21 909
Net profit (loss) for the year	-49 713	-22 177	-42 745	-22 217
Net proceeds from equity issues	27 135	88 194	27 135	88 314
Net cash flow	41 194	70 246	47 008	74 638
Cash and cash equivalents at end of period	34 802	71 483	28 703	75 711
Outstanding shares, beginning of the period	7 751 000	3 778 650	7 751 000	3 778 650
Outstanding shares, end of the period	8 329 900	7 751 000	8 329 900	7 751 000
Employees, end of the period	21	12	19	9



Partnerships and collaborations

The research and development of SoftOx Solutions is based on collaboration with leading Key Opinion Leaders in the field. The Company has an extensive R&D cooperation with University of Copenhagen and Bispebjerg University Hospital and has collaborated with several other hospitals and universities including University of Oslo and University of Malmö.

Bispebjerg Hospital is a development site and Klaus Kirketerp Møller, Chief Surgeon at Bispebjerg University Hospital and Copenhagen University, is a contributor to the SoftOx Advisory Board. The Company is working in close collaboration with Thomas Bjarnsholt, a professor of bacteriology from University of Copenhagen, who is also a member of the advisory board. Thomas Bjarnsholt and Klaus Kirketerp Møller as well as our partners at Oslo and Malmö University have contributed as inventors of the technology platform.

The US Naval Medical Research Center ("NMRC") and SoftOx are active partners in the clinical development. The support from the NMRC clearly demonstrates that we have a technology with the potential to help to solve the challenge of chronic wounds. SoftOx has also received financial grants from The Research Council of Norway ("NFR").

Among SoftOx's key supporting partners are the World Health Organization's (WHO) project group Private Organizations for Patient Safety ("POPS"), EXCITE International, Medical Technology Enterprise Consortium ("MTEC") and the European Wound Management Association ("EWMA"). EXCITE International and Blue Cross/Blue Shield recommended the development of SoftOx Biofilm Eradicator (SBE) to MTEC and the US Department of Defense.

SoftOx continuously considers collaborations with industry and academic groups to develop and strengthen the Company's strategic and competitive position as well as its technology platform and to offer better treatments for patients.

Rewarding investment in SoftOx

SoftOx Solutions is a biotech company dedicated to creating a completely new class of antibiotics, which are effective against bacterial infections, viruses and fungi. This new type of antibiotic is developed to work locally and non-systemic, whether it is intended for treatment in wounds, the oral cavity or in the respiratory tract, and does not induce known antimicrobial resistance. Our vision is that SoftOx products will represent a breakthrough in the fight against infections in a way that the world has not seen since Alexander Fleming discovered penicillin in 1928.

A. World leaders in understanding biofilm infections

We are cooperating with some of the world's leading research institutions and Key Opinion Leaders in the field of infectious disease. Our researchers have a proven record on biofilm infections and anti-microbial resistance. Professor Thomas Bjarnsholt, our primary investigator on SIS, is one of the world's most cited specialists in the field of infectious disease. We are working with world-class research institutions including the Costerton Biofilm Center at the University of Copenhagen, Bispebjerg University Hospital in Copenhagen, Lund University, and the US Navy under the Department of Defense. SoftOx has also received extensive support from the Norwegian Government through NFR and the tax refund program "Skattefunn".

Through the years, we have developed a close cooperation with EXCITE International, a not-for-

profit initiative with partners such as USFDA, Canada Health, UK department of Health and Dutch Ministry of Health in addition to leading members like Blue Cross Blue Shield Association and Mayo Clinic. Through this cooperation we have established global collaboration with a new approach for important assessments on the potential of our innovations and how to prepare for the best possible market adaptation. SoftOx CEO is also a member of EXCITE International Advisory Council.

B. Resourced to deliver significant milestones

SoftOx is a fast-growing organization with our headquarter in Oslo and an office in Copenhagen. Recently, we initiated an organizational development process to scale the organization for future growth. Today, we are 21 employees, several of whom have extensive experience from senior management positions in the pharma and biotech industry. We have three PhDs working full-time in our

R&D department, one doctoral research fellow sponsored the NFR and three full-time external PhDs on the payroll involved in the R&D activities of SoftOx. The Company also has experienced professionals with significant industry-specific competence in sales and marketing from the pharma industry.

C. Product based on well-known compounds for the human body

SoftOx has developed a stabilised solution based on compounds well known to the human body. The pH of the solution is close to the pH you find in body fluids, which makes it well-tolerated for use both local, in all kinds of tissue and mucous membranes. This gives us the opportunity for a completely new way of treating all kinds of infections and provide multiple applications in our R&D activities.



02

Strategic report

What we do

At SoftOx, we develop new ways of eradicating infections and fighting antimicrobial resistance. We believe that our technological platform represents a new way of treating infections without inducing resistance. With our R&D projects, we work to fill in the gap by developing a new class of non-systemic antibiotics and antimicrobial agents. Our aim is to help fight major threats to human health, including:

01

Emergence of antimicrobial resistance (AMR)

According to the World Health Organization (“WHO”), antimicrobial resistance (“AMR”) is a major threat to global health. New forms of resistance are emerging and can spread with remarkable speed between continents.

Antibiotic resistance refers specifically to resistance to antibiotics occurring in common bacteria that cause infections. AMR is a broader term, encompassing resistance to drugs that treat infections caused by a variety of microbes, such as parasites (e.g. malaria), viruses (e.g. influenza, COVID-19 and HIV) and fungi (e.g. Candida).

AMR accounts for an estimated 50,000 deaths annually in the U.S. and Europe. WHO estimates an annual global death toll from AMR of 700,000 worldwide. This figure is likely to increase to 10 million by 2050, surpassing cancer as the most prevalent cause of death. Without innovative solutions, modern treatments for organ transplants, advanced surgery and spinal therapy will fail.





02

Biofilm infections in chronic wounds

Biofilms are aggregates of microorganisms (e.g. bacteria) embedded in a slime-like matrix, which protect the bacteria from the immune system and the effects of antimicrobials (e.g. antibiotics). Biofilms have been observed in various conditions, such as chronic wounds, cystic fibrosis and eczema. There are approx. 40 mill chronic wounds yearly and the cost of treating infections in these wounds are estimated to USD 10 bill. Conventional antibiotics for managing these infections are not effective in eradicating biofilms without adverse effects on the host and the environment. The inappropriate use of antibiotics and their inability to eradicate biofilms further contributes to the development of anti-microbial resistance and places patients at high risk for acquiring or spreading multi-drug resistant microorganisms.

There is growing evidence indicating the presence of biofilms in non-healing², chronic wounds and their adverse role in delaying normal wound healing. Current approaches for managing infections in wounds, such as antibiotics or antiseptics, are not effective in eradicating biofilm infections. To be truly effective, antimicrobial agents must be able to penetrate and kill microbes embedded in the biofilms of wounds without impeding the wound healing process of the host.

² Cooper RA, Bjarnsholt T, Alhede M. 2014. Biofilms in wounds: a review of present knowledge. J Wound Care. 23(11):570.

Thomas Bjarnsholt, DMSc and Professor at Copenhagen University and University Hospital, and his research partner MD Klaus Kirketerp-Møller, Chief Surgeon at Bispebjerg University Hospital and Copenhagen University, have tested our anti-microbial agent and stated the following:

”

“We have tested a large variety of topical antiseptics for the eradication and removal of biofilm in our in-vitro wound models. SoftOx has shown outstanding results; both directly on the surface of the biofilm and beneath the simulated wound surface where the type of biofilm is found, which is the most difficult to eradicate.”

“Biofilms represent a major problem for wound healing as they protect, spread and facilitate the creation of new antibiotic-resistant superbugs.”



03

Spread of viruses

Over the past 50 years, more than 300 pathogens have emerged or re-emerged, including Zika, yellow fever, Ebola and recently SARS-CoV-2. Such epidemics and pandemics have been predicted and are anticipated in the future. There remains an unmet need for effective and well-tolerated virucidal solutions to aid infection prevention and control.

The WHO monitors viral outbreaks closely and develops guidelines for infection prevention and control (IPC) strategies. Proper hand hygiene measures for the general public, and for healthcare workers specifically, are of crucial importance.



Technology platform

Reinforcing Nature's Own Ability To Eradicate Unwanted Microbes

The SoftOx approach to the development of an antimicrobial solution is to investigate naturally occurring chemicals that harbour broad antimicrobial effects without inducing resistance. The broad-spectrum antimicrobial effect includes active and dormant bacteria, viruses, yeast, fungi and spores, including bacteria within a protective biofilm environment.

Our primary focus is to combat the 12 pathogenic bacteria that pose the greatest threat to human health. There is also emphasis on supporting the fight against viral epidemics/pandemics caused by coronavirus (such as MERS-CoV, SARS-CoV-1 and SARS-CoV-2), influenza virus, Ebola virus, norovirus, poliovirus and others.

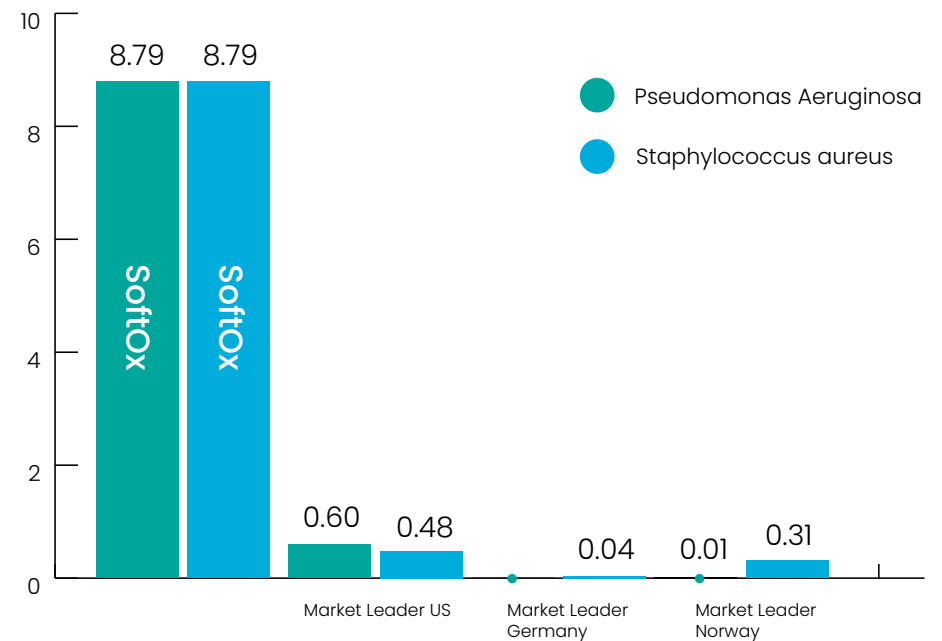
The Unique Combination Effect Of SoftOx Technology

In collaboration with leading scientific teams from the universities of Copenhagen and Lund (Sweden), SoftOx Solutions has discovered a unique synergetic effect of two natural components, proven to be well tolerated by both humans and animals.

Based on this discovery, SoftOx Solutions has developed a patented anti-microbial solution with a documented strong antimicrobial effect on all types of bacteria (including multidrug resistant bacteria and those embedded in biofilms), fungi, spores and viruses. Our research has also determined that this novel solution does not induce microbial resistance.³

³ Clinical Development Success Rates, 2006-2015, June 2016. Biotechnology Innovation Organization, Biomedtracker & Amplion

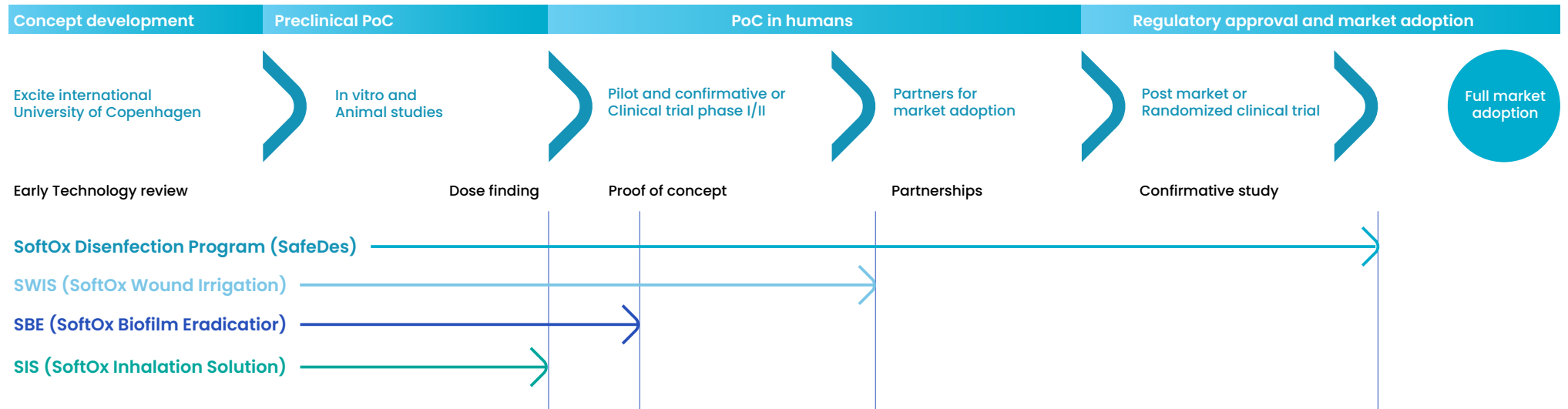
Lag 10 reduction cfu/ml*



The combination effect shown on a surface biofilm model compared to market leading competitors.

*Experience from Costerton Biofilm Center

Product development platform



SoftOx is developing a broad range of products to satisfy different medical needs by tweaking the concentrations of the chemical agents in the technology. Hence, the different development pathways of SoftOx are based on the same technology, but with different formulations, complexity and concentrations. Current SoftOx products range from the newly launched alcohol-free hand disinfectant to the more advanced SoftOx Biofilm Eradicator (“SBE”) and SoftOx Wound Irrigation Solution (“SWIS”) in late-stage development, in addition to the relevant inhalation solution (“SIS”) project.

The Company’s research and development processes follow the standardised methodology required for biocides, medical devices and medicinal products respectively. Each development project starts with the Early Technology Review and concept development, usually in cooperation with EXCITE International, University of Copenhagen and Bispebjerg hospital. EXCITE is a not-for-profit initiative involving the collaboration of global key stakeholders, innovators/industry, regulators, payers, health systems, patients, scientists and end-users who work together in the premarket space to advise on optimization of product development to gain market adoption. From this exercise, SoftOx gains know-

ledge on if the concept meets a demand in the market, if there is willingness to pay and gain important input on what the correct approach towards regulators would be. The next step involves in vitro and animal studies to establish preclinical proof of concept (PoC). This normally includes testing of the drug in non-human subjects to gather efficacy, toxicity and pharmacokinetic information. Afterwards, there are pilot and confirmative studies or clinical trials phase I/II to reach proof of concept (“PoC”) in humans. In the final step, the Company reaches out to partners for market adoption. The picture above shows the different steps and how far the Company’s main four projects have progressed.

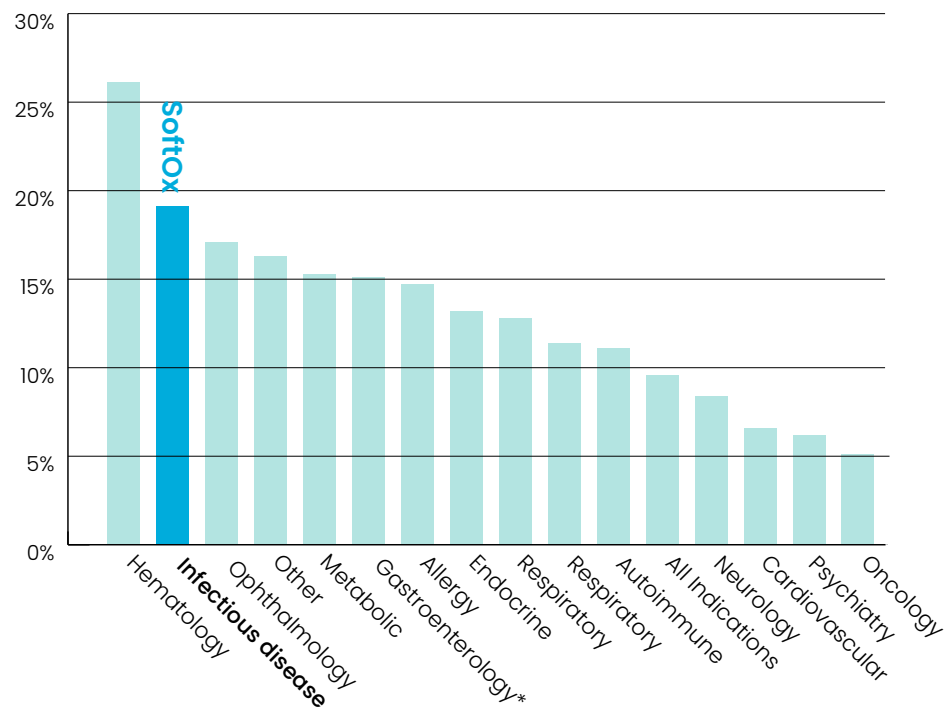
Key points in SoftOx product development

Key technology characteristics we build our product development on:

- Endogenous substances that are familiar to the human body
- Solid clinical experience for each of the active substances
- In vitro studies show clear combination effect against all microbes tested, even in biofilms
- Clinical trial showed antimicrobial effect at low dose
- Preclinical and clinical results show no safety concerns in wounds
- Research so far indicates that the solutions does not induce antimicrobial resistance
- Intended for topical use with no measurable systemic effects
- Development of anti-infectives has higher probability of success from Phase I to Approval than most therapeutic areas⁴

⁴ Clinical Development Success Rates, 2006-2015, June 2016.
Biotechnology Innovation Organization, Biomedtracker & Amplion

Probabilities by disease



Based on one of the largest studies of clinical drug development success rates to date, SoftOx is developing products within an area (infectious disease) that has one of the highest probabilities of success.

Research and Development

SoftOx wound care products

All SoftOx products utilize the same technology, but the concentrations are tailored for different uses and indications. The technology is based on a combination of naturally occurring chemicals that harbour broad antimicrobial effects without inducing resistance. Studies have documented the strong anti-microbial effect of this technology against all bacteria (including resistant bacteria), fungi and viruses. The Company is developing a range of products that can be classified as either medical devices or medicinal products (drugs) for human use.

SoftOx Wound Irrigation Solution (“SWIS”)

SWIS is intended for acute and chronic wounds and was developed to prevent and treat infections, including biofilms.

Unmet needs

The global infection prevention market is estimated at USD 1.6 billion.⁵ Considering acute wounds, there are annually 50 million traumatic wounds and 250 million surgical wounds worldwide. The market potential is high and there have been little or no innovations in this market for a long period of time.

How it works

SWIS is designed to rinse wounds to prevent infection and biofilm formation. The medical device uses a lower concentration to yield a softer sting when applied to wounds. SWIS is safe to use and

non-toxic to host cells and tissue. The solution effectively kills antibiotic resistant bacteria without inducing new resistance.

Today’s solutions

Saline water is the most common treatment for acute wounds and holds 80% of the current market. Currently available topical antibiotics have side effects and limitations including, but not limited to, allergic reactions, poor penetration into the wound and ineffectiveness against antibiotic-resistant organisms and fungal infections.⁶

Key results to date

SWIS, the company’s first medical device, has seen good progress. The clinical study (SWIS-02), which is to confirm the results of the first pilot study (SWIS

01), is approved by both the Danish Medicines Agency and the Danish Research Ethics Committees (“VEK”). The clinical study started late November 2020 and has already recruited 20% of the total number subjects by the end of December 2020. The study is being performed at the recognised Wound Healing Center at Bispebjerg University Hospital in Copenhagen. The medical device has seen good progress over the recent period and the product was expected to be ready for market in 2021. Given the ongoing lockdown by the Danish government, this situation is affecting the recruitment pace of the study. Due to the nature of the ongoing COVID-19 pandemic, the Company cannot predict when the study will be completed.

5 Wound Irrigation Solutions to Market 2027 , ResearchandMarkets.com

6 O’Meara S, Al-Kurdi D, Ologun Y, Ovington LG, Martyn-St James M, Richardson R. 2014. Antibiotics and antiseptics for venous leg ulcers. Cochrane Database Syst Rev. 10(1):CD003557

SoftOx Infection Remover (“SBE”)

SBE functions as an infection remover in chronic wounds and is a safe disinfectant with the unique ability to remove hard-to-treat microbes embedded in biofilm. The recent studies have shown that SBE is significantly more effective than competitors against *Pseudomonas aeruginosa* and *Staphylococcus aureus* biofilm, the most common bacteria in chronic wounds. Our research so far indicates that the SoftOx Biofilm Eradicator does not induce resistance or cross-resistance development towards antibiotics.

Unmet needs

A total of 190 million wounds worldwide require treatment yearly. All wounds are susceptible to acquiring infections due to the absence of a protective skin barrier. Current approaches for managing infections in wounds are not effective in eradicating biofilm infections without having adverse effects on the host. Furthermore, in our current era of antibiotic stewardship, the inappropriate use of antibiotics to treat infections in wounds and their inability to eradicate biofilms in these wounds place patients at high risk for acquiring antibiotic-resistant organisms. Globally, it is estimated that 40 million wounds fail to proceed through an orderly and timely healing process and become classified as chronic wounds, resulting in two million amputations annually. Chronic wounds represent a silent epidemic that affects a large fraction of the world's population and poses a major growing threat to patients, public health and the economy.

There are potential millions of chronic wounds that can be candidates for a new treatment with SBE. The Company is currently exploring different indications such as venous leg ulcers, diabetic foot ulcers, pressure ulcers and other chronic wounds. Based upon the Company's health economic

model by MedValue (Radboud University) and different reports on the subject, the global market size is estimated to USD 11 billion.⁸

How it works

To avoid further complications, infections in chronic wounds must be removed before a wound heals. SBE contains a higher concentration to increase the formula's antimicrobial potency. The Biofilm Eradicator works by penetrating and killing microbes within biofilms. The formula penetrates deep into wound bed, yet it is non-toxic and safe to use. SBE kills antibiotic resistant bacteria and does not induce new resistance.

The scientific proof of principle of the Company's lead candidates in killing bacteria in biofilms has been achieved by using in vitro wound simulation models, which were designed to mimic both surface and deep-tissue embedded biofilms. In these models, the candidates were able to eradicate mature biofilms of both *Pseudomonas aeruginosa* and *Staphylococcus aureus*, which are the two most prevalent bacterial species found in complicated chronic wounds. The killing effects of SoftOx are more than log 8 (e.g., 99.999999%), whereas competitor products found currently on the market only manage to achieve less than log 1 killing in biofilms (e.g. <90%).

Today's solutions

Antibiotic resistance and biofilm formation by pathogenic bacteria in wounds limit the possibilities of using antibiotics in treatment of infections in chronic wounds. Today's recommended solution, to create a fresh wound bed through debridement, removes only 90% of the biofilm infection and involves a surgical removal which is costly and involves the risk of further complications.

Key results to date

The recent studies have shown that SBE is significantly more effective than competitors against *Pseudomonas Aeruginosa* and *Staphylococcus Aureus*, the most common bacteria in chronic wounds. The final audited report (ISN NO0010811961, Euronext Growth) from the toxicity study (GLP standard) over 28 days was received during Q4-2020. This study, performed at the European Research Biology Center (ERBC) in Pomezia, Italy, aimed to examine the company's SBE product candidates with regard to tolerance and toxicity in minipigs (which is the chosen animal model for toxicological studies of damaged skin for drug testing and is also the animal model recommended by the regulatory authorities). As previously reported, even at the highest concentrations, no adverse local or systemic effects of the test solutions were observed, and the product candidates can therefore be regarded as safe. With the final report at hand, we have achieved an important milestone documentation-wise, and the results are very encouraging. The study provides a solid foundation for further development of SBE in human patients with infected chronic wounds.

8 Advanced Wound Care Market Size, Share & Industry Analysis – Fortune Business Insights (2020)



SoftOx Inhalation Solution (“SIS”)

SIS is undergoing development for the treatment of respiratory tract infections caused by viruses or bacteria. SIS is an aerosolized form of the SoftOx technology, designed to be safe and effective in the upper airways and in the lungs. Although there may be many indications for use, the Company has at the present time focused on the COVID-19 pandemic and patients.

Unmet needs

There is a huge unmet need for infectious disease treatment in the respiratory tract. The development of SIS will serve as a supplement to vaccines. When looking into different relevant indications in the US and EU including acute bronchitis, COVID-19, bacterial pneumonia and influenza, we estimate the market for a product like SIS is USD 12.5 billion annually.

Pneumonia is the leading cause of death among children worldwide⁹, and influenza continuously kills a vast number of people each year despite the availability of vaccines.¹⁰ Over 10 million people develop tuberculosis, and 1.4 million die from it each year making it the most common lethal infectious

disease.¹¹ Furthermore, patients with chronic obstructive pulmonary disease (“COPD”) are vulnerable to microbial infections. All these patients will benefit from the development of a novel product to combat bacterial and viral infections which, if left untreated, slowly deteriorate their lungs.

How it works

SIS is an aerosolized form of the SoftOx technology, designed to be safe and effective in the upper airways and in the lungs. The aim is to develop a cheap, easy-to-use and available for everyone product that can be inhaled (through the use of a nebulizer) to prevent and treat infections.

The Company proposes that the antiviral effect of the SoftOx technology can destroy virus particles in the respiratory tract both upon first exposure, during infection and when virions are assembled into intracellular membranes and released by the human cells. SIS can prevent infections for patients at risk of acquiring SARS-CoV-2 and any other viral or bacterial infections. If a patient is already infected by viruses or bacteria, SIS can prevent disease progression and eradicate the infection.

Today’s solutions

The current treatment for respiratory infections includes antibiotics. SIS has the potential to be an alternative to antibiotics when treating resistant infections.

Key results to date

After presenting the preclinical evidence to the Danish Medicines Agency (October 2020), the company obtained important feedback on the development plans, aiming to bring SIS to market as soon as possible. The project has advanced considerably with the preclinical research to establish safety and tolerability in relevant animal models. At the same time, the Company now has gained even more evidence on the therapeutic concentrations. Altogether, this will be included in the scientific documentation to enable the company to proceed into the first-in-human study (“FIH”). The estimated regulatory submission for FIH studies is during Q1 2021.

⁹ Pneumonia: The forgotten killer of children. Geneva, The United Nations Children's Fund/ World Health Organization. 2006. Available from: https://www.who.int/maternal_child_adolescent/documents/9280640489/en/

¹⁰ Iuliano AD, Roguski KM, Chang HH, et al. Estimates of global seasonal influenza-associated respiratory mortality: a modelling study. *Lancet*. 2018; 391(10127):1285-1300

¹¹ Global Tuberculosis Report 2016. Geneva, World Health Organization, 2016. Available from: http://www.who.int/tb/publications/global_report/en/



Market trends, distribution and sales

SoftOx wound care products

SoftOx Alcohol-free Hand and Surface Disinfectant – patent by SoftOx

SoftOx disinfection brands SafeDes® and EffectDes® are both effective and clinically documented products. They are safe, well tolerated and do not dry out both healthy and compromised skin. The products are effective against all relevant microbes and have been thoroughly tested and documented in accordance with EN-tests: EN13727, EN1500, EN13624 and EN14476 for hand disinfectant and additionally EN16615, EN14358 and EN17126 for surface disinfectant. Both product lines have documented full virucidal efficacy on both naked and enveloped viruses (e.g. coronaviruses, influenza virus, norovirus, and others). Enveloped viruses, such as SARS-CoV-2, are inactivated after only 15 seconds of application. EffectDes® Surface Disinfectant is proven to be effective both on Mycobacterium and spores, making it an ideal and proven high-level disinfectant for health care settings.

Unmet needs

In an Early Technology Review (“ETR”) held by EXCITE International in 2019, an expert panel was assembled to evaluate the use of SoftOx hand disinfectant to improve handwashing and quality of life among health care workers. The expert panel, which included some of the largest customers in the US and UK (Kaiser Permanente, Mayo Clinic, NICE), acknowledged a great need for more skin-friendly solutions and recommended SoftOx as a strategy for replacing alcohol-based handrub. This is based on expectations that SoftOx will increase hand disinfection compliance rates and lessen the severity of users’ hand eczema.

For health professionals, it is well known problem that today’s disinfection solutions dry out and damage the skin. Due to the increased use and attention around hand disinfection during the COVID-19 pandemic, this issue has become even more relevant. Particularly vulnerable groups such as children, young people, the elderly and people with sensitive, damaged skin or eczema need a safe and skin-friendly alternative to alcohol-based disinfectants.

How it works

The formulation has been tested in pre-clinical biocompatibility studies as well as in clinical trials which have documented its excellent safety and tolerability profile. Even in conditions of breached or compromised skin, e.g. often experienced by healthcare workers, it does not sting, burn or dry out the skin, which makes it an ideal alternative to alcohol-based handrub. Importantly, our research indicates that the SoftOx formula does not induce antimicrobial resistance. The use of the SoftOx Solution can help prevent and reduce hand eczema and irritated skin among healthcare workers, increase hand hygiene compliance and reduce hospital-acquired infections and antimicrobial resistance.

Today's solutions

Normally, hand disinfectants are available as a liquid or gel, based on organic solvents (typically 70-85% alcohol). These products work by drying out the bacterial-cell walls, thereby destroying them. Alcohol also affects healthy skin by dehydrating it. People using alcohol-based hand disinfectants, therefore, risk damaging the skin, and the more often alcohol-based products are used, the higher the risk.

There are also other limitations of using alcohol-based disinfection products. A product without alcohol makes it easier to use an effective and complete solution both in institutions such as prisons, airports, public transport hubs, substance abuse care centres, kindergartens and elsewhere in the health care system. Alcohol-free disinfection prevents the risk of abuse and does not pose a fire risk. In addition, much of the equipment in the health care system does not tolerate alcohol, which means that there is a need for alternative cleaning routines than standard alcohol-based disinfection.

Production

During 2020, SoftOx established several production facilities, both for production of small bottles and up to 5 litre bottles. A quality management system is established to secure the quality of all products and gain full control of the production process. Emphasis has been placed on bottling and flexibility in bottle size and shape as well as an established in-house production line gives increased flexibility.

Market trends

SoftOx long-term ambition is to establish a new category of highly effective and skin-friendly hand disinfection products. The Company want to establish SoftOx as the preferred choice of alcohol-free disinfectants, especially in the segment of users who experience that today's hand disinfectant products dry out and damage the skin.

National guidelines currently prioritize disinfectant products with alcohol. SoftOx is working to ensure that new products with documented effect, safety and skin friendliness are at least equated with current products, and SoftOx has a close dialogue with the authorities in all the Nordic domestic markets in this regard. The WHO has also acknowledged the need for alcohol-free solutions in their updated guidelines on hand disinfection. This growing awareness along with the expected approval from the Swedish Chemicals Agency ("KemI") and the expected updated guidelines from FHI will pave the way for the product introduction on a pan-European level, in addition to the local level. The Norwegian Minister of Health has previously confirmed that the hand hygiene guidelines will be updated accordingly when new knowledge is made available. With this stated, there is nothing in the guidelines to hinder the use of the SoftOx disinfectant products. We fulfil all documentation requirements, and we are now experiencing an increased interest from Norwegian healthcare professionals.

SoftOx expects that the market for disinfectants will continue to grow in 2021 because of the ongoing COVID-19 pandemic. The gradual opening of society as a result of vaccination efforts will most likely bring

further focus to infection control measures, and thus keep the use of disinfectants at a high level in the medium to long term. Our focus will be on the military and health care sector, with B&B product testing in Scandinavia.

We are experiencing a growing interest in our effective and skin-friendly products in the market, and we expect this segment to gradually increase its market share. SoftOx has therefore decided to stick to the long-term strategy of building the foundation for the category of "highly effective and skin-friendly disinfection" and establishing a separate category of skin-friendly hand disinfectants, with SoftOx as the preferred solution, rather than maximizing the short-term sales of SafeDes® and EffectDes® in a saturated alcohol-based market.

Sales and distribution

SoftOx introduced the brands AntiVir™ and SafeDes® Hand Disinfectant™ and EffectDes® Surface Disinfectant to the Norwegian market in Q2-2020. During the second half of 2020, the Company has worked intensively to expand its network of distributors in several market segments. The Company has also been working extensively to establish relations and increase product knowledge with important key customers in various market segments.

By the end of 2020, SoftOx has built a solid foundation on the distributor side in Norway: MILAS for the kindergarten segment; Bonaventura for groceries, pharmacies and specialty stores; AssistCo for sports and sports medicine; Brødrene Dahl for the industrial segment; Wittusen and Jensen for the office segment, the Red Cross Auxiliary Corps for

infection control, OneMed for the medicinal segments and the large B2B specialists Maske, Staples and Norengros. Through AssistCo, SoftOx hand disinfectant has been launched in the sports chain XXL in Norway, Sweden and Denmark and is on its way into additional sports chains in Norway in Q1-2021. Through Bonaventura, SoftOx has been accepted into NorgesGruppen's grocery chain Meny, in addition to a voluntary listing in the grocery chains Spar and Bunnpris, which includes a total of more than 700 grocery stores in Norway.

This distribution network gives the Company wide access to all segments of both the B2C and B2B market in Norway and is a solid foundation for the sales growth in 2021 and onwards. The market introduction in Scandinavia gives SoftOx important guidance on how to penetrate foreign markets.

The primary focus is on the health care sector where we have an upcoming hospital tender (HINAS) for the infection disease control category. The tender continues to be postponed and is expected to be announced in October 2021 for the first time with a separate category for alcohol-free hand disinfection. In Sweden, SoftOx has participated in two regional tender hearings (of 13) from which public tenders are expected to be published later this year.

At SoftOx, we look at 2020 as the launch year for the first product based on the innovative SoftOx technology. In the years to come, we believe that our technology will form the basis for a number of innovations that that will make important contributions in "Helping the World Fighting Infections".

In this launch year, we faced both challenges and victories. Naturally, entering an established market and market infrastructure come with some start-up problems and a lot of lessons. The COVID-19 pandemic hit us with full force in the spring of 2020, and we managed to launch 6 months in advance of the original plan. Many had possibly too optimistic expectations regarding sales and speed of market penetration, but we experienced long-lasting negotiations with distributors and delays in large tenders with public customers. We also faced a significant delay in the update of the hand hygiene guidelines from the Norwegian Institute of Public Health ("FHI").

In retrospect, we are still satisfied with our progress and achievements, especially with establishing a solid platform of distributors enabling us to capitalize on opportunities ahead. The COVID-19 pandemic has created a larger market for disinfectants for many years to come. We know that we have a skin-friendly and superior product. We have established a clear sales and marketing strategy. The needed production capacity is in place to meet the market demand.

For a global perspective, the roll out in Norway serves as a pilot market to better understand the post-COVID consumer. As soon as we get the expected EU approval for Scandinavia, a sequential approval process will start in other European countries.



Outlook and objectives

SoftOx's objectives

Progressing work on the development of each individual project:

- SoftOx Wound Irrigation Solution (SWIS) – complete the clinical study (SWIS-02) and quality system for medical devices, establish GMP production and submit an application to the Notified Body for CE certification
- SoftOx Biofilm Eradicator (SBE) –achieve regulatory approval and launch a Phase I study in patients with chronic leg wounds
- SoftOx Inhalation Solution (SIS) –aim to submit Clinical Trial Application and obtain approval for initiating a first-in-human study with SIS

The company's work to boost sales to achieve a positive cash flow is initiated in three Nordic markets

Submission of tenders for HINAS (hospital tender for the national agreement in Norway) announcement where the tender will introduce a new and separate category for alcohol-free hand disinfection

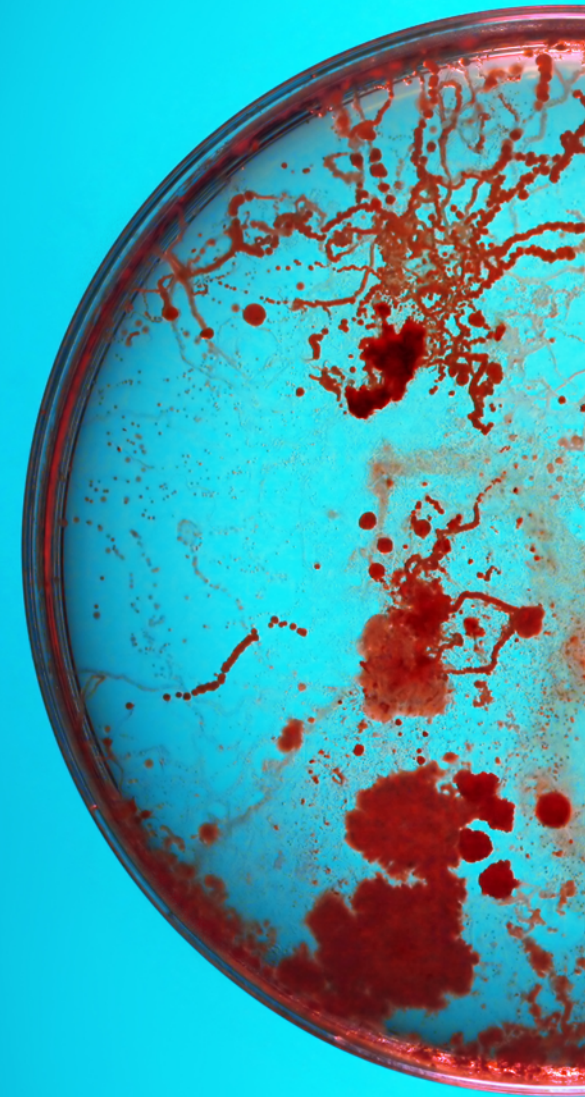
Submission of regional tenders in Swedish healthcare for both hand and surface categories with SafeDes® and EffectDes®

Product launch to the consumer segment via AssistCo into the sports segment (XXL, Sport1, Stadion Sport) and Bonaventura into grocery chain NorgesGruppen's members Meny, Spar and Bunnpris Q1/2021

Obtain approval of disinfectants in the Nordic region first and then begin to launch the products in selected markets

Resume activities in animal health

Establish a network of partners and sales distributors in Norway, Sweden, Denmark and Germany during the next 6-12 months – an experience which can be leveraged for launches in other countries.



Financial review

Income statement

(Figures in brackets equals the same period 2019 unless stated otherwise)

Operating income

Operating income for the full year 2020 amounted to NOK 9,8 million (NOK 4,1 million) for the Group and NOK 6,1 million (NOK 4,1 million) for Solution. The income consists primarily of grants from the Research Council of Norway under the BIA program for user-driven research-based innovation, NOK 5,7 million (NOK 4,1 million), reimbursement from Department of Defense, NOK 0,5 million and sales of disinfectants, NOK 3,7 million.

Operating expenses

Total operating expenses for 2020 for the Group amounted to NOK 61,2 million (NOK 25,9 million), and NOK 50,4 million (NOK 26 million) for Solution. Employee costs in the Group were NOK 18,9 million (NOK 11,2 million), and NOK 15,2 million (NOK 8 million) for Solution for full year 2020.

Salary costs were NOK 18,8 million (NOK 11,2 million), an increase of 68 % compared to the previous year. This increase is mainly due to new employees in the production, sales and administration departments, which will contribute to boosting business further.

For the full year 2020, other operating costs for the Group amounted to NOK 39,6 million (NOK 13,1 million) and NOK 35,2 million (NOK 17,9 million) for Solution. The increase in operation costs is driven by expansion of clinical trials and construction and facilitation of the Company's production and sales force.

The Group has recognized government grants for a total of NOK 4,7 million (NOK 4,3 million) for the full year 2020. Payroll expenses has been reduced by NOK 0,73 million (NOK 1,1 million) and operation expenses by NOK 4,1 million (NOK 3,3 million) as a result of these government grants.

The operating loss for the Group in 2020 was NOK 51,4 million (NOK 21,8 million) and NOK 44,3 million (NOK 21,9 million for Solution), reflecting the increased level of activity related to many clinical trials and construction activities.

Net financial profit for the Group was NOK 1,6 million (NOK – 0,3 million) and NOK 1,5 million (NOK -307 thousand) for Solution for the full year 2020.

Losses after tax for the Group was NOK 37,4 million (NOK 16,4 million) and for Solution NOK 31,9 million (NOK 16,3 million) for the full year 2020.

Statement of financial position

Total assets at 31 December 2020 for the Group decreased to NOK 87,3 million (104,9 million) for the Group and to NOK 96,2 million (NOK 105,3 million) for Solution, mainly due to the cash spent on operating activities.

Total liabilities were NOK 11,1 million (NOK 18,5 million) for the Group and NOK 11,2 million (NOK 15,4 million) for Solution.

Total equity as of 31 December 2020 was NOK 76,2 million (NOK 86,5 million) for the Group and NOK 84,9 million (NOK 89,8 million) for Solution, corresponding to an equity ratio of 87,3 % (82,4 %) for the Group and 88,3% (85,3 %) for Solution.

Statement of cash flow

Net cash flow from operating activities was negative by NOK 60,4 million (NOK 10,6 million) for the Group and negative by NOK 50,2 million (NOK 17,3 million) for Solution for the full year 2020, mainly driven by the level of activity related to the clinical trials and construction and facilitation of the Company's production and sales force.

Net cash flow used in investing activities during the full year 2020 was negative by NOK 7,7 million (NOK – 3,2 million) for the Group and NOK 23,9 million (NOK -3,5 million) for Solution.

Net cash flow from financing activities was NOK 26,9 million (NOK 88,5 million) for the Group and NOK 27,0 million (NOK 88,4 million) for Solution for the full year 2020, reflecting the share issue in December 2019 and 2020 in relation to the completion of the private placement.

Cash and cash equivalents decreased to NOK 34,8 million (NOK 75,9 million) for the Group and NOK 28,7 million (NOK 75,7 million) for Solution.



03

Governance



Corporate governance

The Company has made it a main corporate governance point to ensure trust in the Company and to enhance shareholder value through effective decision-making and improved communication between the Executive Management, the Board of Directors and the Company's shareholders.

The Board of Directors has a responsibility to ensure that the Company has sound corporate governance mechanisms and 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 in general.

Trading at Euronext Growth Oslo does not require the implementation of a specific corporate governance code, such as the Norwegian Code of Practice for Corporate Governance (the "Code").

Business

SoftOx Solutions AS is seeking to advance the disinfection and wound treatment market with a strong science-based technology. By developing and selling new, revolutionary disinfection and wound treat-

ment products, SoftOx is obligated to deliver safe and high-quality innovative products at reasonable prices. SoftOx accomplishes this by complying with applicable health regulations and standards. SoftOx is developing and establishing guidelines that lay down the ethical standards and procedures. These guidelines comprise the company's view and main principles for business practice, anti-corruption and behaviour toward colleagues, patients, business partners and other relevant stakeholders.

General meetings

The general meeting is open to all shareholders, and SoftOx encourages all shareholders to participate and exercise their rights in connection with the company's general meetings.

The chairman of the meeting is elected by the shareholders. This is considered sufficient to ensure the independence of the meeting chairman. The General meeting will establish a Nomination Committee, which will be responsible for recommending candidates to the Board of Directors. Equal treatment of shareholders and transactions with close associates

SoftOx has only one class of shares. Each share in the company carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis unless there is just cause for treating them differently.

Board of Directors, composition, and independence Pursuant to Article 5 of the Articles of Association, the Board of Directors shall consist of between one and six members. The current Board of Directors consists of four members, of whom one is a woman and three are men. All members are elected for a term of two years and may be re-elected.

The composition of the Board of Directors is compliant with the Code, as the majority of its members are independent of the Executive Management and material business contacts, more than two members are independent of the main shareholders, and none of the Company's executive managers serve on the Board of Directors.



The work of the Board of Directors

The Board of Directors is responsible for providing strategic guidance to the Company and for monitoring the business operations of the Executive Management. At the meetings of the Board of Directors, which are held approximately every two months, the CEO updates the Board on the operational and financial developments of the Company.

The Board of Directors reviews and evaluates its work annually.

Risk management and internal controls

SoftOx Solutions AS has the responsibility for the establishment of a risk management and internal control system that complies with regulations applicable for the activity. The company has implemented a comprehensive set of procedures, policies and manuals that provide detailed descriptions of activities in all aspects of the products, including development, clinical studies, controls, manufacturing, marketing and finance. All procedures always reflect best practice and SoftOx strives for simplicity in all its operations to minimize the risk of mistakes but never to compromise on quality and compliance.

SoftOx is in a phase of starting the implementation of the General Data Protection Regulation (GDPR) and human resources process to protect employee data.

Remuneration of the Board of Directors

The remuneration of the Board of Directors shall be decided at the Company's general meeting, and should reflect the Board of Directors' responsibility, expertise, time commitment and the complexity of the Company's activities. The remuneration is not linked to the Company's performance. The remuneration to the Board of Directors consists of an annual fee and starting share options.

Remuneration of the Executive Management

The Company recognizes the importance of attracting and retaining key employees and executive managers, and the compensation package is regarded as an important tool in this respect. The Company has an option scheme which aims to align the long-term interests of the Executive Management with those of the shareholders. The options are granted subject to the achievement of defined targets for the past year. Warrants typically vest over a period of five years and are granted annually.

For further information about the remunerations, reference is made to note 1 and 7 to the financial statements.

Auditors

The Company's auditors, Berge Lundal, are independent of SoftOx. The auditors provide a statement each year confirming their independence. The auditors attend the board meeting at which the Board of Directors discusses the annual financial statements, accounting principles and other relevant matters. At each year's annual general meeting, the Board of Directors discloses the fees paid to the auditors.



Corporate social responsibility

SoftOx's mission is to create value for patients, the society and its shareholders by discovering and developing a new class of antibiotics.

Employees

The primary focus of SoftOx's corporate social responsibility ("CSR") efforts is its employees. The Company has no formal policy on CSR but is in a phase of starting the implementation of a set of guidelines in its Code of Conduct regarding employee health and safety, and conduct toward healthcare professionals, vendors and competitors. SoftOx promotes an open and strong corporate culture with a healthy, safe and fair work environment in accordance with applicable laws and regulations. SoftOx will not use force of any form or involuntary labour or employ any persons below the legal minimum age.

At year end, SoftOx employed 21 people of which 18 are in Oslo and 3 are in Copenhagen. The working environment in the Group is regarded as good. There were no accidents or work-related injuries during the reporting period. The sick-leave rate of absence was 0 % in 2020.

SoftOx promotes a productive and inclusive working environment, free from harassment, discrimination and disrespectful behaviour. All employees are offered equal opportunities with regards to hiring, compensation, training, promotion, termination or

retirement regardless of gender, age, ethnic and national origin, cultural beliefs, religion, sexual orientation, social background or other distinguishing characteristics. The Group has traditionally recruited from environments where the number of women and men is relatively equally represented. At the end of the year, two out of seven executives in the management team were women.

Environment and climate

SoftOx has a focus on how to minimize the company's impact on the environment. SoftOx is a member of the Grønt Punkt. All company activities are subject to strict requirements in relation to quality, environment and personal health. SoftOx is consistently working to only outsource production and distribution to selected vendors that fulfil both internal and external requirements.

Our technology goal is to substantially reduce the use of dangerous chemicals both in treatment of patients and in disinfection of surfaces at the same time reduce use of antibiotics.

Business ethics

SoftOx is responsible for following all existing and applicable principles and regulations regarding busi-

ness ethics to ensure the highest ethical standards in its research. In collaboration with external contractors, SoftOx is performing pre-clinical studies in animals and clinical trials. SoftOx is committed and continually working to minimize the risk that both volunteers, patients and animals are exposed to in order to ensure safety, quality and animal welfare. All employees and external contractors are strictly obligated to adhere to applicable standards and all studies are performed in accordance with ethical and scientific principles governing both pre-clinical studies and clinical trials in humans, as set out in the Declaration of Helsinki, the International Conference on Harmonization (ICH) guidelines on Good Clinical Practice and instructions given by the ethics committee in the specific country. All external contractors are qualified and competent in providing these types of studies and have a strong collaboration with leading experts on how to design and optimize trial conduct.

SoftOx has a zero tolerance towards corruption and any kind of money laundering. All employees are obligated to avoid any kind violations of these matters. No violations have been reported in 2020.

Risk management

Research and development

Developing MedTech products inherently involves high risk, both in regard to the outcome of clinical trials, completion of clinical trials in a timely fashion, changes in clinical programs and results of product development. The Company seeks to mitigate risk through appropriate measures. The Company designs its clinical studies according to best practice and in compliance with international regulations to minimize risk. Specialized Clinical Research Organizations (“CRO”) are contracted to help in these efforts. The clinical studies are carried out in collaboration with world-class international partners with solid experience in conducting such studies and are conducted according to all applicable quality standards.

Commercial risk

Commercial risks include the time and costs involved in developing products, market competition, regulatory approvals, patent protection and the ability to attract partners. The Company focuses on ensuring sufficient patent protection and works closely with external patent counsels to minimize the risk of patent infringement claims as well as to prepare any patent defence should this be necessary.

SoftOx has been successful in forming partnerships with leading companies in its field. They contribute both financially and with R&D expertise, thereby helping to reduce risk.

Market risk

The Company’s ability to successfully commercialize its products is dependent on several factors, including the receipt of the necessary marketing approvals, established commercial manufacturing and supply arrangements, the ability to establish a commercial infrastructure and a general acceptance of the products among physicians, patients and/or the medical community. The Company’s ability to commercialize its products is also dependent on the Company’s ability to compete with other products, successfully execute the Company’s pricing strategy, in addition to qualify for, identify, register, maintain, enforce and defend the intellectual property rights and claims covering the product.

Financial risk

SoftOx is exposed to financial risk factors, including risks associated with cash management, the short-term liquidity profile of development programs, liquidity from partnerships and the ability to attract

capital from financial markets. The expected main sources of capital to secure future funding are the capital markets, potential new collaboration agreements with partners and potential soft funding from grant applications.

The Company is exposed to currency risk as some of its operating expenses for the clinical trials are paid in foreign currency.

Collaborations and partnerships risks

To successfully conduct its business and operations, the Company is dependent on the ability to develop and sustain successful partnerships and collaborations with different partners within several fields. These partners may include suppliers, the third parties necessary to conduct clinical trials, distributors, marketing partners and key customers or licensees. The different partnerships and collaborations are necessary for the Company to be able to successfully develop, produce, distribute and attain sufficient market acceptance of its product and product candidates. In addition, the Company is dependent on a third-party distribution network, domestic and internationally, in order to secure sales of its products.

Intellectual property rights

The Company's success, competitive position and future revenue is dependent on its intellectual property rights and the Company's ability to protect its rights and know-hows. Adequate protection of its intellectual property will require the Company to obtain and maintain patent protection for its methods, products, processes, technologies and to preserve the Company's trade secrets. Adequate protection will also require the Company to operate without infringing the intellectual rights of third parties and preventing third parties from infringing on the Company's intellectual rights.

SoftOx has a close cooperation with Brown Rudnick LLP which is the main architect behind the Company's IP strategy. The company has an ongoing patent application process to secure new inventions and have key patents filed in US, Europe, Asia and several South American countries.

Human resources

As a highly specialized and scientifically focused company, SoftOx relies on its ability to attract, train and retain talent and expertise. The Company has implemented a compensation scheme and strives to be an attractive employer by offering an inspirational and flexible working environment.

Risk management and internal controls

See section on corporate governance.

Our people

SoftOx's employees are essential for delivering on the Company's ambitions and goals. SoftOx aspires to attract, develop and retain the best people in the sector. The Company strives to be a company where employees thrive and develop, regardless of their background or nationality. The Company works continuously to ensure the wellbeing of and a safe and healthy work environment for its employees.

SoftOx's office and laboratories in Oslo, Norway serve as the Company's head office.



Board of Directors



Melvin Teigen

Melvin Teigen is a business executive with more than 30 years of experience across several industries. Among these, Teigen has held the position as the leader of the listing department at Oslo Børs and as an investment banker at Carnegie and Kaupthing. He has also been the CEO and Director in several Sissener companies (within the asset management business). Other past experience includes CEO/directorships/management positions in several companies across different industries, both listed and unlisted. Teigen holds a Master of Science in business from BI Norwegian Business School with specialization in finance (1986).



Olav Jarlsby

Olav Jarlsby has been serving as a board member on the board of directors from the start of SoftOx Solutions. Jarlsby currently holds the position as General Counsel and attorney-at-law at Elopak AS. In addition to being a board member of the Company, Jarlsby is a board member in other companies within several different areas such as fish protein, fasteners and real estate. Jarlsby holds a Master of Law from the University of Oslo.



Kari Myren

Kari Myren has more than 10 years' experience within the medical field and clinical development from biotechnology and pharmaceutical industries, as well as extensive clinical experience in the field of surgery. She is also a specialist in medical affairs management and drug development and has broad experience within business development, commercialization strategy and health economics. Myren holds a medical degree from the University of Oslo.



Claus Seeberg

Claus Seeberg has more than 20 years of experience with communication and brand building from some of the biggest consumer brands in Norway. He is currently working on an accelerator programme that offers developing companies access to mentorship, investors and other support to help them become stable, self-sufficient businesses. Seeberg is a specialist in managing business processes and strategies that drive brand value. Seeberg has studied marketing at the George Washington University (GWU) and Merkantil Institut (now Fagskolen Kristiania). He has also studied design and advertising at Istituto per l'Arte e il Restauro, Palazzo Spinelli Group in Florence, Italy.

Executive management



**Geir Hermod Almås,
CEO**

Geir Almås is the CEO of Softox Solutions. Almås became a co-founder of the Group in 2008. Almås has previously worked for five years as an auditor for Coopers & Lybrand (now PwC) and nine years in governance, risk management and compliance (GRC), including seven years as risk manager for KLP Asset Management. Prior to joining SoftOx Solutions, Almås has since 2004 worked with business development in Norway and Poland, including five years as CEO and part owner in Polfarm Sp. z o.o. and 9 years as CEO in SoftOx Group. Almås has a broad network both in Norway and internationally. He holds a Master of Science in business from BI Norwegian Business School and he is a Chartered Accountant (Nw: Statsautorisert revisor) with the Norwegian School of Economics (NHH).



**Glenn Gundersen,
Medical Director**

Glenn Gundersen is the Company's Medical Director and is responsible for the preclinical and clinical development of the Company's leading product candidates and overall medical strategy. He has more than 25 years of experience from the biotech and pharmaceutical industry, ranging from big pharma to small and medium-sized biotech companies. Gundersen's primary scientific and medical focus areas have been molecular biology, oncology, immunology and inflammation including wounds/ulcers and multiple sclerosis. He has extensive experience and insight into the value chain of pharmaceutical development (e.g. from laboratory to market). Gundersen holds a Ph.D. in molecular and cellular biology from the University of Oslo.



**Magnus M. Fazli,
Head of Science & Research**

Magnus M. Fazli is the Company's Head of Science & Research. He is responsible for preclinical, scientific, technological and research operations. Fazli has 15 years of academic research experience and is a specialist in microbial biofilms, chronic infections and antibiotic resistance. He also has training in commercialisation of bioscience. Fazli holds a Ph.D. in Medical Microbiology from the University of Copenhagen, with focus on biofilms in chronic wounds. He also holds a Master of Science in biotechnology from the Technical University of Denmark and a Master of Science in bio-business and innovation from Copenhagen Business School.



**Geir Utigard,
Director CMC**

Geir Utigard is the Company's Director of Chemistry, Manufacturing and Controls (CMC). He has nearly twenty years of experience with product and production process development, upscaling, operational optimisation, analysis of production data and technology transfer. Prior to joining the Company, Utigard held the position as senior production developer at Lilleborg AS (Orkla), several leader and manager positions at Axis-Shield PoC AS, and the position as researcher for Nycomed Imaging AS. Utigard holds a Master of Science in chemical engineering from the Norwegian University of Science and Technology (NTNU).



**Kristine Mundal Rød,
Finance Manager**

Kristine Mundal Rød is the finance manager of the Company and responsible for accounting, economic analysis, control and financial reporting for public partners, the stock market and board of directors. Rød has more than 14 years of professional experience. This includes 12 years in EY as financial auditor for listed companies, various organisations and publicly funded projects, in addition to advisory services related to procedures, processes and controls in financial and non-financial (sustainability) reporting. Most recently, she was CFO for Fretex Miljø (a part of the Salvation Army), in charge of P&L, analysis, forecasting and strategy. Rød is a State Authorized Public Accountant (Nw: Statsautorisert revisor) and holds a Master of Business Administration in economics from the Norwegian School of Economics (NHH).



**Hans Petter Grette,
Director Marketing & Sales**

Hans Petter Grette is the Company's Director of Marketing & Sales and oversees the business development of SoftOx Disinfection, marketing and sales. Grette has more than 20 years of top management experience from working with leading branded consumer goods companies and within the B2B industry. Grette is a specialist in strategy, branding, innovation, portfolio management and leadership. He holds a Master of Science in business administration from BI Norwegian Business School and is an American Graduate from the School of International Management in Thunderbird, Arizona, USA.



**Dag R. Abrahamsen,
Director Communication**

Dag Abrahamsen is working with Business Development and is in charge of Public Relations and Governmental Relations. He has more than 20 years of experience working with pharmaceutical, biotechnology and health sector-related companies and organisations. He has also worked with various medical entities as well as patient organisations. He is a specialist in market access, reimbursement and business development within this industry and has an in-depth understanding of all aspects of the pharmaceutical and biotech industry. Dag has a broad network both in Norway and internationally. Dag studied law at the University of Bergen as well as international business management and international business strategy at the Norwegian Business School.



**Elisabeth Ahlmann-Ohlsen,
QA and Regulatory Affairs Manager**

Elisabeth Ahlmann-Ohlsen is the QA/RA manager of the company and responsible for managing and maintaining SoftOx quality management systems and regulatory requirements. Ahlmann-Ohlsen has several years of experience from the pharmaceutical industry and has more than 5 years of experience working with pharmaceutical companies and total of 7 years of experience from the health care sector. This includes working in a highly regulated environment, being responsible as a qualified person for release of product and operating a quality system. Most recently, she has worked as a QA at Novo Nordisk AS for finished products and API production. Ahlmann-Ohlsen holds a master as a Civil Engineer in Pharmaceutical Design and Engineering from the Technical University (DTU) of Denmark.

Shareholder information

SoftOx Solutions AS is a Norwegian limited liability company (“aksjeselskap”) regulated by the Norwegian Private Limited Companies Act (“Lov om aksjeselskaper (aksjeloven)”). SoftOx is listed on Euronext Growth Oslo, a multilateral trading facility, operated by Oslo Børs ASA, with Euronext Growth Oslo ticker SOFTX (“SOFTX”).

The Company has three subsidiaries: SoftOx Disinfection AS, Water Innovation AB and SoftOx Solutions Denmark AB (together the “Group”).

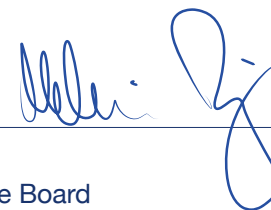
For further information about the Company’s shares, reference is made to note 6 to the financial statements and to the corporate governance section.



Confirmation from the Board of Directors and CEO 2020

We confirm, to the best of our knowledge, that the financial statements for the period from 1 January to 31 December 2020 have been prepared in accordance with NGAAP and reflect a true and fair view of the Group and the Company's consolidated assets, liabilities, financial position, results of operations under the assumption of continued current 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.


Oslo 5th of April 2021
SoftOx Solutions AS



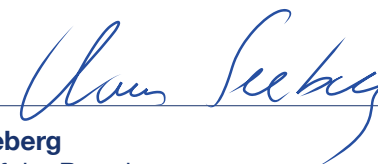
Melvin Teigen
Chairman of the Board



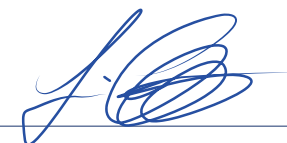
Olav Jarlsby
Member of the Board



Kari Myren
Member of the Board



Claus Seeberg
Member of the Board



Geir Hermod Almås
Chief Executive Officer



04

Financial statement

Profit and loss | SoftOx Solutions Group

	Notes	2020	2019
Other Income		9 839 189	4 099 031
Total operating income		9 839 189	4 099 031
Operating expenses			
Personnel expenses	1, 9	18 869 178	11 196 802
Other operating expenses		39 630 788	13 071 345
Depreciation	11	2 703 051	1 701 075
Total operating expenses		61 203 017	25 969 221
Operating result		-51 363 828	-21 870 190
Financial income and financial expenses			
Interest income		185 986	51 758
Other financial income		1 564 072	3 361
Other interest expense		1 358	146 372
Other financial expenses		-101 342	216 450
Profit and loss on financial activities		1 650 075	-307 703
Profit before tax		-49 713 753	-22 177 894
Taxes	2	12 308 088	5 841 651
Profit on ordinary activities		-37 405 665	-16 336 243
Extraordinary income and expenses			
Transfers			
Allocated to/- reduction of share premium reserve		-37 405 665	-16 336 243
Total transfers		-37 405 665	-16 336 243

Balance sheet | SoftOx Solutions Group

	Notes	2020	2019
Assets			
Intangible assets			
Other intangible assets	11	6 142 984	4 927 589
Deferred tax assets	2	30 526 838	18 135 097
Non-tangible assets		36 669 822	23 062 686
Fixed assets			
Production assets	11	3 908 594	241 725
Fixed assets		3 908 594	241 725
Tangible assets		40 578 416	23 304 411
Financial fixed assets			
Shares in subsidiaries	3		
Loans to subsidiaries	4		
Total financial fixed assets			
Total Non-Current assets		40 578 416	23 304 411
Current assets			
Inventory	8	2 969 867	
Sum inventory		2 969 867	
Receivables			
Other short-term receivables	5	8 961 305	5 664 257
Total receivables		8 961 305	5 664 257
Deposits, cash, etc.	10	34 801 613	75 995 858
Total current assets		46 732 785	81 660 115
Total assets		87 311 201	104 964 526

Balance sheet | SoftOx Solutions Group

Equity and debt	Notes	2020	2019
Paid-up capital			
Share capital	6	166 598	155 020
Share premium reserve	6	76 052 027	89 712 573
Total paid-up capital		76 218 625	89 867 593
Retained earnings			
Other equity			-3 398 618
Total retained earnings			-3 398 618
Total equity		76 218 625	86 468 976
Other long term debts			
Other long term debts			113 683
Total long term debts			113 683
Short-term debt			
Unpaid public duties	10	150 690	659 357
Short-term debt to owners			3 101 440
Other short-term debt		5 144 993	3 621 678
Supplier debt		5 796 892	10 999 392
Total current liabilities		11 092 576	18 381 867
Total debt		11 092 576	18 495 550
Total equity and debts		87 311 201	104 964 526

Profit and loss | SoftOx Solutions AS

Operating income and operating expenses	Notes	2020	2019
Intercompany revenues			
Other Income		6 149 708	4 099 031
Total operating income		6 149 708	4 099 031
Operating expenses			
Personnel expenses	1, 9	15 152 445	8 027 498
Other operating expenses		35 237 963	17 981 096
Depreciation	11	37 389	
Total operating expenses		50 427 797	26 008 593
Operating result		-44 278 089	-21 909 562
Financial income and financial expenses			
Interest income		185 985	51 758
Other financial income		1 447 732	3 361
Other interest expense			-146 372
Other financial expenses		-101 342	-216 450
Profit and loss on financial activities		1 532 376	-307 703
Profit before tax		-42 745 712	-22 217 266
Taxes	2	10 773 912	5 844 980
Profit on ordinary activities		-31 971 800	-16 372 286
Extraordinary income and expenses			
Annual profit/loss		-31 971 800	-16 372 286
Transfers			
Allocated to/- reduction of share premium reserve		-31 971 800	-16 372 286
Total transfers		-31 971 800	-16 372 286

Balance sheet | SoftOx Solutions AS

Assets	Notes	2020	2019
Intangible assets			
Other intangible assets	11	14 600	14 600
Deferred tax assets	2	27 947 370	17 173 458
Non-tangible assets		27 961 970	17 188 058
Fixed assets			
Production assets	11	693 995	
Fixed assets		693 995	
Tangible assets		28 655 965	17 188 058
Financial fixed assets			
Shares in subsidiaries	3	5 377 048	5 377 048
Loans to subsidiaries	4	24 622 698	1 501 535
Total financial fixed assets		29 999 746	6 878 583
Total Non-Current assets		58 655 711	24 066 641
Current assets			
Receivables			
Other short-term receivables	5	8 814 608	5 560 177
Total receivables		8 814 608	5 560 177
Deposits, cash, etc.	10	28 702 864	75 711 108
Total current assets		37 517 472	81 271 284
Total assets		96 173 183	105 337 925

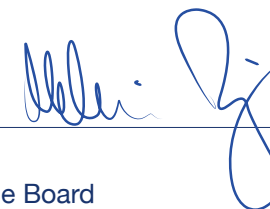
Balance sheet | SoftOx Solutions AS

Equity and debt	Notes	2020	2019
Paid-up capital			
Share capital	6	166 598	155 020
Share premium reserve	6	84 763 134	89 712 573
Total paid-up capital		84 929 732	89 867 593
Retained earnings			
Other equity			
Total retained earnings			
Total equity		84 929 732	89 867 593
Total long term debts			
Long term debts			
Other long term debts			
Long term debts to owners			
Short-term debt			
Unpaid public duties		1 490 222	659 357
Short-term debt to owners			3 101 440
Other short-term debt		4 559 725	940 410
Supplier debt		5 193 504	10 769 125
Total current liabilities		11 243 451	15 470 332
Total debt		11 243 451	15 470 332
Total Equity and debts		96 173 183	105 337 925

Cashflow statement | SoftOx Solutions Group and SoftOx Solutions AS

	SoftOx Solutions Group		SoftOx Solutions AS	
Liquidity added to and spent on business operations	2020	2019	2020	2019
Profit before tax	-42 745 712	-22 217 266	-49 713 753	-22 177 894
Paid tax				
Depreciation of fixed assets, & goodwill	37 389		2 703 051	1 701 075
Changes short-term receivables	-3 254 431	501 299	-6 089 622	518 062
Changes short-term debt	-4 226 880	4 465 566	-7 289 291	9 397 128
Net Changes resulting from business operations	-50 189 635	-17 250 401	-60 389 616	-10 561 629
Added liquidity / Spent on investments				
Investments in property, plant and equipment and long-term receivables	-23 852 547	3 495 010	-7 668 347	-3 201 008
Net Change resulting from investments	-23 852 547	3 495 010	-7 668 347	-3 201 008
LIQUIDS ADDED/SPENT ON FINANCING				
Issues for cash	27 134 920	88 393 700	27 134 920	88 393 700
Other financing activities			-113 683	113 683
Translation differences	-100 982		-157 000	14 059
Net change resulting from financing	27 033 938	88 393 700	26 864 237	88 521 442
Annual Net Liquidity Change	-47 008 244	74 638 310	-41 193 726	74 758 806
Liquidity reserves as of 1 January	75 711 108	1 072 797	75 995 339	1 236 533
Liquidity reserves as of 31 December	28 702 864	75 711 108	34 801 613	75 995 339


Oslo 5th of April 2021
SoftOx Solutions AS



Melvin Teigen
Chairman of the Board



Olav Jarlsby
Member of the Board



Kari Myren
Member of the Board



Claus Seeberg
Member of the Board



Geir Hermod Almås
Chief Executive Officer

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 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 are amortized linearly over their useful life. Research costs are expensed as incurred.

Plant and equipment

Plant and equipment are 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

Under the defined contribution scheme the Group does not commit itself to paying specific future benefits but makes annual contributions to the employees' pension savings.

The Group's payment to the defined contribution scheme amounts to 10 % of salary for Norwegian employees.

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 2020

Note 1

Payroll, holiday pay etc.

	SoftOx Solutions Group	SoftOx Solutions AS	SoftOx Solutions Group	SoftOx Solutions AS
	2020	2020	2019	2019
Payroll, holiday pay etc.	16 886 503	13 776 333	10 932 979	7 763 674
Tax refund	-741 980	-741 980	-1 084 621	-1 084 620
Employer's contribution	1 837 291	1 837 291	1 118 804	1 118 804
Other personnel expenses	887 363	280 801	229 639	229 639
Total personnel expenses	18 869 178	15 152 445	11 196 802	8 027 498
Number of employees 31.12.2019	21	19	12	9

The company's board of directors received compensation of NOK 62.500,- per member in 2020.

Chairman received compensation of NOK 125.000,-.
The CEO received NOK 1.408.866,- in salary in 2020.

Total expenses for auditing and other assistance was NOK 199.550,-, of with NOK 117.500,- was relates to ordinary auditing.

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

Note 2

Taxes

Tax	SoftOx Solutions Group		SoftOx Solutions AS	
	2020	2019	2020	2019
Income tax on ordinary profit:				
Tax payable				
Change deferred tax assets	-12 308 088	-5 841 651	-10 773 912	-5 844 980
Tax ordinary profit	-12 308 088	-5 841 651	-10 773 912	-5 845 094
Taxable income:				
Ordinary profit before tax	-49 713 753	-22 177 894	-42 745 712	-22 217 266
Permanent differences	-6 226 097	-4 351 343	-6 226 097	-4 351 343
Change temporary differences	-664 444	466	-182 026	466
Taxable income	-56 604 294	-26 529 236	-49 153 835	-26 568 608
Tax payable in the balance sheet:				
Payable tax on profit for the year	0	0	0	0
Total tax payable on the balance sheet	0	0	0	0

The tax effect of temporary differences and loss carried forward have contributed to increased deferred tax assets, specified below.

SoftOx Solutions AS	2020	2019	Changes
Fixed assets	182 026		-182 026
Inventories	-466	-466	
Sum	181 560	-466	-182 026
Accumulated loss carry-forward	-127 215 059	-78 061 224	49 153 836
Basis for calculation of deferred tax	-127 033 499	-78 061 690	48 971 809
Deferred tax asset (22%)	-27 947 370	-17 173 572	10 773 798

The Swedish subsidiary WIAB Water Innovation AB has carried forward a loss of SEK 4.792 781,- per 31.12.2020.

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 Malmo, Sweden.

The shares are valued at the lower of acquisition cost and 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 and Debt / 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 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 acquisitions. The claim has since increased to NOK 6.491.607,-, and is not expected to be repaid within 12 months. Interest on the claim has not been calculated.

SoftOx Solutions AS has a claim on SoftOx Disinfection AS equal to NOK 19.704.924,-. In addition, there is NOK 4.000.000,- on group short-term debt.

As of 31 December 2020, Softox Solutions AS has a debt to SoftOx Denmark AS which amounts to NOK 1.543.833,-.

Note 5

Other claims /Accounts receivable

As of December 31, 2020, SoftOx Solutions AS has receivables NOK 7.099.708,- including tax foundations grants (Skattefunn) earned in 2020 in the amount of NOK 4.750.000,-, BIA grants from the Research Council of Norway equal to NOK 1.900.000,-, and grants from MTEC of NOK 449,708,-.

Note 6

The company has per. 31.12.20 registered 8 329 900 shares with a nominal value of NOK 0.02 per share.

The largest shareholders registered in the Securities Register as of 31.12.2020 is:

#	Share %	Name
1	13,6 %	Dinge Invest AS
2	8,5 %	Hermod Farms AS
3	7,8 %	Nordnet Livsforsikring AS
4	3,6 %	Kristian Almås
5	2,7 %	Pro AS
6	2,6 %	GH Holding AS
7	2,3 %	CS-Holding AS
8	2,1 %	Danske Bank A/S
9	1,6 %	Gemallo AS
10	1,6 %	Loyd AS
11	1,5 %	Almhaug Bolig AS
12	1,2 %	WL-01 Holding AS
13	1,2 %	Holta & Co. AS
14	1,2 %	Aubert Invest AS
15	1,0 %	Nordiske Renholdsprodukter AS
16	0,9 %	Skogbrynet Eiendom AS
17	0,9 %	Sonja Og Emil Auberts Legat
18	0,8 %	Nordnet Bank AB
19	0,8 %	Falck Frås AS
20	0,7 %	J G Invest AS

Note 7

Options and incentive program

In total, the company has issued 550 000 options, with a weighted strike price of NOK. 68, of which 257 000 have a strike price below the share price as of January 4, 2020.

Of the 550 000 allocated options, 125 000 are proposed to be allocations of bonus options to employees for 2020 at a strike price of NOK 100/150/ share (corresponding to the stock price at year-end) with a 5-year maturity, 40 000 of which were given to CEO Geir Hermod Almås (20 000 at strike price of NOK 100/ share and 20 000 at strike price of NOK 150/share). In 2020, CEO Geir Almås had a lapse of 95 650 options with weighted strike price of NOK 82/share. Others had a lapse of 52 600 options with weighted strike price of NOK 69/share in 2020.

Name	Role	Subscription rights	No. Shares
Geir Hermod Almås	CEO	127 500	788 750
Melvin Teigen	Chairman	25 000	6 000
Others		397 500	
Total		550 000	

The company's share are listed on Euronext Growth, Oslo Stock Exchange, with ticker SOFTX.

Note 8

Inventory

As of 31 December 2020, the inventory has a value of NOK 2,969,867. Raw and packaging materials are valued at cost.

Note 9

Occupational pension

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

Note 10

Tied -up liabilities

SoftOx Solutions AS has its own account for tax deductions. The balance on this account as of December 31, 2020 was NOK 744 699. As of December 31, 2020, the Group had NOK 1 289 100 in a deposit account.

Innovation Norway has a mortgage on fixed assets, inventories, and receivables in the Group.

Note 11

Fixed and intangible assets

SoftOx Solutions Group	Production assets		Other Intangible assets		Goodwill	
Tax	2020	2019	2020	2019	2020	2019
Acquisition cost 1.1	1 378 028	1 394 560	8 371 715	5 136 700	617 673	617 673
Access	3 928 298		3 767 523	3 199 125		
Exchange rate adjustments		-16 532	-73 265	35 890		
Total acquisition cost	5 306 326	1 378 028	12 065 973	8 371 715	617 673	617 673
Accumualted depreciation 1.1	-1 136 303	-1 067 908	-3 444 126	-1 793 970	617 673	-617 673
Yearly depreciation	-273 033	-78 678	-2 430 018	-1 622 427		
Exchange rate adjustments	11 604	10 283	-48 844	-27 729		
Accumualted depreciation 31.12.	-1 397 732	-1 136 303	-5 922 988	-3 444 126	617 673	-617 673
Book value 31.12	3 908 594	241 724	6 142 985	4 927 589		

SoftOx Solutions AS	Production assets		Other Intangible assets		Goodwill	
Tax	2020	2019	2020	2019	2020	2019
Acquisition cost 1.1			14 600	14 600		
Access	731 384					
Total acquisition cost	731 384		14 600	14 600		
Yearly depreciation	37 389					
Accumualted depreciation 31.12.	37 389					
Book value 31.12	693 995		14 600	14 600		

Note 12

Equity Development

SoftOx Solutions Group	Share capital	Share premium reserve	Other owners capital	Total owners capital
Per 01.01.2019	75 573	17 770 605	-3 437 562	14 408 616
Registered capital increase				
Capital increase	79 447	88 314 253		88 393 700
Translation differences			2 903	2 903
Annual result		-16 336 243		-16 336 243
Per 31.12.19	155 020	89 748 615	-3 434 659	86 468 976
Registered capital increase				
Capital increase	11 578	27 123 342		27 134 920
Translation differences		-136 000	156 394	20 394
Annual result		-37 405 665		-37 405 665
Per 31.12.2020	166 598	79 330 292	-3 278 265	76 218 625

SoftOx Solutions AS	Share capital	Share premium reserve	Other owners capital	Total owners capital
Per 01.01.2019	75 573	17 770 605		17 846 178
Registered capital increase				
Capital increase	79 447	88 314 253		88 393 700
Year end result		-16 372 286		-16 372 286
Per 31.12.19	155 020	89 712 572		89 867 593
Capital increase	11 578	27 123 342		27 134 920
Correction previous year		-100 980		-100 980
Year end result		-31 971 800		-31 971 800
Per 31.12.2020	166 598	84 763 134		84 929 732

Each share has a nominal value of NOK 0,02.

Note 13

Governmental and Public Funding

SoftOx is developing products to prevent and treat infections. In 2020, the Company had approximately NOK 28,3 million in research and development costs. Public funding for R&D was NOK 5,7 million from the Norwegian Research Council and NOK 0,5 million from MTEC. In addition, NOK 4.7 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.

Independent Auditors report



Independent auditor's report 2020
Softox Solutions AS

Independent auditor's report 2020
Softox Solutions AS

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, 2020, 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, 2020, 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, 2020, 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, 2020, 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

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side 1 av 3

Other Information

Management is responsible for the other information. The other information comprises the information included in the board of directors 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' 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 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, 5. april 2021

berge & lundal revisjonsselskap as


Eivind Lundal
State Authorised Public Accountant

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Glossary

AMR	Antibiotic (Antimicrobial) resistance.	HINAS	Upcoming hospital tender for the infection disease control category.
Berge & Lundal	The Company's auditor, Berge & Lundal Revisjonsselskap AS.	KEMI	Swedish Chemicals Agency
BIA	User-driven Research-based Innovation programme.	KFIR	The Norwegian Board of Appeals for Industrial Property Rights.
Company	SoftOx Solutions AS, org.nr. 998 516 390.	MTEC	Medical Technology Enterprise Consortium.
COPD	Chronic obstructive pulmonary disease	NGAAP	Norwegian Generally Accepted Accounting Principles.
CRO	Clinical Research Organisation	The Norwegian Medical Agency	Statens Legemiddelverk
CSR	Corporate Social Responsibility	PoC	Preclinical proof of concept.
DMA	The Danish Medicines Agency.	POPS	Private Organizations for Patient Safety
DoD	The US Department of Defence.	Presentation Currency	The Company's presentation currency NOK.
ETR	Early Technology Review.	SBE	SoftOx Biofilm Eradicator (SoftOx Infection Remover).
Euronext Growth Oslo	A multilateral trading facility operated by Oslo Børs ASA.	Shares	The Company's issued and outstanding shares, unless the context indicates otherwise indicate, including the Offer Shares offered in the Offering.
Executive Management	The Company's team of leading employees.	SIS	SoftOx Inhalation Solution.
EWMA	European Wound Management Association	SWIS	SoftOx Wound Irrigation Solutions.
FIFO	First in, first out	VEK	The Danish Research Ethics Committees.
FIH	First-in-human study.	WHO	The World Health Organization.
Group	The Company together with its subsidiaries.		
HAI	Hospital acquired infections		

Contact us

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