Quarterly report

Q3 2022

SOFT-OX.COM/FINANCIAL-CALENDAR-REPORTS/

SOFT·OX

SoftOx Solutions AS (SoftOx) is a medtech and pharmaceutical company listed on Euronext Growth Oslo under 'SOFTX'. SoftOx Solutions AS was founded in 2012 and is headquartered in Oslo. The SoftOx Solutions Group includes the holding company SoftOx Solutions AS, the Malmö and Copenhagen subsidiaries, and subsidiaries SoftOx Defense Solutions AS and SoftOx Disinfection AS. SoftOx is developing a highly effective antimicrobial solution which will eradicate and prevent biofilm, viral and antimicrobial resistant infections. The technology is based on years of research and development in partnership with leading Nordic research institutes and is protected by patents.

Highlights for the third quarter 2022 and subsequent events

(Figures in brackets are comparable figures for 2021)

- SoftOx announced early completion of the Phase 1 SBE-01 trial, with positive results of the SoftOx Biofilm Eradicator (SBE) in treating chronic wounds. SBE was demonstrated to be safe and well tolerated as well as reducing the bacterial burden and improving wound healing in chronic leg wounds.
- SoftOx received final approval on biocidal products application for hand and surface disinfection from the Swedish Chemicals Agency (KemI). This approval allows SoftOx to sell its disinfection products in Sweden.
- The SoftOx technology, through its subsidiary SoftOx Defense Solutions (SDS), was granted NOK 97 million from the European Defence Fund (EDF) to develop a military inhalation solution for the EU and its allies as part of a pan-European consortium.
- SDS's leadership team was strengthened with the addition of Jørgen Berggrav as Senior Advisor and Johan Christian Harstad as Project Director.
- In October, SoftOx secured a convertible loan from existing shareholders for NOK 25 million and refinanced the NOK 15 million convertible loan as reported on 28 June 2022.
- Q3 pre-tax results ended with a loss of NOK 23.7 million (loss of 22 million). Results are characterized by high levels of activity in research and development.

Key figures for the SoftOx Solutions Group as of 30.09.2022

Key figures (NOK 1,000)	Third quarter		First three quarters		Year
	2022	2021	2022	2021	2021
SoftOx Solutions Group					
Total operating revenue	2 037	1 513	4 436	5 594	7 901
Total operating expenses	25 296	23 428	72 055	71 357	94 004
Operating result	**-23 259**	**-21 915**	**-67 619**	**-65 762**	**-86 102**
Profit before tax	**-23 720**	**-22 036**	**-68 153**	**-65 810**	**-86 291**
Net proceeds from equity issues	0	0	0	41 309	27 135
Net change in cash and cash equivalents	-3 836	-14 535	-53 706	-3 672	-41 194
Cash and cash equivalents at end of period	**3 278**	**16 596**	**3 278**	**16 596**	**34 802**
Outstanding shares, beginning of the period	10 342 871	9 168 468	10 342 871	8 329 900	8 329 900
Outstanding shares, end of the period	10 342 871	9 168 468	10 342 871	9 168 468	10 342 871
Employees, end of the period	27	23	27	23	21

A statement from CEO Geir Almås

(Further details are also given later in the report)

In the third quarter of 2022, SoftOx achieved two major milestones: the selection of our technology by the European Defence Fund (EDF) to develop countermeasures against CBRN threats and the end of the Phase 1 study evaluating the safety and tolerability of the SoftOx Biofilm Eradicator. Both accomplishments were years in the making and represent the persistence, expertise and commitment of the SoftOx team.

The grant signifies the strong potential of the SoftOx platform and the rarity of our technology, which can be applied both in the civilian and military markets. In preparation for this pan-European research program, we have strengthened our team with two highly distinguished individuals to spearhead the work. We are excited to begin this collaboration and develop a ground-breaking military medical countermeasure (MCM). With the background of the current geopolitical situation, CBRN incidents are classified by the European Defence Fund as some of the most severe threats towards our modern society.

We were pleased to announce that the first-in-human phase 1 clinical trial evaluating the SoftOx Biofilm Eradicator was completed in September, which resulted in positive top line study results in October. The results showed that SBE was safe and well tolerated, and importantly, that it reduced the bacterial burden and improved wound healing in chronic leg wounds. Together with the SWIS studies in acute wounds, these significant results demonstrate a proof of concept for the SoftOx wound technology platform and further minimize the clinical development risk as we advance from phase 1 to phase 2. Regulatory authorities and payers focus on wound closure as a primary endpoint for treatment of infections in wound studies, and our wound care technology has shown results even better than expected in that respect. Together with a significant bacterial reduction already at its lowest concentration, the technology has therefore shown the potential to address the huge unmet need for an effective treatment of infections in wounds. We are also pleased to observe that The US Food and Drug Administration (FDA) has understood the great need for innovative product development to address the unmet medical need of non-healing chronic wounds.[1]

Considering the company's financial situation given current clinical and regulatory delays, SoftOx has determined a strategy for strengthening the liquidity situation in both the short and long term. The proof-of-concept data and approval of our disinfection products in Sweden are expected to play a vital role in securing future partnering investments and collaborations.

The company is in an opportune position to initiate and continue talks with European and international market players. We are now focused on ending the year with successful clinical results and continue exploring opportunities to develop our exciting platform technology.

Geir Hermod Almås, Chief Executive Officer

[1] Kapil Dev Verma et al. 2022, May 9. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9081155/

Product development methodology

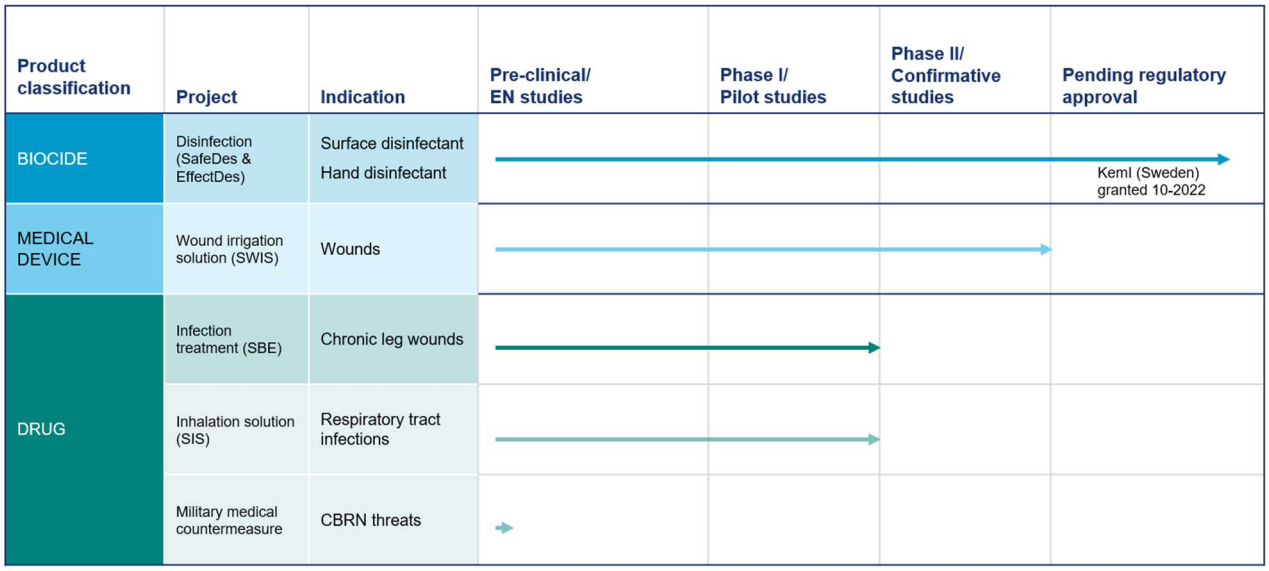

Figure 1. SoftOx product pipeline

Platform technology

In collaboration with leading scientific teams, SoftOx has discovered a unique synergetic effect of two natural components, proven to be well tolerated by both humans and animals. The SoftOx technology reinforces nature's ability to eradicate unwanted microbes through the combination of hypochlorous acid, which has a well-documented antimicrobial effect, and acetic acid, acting as the antimicrobial stabilizer. This unique technology is protected by a robust patent portfolio which provides multiple degrees of freedom to expand into new therapeutic applications. SoftOx has filed 77 patents worldwide, of which 72 are granted addressing formulations, uses, methods of making and devices.

The SoftOx technology has proven to have strong antimicrobial effects on various bacterial species (including multidrug-resistant bacteria and those embedded in biofilms), fungi, spores and viruses. Importantly, the company’s research has also determined that this novel solution does not induce microbial resistance.

The safety profile and the antimicrobial efficiency of the technology make it acceptable for multiple applications with the aim of preventing and removing infections. After thorough and successful laboratory and animal experiments, SoftOx has now entered the clinical phase with several product leads, including i.e., topical wound and inhalation treatments. There are currently three base products under development — wound irrigation solution, chronic wound treatment and inhalation treatment — yet the platform technology lends itself to possibilities of numerous applications and uses.

Business development

SoftOx Solutions is a medtech and pharmaceutical company that is exploring opportunities for its patented technology in various segments. As a research and development company, SoftOx is currently developing biocides, medical devices and pharmaceutical drugs, and the company is responsible for progressing projects to achieve the proof of concept or proof of sales stage where it is suitable to be taken over by partners. For biocides and medical devices, SoftOx will develop its

products until proof of sales is achieved. Pharmaceutical drugs, including SBE and SIS, are developed by SoftOx until proof of concept is achieved.

Operational update for the third quarter of 2022

Wound care

RESEARCH AND PRODUCT DEVELOPMENT

SoftOx Wound Irrigation Solution (SWIS):

SWIS is a wound rinse for acute wounds. The current recommended treatment for acute wounds is saline, which holds 80 percent market share. Based on clinical evidence of safety and efficacy compared to saline, the company aims to replace today's wound rinsing products with SWIS as the preferred wound cleansing product.

The company has made significant progress on establishing a Good Manufacturing Practice (GMP) pilot production facility for SWIS at Fornebu.

A review of the Premarket Notification (510(k)) application to the US Food and Drug Administration (FDA) to obtain clearance for SWIS as a medical device class II in the US market is ongoing.

SoftOx Biofilm Eradicator (SBE):

SBE is an anti-infective treatment in chronic wounds and is formulated to penetrate and kill microbes within biofilms. Studies have shown that antimicrobial-resistant bacteria are present in more than 50 percent of chronic wounds. Due to broad spectrum and multi-targeted antimicrobial effects, SBE has been shown to kill antibiotic-resistant bacteria (such as Methicillin Resistant Staphylococcus Aureus (MRSA)) and is unlikely to induce new antimicrobial resistance. Pre-clinical studies demonstrate the SBE formulations as non-toxic, and the first-in-human, Phase 1 clinical study (SBE-01) has been completed.

The end of the first-in-human Phase 1 clinical study (SBE-01) evaluating the safety and tolerability of single and multiple ascending doses of SoftOx Biofilm Eradicator in patients with chronic leg ulcers, was announced on 5 September 2022. The top line results showed that SBE was safe and well-tolerated in patients with chronic leg ulcers. There was no statistically significant difference between the SBE treatment and the placebo (saline treatment) in the evaluation of pain during and after the wound cleaning procedure. Treatment with all SBE formulations consistently reduced the absolute number of bacteria (bacterial burden) in the wound compared with pre-treatment (baseline), and a dose dependent reduction in wound area was also observed in the multiple dose SBE treatment groups.

The results of SBE-01 will inform the selection of formulation and dosing schedule in the planned Phase 2 study. This early clinical development (Phase 1 and 2) of SBE is co-funded by the Naval Medical Research Center under the Medical Technology Enterprise Consortium, a biomedical technology consortium that collaborates under a transaction agreement (OTA) with the US Army Medical Research and Development Command.

REGULATORY & COMMERCIAL

As reported in the first quarter of 2022, the company has submitted the Premarket Notification (510(k)) application to the US FDA to obtain clearance for SWIS as a medical device class II in the US market. SoftOx is currently finalizing the additional study requested, and the application process and dialogue with FDA are ongoing.

The SBE-01 results of antimicrobial effects in chronic leg wounds over a safe and tolerable dose range, combined with the wound healing results from the SWIS studies in acute wounds, create an

early proof of concept for the SoftOx wound care technology platform for a range of potential acute and chronic wound care indications. With this these positive clinical results, the company is in discussions with several potential partners, both distributors and industry, in the wound care sector.

Respiratory tract

CIVIL

SoftOx Inhalation Solution (SIS):

SIS is undergoing development for the treatment of respiratory tract infections caused by viruses and bacteria. SIS is an aerosolized form of the SoftOx technology, designed to be safe and effective in the treatment of respiratory tract infections. SoftOx hypothesizes that SIS inactivates and kills the intracellular and extracellular virus in the upper and lower respiratory tract, resulting in a reduction in symptoms, shortened disease duration and reduction in disease transmission.

The safety of single and multiple ascending doses of SIS in healthy volunteers (Safety of Ascending Single and Multiple Doses of Nebulized SoftOx Inhalation Solution in Healthy Subjects, NCT05188638) was completed on 13 April 2022. The study met its primary endpoint and demonstrated safety and tolerability in healthy subjects over a range of potentially therapeutic formulations and dosing regimens. A late-breaking abstract, "Safety of ascending single and multiple doses of inhaled SIS, an isotonic aqueous solution of sodium hypochlorite, in healthy subjects" was presented at this year's European Respiratory Society International Congress on 6 September 2022.

Preparations for a Phase 2 clinical trial application, including additional non-clinical toxicology studies, contracting with a contract manufacturing organization for Phase 2 production, and scientific interactions with the European Medical Association on Phase 2 study design, are ongoing.

The SoftOx Research Department led by Prof. Thomas Bjarnsholt continue to demonstrate reproducible dose dependent virucidal effects in *in vivo* mouse models of Influenza A. The team are presently investigating SIS effects in mouse models involving other infectious agents.

DEFENCE

In July, SoftOx represented by SoftOx Defense Solutions (SDS), as part of an international consortium, was invited to start a grant preparation for EDF funding to develop a military inhalation solution for the EU and its allies.[2] SoftOx is a part of a pan-European consortium, consisting of 19 international research and development (R&D) and industry partners from 10 nations. The consortium is developing military medical countermeasures (MCMs) against chemical substances, biological agents, radioactive and nuclear substances, so-called CBRN substances.

The company is in a grant agreement negotiation phase to prepare for pan-European research activity with its partners and the key terms of the agreement have already been set. The EDF communicates a willingness to continue giving support to technologies that deliver results in line with expectations. SoftOx has been granted funding from the first tender in the EDF program, and new calls will be announced on an annual basis through 2027.

To maximize the synergies between the company's R&D projects, SoftOx has made a strategic decision to align the EDF project for military use (preparedness for chemical and biological attacks) and the SIS project for civil use (fighting respiratory infections). The two projects are based on the same technology platform.

[2] https://defence-industry-space.ec.europa.eu/eu-defence-industry/european-defence-fund-edf_en

SDS is continuing to investigate other military applications for the SoftOx technology platform in alignment with future funding opportunities.

Disinfection

REGULATORY & COMMERCIAL

Hand and surface disinfectant

SoftOx disinfection products are safe, well tolerated and do not dry out healthy or compromised skin. The products are effective against all relevant microbes (bacteria, viruses, fungi, Mycobacterium, and spores) and have been tested in accordance with EN tests. SoftOx disinfection products have documented full virucidal efficacy on both naked and enveloped viruses (e.g., coronaviruses, influenza virus, norovirus, and others) and are effective towards biofilms. SoftOx's surface disinfectant is also proven to be effective both on Mycobacterium and spores. The formula is alcohol-free and non-flammable which makes it safe for critical areas such as airplanes/airports, kindergartens, and schools. SoftOx's hand disinfectant is clinically documented as skin friendly, which makes it an ideal and proven high-level disinfectant for healthcare settings.

SoftOx won a Norwegian hospital purchasing tender (HINAS) for alcohol-free hand disinfectant and a Swedish purchasing tender (Varuförsörjningen) for sporicidal surface disinfectant. With the demonstrated proof of sales, the next stage is to find the right strategic partners to bring SoftOx products to market worldwide.

In October, the company received the final approval from the Swedish Chemicals Agency (KemI) on its application for the SoftOx biocidal product family for hand and surface disinfection. The approval allows the company to sell its disinfection products in Sweden. With the approval from KemI, talks with potential strategic partners can advance as the company can apply for mutual recognition in sequence in any EU market.

ORGANIZATION

There are two new additions to the SoftOx Defense Solutions leadership team — Jørgen Berggrav as Senior Advisor and Johan Christian Harstad as Project Director. The appointments took effect on 1 September 2022. In addition, the Chief Executive Officer of SoftOx Solutions AS, Geir Almås, will act as interim CEO of SDS until a suitable successor has been identified.

Jørgen Berggrav (Rear Admiral Rtd) graduated from the Royal Norwegian Naval Academy (Sjøkrigsskolen) and has served in the submarine force as a ship's officer, ship's commander and operations and training officer. Berggrav has held many diverse roles in the Armed Forces including as Director General in the Ministry of Defence, representative of Europe to the Supreme Allied Commander Transformation and representative of the Chief of Defence at NATO's operational command, SHAPE.

Johan Christian Harstad (Commodore Rtd) is a former submarine commander, and his last position was as deputy leader in the Norwegian Special Operation Forces. Harstad has experience from deployments to conflict areas. He has also served in the Norwegian Armed Forces' central staff in Oslo and worked for four years in the Ministry of Defence.

Berggrav and Harstad's focus will be to further develop the SoftOx applications to strengthen the military and civilian preparedness against future epidemics, chemical and biological warfare, complex wound infections and challenging conditions in the respiratory tract.

Financial matters

Financial figures for the SoftOx Solutions Group are not audited (figures in brackets are comparable figures for 2021).

Profit and loss statement

In 2022, the company's revenue for disinfectants reached approx. NOK 0.1 million (NOK 1.5 million). In addition, NOK 4.3 million (NOK 4.2 million) has been recognized as income in connection with funding from The Research Council of Norway and the U.S. Department of Defense.

For 2022, salary costs were NOK 18.9 million (NOK 15.4 million), an increase of 23% compared to 2021 with the addition of four employees. Other operating costs are NOK 50.4 million (NOK 53.8 million) in 2022. Total operating expenses for Q3 increased to NOK 25.3 million (NOK 23.4 million). Research and development expenses accounted for approximately 64 % of operating expenses year to date 2022. The main contributor to the R&D costs is the drug development of the SIS project, which constitutes approximately 55% of the R&D costs.

SoftOx continues to build up its organization for future growth and development, and pre-tax results ended with a loss of NOK 23.7 million (loss of NOK 22 million) for Q3, and loss of NOK 68.2 million (NOK 65.8 million) for the year to date.

Cash flow and consolidated balance sheet

Of the capitalized assets, the company has activated its IP and patent cost worth NOK 8.2 million (NOK 6.4 million). These are capitalized patent costs in the Swedish subsidiary, which are depreciated over 5 years. Deferred tax assets stand at NOK 52.2 million (NOK 31.1 million), adjusted for tax in Sweden. Tax calculations will be performed at the end of the year on audited figures.

As reported at the end of the previous quarter, the company has a limited cash position, and there is a need to financially strengthen the company and its liquidity in the short and long term.

On October 11, the Company announced that the Board of SoftOx has raised a new convertible loan from certain existing shareholders who will provide the Company with new liquidity of NOK 25 million, plus a refinancing of the convertible loan of NOK 15 million reported on 28 June 2022. Together with the previously announced grants on the SoftOx inhalation solutions (SIS), the new loan will secure the Company a liquidity injection of up to a total amount of NOK 50 million. Payment of the funds under the SIS grant is subject to signing the final contract.

The new loan will give SoftOx time to deliver on previously announced target milestones over the next 6-9 months. The company has initiated a cost improvement plan to defer noncritical R&D activities, reduce future overhead and infrastructure expenditures and prioritize its ongoing development project. The Company continues to pursue different options to secure long term financing of the Company and is amongst other working on strategic solutions such as licensing out, sale of assets and future collaborating investments relating to the Company's projects and assets.

Outlook

- R&D related activities:
  - **SoftOx Inhalation Solution (SIS)** – Preparations are underway for Phase 2 and aligning work with the EDF project.
  - **SoftOx Biofilm Eradicator (SBE)** – Preparations are underway for Phase 2.
  - **SoftOx Wound Irrigation Solution (SWIS)** – Establishing a QMS for medical devices and GMP production and finalizing the requested additional study to achieve a 510(k) clearance for the US market.
  - **SoftOx Defense Solutions (SDS)** – Entering into a contractual phase to prepare for pan-European research activity.
- Receive disinfectants and wound care approval to launch the products in selected markets
- Establish a network of partners and distributors for both wound care and disinfectants.

Significant risk factors for the company

- Clinical research studies always involve an inherent risk of being delayed and not delivering results as expected.
- Lack of approval and delays of applications for conducting clinical studies and products.
- Further delays due to the European BPR process.
- Lack of approval and further delays in the regulatory process.
- Financial risk mainly consists of currency, credit, and liquidity risk. SoftOx continuously monitors these factors.
- Intellectual property risks. SoftOx works closely with external patent counsels to minimize the risk of patent infringement claims and prepare any patent defence if necessary.

Declaration by the Board

We confirm, to the best of our knowledge, that the unaudited, summarised third quarter accounts for the period 1 July to 30 September 2022 have been prepared in accordance with accounting standards for the group and that the information contained in these accounts gives a true and fair view of the group's assets, liabilities, financial position and profits as a whole, and that the half year report provides a true and fair view of the information specified in Section 5-6, fourth paragraph, of the Norwegian Securities Trading Act.

Oslo, 25 October 2022

SIGNED
Melvin Teigen, Chairman of the Board

SIGNED
Kari Myren, Board Member

SIGNED
Claus Seeberg, Board Member

SIGNED
Olav Jarlsby, Board Member

SIGNED
Geir Hermod Almås, CEO

Profit and loss statement
Accounts for second quarter and half year

SoftOx Solutions Group	Third quarter		First three quarters		Year
NOK 1,000	**2022**	**2021**	**2022**	**2021**	**2021**
Other operating revenues	2 037	1 513	4 436	5 594	7 901
Total operating revenues	**2 037**	**1 513**	**4 436**	**5 594**	**7 901**
Personnel expenses	6 931	5 959	18 917	15 422	21 113
Other operating expenses	17 437	16 748	50 386	53 781	69 107
Depreciation	928	721	2 752	2 154	3 784
Depreciation, goodwill	0	0	0	0	0
Total operating expenses	**25 296**	**23 428**	**72 055**	**71 357**	**94 004**
Operating result	**-23 259**	**-21 915**	**-67 619**	**-65 762**	**-86 102**
Net financial items	**-461**	**-121**	**-534**	**-48**	-189
Profit before tax	**-23 720**	**-22 036**	**-68 153**	**-65 810**	**-86 291**
Tax					20 888
Annual profit/loss					**-65 403**

Statement of financial position	30.09.2022	30.09.2021	31.12.2021
SoftOx Solutions Group			
NOK 1,000			
Other intangible assets	8 250	6 428	7 370
Deferred tax asset	52 202	31 096	51 347
Goodwill from acquisition of subsidiary	0	0	0
Total intangible assets	**60 451**	**37 524**	**58 717**
Production equipment	3 958	3 678	3 494
Total fixed assets	**3 958**	**3 678**	**3 494**
Non-current assets	**64 409**	**41 203**	**62 211**
Inventory	0	162	196
Total inventory	**0**	**162**	**196**
Other receivables	5 301	4 999	8 675
Total receivables	**5 301**	**4 999**	**8 675**
Cash and cash equivalents	3 278	16 596	56 984
Current assets	**8 579**	**21 757**	**65 855**
Total assets	**72 988**	**62 959**	**128 066**

Share capital	207	183	207
Share premium reserve	109 530	117 244	175 034
Total paid up capital	**109 737**	**117 427**	**175 241**
Other equity	-67 621	-65 504	-65 504
Total equity	**42 116**	**51 923**	**109 737**
Other long term debts	0	0	350
Other non-current liabilities	**0**	**0**	**350**
Public duties payable	-1 212	-1 198	38
Shareholder loans	14 995	0	4 995
Other current liabilities	7 808	4 590	6 917
Accounts payable	9 282	7 644	6 029
Total current liabilities	**30 872**	**11 036**	**17 979**
Total liabiities	**30 872**	**11 036**	**18 328**
Total equity and liabilities	**72 988**	**62 959**	**128 066**

Cash flow statement	Third quarter		First three quarters		Year
	2022	2021	2022	2021	2021
SoftOx Solutions Group					
NOK 1,000					
Cash flow from operating activities					
Net result before taxes	-23 720	-22 036	-68 153	-65 811	-86 291
Tax paid	0	0	0	0	0
Depreciation	928	721	2 752	2 154	3 784
Change in current assets	12 772	4 287	3 570	6 770	3 061
Change in current liabilities	7 418	3 315	12 894	-57	6 886
Net cash flow from operating activities	**-2 603**	**-13 713**	**-48 938**	**-56 944**	**-72 561**
Cash flow from investment activities					
Investments in non-current assets	-1 934	-814	-4 095	-2 209	-4 596
Net cash flow from investment activities	**-1 934**	**-814**	**-4 095**	**-2 209**	**-4 596**
Cash flow from financing activities					
Proceeds from equity issues	0	0	0	41 209	89 018
Other financing activities	0	0	-350	0	10 355
Translation differences	701	-5	-323	-263	-34
Net cash flow from financing activities	**701**	**-5**	**-672**	**40 946**	**99 339**
Net change in cash and cash equivalents	**-3 836**	**-14 535**	**-53 706**	**-18 206**	**22 182**
Cash and cash equivalents at begining of perioc	7 114	31 131	56 984	34 802	**34 802**
Cash and cash equivalents at end of period	**3 278**	**16 596**	**3 278**	**16 596**	**56 984**

Statement of changes in equity					
SoftOx Solutions Group					
	Third quarter		First three quarters		Year
NOK 1,000	2022	2021	2022	2021	2021
Equity at end of prior period	**65 084**	**73 735**	**109 737**	**76 218**	**76 218**
Share issues	0	0	0	41 209	99 023
Loss for the period	-23 720	-22 036	-68 153	-65 811	-65 403
Other changes in equity	753	224	532	307	-101
Equity at end of period	**42 116**	**51 923**	**42 116**	**51 923**	**109 737**

General 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 the 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 yearly 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 the 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 realisable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are discounted.

Subsidiaries

Subsidiaries are valued at cost in the company accounts. The investment is valued as the 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 7% 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.

Glossary

BPR	Biocidal Products Regulation
CBRN	Chemical, Biological, Radiological and Nuclear
EDF	European Defence Fund
EU	European Union
FDA	U.S. Food and Drug Administration
GMP	Good Manufacturing Practice
HINAS	Hospital tender for the infection disease control category
IP	Intellectual property
KemI	Swedish Chemicals Agency
MCM	Medical countermeasure
MRSA	Methicillin-resistant Staphylococcus aureus
OTA	Other Transaction Agreement
QMS	Quality Management System
R&D	Research and Development
SBE	SoftOx Biofilm Eradicator (SoftOx Infection Remover)
SDS	SoftOx Defense Solutions AS
Shares	SoftOx Solutions' issued and outstanding shares, unless the context indicates otherwise, including the Offer Shares offered in the Offering.
SIS	SoftOx Inhalation Solution
SWIS	SoftOx Wound Irrigation Solution

Contact us

SoftOx Solutions AS

Martin Linges vei 25,

1364 Fornebu

Norway

https://soft-ox.com/