



Quarterly report

Q4 2022

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

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 for use in biofilm, viral and antimicrobial resistant infections. The patent-protected technology is based on extensive research and development in partnership with leading Nordic research institutes.

Highlights for the fourth quarter 2022

(Figures in brackets are comparable figures for 2021)

- The final study report of the SBE-01 Phase 1 study confirmed safety and tolerability in patients with chronic leg wounds and provided indications of clinical efficacy with dose-dependent reductions in bacterial burden and wound size
- Final approval received 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 outside the healthcare segment
- Convertible loan secured from existing shareholders of NOK 25 million and SoftOx refinanced the NOK 15 million convertible loan as reported on 28 June 2022
- Following the extraordinary general meeting on 9 December 2022, the Board of Directors strengthened with the additions of Henrik Nielsen, Adrian Bignami and Jørgen Berggrav, together with the existing members Kari Myren and Olav Jarlsby. Geir Almås was elected Executive Chairman of the Board and has stepped down from his role as Chief Executive Officer of SoftOx
- Effective 1 January 2023, Christian Harstad was appointed interim CEO bringing his skill set, experience and diverse network in the defence sector to SoftOx as the company progresses in its collaborations with the European Defence Fund and the US Naval Medical Research Center
- Harald Sætvedt joined as Chief Financial Officer in January 2023 bringing his solid experience in international corporate finance
- Q4 pre-tax results ended with a loss of NOK 25.5 million (loss of NOK 20.5 million). Results are characterized by continuing primary research and development activities

Subsequent events/near-term considerations

- In early January 2023, SoftOx announced the signing of the final grant agreement with the COUNTERACT Consortium and the European Defence Fund (EDF). The project involves key European players to develop a military medical countermeasure inhalator based on the SoftOx technology
- The EDF project involved a partial prepayment of approximately EUR 2.25 million upon signature of the agreement. However, the project coordinator has communicated a change in the prepayment plan, such that SoftOx will receive the prepayment in arrears. The first prepayment will be approximately EUR 843,000 which is to be paid in the first quarter 2023. The remaining prepayment is expected to be paid in arrears in the fourth quarter of 2023 and 2024
- The revised timing of the prepayment has created liquidity issues for the company. SoftOx is working intensively to secure short-term financing of up to NOK 25 million to fund operations over the next few months. Furthermore, the company has initiated a process to

address and secure a longer-term funding of the company. The company believes that the solid clinical results in both the wound care and respiratory projects, combined with a well-defined development path to market, create a good foundation for attracting high quality and competent investors

Key figures for the SoftOx Solutions Group as of 31.12.2022

Key figures (NOK 1,000)	Fourth quarter		Year	Year
	2022	2021	2022	2021
SoftOx Solutions Group				
Total operating revenue	2 678	2 307	7 114	7 901
Total operating expenses	26 114	22 647	98 169	94 004
Operating result	-23 436	-20 339	-91 055	-86 102
Profit before tax	-25 547	-20 480	-93 700	-86 291
Net proceeds from equity issues	0	0	0	89 018
Net change in cash and cash equivalents	3 629	40 389	-50 076	22 183
Cash and cash equivalents at end of period	6 907	56 984	6 907	56 984
Outstanding shares, beginning of the period	10 342 871	9 168 468	10 342 871	8 329 900
Outstanding shares, end of the period	10 342 871	9 168 468	10 342 871	10 342 871
Employees, end of the period	25	21	25	21

A statement from CEO Christian Harstad

(Further details are also given later in the report)

2022 was a defining year for the SoftOx technology. We delivered promising results from two clinical trials and gained the approval for our disinfectants in Sweden. The conditions and funding in connection with the European Defence Fund have also been agreed upon, aiding a clear strategy and set of priorities for business development.

An international Board of Directors was established in December, with focus on international financing, knowledge of the wound care market, and international and operational knowledge about the defence sector. In parallel, Geir Almås transitioned to the role of Executive Chairman of the Board, where he will dedicate his time to funding, investor relations, long-term strategic management, and internationalization of the wound care business. During the period, we also welcomed Harald Sætvædt to the team as Chief Financial Officer. Myself, I am honoured and excited to take on the role as interim Chief Executive Officer and work together with this strong team to steer in line with SoftOx's strategy for funding and business development.

Having recently delivered encouraging results from our clinical trial in chronic leg wounds, we see great opportunities for our technology. The wound care market is facing a significant unmet medical need, and as a result, is expansive and steadily growing due to an increasingly older population with multiple health issues. In the fourth quarter, we announced Phase 1 results which confirmed the safety and tolerability of the SoftOx Biofilm Eradicator (SBE) in chronic leg wounds. The final report of this study also indicated a consistent reduction in bacterial burden and dose-dependent reduction in wound size. We intend to develop this SoftOx wound technology platform to treat acute and chronic wounds, spanning a preventive wound cleanser to an anti-infective treatment of ulcers. The United States (US) Food and Drug Administration (FDA) has described non-healing wounds and antibiotic-resistant bacteria to be a major health issue. In efforts to develop and seek external financing for our potential wound care products, the Board of Directors will soon propose to the General Assembly a demerger of SoftOx Solutions AS to establish SoftOx Wound Care AS as a wholly owned subsidiary of SoftOx Solutions AS. Further clinical development will continue in the US and will be co-funded by the US Naval Medical Research Center.

Respiratory infectious diseases remain a leading cause of mortality and morbidity, and also pose significant costs to society and healthcare infrastructure. In Europe and the US, around 12 percent of the population suffer from flu-like illnesses annually. SoftOx is developing an inhalation product with the potential to treat and prevent respiratory infections. Scientific progress and achievements in the past year have strengthened the outlook for SoftOx Inhalation Solution (SIS). In 2022, we demonstrated safety and tolerability in a Phase 1 study (SIS-01), established proof of concept of both treatment and prevention of infection in animal models, and entered the COUNTERACT consortium with awarded funding from the European Defence Fund. Collectively, these milestones have demonstrated the strength and substantial potential of our platform, and we are confident that future data will continue to deliver encouraging results.

Christian Harstad, Interim Chief Executive Officer

Product development methodology

Business segments	Projects	Pre-clinical	Phase Ia	Phase Ib	Phase II	Phase III	Regulatory approval
Wound Care	Chronic wound treatment	→					
Respiratory infectious disease	Inhalation solution	→					

Figure 1. SoftOx product pipeline

Business development

SoftOx Solutions is a medtech and pharmaceutical company focused on research and development of its patented technology in various segments. As a research and development company, SoftOx is currently developing pharmaceuticals and medical devices focusing on ulcer wounds and respiratory infections, where the company will take the projects up to Phase 2 clinical proof of concept together with financial and military partners, and through Phase 3 and to market together with commercial partners.

Platform technology

In collaboration with leading scientific teams, SoftOx has discovered a unique synergistic effect of two natural antimicrobial components. SoftOx drug candidates reinforce nature's ability to eradicate unwanted microbes and are protected by a robust patent portfolio providing opportunities to expand into new therapeutic applications. SoftOx has 72 granted patents, and an additional 77 filed patents worldwide 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 biofilms), fungi, spores, and viruses. The technology has not been shown to induce antimicrobial resistance.

Operational update for the fourth quarter of 2022

Wound care

RESEARCH AND PRODUCT DEVELOPMENT

SoftOx Biofilm Eradicator (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 final report from the Phase 1 clinical study (SBE-01, NCT05710094), evaluating the safety and tolerability of single and multiple ascending doses of SBE in patients with chronic leg ulcers, was received in December 2022. The first-in-human clinical study concluded that SBE applied on chronic

leg wounds was safe and well-tolerated. Treatment with all SBE formulations consistently reduced the absolute number of bacteria in the wound compared with pre-treatment, and a dose-dependent reduction in wound size was observed in the multiple-dosing SBE treatment groups.

The results of SBE-01 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 US 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. The company is currently preparing the regulatory documentation required to conduct the Phase 2 study in the US.

Having demonstrated early proof-of-concept for the SBE project and in accordance with the company's corporate strategy, SoftOx will seek a strategic partner to further develop and advance its wound care segment within acute and chronic indications.

SoftOx Wound Irrigation Solution (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 establish SWIS as the preferred wound cleansing product.

REGULATORY & COMMERCIAL

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 shows that we have not met all the requirements for this application. Work is ongoing to establish the extent of supplemental work and resources needed to secure an approval.

The SBE-01 results of antimicrobial effects in chronic leg wounds over a safe and tolerable dose range combined with other evidence of acute wound healing, together indicate an early clinical proof of concept for the SoftOx wound care technology platform across a range of potential acute and chronic wound care indications. On this basis, the company has engaged in discussions with several potential partners, both distributors and industry, within the wound care sector.

Respiratory infectious disease

SoftOx Inhalation Solution (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 and prevention of respiratory tract infections. SoftOx hypothesizes that SIS inactivates and kills the intracellular and extracellular virus and bacteria in the upper and lower respiratory tract, resulting in fewer symptoms, faster recovery and reduced 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.

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 has demonstrated reproducible dose dependent virucidal effects in *in vivo* mouse models of Influenza A. The team continues to investigate the effects of SIS in mouse models with other infectious agents.

EUROPEAN DEFENCE FUND – FUNDING

The SoftOx technology is one of three main technologies forming the basis for the grant, and the project includes pre-clinical and clinical studies investigating the safety and efficacy of medical countermeasures targeting chemical, biological, radiological, and nuclear (CBRN)-type threats. This project brings together 27 companies based in the EU and Norway (5 universities; 3 technological research bodies; 10 public research institutes; and 8 small and medium-sized enterprises). The project will cover a four-year period (2023-2026).

According to the agreement, approximately EUR 4.1 million will be awarded to SoftOx and approximately EUR 4.2 million will be granted to the consortium partners to support SoftOx in developing the inhaled biological countermeasure based on the SoftOx technology. In addition, SoftOx will receive up to NOK 9.6 million from the Norwegian Ministry of Defence. The EDF communicates a willingness to continue supporting technologies that deliver results in line with expectations. New calls will be announced on an annual basis through 2027.

Disinfection

REGULATORY & COMMERCIAL

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 European Norm (EN) criteria. 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. The formula is alcohol-free and non-flammable making it safe for critical areas such as airplanes/airports, kindergartens, and schools. SoftOx's hand disinfectant is clinically documented as skin friendly, making it an ideal disinfectant for healthcare settings.

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. The approval allows the company to continue its work to find an international partner for its disinfection technology.

Company organization

In December, the Board of Directors convened for an Extraordinary General Meeting for the election of a new Chairman and new board members.

With the approval at the general meeting, the Board of the Directors was strengthened with the additions of Henrik Nielsen, Adrian Bignami and Jørgen Berggrav. Together with existing members Kari Myren and Olav Jarlsby, the new Board of Directors represents an international board with interests and expertise reflective of the company's current and future business pursuits.

Henrik J. Nielsen is the founder and CEO of CAP Partner, a conference handling and consulting firm based in Frederiksberg, Denmark, and Director of the European Wound Management Association, which is one of the largest not-for-profit umbrella organisations in the world within the field of scientific and clinical wound care. Nielsen is an expert in association management, advocacy, fundraising and organization and has provided many years of expertise in the medical device area as a consultant.

Adrian Bignami is one of the early co-inventors of the SoftOx technology and is currently the Vice President of Finance, Business Planning and Analysis at C4 Therapeutics, Inc., a clinical-stage biotechnology company in the US. He has over 20 years of experience in management consulting, investment banking, entrepreneurship, business development and corporate finance across the pharmaceutical and biotechnology sectors.

Jørgen Berggrav (Rear Admiral Rtd) has served as the Senior Advisor of SoftOx Defense Solutions since September 2022. 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.

Geir Almås was elected as Executive Chairman of the Board and subsequently resigned as CEO. His role as full-time Executive Chairman focuses on funding and strategic development of the company. Christian Harstad was appointed the interim Chief Executive Officer and has started in this role as of 1 January 2023.

Christian Harstad has a long military career including serving as a submarine commanding officer and roles in the Norwegian special forces, US Joint Forces Command, US Naval War College, Norwegian Defence Staff and the Norwegian Ministry of Defence. He retired from the Military as Flag Officer and second-in-command for Norwegian Special Operations Forces. In September 2022, Harstad joined SoftOx as the Project Director for SoftOx Defense Solutions AS.

Harald Sætvedt was appointed Chief Financial Officer of SoftOx, effective as of January 1, 2023. Sætvedt has long-standing experience from international corporate finance and his position will be part-time.

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 recognized NOK 7 million (NOK 6 million) as income in connection with funding from The Research Council of Norway, the Norwegian Ministry of Defence and the U.S. Department of Defense.

For 2022, salary costs were NOK 26.4 million (NOK 21.1 million), an increase of 25 percent compared to 2021 due to an increased workforce. Other operating costs are NOK 67.9 million (NOK 69.1 million) in 2022. Total operating expenses for Q4 increased to NOK 26.1 million (NOK 22.6 million).

SoftOx continues its production and development program, and pre-tax results ended with a loss of NOK 25.5 million (loss of NOK 20.5 million) for Q4, and loss of NOK 93.7 million (NOK 86.3 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 7.9 million (NOK 7.4 million). These are capitalized patent costs in the Swedish subsidiary, which are depreciated over 5 years. Deferred tax assets will not be addressed as the 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, 2022, the company announced that the SoftOx Board of Directors had raised a new convertible loan from certain existing shareholders who will provide the company with new liquidity of NOK 25 million, in addition refinancing the convertible loan of NOK 15 million, as reported on 28 June 2022.

Outlook

- R&D related activities:
 - o **SoftOx Inhalation Solution (SIS)** – Continuing preparations for Phase 2 civilian indication
 - o **SoftOx Biofilm Eradicator (SBE)** – Continuing preparations for Phase 2 study in chronic wounds
 - o **SoftOx Wound Irrigation Solution (SWIS)** – Ongoing work to establish the extent of supplemental work and resources needed to secure an approval
 - o **SoftOx Defense Solutions (SDS)** – Start-up of development and bridging activities for development of a biological medical countermeasure
- Pursue disinfectant and wound care approvals in selected markets
- Establish a network of partners and distributors for both wound care and disinfectant products

Significant risk factors for the company

- Clinical research studies always involve an inherent risk of being delayed and not delivering results as expected
- 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 October to 31 December 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, 14 February 2023

SIGNED

Geir Hermod Almås, Chairman of the Board

SIGNED

Kari Myren, Board Member

SIGNED

Olav Jarlsby, Board Member

SIGNED

Henrik Nielsen, Board Member

SIGNED

Adrian Bignami, Board Member

SIGNED

Jørgen Berggrav, Board Member

SIGNED

Christian Harstad, CEO

Profit and loss statement				
Accounts for fourth quarter and year-to-date 2022				
SoftOx Solutions Group	Fourth quarter		Year	
<i>NOK 1,000</i>	2022	2021	2022	2021
Other operating revenues	2 678	2 307	7 114	7 901
Total operating revenues	2 678	2 307	7 114	7 901
Personnel expenses	7 466	5 691	26 383	21 113
Other operating expenses	17 500	15 326	67 886	69 107
Depreciation	1 148	1 630	3 900	3 784
Depreciation, goodwill	0	0	0	
Total operating expenses	26 114	22 647	98 169	94 004
Operating result	-23 436	-20 339	-91 055	-86 102
Net financial items	-2 111	-141	-2 645	-189
Profit before tax	-25 547	-20 480	-93 700	-86 291
Tax				20 888
Annual profit/loss				-65 403

Statement of financial position	31.12.2022	31.12.2021
SoftOx Solutions Group		
<i>NOK 1,000</i>		
Other intangible assets	7 927	7 370
Deferred tax asset	51 318	51 347
Goodwill from acquisition of subsidiary	0	0
Total intangible assets	59 246	58 717
Production equipment	3 891	3 494
Total fixed assets	3 891	3 494
Non-current assets	63 136	62 211
Inventory	0	196
Total inventory	0	196
Other receivables	7 790	8 675
Total receivables	7 790	8 675
Cash and cash equivalents	6 907	56 984
Current assets	14 696	65 855
Total assets	77 833	128 066

Share capital	207	207
Share premium reserve	109 530	175 034
Total paid up capital	109 737	175 241
Other equity	-93 731	-65 504
Total equity	16 006	109 737
Other long term debts	41 065	350
Other non-current liabilities	41 065	350
Public duties payable	619	38
Shareholder loans	0	4 995
Other current liabilities	8 826	6 917
Accounts payable	11 317	6 029
Total current liabilities	20 762	17 979
Total liabilities	61 827	18 328
Total equity and liabilities	77 833	128 066

Cash flow statement	Fourth quarter		Year	
	2022	2021	2022	2021
SoftOx Solutions Group				
<i>NOK 1,000</i>				
Cash flow from operating activities				
Net result before taxes	-25 547	-20 480	-93 700	-86 291
Tax paid	0	0	0	0
Depreciation	1 148	1 630	3 900	3 784
Change in current assets	-2 489	-3 709	1 081	3 061
Change in current liabilities	-10 110	6 943	2 784	6 886
Net cash flow from operating activities	-36 999	-15 617	-85 936	-72 561
Cash flow from investment activities				
Investments in non-current assets	-759	-2 387	-4 854	-4 596
Net cash flow from investment activities	-759	-2 387	-4 854	-4 596
Cash flow from financing activities				
Proceeds from equity issues	0	47 809	0	89 018
Other financing activities	41 065	10 335	40 715	10 355
Translation differences	323	229	0	-34
Net cash flow from financing activities	41 388	58 393	40 715	99 339
Net change in cash and cash equivalents	3 629	40 389	-50 076	22 182
Cash and cash equivalents at beginning of period	3 278	16 596	56 984	34 802
Cash and cash equivalents at end of period	6 907	56 984	6 907	56 984

Statement of changes in equity				
SoftOx Solutions Group				
	Fourth quarter		Year	
	2022	2021	2022	2021
<i>NOK 1,000</i>				
Equity at end of prior period	42 116	51 923	109 737	76 218
Share issues	0	57 813	0	99 023
Loss for the period	-25 547	408	-93 700	-65 403
Other changes in equity	-562	-408	-31	-101
Equity at end of period	16 006	109 737	16 006	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

CBRN	Chemical, Biological, Radiological and Nuclear
EDF	European Defence Fund
EN	European Norm
EU	European Union
FDA	U.S. Food and Drug Administration
IP	Intellectual property
KemI	Swedish Chemicals Agency
MRSA	Methicillin-resistant Staphylococcus aureus
OTA	Other Transaction Agreement
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/>

