SoftOx Solutions Group

Financial Report

Q3 2025

SoftOx Solutions AS (ticker: SOFTX) *is a clinical-stage pharmaceutical company listed on Euronext Growth Oslo. The company is developing highly effective pan-antimicrobial pharmaceuticals targeting bacteria, viruses, and fungi. The technology is based on extensive research and development in partnership with leading Nordic research institutes.*

The SoftOx Solutions Group (SoftOx) comprises the holding company SoftOx Solutions AS and the subsidiaries Water Innovation AB and SoftOx Defense Solutions AS. SoftOx Solutions Group is based in Oslo, Norway, with a subsidiary in Malmö, Sweden, and Clinical Operations in Copenhagen, Denmark.

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Highlights for the first three quarters of 2025

FINANCIAL RESTRUCTURING

The financial restructuring has been concluded. Since the extraordinary general assembly in September 2024, the new board and leadership team have been actively engaged in restructuring and refocusing efforts initiated by the previous board. SoftOx's shareholders have supported this process, both through their financial contribution in August 2024 and March 2025 and their confidence in the new leadership.

Following this transition, operations have been strategically narrowed to focus on inhalation-therapeutics opportunities, both as a medical countermeasure application as well as preparing for a therapeutic clinical program focused on lung infections, in general, representing a significant unmet clinical need globally.

REFINED CLINICAL FOCUS

On Sept 2nd, SoftOx announced a shift in its initial clinical focus towards chronic lung diseases in the upcoming proof-of-concept (PoC) trial. It will evaluate the safety of SoftOx Inhalation Solution (SIS) across escalating doses and its effects on pulmonary bacterial load, thereby establishing a foundation for additional clinical advancements. The change will not negatively impact previously announced budgets and timelines. The CTA was submitted end of September 2025. The readouts from the dose escalation are expected in H1 2026, and the PoC study will be concluded in Q1 2027.

Before the announcement, the board and leadership, assisted by external experts, had carefully evaluated the strategic options for advancing SoftOx's inhaled pharmaceutical platform and implemented an adaptation of the initial clinical focus by initiating its first POC study in chronic lung disease, focusing on people with cystic fibrosis (pwCF), rather than ventilator-associated pneumonia (VAP). The chronic lung disease indication offers a tangible and feasible development path, and positive outcomes will demonstrate the ability of SoftOx's technology to broadly eradicate bacteria in lung infections. Such results will represent a major value inflection point and be a solid foundation for broader clinical development, either by SoftOx or in partnership, including additional chronic indications such as non-cystic fibrosis bronchiectasis (NCFB), as well as acute indications such as VAP. The chronic CF and NCFB indications are characterized by strong commercial potential due to significant addressable markets and likely favorable pricing and reimbursement modalities.

Furthermore, SoftOx Defense Solutions AS has continued its work on inhaled medical countermeasures against biological warfare agents. This initiative has progressed successfully under a collaborative agreement with the European Defence Fund (EDF) and the Norwegian Ministry of Defence (NMOD). It remains on track, and the Clinical Trial Application (CTA) for the Phase 1 clinical trial was delivered in mid-October 2025.

As previously reported, SoftOx's technology in the wound and skin areas was spun off to SoftOx's shareholders in early February 2025, and since then, the two companies have operated independently.

Significant efforts have recently been dedicated to cost reduction and resolving past commitments. With many of these challenges now addressed and solved, the primary focus is devoted to planning, prioritizing, and initiating the forthcoming clinical trials as well as securing the financial resources to execute clinical development plans, which can demonstrate the clinical usability of the company's inhaled therapeutics technology and thereby unlock its significant value.

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FUNDING ACTIVITIES

Commited Financing Facility

In August 2025, SoftOx Solutions AS entered into a financing facility with Long State Investments Limited for up to NOK 50 million over 24 months, with the option to extend to NOK 80 million over 36 months. The agreement provides an equity line of credit, giving SoftOx the flexibility to issue shares and draw funds at its own discretion, depending on market conditions. The facility offers significant financial flexibility to support ongoing priorities, in particular planned clinical trials, while maintaining control over the timing and pricing of placements.

As compensation, Long State will receive up to 30 million shares as an implementation fee, a market-based cash consideration, and warrants for up to 60 million shares, subject to approval at an extraordinary general meeting. The Company is not obliged to utilize the facility, and it does not restrict SoftOx from pursuing other financing alternatives. The facility strengthens SoftOx's financial platform, ensures access to capital when needed, and can be terminated by SoftOx at any time without penalty.

The first placement under the facility was completed in September 2025. Reference is made to the stock exchange notice from SoftOx Solutions AS dated 25 September 2025, regarding the Board's resolution to exercise the financing facility with Long State Investments Limited. The private placement was completed at a subscription price of NOK 0.10, with Long State subscribing for 60,000,000 shares in the Company.

Key figures for the SoftOx Solutions Group as of 30.09.2025

Financial figures for the SoftOx Solutions Group are not audited (figures in brackets are comparable figures for 2024).

SoftOx Solutions Group	Third quarter		First three quarters		Year	
NOK 1,000	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**
Total operating revenue	4 463	1 418	11 971	6 295	11 971	7 914
Total operating expenses	9 969	18 216	19 473	37 885	19 473	40 377
Operating result	**-5 506**	**-16 798**	**-7 502**	**-31 590**	**-7 502**	**-32 463**
Profit before tax	**-5 547**	**-17 900**	**-6 937**	**-46 883**	**-6 937**	**-50 459**
Net proceeds from equity issues	0	24 750	9 055	35 745	9 055	35 745
Net change in cash and cash equivalents	287	6 435	9 547	6 857	9 547	2 861
Cash and cash equivalents at end of period	**20 060**	**14 509**	**20 060**	**14 509**	**20 060**	**10 513**
Outstanding shares, beginning of the period	2 240 416 994	10 727 871	1 951 253 942	10 727 871	1 951 253 942	10 727 871
Outstanding shares, end of the period	2 255 416 994	1 951 253 942	2 255 416 994	1 951 253 942	2 255 416 994	1 951 253 942

The Q3 2025 pre-tax results ended with a loss of NOK 5,5 million (a loss of NOK 17,9 million). The first three quarters of 2025 ended with a loss of NOK 6,9 million (a loss of NOK 46,9 million).

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Clinical Development Strategy

Narrow focus on therapeutics against Respiratory Tract Infections

SoftOx Solutions AS is fully dedicated to developing a completely new class of inhaled antimicrobial pharmaceuticals, effective against bacterial, viral, and fungal infections, which can be deployed into clinical practice without inducing new antimicrobial resistance. This new type of antimicrobial is developed to act locally in the airways, without systemic exposure, and is intended for treatment and potentially prevention of infections in the respiratory tract. It also holds promise to be a long-awaited new tool to be applied towards chronic infections, as well as multi-resistant infections and biological warfare threats. At dose levels tested in a previous trial in healthy volunteers, it is non-toxic and safe in humans, and a proof-of-concept (PoC) clinical trial in the first indication is planned to start Q1 2026, and a CTA was submitted at the end of September.

The corporate focus will remain to advance projects from the concept stage, through clinical development, with the aim, leveraged by compelling pre-clinical and clinical data, to seek strong partnerships for later-stage development and global commercialization. This model has proven effective globally for small innovative companies in the human therapeutics industry.

Lung Infection Applications

STRATEGY

The pharmaceutical product under development by SoftOx Solutions, termed SIS (SoftOx Inhalation Solution), has demonstrated safety in healthy volunteers in a completed Phase 1 trial at the dose levels tested. Toxicology data indicate that higher doses than those tested are feasible. To guide the clinical program, SoftOx's operations team, together with external experts, has developed a strategy that combines dose escalation with a robust proof-of-concept (PoC) approach.

Accordingly, a new clinical trial has been designed to evaluate higher dose levels of SIS in healthy volunteers, followed by a PoC arm in patients to assess the reduction in lung bacterial load. The planning process considered key factors such as the ability to collect reliable airway samples, clinical setting, patient availability and eligibility, budget, timeline, and data ownership. Based on this assessment, SoftOx refined the focus and proceeded with a PoC trial in patients with chronic lung infections.

These patients, though affected by different diseases, form a relatively homogeneous population. They frequently attend hospitals for treatment, can provide the biological material needed for bacterial load assessment, face a clear unmet medical need, and are experienced in communicating both treatment effects and potential adverse events. This PoC study may pave the way for subsequent phase 2 and 3 trials across one or more indications, depending on the therapeutic priorities of future partners.

ABOUT THE Proof-of-Concept (PoC) TRIAL

The trial is designed in two stages: first to evaluate the safety of SIS in healthy volunteers at higher dose levels than previously tested, and then to demonstrate proof-of-concept by measuring reductions in lung bacterial load among patients with chronic airway infections. The study will be set up at the same site as SoftOx's Phase I study, ensuring that the previously communicated timelines and budgets will not be affected.

The clinical trial application (CTA) was submitted at the end of September 2025, and study initiation is planned for Q1 2026 with a 12-month duration.

HIGHLIGHTS RESEARCH & PRODUCT DEVELOPMENT

- The SoftOx research team, led by CEO Professor Thomas Bjarnsholt, has shown broad antimicrobial efficacy of SIS in vitro. Also, in animal models, reproducible dose-dependent virucidal and bacterial effects of inhaled SIS have been shown in mouse pneumonia models of Influenza A and *Pseudomonas aeruginosa,* respectively. In addition, the team has shown that the administration of SIS can prevent the spread of Sendai/Parainfluenza virus among co-housed mice. This makes SIS a very promising candidate to prevent and treat airway infections.
- The recent thorough investigation to identify the most valuable and broadly applicable initial PoC (Phase 2a) trial has redirected focus from VAP to chronic lung infections, initially cystic fibrosis (CF) and Non-CF bronchiectasis (NCFB).

OUTLOOK

- The Company's first Clinical Trial application (CTA) was submitted to the authorities end of September 2025
- The first healthy volunteer is expected to be enrolled in the dose escalation part of the study in Q1 2026, and the PoC study will follow seamlessly thereafter, with the trial ending in Q1 2027.
- For the trial, a new Drug Substance has been developed through a CMO, and a GMP batch has been successfully produced and released.
- Technical batches of the drug product have been successfully produced.
- Production of GMP batches of the drug product is planned for December 2025 and Q1 2026.

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Medical Countermeasure Applications

STRATEGY

SoftOx Defense Solutions AS (SDS) develops inhaled pharmaceuticals to be deployed as countermeasures against biological warfare threats through a contract with the European Defence Fund (EDF), together with the Norwegian Defence Research Establishment (FFI) and several other European partners. The project started in December 2022 and runs until November 2026. The activity in SDS is financed by the European Defence Fund (EDF) and the Norwegian Ministry of Defence (NMOD) and has not been affected by the previous financial challenges in SoftOx Solutions AS. Commercial rights are retained by the SoftOx group.

HIGHLIGHTS RESEARCH & PRODUCT DEVELOPMENT

- Several partners are conducting in vivo testing of SIS's efficacy in several animal infection/lung models. Preliminary results show good efficacy in a murine *P. aeruginosa* pneumonia model as well as in a murine influenza model.
- A nebulization device for the upcoming phase 1 trial has been selected.
- The second-generation SIS has been developed under the EDF project.
- The testing of the second-generation SIS by several partners has shown great efficacy against a variety of relevant respiratory pathogens, including severe pathogens/biological weapons like *Bacillus anthracis*.
- For the Phase 1 trial, a new Drug Substance has been developed through a CMO, and a GMP batch has been successfully produced and released.
- Technical batches of the drug product have been successfully produced.
- Production of GMP batches of the drug product is planned for December 2025 and Q1 2026.

OUTLOOK

- The work on developing SIS as a Medical Countermeasure against biological warfare agents is progressing according to the project plans.
- A pre-submission meeting was held with the Irish health authorities, HPRA in June 2026, and a CTA for the planned phase 1 trial was submitted in mid-October 2025.
- In the clinical Phase 1 trial, the concentrations of SIS will be increased to achieve a larger therapeutic window.
- The Phase 1 study will be initiated in Q1 2026.

Financial matters

Financial figures for the SoftOx Solutions Group are not audited (figures in brackets are comparable figures for 2024).

Profit and Loss Statement

During the first three quarters of 2025, the company recognized NOK 12 million (NOK 6,3 million) as income in connection with funding from the European Defence Fund and Norwegian Research Fund.

In the first three quarters of 2025, salary costs were NOK 4,5 million (NOK 4 million). NOK 4,4 million is related to the EDF/Counteract project.

Other operating costs of the first three quarters of 2025 are NOK 12,6 million (NOK 30 million). NOK 7,3 is related to the EDF/Counteract project.

Total operating expenses of the first three quarters of 2025 are NOK 19,5 million (NOK 37,9 million). NOK 11,7 is related to the EDF/Counteract project.

Net Financial items for the first three quarters of 2025 are NOK 0,6 million (NOK 15,3 million).

Pre-tax results ended with a loss of NOK 6,9 million (loss of NOK 46,9 million) for the first three quarters of 2025. Results are impacted by the execution of the restructuring efforts.

Cash flow and consolidated balance sheet

Of the capitalized assets, the company has activated its IP and patent costs worth NOK 13,3 million (NOK 11 million). The IP/Patent costs are depreciated over 5 years. Deferred tax assets will not be addressed here, as the tax calculations will be performed for the end-of-the-year reporting, based on audited figures.

The Company's cash position has been strengthened following the successful completion of the Private Placement announced in the stock exchange notice on 25 March 2025. The proceeds have provided liquidity to support ongoing operations and strategic initiatives, including preparations for the forthcoming proof-of-concept clinical trial and the EDF/CounterACT project.

In August 2025, the Company entered into a flexible financing facility with Long State Investments Limited of up to NOK 50 million over 24 months (with an extension option to NOK 80 million over 36 months), providing access to capital as needed to support operations and growth. The Company is not obliged to utilize the facility and remains free to pursue other financing alternatives.

On 11 September 2025, the Company resolved to request the issuance of up to 60 million shares under the financing facility. The first placement was completed, and Long State subscribed for 60 million shares at a subscription price of NOK 0.10. The placement strengthened the Company’s liquidity position and marked the first drawdown under the financing facility.

In parallel, the Company will continue to assess additional financing opportunities as they become available to secure the approximately EUR 8 million required to fund key clinical activities. These activities are essential to demonstrate the clinical utility of SIS and to support productive partnership discussions by 2027.

Furthermore, ongoing efforts to optimize cost structures and streamline operations have enhanced the Company's financial resilience, ensuring efficient capital allocation in alignment with long-term strategic objectives.

Legal Matters

Reference is made to the stock notice dated 27 February 2025, where the Company has settled the legal dispute between the Company and a former consultant claiming to have a bonus claim for services rendered in 2022. The Company has settled MNOK 1,5 ex VAT for immediate payment and MNOK 0,8 ex VAT for payment by 30.06.2026.

The Company has also settled an issue related to immaterial rights related to the further development of certain aspects of SoftOx's technology, by issuing 16,5 million shares in the company to its counterpart.

Other than a dispute with a former employee that has been settled, and the two cases mentioned above, the Company is not, nor has it been, during the preceding 12 months involved in any legal, governmental, or arbitration proceedings which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability, and the Company is not aware of any such proceedings which are pending or threatened.

Patent Strategy

The Company pursues an active patent strategy, including improvements as well as pruning of the existing portfolio and filing of new patent applications to further protect the SoftOx technology platform. The company takes advice from a qualified external IP/Patent advisory team.

Option/Warrant Programme

According to the General Assembly on 27th of June 2025, the Company has issued 196 036 487 stand-alone subscription rights/warrants to employees and board members, as outlined in the list below.

Name	Title	Total allocation		Upfront Grant (%) of total	Upfront Grant # (Strike 0,052 (*))	Vesting options (Strike 0,079)	Vesting (years)	Annual vesting #	Accel. Vesting
		% of total issued equity	Number of warrants						
Medical Consulting Aps (Thomas Bjarnsholt)	CEO	1,00 %	22 404 170	25 %	5 601 042	16 803 127	3	5 601 042	yes
Bonica AS (Ingrid Juven)	CFO	1,00 %	22 404 170	25 %	5 601 042	16 803 127	3	5 601 042	yes
Ulrik Spork	CBO	3,00 %	67 212 510	33 %	22 180 128	45 032 382	3	15 010 794	yes
Christian V Thomsen	VCBO	1,50 %	33 606 255	25 %	8 401 564	25 204 691	3	8 401 564	yes
Andrian Bignami	Board member	0,50 %	11 202 085	25 %	2 800 521	8 401 564	3	2 800 521	yes
[TBD]	Board member	0,50 %	11 202 085	0 %	-	11 202 085	3	3 734 028	yes
ESOP (allocated by BoD)	Key employees	1,25 %	28 005 212	0 %	-	28 005 212	3	9 335 071	yes
		8,75 %	196 036 487		44 584 298	151 452 189		50 484 063	

* Average 10 days VWAP 12.09.24 and 12.06.25
** 10 days VWAP 12.06.2025

According to the General Assembly on 28th June 2024, the Company has issued 30 006 250 stand-alone subscription rights/warrants to employees and board members, as outlined in the list below.

KEY PERSONELL & BOARD			Amount	Warrents	Duration	Strike
Hermod Farms (*)	Geir Almås	Key Personell	1 944 000	9 720 000	5 years	0,4
Harstad Experience (*)	Christian Harstad	Key Personell	1 194 750	5 973 750	5 years	0,4
Medical Consulting	Thomas Bjarnsholdt	Key Personell	895 000	4 475 000	5 years	0,4
Bonica	Ingrid Juven	Key Personell	1 080 000	5 400 000	5 years	0,4
Elin Jørgensen		Key Personell	171 875	859 375	5 years	0,4
Henrik Nielsen (*)		Board	171 875	859 375	5 years	0,4
Olav Jarlsby (*)		Board	171 875	859 375	5 years	0,4
Adrian Bignami		Board	171 875	859 375	5 years	0,4
Jørgen Berggrav (*)		Board	200 000	1 000 000	5 years	0,4
SUM			6 001 250	30 006 250		

(*) Engagegment concluded

Significant risk factors for the company

- Clinical research studies always involve an inherent risk of being delayed and not delivering results as expected.
- Financial risks mainly consist of currency, credit, and liquidity risk. The company depends on funding its R&D activities with funds from investors.
- 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 half year report 2025 accounts for the period 1st of January to 30th of September 2025 have been prepared following 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 report provides a true and fair view of the information specified in Section 5-6, fourth paragraph, of the Norwegian Securities Trading Act.

Oslo, 25th of November 2025

SIGNED

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Ulrik Spork, Chairman of the Board

SIGNED

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Christian Vinding Thomsen, Board Member

SIGNED

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Adrian Bignami, Board Member

SIGNED

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Tore Duvold, Board Member

SIGNED

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Ingrid Juven, Managing Director/CFO

Profit and Loss Statement

Profit and loss statement
Accounts for third quarter 2025

SoftOx Solutions Group	Third quarter		First three quarters		Year	
NOK 1,000	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**
Other operating revenues	4 463	1 418	11 971	6 295	11 971	7 914
Total operating revenues	**4 463**	**1 418**	**11 971**	**6 295**	**11 971**	**7 914**
Personnel expenses	1 312	1 515	4 554	3 977	4 554	4 985
Other operating expenses	7 878	15 719	12 581	30 003	12 581	30 020
Depreciation	779	983	2 337	3 905	2 337	5 372
Depreciation, goodwill	0	-	0	0	0	0
Total operating expenses	**9 969**	**18 216**	**19 473**	**37 885**	**19 473**	**40 377**
Operating result	**-5 506**	**- 16 798**	**-7 502**	**-31 590**	**-7 502**	**-32 463**
Net financial items	**-41**	**- 1 102**	**565**	**-15 293**	**565**	-17 996
Profit before tax	**-5 547**	**- 17 900**	**-6 937**	**-46 883**	**-6 937**	**-50 459**
Tax	0	-	0	0	0	7 515
Annual profit/loss	**-5 547**	**- 17 900**	**-6 937**	**-46 883**	**-6 937**	**-42 944**

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Balance sheet 30.09.25

Statement of financial position	30.09.2025	30.09.2024	31.12.2024
SoftOx Solutions Group			
NOK 1,000			
Other intangible assets	13 260	11 247	26 412
Deferred tax asset	84 203	76 688	84 203
Goodwill from acquisition of subsidiary	0	0	0
Total intangible assets	**97 463**	**87 935**	**110 615**
Production equipment	0	10	0
Total fixed assets	**0**	**10**	**0**
Non-current assets	**97 463**	**87 945**	**110 615**
Inventory	0	0	0
Total inventory	**0**	**0**	0
Other receivables	0	902	13
Total receivables	**0**	**902**	**13**
Cash and cash equivalents	20 060	14 509	10 513
Deposits	0	0	0
Current assets	**20 060**	**15 412**	**10 526**
Total assets	**117 523**	**103 356**	**121 141**

Share capital	45 108	39 025	39 025
Share premium reserve	64 443	22 480	52 917
Total paid up capital	**109 551**	**61 505**	**91 942**
Other equity	-9 291	24 413	3 242
Total equity	**100 261**	**85 918**	**95 185**
Other long term debts	0	0	0
Other non-current liabilities	**0**	**0**	**0**
Dividend	0		10 000
Public duties payable	-41	-1 314	-569
Shareholder loans	0	0	0
Other current liabilities	13 832	11 141	10 143
Accounts payable	3 471	7 611	6 382
Total current liabilities	**17 262**	**17 438**	**25 956**
Total liabilities	**17 262**	**17 438**	**25 956**
Total equity and liabilities	**117 523**	**103 356**	**121 141**

Cash Flow Statement

Cash flow statement	Third quarter		First three quarters		Year	
	2025	2024	2025	2024	2025	2024
SoftOx Solutions Group						
NOK 1,000						
Cash flow from operating activities						
Net result before taxes	-5 547	-17 900	-6 937	-46 883	-6 937	-50 459
Tax paid	0	0	0	0	0	0
Depreciation	779	983	2 337	3 905	2 337	5 372
Change in current assets	0	43	13	47	13	936
Change in current liabilities	3 548	-4 838	-8 694	-31 844	-8 694	-23 327
Convertion of debts/dividend	1 506	4 496	2 572	94 710	2 572	100 039
Net cash flow from operating activities	**287**	**-17 215**	**-10 708**	**19 935**	**-10 708**	**32 561**
Cash flow from investment activities						
Investments in non-current assets	0	-1 101	10 815	-3 213	10 815	-19 835
Net cash flow from investment activities	**0**	**-1 101**	**10 815**	**-3 213**	**10 815**	**-19 835**
Cash flow from financing activities						
Proceeds from equity issues	0	24 750	9 055	35 745	9 055	35 745
Other financing activities	0	0	410	-45 589	410	-45 589
Translation differences	0	0	-22	-19	-22	-19
Net cash flow from financing activities	**0**	**24 750**	**9 442**	**-9 863**	**9 442**	**-9 863**
Net change in cash and cash equivalents	**287**	**6 435**	**9 547**	**6 857**	**9 547**	**2 861**
Cash and cash equivalents at begining of period	19 773	8 075	10 513	7 652	10 513	7 652
Cash and cash equivalents at end of period	**20 060**	**14 509**	**20 060**	**14 509**	**20 060**	**10 513**

Statement of changes in equity (*)

Statement of changes in equity						
SoftOx Solutions Group						
	Third quarter		First three quarters		Year	
NOK 1,000	2025	2024	2025	2024	2025	2024
Equity at end of prior period	**104 324**	**-18 976**	**95 185**	**2 366**	**95 185**	**2 366**
Share issues (equty/debt convertion)	1 506	130 455	12 037	130 455	12 037	135 783
Loss for the period	-5 547	-17 900	-6 937	-46 883	-6 937	-42 944
Other changes in equity	-24	-24	-24	-21	-24	-21
Equity at end of period	**100 261**	**93 555**	**100 261**	**85 918**	**100 261**	**95 185**

(*) The first three quarters of 2024 and 2025 are before tax, and the Year 2024 is after tax. The full year 2024 is after tax, and the full year 2025 is before tax.

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 the parent and subsidiary.

The purchase method is applied when accounting for business combinations. Companies that 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

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