

Annual report 2023

SoftOx Solutions

Organization number: 998 516 390

SoftOx Solutions AS (ticker: SOFTX) is a Medtech and Clinical-stage pharmaceutical company listed on Euronext Growth Oslo. The company has developed a non-toxic and highly effective pan-antimicrobial technology targeting bacteria, viruses, and fungi. The patent-protected technology is based on extensive research and development in partnership with leading Nordic research institutes.

The SoftOx Solutions Group includes the holding company SoftOx Solutions AS, Water Innovation AB, and subsidiaries SoftOx Defense Solutions AS and SoftOx Disinfection AS. SoftOx is based in Oslo, Norway with subsidiaries in Malmö, Sweden, and Clinical Operations located in Copenhagen, Denmark

Contents

Board Of Directors' Report 2023	2
Highlights 2023	2
SoftOx in Brief	2
Business Segments.....	3
SoftOx Inhalation Solution (SIS)	3
SoftOx Defense Solution (SDS).....	4
SoftOx Skin and Wound Care (SWC)	5
Financial Review.....	6
Going Concern and Subsequent Events.....	7
Risk Factors and Risk Management	8
Organization.....	9
Corporate Social Responsibility (CSR).....	10
Governance	10
Confirmation from the Board of Directors and CEO	10
Governance	12
Corporate governance in SoftOx.....	12
Board of Directors.....	18
Management Team.....	19
Financial statements	20
Profit and Loss SoftOx Solutions Group	20
Balance sheet SoftOx Solutions Group	21
Profit and Loss SoftOx Solution AS.....	23
Balance sheet SoftOx Solution AS.....	24
Cash Flow Statement SoftOx Solutions Group and SoftOx Solution AS	26
General Accounting Principles	26
Notes to the Financial Statements.....	29
Independent Auditors report.....	33
General Information	37
SoftOx History	37
Glossary.....	39
Contact information.....	39

Board Of Directors' Report 2023

Highlights 2023

SoftOx experienced serious financial challenges in 2023. A new strategy to change the company was developed. The running costs were minimized, and the research and development programs were paused/narrowed down. The R&D and production facilities at Fornebu closed, and the activities were outsourced to partners in Sweden. In Q2/2023 the Company was forced to temporarily lay off employees and start reducing the workforce.

During 2023 the Company has prepared for a financial restructuring. The financial restructuring is expected to be completed in the first half year of 2024.

SoftOx in Brief

Mission

Helping the world Fight infections

Vision

To become a world-leading developer of antimicrobial technology

The SoftOx technology – the human body's natural defense system

SoftOx has developed an antimicrobial technology designed to address some of the world's greatest health challenges including viral infections, biofilm infections, and antimicrobial resistance. The SoftOx technology is built on hypochlorous acid produced by white blood cells as the human body's natural defense system. Therefore, the SoftOx technology reinforces nature's ability to eradicate unwanted microbes safely.

Protected, versatile, and clinically proven technology platform.

The Company has protected the technology with a broad patent portfolio, and as of year-end 2023, SoftOx has filed more than 56 patents worldwide and has been granted 75 key patents. The key patents are filed in the US, Europe, Asia, and South America.

Partner Strategy

SoftOx is committed to developing new ways of eradicating infections and fighting antimicrobial resistance. The focus is to deliver projects from the concept development phase to the partnering phase with the necessary preclinical and clinical documentation. The new strategy builds on outsourcing a large part of the R&D and clinical experiments. SoftOx is seeking strategic partners depending on the project – industrial, financial, institutional – to help bring the projects to the market and meet user needs.

A global network of researchers and key opinion leaders

SoftOx has a collaboration network of world-leading scientists and key industry leaders. SoftOx's scope is expanded and strengthened through the support and interest of influential collaborators in the US and Europe.

The Company has a close relationship with leading Nordic universities and research institutions as academic research partners including the University of Copenhagen, the University of Oslo, the University of Malmö, the European Wound Management Association, and the Norwegian Defence Research Establishment (FFI).

SoftOx receives financial support from the Research Council of Norway, the Norwegian Ministry of Defence, and the European Defence Fund.

Major milestones of the development of SoftOx Solutions

SoftOx Solutions AS was established in 2012 and is headquartered in Oslo with subsidiaries Water Innovation AB (WIAB), Malmö; SoftOx Disinfection AS, Oslo; SoftOx Defense Solutions AS, Oslo; forming the SoftOx Solutions AS Group. SoftOx Solutions is listed on Euronext Growth Oslo, a multilateral trading facility operated by Oslo Børs ASA. Ticker: SOFTX.

Business Segments

SoftOx Solutions is dedicated to developing a completely new class of antimicrobials (infection prevention and infection treatment), that are effective against bacterial infections, viruses, and fungi, without inducing antimicrobial resistance. This new type of antimicrobial is developed to work locally and non-systemically on tissue, whether it is intended for treatment in wounds, the oral cavity, or the respiratory tract, and has shown to be non-toxic.

All SoftOx products utilize the same technology, but the concentrations and formulations are tailored for different uses and indications. The technology is based on a combination of naturally occurring simple chemical compounds that harbor broad antimicrobial effects without inducing resistance.

The current business segments are Inhalation/Respiratory (SoftOx Inhalation Solution), Defense Solution (SoftOx Defense Solution), and Wound Care (SoftOx Skin and Wound Care).

SoftOx Inhalation Solution (SIS)

Inhalation solutions focus on products to combat infections in the lungs and respiratory system. The SoftOx Inhalation Solution (SIS) is tested to be safe in healthy volunteers (phase 1). Preparation for a proof-of-concept trial (phase 2) in ventilator-associated pneumonia patients is ongoing. Further, the inhalation solution has many possible indications, including typical viral airway infections like influenza and SARS-CoV-2 as well as bacterial pneumonia and even prevention of infection after exposure.

HIGHLIGHTS 2023

- The University of Copenhagen on behalf of SoftOx has established proof of concept in mouse models for the use of SIS for both treatment and preventive use against viral infections in the respiratory tract. Animal studies of respiratory infections were concluded to be safe and efficacious.
- The SoftOx Research Department led by Prof. Thomas Bjarnsholt has shown broad antimicrobial efficacy of SIS in vitro. Also, in animal models reproducible dose-dependent virucidal effects of inhaled SIS have been shown in mouse models of Influenza A. 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 e.g. ventilator-associated pneumonia, other pneumonia, and typical viral infections like SARS-CoV-2 and influenza. The team continues to investigate the effects of SIS in animal models.
- LOI with the University of Copenhagen regarding the development of SIS.
- Outsourcing product development to CR Competence.

OUTLOOK

- After careful analysis and consideration, it is decided to focus the research and development on proof of concept (phase 2) in Ventilator Associated Pneumonia (VAP). VAP is a common and lethal threat to hospitalized patients on ventilators. The company already has positive indications of efficacy against VAP.
- During 2023 documentation for applying for a phase 2 study has been collected. The study is planned to be executed at the University of Copenhagen with connected hospitals when the necessary financing is in place. Pending funding, a phase 2 trial can start in 2025.
- This requires different skills and experience than today's top management and Board of Directors hold. Therefore, the management and Board suggest that the General Assembly elect a new Board of Directors that will take over the inhalation segment.

SoftOx Defense Solution (SDS)

Defense Solution develops countermeasures against biological threats through the contract with the European Defence Fund (EDF) together with the Norwegian Defence Research Establishment (FFI) and other European partners. The project started in December 2022 and the project will run until November 2026. The activity in SDS is financed by the contract with the European Defence Fund and has not been affected by the financial challenges in SoftOx Solution.

HIGHLIGHTS 2023

- SoftOx and its partners were granted approximately NOK 97 million from the European Council in 2022 to develop an inhalation solution for the armed forces within the EU and its allies.
- The project started early 2023 based on new and improved plans.
- In November 2023, an agreement with a CMO was settled, which will produce IMP for the Phase 1b trial (EDF project) and the planned VAP Phase 2 trial.
- In December 2023, SoftOx obtained scientific advice from the Danish Medicines Agency to guide our product development (second generation) and trial design for the upcoming phase 1b trial. We got very useful and relevant feedback from the Danish Medicines Agency, that we are implementing in our non-clinical and clinical strategies.
- The Norwegian Defence Research Institute (FFI) has tested the compatibility of our second-generation SIS and several nebulizer devices available on the market, and a lead device for the upcoming phase 1b trial has been selected.
- SoftOx PhD at the University of Oslo presented second-generation SoftOx for the first time in a US conference in August 2023.
- The second-generation solutions will be further developed under the EDF project as our next-generation solution. The solution has shown promising stability profiles. Further, the testing of the second-generation SIS has shown great efficacy against a variety of relevant respiratory pathogens including severe pathogens such as anthracis.

OUTLOOK

- The work on developing Medical Countermeasures against biological warfare agents is progressing according to the project plans.
- In vivo testing in relevant rat and mouse models will take place second half of 2024 and is expected to show good efficacy towards an array of infectious agents (viruses and bacteria).

- GMP test batch production of second-generation SIS and later clinical production will start in the second half of 2024.
- Stability testing of SIS in new improved primary packaging will start primo 2024.

SoftOx Skin and Wound Care (SWC)

Wound Care focuses on cleansing and infection prevention in acute wounds and anti-infective treatments in chronic wounds. SoftOx Biofilm Eradicator (SBE-01) Phase 1 first-in-human study investigating the safety, tolerability, and antimicrobial efficacy of single and multiple doses is completed with very promising results. SoftOx Wound Irrigation Solution for acute wounds ("SWIS-02") showed both significant improvements in wound healing and reduction in bacterial burden compared to saline).

HIGHLIGHTS 2023

- Due to financial challenges the ongoing work with Wound Care products was paused.
- SoftOx Biofilm Eradicator (SBE) and SoftOx Wound Irrigation Solution (SWIS) have both shown promising results.
- SoftOx has started the process of reaching out to relevant actors in the market to investigate the possibilities for cooperation.
- A scientific paper regarding the SoftOx Biofilm Eradicator (SBE-01) Phase 1 first-in-human study has been accepted for publication in Advances in Wound Care.

OUTLOOK

The Board of Directors has suggested organizing the Wound programs in a separate business entity with separate funding.

- This business segment may start as a non-listed company.
- The strategy for this segment will be developed in 2024.
- Pending separate funding, the Research & Development on SBE and SWIS will resume.

Financial Review

Key Financial Figures

NOK 1,000	SoftOx Solutions Group		SoftOx Solutions AS	
	2023	2022	2023	2022
Total revenue and other income	6 980	7 114	2 186	5 984
Total operating expenses	39 615	98 169	44 154	94 840
Operating profit (loss)	-32 635	-91 055	-41 968	-88 856
Net profit (loss) for the year	-42 083	-93 700	-52 900	-90 605
Net proceeds from equity issues	3 080	-	3 080	-
Net cash flow	746	-50 077	-3 165	-49 319
Cash and cash equivalents at end of period	7 652	6 907	3 592	6 757
Outstanding shares, beginning of the period	10 342 871	10 342 871	10 342 871	10 342 871
Outstanding shares, end of the period	10 727 871	10 342 871	10 727 871	10 342 871
Employees, end of the period	7	25	7	17

Financial figures for the SoftOx Solutions Group include SoftOx Solution AS, Water Innovation AB, SoftOx Disinfection AS, and SoftOx Defense Solution AS (figures in brackets are comparable figures for 2022).

Operating income

Operating income for the full year 2023 amounted to NOK 7 million (NOK 7,1 million) for the Group and NOK 2,2 million (NOK 6 million) for Solution. The income consists primarily of grants from the Research Council of Norway, and MTEC.

Operating expenses

Total operating expenses for 2023 for the Group amounted to NOK 39,6 million (NOK 98,2 million), and NOK 44,2 million (NOK 94,8 million) for Solution. Employee costs in the Group were NOK 7,8 million (NOK 26,4 million), and NOK 4,4 million (NOK 16,7 million) for Solution for the full year 2023. For the full year 2023, other operating costs for the Group amounted to NOK 24,3 million (NOK 67,9 million) and NOK 38,8 million (NOK 78 million) for Solution.

The operating loss for the Group in 2023 was NOK 32,6 million (NOK 91 million) and a loss of NOK 42 million (NOK 88,9 million) for Solution. Net financial profit for the Group was NOK -9,4 million (NOK -2,6 million) and NOK -10,9 million (NOK -1,7 million) for Solution for the full year 2023. Losses after tax for the Group was NOK 39,4 million (NOK 71,1 million) and for Solution NOK 45,6 million (NOK 68,6 million) for the full year 2023.

Statement of financial position

Total assets 31 December 2023 for the Group decreased to NOK 97,2 million (100,6 million) for the Group and to NOK 89 million (NOK 114,8 million) for Solution. Total liabilities were NOK 95 million (NOK 61,8 million) for the Group and NOK 76 million (NOK 59,2 million) for Solution. The increase is mainly driven by a convertible loan and an increase in supplier debt.

Total equity as of 31 December 2023 was NOK 2,4 million (NOK 38,7 million) for the Group and NOK 13,1 million (NOK 55,6 million) for Solution, corresponding to an equity ratio of 2,4 percent (38,5 percent) for the Group and 14,7 percent (48,4 percent) for Solution.

Statement of cash flow

Net cash flow from operating activities was NOK 0,8 million (negative by NOK 85,9 million) for the Group and negative by NOK 34,5 million (negative by NOK 88,3 million) for Solution for the full year 2023.

Net cash flow used in investing activities during the full year 2023 was negative by NOK 7,6 million (NOK 4,9 million) for the Group and NOK 23,4 million (negative by NOK 1,7 million) for Solution.

Net cash flow from financing activities was NOK 7,6 million (NOK 40,7 million) for the Group and NOK 8 million (NOK 40,7 million) for Solution for the full year 2023.

Cash and cash equivalents increased to NOK 7,7 million (NOK 6,9 million) for the Group and decreased to NOK 3,6 million (NOK 6,8 million) for Solution.

DIVIDEND

The Company is in an investment phase and expects to stay there in the coming years. SoftOx is focusing its resources on becoming a world-leading developer of antimicrobial technology and the Board of Directors will recommend payment of dividends in line with the Company's results, financial position, product and market development plans, and outlook. SoftOx does not expect to pay dividends in the near future. The board will recommend dividends when the Company has results that can justify such a payment.

SHARE CAPITAL AND BOARD MANDATES

As of 31 December 2023, there were 10 727 871 ordinary shares outstanding.

The Company has one class of shares, and all shares carry equal voting rights. The Company had more than 1 886 shareholders on 31 December 2023. The results for Groups for 2023 show a loss of NOK 42,1 million. The Board proposes that the loss should be covered by a share premium.

Going Concern and Subsequent Events

According to § 3.3 (a) of the Norwegian Accounting Act, it is confirmed that the conditions for assuming that the Group is a going concern are present and that the financial statements have been prepared based on this assumption. The Board of Directors is working on getting sufficient financing in place during the first 6 months of 2024. A major milestone was achieved when the company strengthened its solidity in March/April 2024 by converting approximately NOK 90 million in debt to owners' capital and raising a total of NOK 25 million in fresh capital. Work is ongoing with Sp1 Markets to secure the necessary short-term liquidity for continued going concern.

Due to the underlying values of the IP and the technology the Board of Directors has not considered the company to be insolvent, only illiquid. The deferred tax asset is booked with the value of NOK 76,7 million under the assumption that the company will find a solution to the liquidity problems and therefore be able to capitalize on the deferred taxes.

Risk Factors and Risk Management

SoftOx is subject to several operational and financial risk factors and uncertainties that may affect parts or all the activities in the Group. The Company proactively manages such risks, and management and the Board of Directors analyze operations and potential risk factors to take measures to reduce risk exposure.

FINANCIAL RISKS

Interest rate risk

The Group holds cash and cash equivalents. The Group has loans with fixed interest rates. The Group's interest rate risk is therefore in the rate of return of its cash on hand. Bank deposits are exposed to market fluctuations in interest rates, which affect the financial income and the return on cash.

Exchange rate risk

The value of non-Norwegian currency-denominated costs will be affected by changes in currency exchange rates or exchange control regulations. The Group undertakes various transactions in foreign currencies and is consequently exposed to fluctuations in exchange rates. The exposure arises largely from the clinical trials and research expenses. The Group is mainly exposed to fluctuations in the Danish kroner (DKK), euro (EUR), and US dollar (USD).

The foreign currency exposure is also mostly linked to trade payables with short payment terms. The Group might consider changing its current risk management of foreign exchange rates if it deems it appropriate.

Credit risk.

Credit risk is the risk of a counterparty's default in a financial asset, liability, or customer contract, causing a financial loss. The Group's receivables are generally limited to receivables from public authorities by way of government grants. The credit risk generated from financial assets in the Group is limited since it is cash deposits. The Group places its cash in bank deposits in recognized financial institutions to limit its credit risk exposure. The Group has not suffered any loss on receivables during 2023 and the Group considers its credit risk as low.

Liquidity risk

Liquidity is monitored on a continued basis by The Board of Directors and Group management. The Group works continuously to ensure financial flexibility in the short and long term to achieve its strategic and operational objectives.

Due to the underlying values of the IP and the technology the Board of Directors has not considered the company to be insolvent, only temporary illiquid.

OPERATIONAL RISKS

Research and development.

Developing MedTech and pharmaceutical products inherently involves high risks, both regarding the outcome of clinical trials, completion of clinical trials in a timely fashion, changes in clinical

programs, and results of product development. The Company seeks to mitigate risk through appropriate measures. The Company designs its clinical studies according to best practices and in compliance with international regulations to minimize risk. Specialized Clinical Research Organizations (“CROs”) are contracted to help in these efforts. The clinical studies are carried out in collaboration with world-class international partners with solid experience in conducting such studies and are conducted according to all applicable quality standards.

Commercial risk

Commercial risks include the time and costs involved in developing products, market competition, regulatory approvals, patent protection, and the ability to attract partners. The Company focuses on ensuring sufficient patent protection and works closely with external patent counsels to minimize the risk of patent infringement claims as well as to prepare any patent defense should this be necessary. SoftOx has been successful in forming partnerships with leading companies in its field. They contribute both financially and with R&D expertise, thereby helping to reduce risk.

Collaborations and partnerships risks

To successfully conduct its business and operations, the Company is dependent on the ability to develop and sustain successful partnerships and collaborations with different partners within several fields. These partners may include suppliers, the third parties necessary to conduct clinical trials, distributors, marketing partners, and key customers or licensees. The different partnerships and collaborations are necessary for the Company to be able to successfully develop, produce, distribute, and attain sufficient market acceptance of its product and product candidates. In addition, the Company is dependent on a third-party distribution network, domestic and international to secure sales of its products. To mitigate the risk SoftOx has a partner strategy – to find the right partner at the different levels of product development. We seek like-minded partners for the different steps.

Intellectual property rights

The Company’s success, competitive position, and future revenue are dependent on its intellectual property rights and the Company’s ability to protect its rights and know-how. Adequate protection of its intellectual property will require the Company to obtain and maintain patent protection for its methods, products, processes, and technologies and to preserve the Company’s trade secrets. Adequate protection will also require the Company to operate without infringing the intellectual rights of third parties and preventing third parties from infringing on the Company’s intellectual rights. SoftOx has a close cooperation with Withers Bergman which is the main architect behind the Company’s IP strategy. The Company has an ongoing patent application process to secure new inventions and has key patents filed in the US, Europe, Asia, and several South American countries.

Organization

The Group’s Leadership Team at year-end consisted of Christian Harstad, Interim CEO, Ingrid Juven, Interim CFO, and Thomas Bjarnsholt, CMO/CSO. The Board of Directors held 24 meetings in 2023. All members of the Board of Directors are shareholder-elected. The members of the Board of Directors were at the end of 2023: Geir Almås (Executive Chairman of the Board), Olav Jarlsby, Henrik Nielsen, Adrian Bignami, and Jørgen Berggrav.

Soft-Ox has offices in Oslo, Norway, and in Copenhagen, Denmark.

The Soft-Ox organization comprised 7 employees at the end of 2023. In addition, the Company has a strong network of consultants to support the operations and development. The Company's policy is to outsource non-core operations and highly specialized services.

No accidents or injuries resulting in absence were registered in 2023. SoftOx aims to be a workplace whose policy is to promote equal rights and opportunities and prevent any kind of discrimination based on gender, ethnicity, nationality, sexual orientation, ancestry, or religion. SoftOx is working actively to promote the Anti-Discrimination Act.

Corporate Social Responsibility (CSR)

Infections and antimicrobial resistance remain one of the most pressing healthcare challenges in the world. Respiratory infectious diseases are the third leading cause of death while antimicrobial resistance is regarded as one of the biggest threats to global health.

Our vision is to become a world-leading developer of antimicrobial technology and help the world fight infections, thereby creating value for patients, society, and shareholders through our work in discovering and developing novel medicines.

Governance

Ensuring good governance practices and "doing things the right way" involves all people in SoftOx. This includes governance as documented in the guidelines for corporate governance, local and industry-specific guidelines like good pharmacovigilance practice as well as ethical conduct and anticorruption based on the SoftOx values and respect for human rights. SoftOx's supplier requirements in terms of adherence to Company practices, guidelines, and values are an integral part of all stages of the procurement process including selection and auditing.

SoftOx's aim is that its guidelines for corporate governance will be in line with the latest version of the Norwegian Code of Practice for Corporate Governance, and a description of this is given in the annual report. A complete description of the recommendation is available at the Norwegian Corporate Governance Board (NCGB) web pages (www.nues.no).

The Board of Directors and executive management of SoftOx are covered under a Group Directors' and Officers' liability insurance, managed by Riskpoint. The insurance covers personal legal liabilities including defense and legal costs.

Confirmation from the Board of Directors and CEO

We confirm, to the best of our knowledge, that the financial statements for the period from 1 January to 31 December 2023 have been prepared following NGAAP and reflect a true and fair view of the Group and the Company's consolidated assets, liabilities, financial position, results of operations under the assumption of continued current operations, and that the Report of the Board of Directors provides a true and fair view of the development and performance of the business as well as the position of the Group and the Company along with a description of the key risks and uncertainty factors that the Company may be facing.

Oslo, 31st of May 2024

SoftOx Solutions AS

Sign

Geir Almås

Executive Chairman of the Board

Sign

Olav Jarlsby

Member of the Board

Sign

Adrian Bignami

Member of the Board

Sign

Jørgen Berggrav

Member of the Board

Sign

Henrik Nielsen

Member of the Board

Governance

Corporate governance in SoftOx

SoftOx is committed to Good Corporate Governance

SoftOx considers good corporate governance to be a prerequisite for sustainable value creation to create trustworthiness and get access to capital. SoftOx is committed to good corporate governance practices based on good and healthy business practices, reliable financial reporting, and an environment of compliance with legislation and regulations.

The board of directors has established a set of governance principles to ensure a clear division of roles between the board of directors, the executive management, and the shareholders.

The principles are based on compliance with relevant parts of the Norwegian Code of Practice for Corporate Governance (“the Code”) and the Norwegian Transparency Act hereby refer to the following paragraphs and the company’s homepage www.soft-ox.com for further information.

SoftOx is not subject to annual reporting requirements on corporate governance but has chosen to issue a corporate governance statement as part of its annual report, with explanations for any deviations from the Code.

The annual statement on corporate governance for 2023 follows below. The statement was approved by the board of directors in June 2023 and follows the structure of the latest version of the Code, dated 14 October 2021.

1. Implementation and reporting on corporate governance.

The Company will seek to comply with the Corporate Governance Code. The Board of Directors shall include a report on the Company’s corporate governance in its annual report, including an explanation of any deviations from the Corporate Governance Code.

Deviations from the Code: 2021 was the first year SoftOx reported on corporate governance. Although the Company is not a listed company on the main list at Oslo Børs and hence is not required to comply or report on compliance with the Code, the Company will seek to comply on all steps in the coming years.

2. Business

The Company’s operations comply with the business objective outlined in its articles of association section 3: “The Company’s objective is to undertake research and development for use in humans and veterinary medicines, including medicines, medical equipment, and disinfection products”. The Company has developed clear goals and strategies which are further described in the annual report for 2023.

SoftOx Solutions AS is seeking to advance the infection market with a strong science-based technology. By developing and selling new, revolutionary disinfection and infection treatment products, SoftOx is obligated to deliver safe and high-quality innovative products at reasonable prices. The Board of Directors of the Company has adopted several corporate governance guidelines, including a code of conduct, anti-corruption policy, rules of procedure for the Board of Directors, corporate governance, guidelines for remuneration, Investor Regulations policy, and guidelines for corporate social responsibility.

Deviations from the Code: None**3. Equity and dividends**Capital adequacy.

SoftOx had total equity on 31 December 2023 of NOK 3,3 million, corresponding to an equity ratio of 3,4 percent. The Board of Directors is working on getting sufficient financing in place during the first 6 months of 2024. A major milestone was achieved when the company in March/April 2024 strengthened the solidity by converting approximately NOK 90 million in debt to owners' capital and raising a total of NOK 25 million in fresh capital.

Dividend policy

SoftOx is focusing on research and development and does not anticipate paying any cash dividend until sustainable profitability is achieved.

Board authorizations.

At the Company's extraordinary general meeting, held on 29 December 2021, the Board of Directors was granted the following authorization:

- The Board of Directors is granted authorization to increase the Company's share capital by up to NOK 105 678,71, which constitutes 50 % of the Company's outstanding shares. The purpose of the authorization is to permit the issue of new shares as consideration in connection with acquisitions, in connection with the exercise of options to subscribe for shares, and to raise new equity to strengthen the Company's financing.

For supplementary information on the authorizations, reference is made to the minutes of the annual general meeting held on the 30th of May 2023, available on the Company's website.

Deviations from the Code: None.**4. Equal treatment of shareholders and transactions with close associates**

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

Share issues without preferential rights for existing shareholders.

In the event of a share capital increase through the issue of new shares, a decision to waive the existing shareholders' preferential rights to subscribe for shares shall be justified. Where the Board of Directors resolves to issue shares and waive the preferential rights of existing shareholders according to an authorization granted to the Board of Directors by the general meeting, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the share issuance.

Transactions in treasury shares

Any transactions in treasury shares shall be carried out through Euronext Growth, Oslo, and in any case to prevailing stock exchange prices. If there is limited liquidity in the Company's shares, the Company will consider other ways to cater for equal treatment of shareholders. There were no such transactions in 2023.

Approval of agreements with shareholders and close associates

For transactions that are not immaterial between the Company and its closely related parties, the Board of Directors will arrange for an independent and fair valuation. Members of the Board of Directors and executive personnel are required to notify the Board of Directors when such members have any significant, direct, or indirect, interest in a transaction carried out by the Company. In 2022 SoftOx received a short-term loan from Geir Almås (CEO), Pro AS, GH Holding AS, Aubert Invest AS, and Almhaug Bolig AS a total of MNOK 35 out of MNOK 40 million were from existing shareholders.

In 2023 SoftOx received a loan of approx. NOK 20 million, where some of it was from employees and board members. Loans from the closely related parties were done on similar terms as the external lenders and all shareholders were invited to participate.

Deviations from the Code: None

5. Shares and negotiability

The shares of the Company are freely negotiable, and the Company's articles of association do not place any restrictions on the negotiability of shares.

Deviations from the Code: None

6. General meetings

The general meeting is open to all shareholders, and SoftOx encourages all shareholders to participate and exercise their rights in connection with the Company's general meetings. The right to participate and vote at the general meeting can only be exercised for shares registered in the shareholders' register by the fifth business day before the day of the general meeting.

Notice of a general meeting and any supporting documents, and other information on the resolutions to be considered, shall be made available on the Company's website no later than 14 days before the date of the general meeting. The deadline for registration will be set as close to the meeting as possible, and all the necessary registration information will be described in the notice.

Shareholders unable to attend may vote by proxy. Whenever possible, the Company will prepare a proxy form that will allow separate votes for the items that are to be considered in the general meeting. The agenda for the annual general meeting is stipulated by the articles of association, and the main topics to be considered include the approval of the annual accounts and the Director's report. The Chairman of the Board is normally the chairperson for the general meeting. If there is disagreement on individual items for which the Board Chairman belongs to one of the fractions or is not regarded as being impartial for other reasons, another chairperson will be appointed to ensure impartiality regarding the items to be considered. The chairperson of the Board of Directors, the CEO, and the CFO shall, as a rule, be present at the annual general meeting. Representatives of the Nomination Committee, as well as the auditor, should be present at general meetings where matters of relevance for such committees/persons are on the agenda.

Minutes from the general meetings will be published following the stock exchange regulations. In 2023, SoftOx held an Extraordinary General Meeting on the 30th of May 2023 and its annual general meeting on the 13th of June. Following Norwegian provisional legislation exempting companies from physical meeting requirements the meetings were held virtually.

Deviations from the Code: None

7. Nomination Committee

The Nomination Committee of SoftOx consists of two members. The Nomination Committee is responsible for recommending candidates for the election of members and Chairman of the Board of Directors. The current Nomination Committee consists of:

- Bjørn Larsen
- Kristian Almås

All shareholders are entitled to nominate candidates to the Board and contact information for proposing candidates can be found on the Company's website.

Deviations from the Code: The committee has not been included in the articles of association and elected by the General Meeting.

8. Board of Directors, composition, and independence

According to Article 5 of the Articles of Association, the Board of Directors shall consist of between one and six members. The current Board of Directors consists of five members, of whom all are men. All members are elected for a term of two years and may be re-elected.

The Board is independent of the Executive Management and material business contacts, more than two members are independent of the main shareholders, and none of the Company's executive managers serve on the Board of Directors. The Company's annual report provides information to illustrate the expertise of the members and their record of attendance at Board meetings. Board members are encouraged to own shares in the Company.

Deviations from the Code: None

9. The work of the Board of Directors

The Board of Directors is responsible for establishing a strategy and plans for the Company, a control system that ensures that the Company satisfies the law's requirements, articles of association, and requirements for Corporate Governance and ethical standards in addition to monitoring the business operations of the Executive Management.

The Norwegian Companies Act regulates the duties and procedures of the Board of Directors. In addition, the Board of Directors has adopted supplementary rules of procedures, which provide further regulation on inter alia the duties of the Board of Directors and the CEO, the division of work between the Board of Directors and the CEO the annual plan for the Board of Directors, notices of Board proceedings, administrative procedures, minutes, transactions between the Company and the shareholders and confidentiality.

At the meetings of the Board of Directors, which are held approximately every two months, the CEO updates the Board on the operational and financial developments of the Company. The Board of Directors reviews and evaluates its work annually.

Deviations from the Code: The Company does not have an audit committee or Remuneration committee since it is not a requirement for a small and medium-sized company.

10. Risk management and internal controls.

SoftOx Solutions AS has the responsibility for the establishment of a risk management and internal control system that complies with regulations applicable to the activity. The company is implementing a set of procedures, risk assessments, policies, and manuals that provide detailed descriptions of activities in all aspects of the products, including development, clinical studies, controls, manufacturing, and finance. All procedures always reflect best practices and SoftOx strives for simplicity in all its operations to minimize the risk of mistakes but never to compromise on quality and compliance. SoftOx ensures compliance with the General Data Protection Regulation (GDPR) and human resources process to protect employee data.

Deviations from the Code: The Board of Directors has carried out a review of the Company's most important area of exposure to risk and its internal control arrangements every two years but will in the coming year have an annual review and are continually improving the process.

11. Remuneration of the Board of Directors

The remuneration of the Board of Directors shall be decided at the Company's general meeting when they are elected and should reflect the Board of Directors' responsibility, expertise, time commitment, and the complexity of the Company's activities. Consultancy work performed by board members which is not included in this remuneration shall be invoiced according to a written agreement between the rest of the Board and the Board member and the amount invoiced each year will be identified in the annual report. The remuneration to the Board of Directors consists of an annual fee and starting share options.

Deviations from the Code: None, except starting share options.

12. Remuneration of the Executive Management

The Company recognizes the importance of attracting and retaining key employees and executive managers, and the compensation package is regarded as an important tool in this respect. The Company has an option scheme that aims to align the long-term interests of the Executive Management with those of the shareholders. The options are granted subject to the achievement of defined targets for the past year. Warrants typically vest over five years and are granted annually with a strike similar to or above the stock price at the year's end. For further information about the remunerations, reference is made to remuneration policies.

Deviations from the Code: None

13. Information and Communications**General**

The Company has targeted investor relation activities to consistently provide the market with timely and accurate information. The Company's reporting of financial and other information is based on openness and considers requirements for equal treatment of all investors. The Board will seek to ensure that market participants receive correct, clear, relevant, and up-to-date information on time, considering the requirement for equal treatment of all participants in the securities market.

The Company will each year publish a financial calendar, providing an overview of the dates for major events such as its ordinary general meeting and publication of interim reports.

Information to shareholders

All information distributed to the Company's shareholders will be published on the Company's website approximately at the same time as it is sent to shareholders. The Chairman of the Board and the CEO are authorized to speak on behalf of the Company and delegate such authority as is appropriate in relevant cases.

Deviations from the Code: None

14. Take-overs

There are no defence mechanisms against take-over bids in the Company's articles of association, nor have other measures been implemented to specifically hinder acquisitions of shares in the Company. In the event of a take-over process, the Board of Directors and the executive management will ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board of Directors has a special responsibility to ensure that the shareholders have sufficient information and time to assess the offer. In addition to complying with relevant legislation and regulations, the Board of Directors will seek to comply with the recommendations in the Code of Conduct, including a valuation from an independent third party. On this basis, the Board of Directors will make a recommendation as to whether the shareholders should accept the bid. The Board of Directors has not established any other written guidelines for procedures to be followed in the event of a take-over bid, as such situations normally are characterized by specific and one-off situations which make guidelines challenging to prepare.

Deviations from the Code: The Company has not established separate principles for how to act in a take-over situation as described.

15. Auditors

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

Deviations from the Code: None, except guidelines concerning the use of the auditor, has been established.

Board of Directors

Geir Hermod Almås, Chairman of the Board

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

Geir Almås holds 740 260 shares in SoftOx.

Henrik J. Nielsen

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 organizations 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.

Henrik J. Nielsen holds 111 561 shares in SoftOx.

Adrian Bignami

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.

Adrian Bignami holds 0 shares in SoftOx.

Olav Jarlsby

Olav Jarlsby has been a board member of the Board of Directors since SoftOx started. Jarlsby has retired as General Counsel and Attorney-at-law at Elopak ASA. In addition to being a board member of the Company, Jarlsby is a board member in other companies within several different areas such as fish protein, fasteners, and real estate. Jarlsby holds a Master of Law from the University of Oslo. Olav Jarlsby holds 24 100 shares in SoftOx.

Jørgen Berggrav

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 Defense, representative of Europe to the Supreme Allied Commander Transformation, and representative of the Chief of Defence at NATO's operational command, SHAPE.

Jørgen Berggrav holds 0 shares in SoftOx.

Management Team

Johan Christian Harstad, Interim CEO

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 Defense Staff, and the Norwegian Ministry of Defense. He retired from the Military as a Flag Officer and second-in-command for the Norwegian Special Operations Forces. In September 2022, Harstad joined SoftOx as the Project Director for SoftOx Defense Solutions AS.

Ingrid Juven, Interim CFO

Ingrid Juven has over 25 years of consulting and management expertise within a variety of industries. Her previous roles include Director at EY, Partner at Frost Nordic, Senior Consultant at D'Arcy, and Marketing Manager at Egmont Entertainment. Juven holds an MBA in management and marketing from BI Norwegian Business School.

Thomas Bjarnsholt, Chief Medical Officer/Chief Scientific Officer

Professor Thomas Bjarnsholt, MSc, MD, and PhD is the Chief Scientific Officer (CSO) of SoftOx Solutions and leads the SoftOx Inhalation Solution (SIS). Bjarnsholt is an expert in chronic and acute infections including biofilms with more than 210 peer-reviewed publications. He is a member of the Global Wound Biofilm Expert Panel, among the most cited researchers in the world (only 60 in Denmark) according to the list based on Web of Science, and the number 1 biofilm researcher worldwide according to ExpertScape. Bjarnsholt holds a part-time position at SoftOx and works as a Professor at the Costerton Biofilm Center at the Department of Immunology and Microbiology at the University of Copenhagen and the Department of Clinical Microbiology at Copenhagen University Hospital. Bjarnsholt took his PhD on biofilm infections in the lungs of cystic fibrosis patients. Bjarnsholt is the co-inventor of the SoftOx technology and has previously served on the SoftOx advisory board.

Financial statements

Profit and Loss SoftOx Solutions Group

Profit and loss			
SoftOx Solutions Group			
	Notes	2023	2022
Other Income	1	6 979 990	7 113 601
Total operating income		6 979 990	7 113 601
Operating expenses			
Personnel expenses	2	7 794 631	26 382 512
Other operating expenses		24 341 354	67 885 921
Depreciation	3	7 478 699	3 900 135
Total operating expenses		39 614 684	98 168 569
Operating result		-32 634 695	-91 054 968
Financial income and financial expenses			
Interest income		59 406	735 520
Other financial income		651 348	94 119
Other interest expense		-8 933 794	-2 237 774
Other financial expenses		-1 225 702	-921 970
Profit and loss on financial activities		-9 448 742	-2 645 440
Profit before tax		-42 083 436	-93 700 407
Taxes	4	2 634 694	22 559 282
Profit on ordinary activities		-39 448 743	-71 141 125
Extraordinary income and expenses			
Transfers			
Allocated to/- reduction of share premium reserve		-39 448 743	-71 141 125
Total transfers		-39 448 743	-71 141 125

Balance sheet SoftOx Solutions Group

Balance sheet			
SoftOx Solutions Group			
	Notes	31.12.2023	31.12.2022
Assets			
Intangible assets			
Other intangible assets	3	11 301 238	7 927 485
Deferred tax assets	4	76 687 924	74 053 460
Non-tangible assets		87 989 162	81 980 945
Fixed assets			
Production assets	3	647 447	3 890 646
Fixed assets		647 447	3 890 646
Tangible assets		88 636 609	85 871 591
Financial fixed assets			
Shares in subsidiaries	5		
Loans to subsidiaries	6		
Total financial fixed assets			
Total Non-Current assets		88 636 609	85 871 591
Current assets			
Inventory	8	-	-
Sum inventory		-	-
Receivables			
Other short-term receivables	7	949 235	7 789 973
Total receivables		949 235	7 789 973
Deposits, cash, etc.	9	7 652 266	6 906 522
Total current assets		8 601 501	14 696 495
Total assets		97 238 109	100 568 088

Balance sheet			
SoftOx Solutions Group			
Equity and debt	Notes	31.12.2023	31.12.2022
Paid-up capital			
Share capital	10, 12	214 557	206 857
Share premium reserve	10, 12	2 151 789	38 534 337
Total paid-up capital		2 366 347	38 741 194
Retained earnings			
Other equity			
Total retained earnings			
Total equity	10, 12	2 366 347	38 741 194
Other long term debts			
Other long term debts	13	45 588 889	41 064 697
Total long term debts		45 588 889	41 064 697
Short-term debt			
Unpaid public duties		-69 583	619 369
Short-term debt to owners		-	-
Other short-term debt	14	28 410 390	8 826 246
Supplier debt	14	20 942 066	11 316 584
Total current liabilities		49 282 873	20 762 198
Total debt		94 871 762	61 826 894
Total equity and debts		97 238 109	100 568 088

Profit and Loss SoftOx Solution AS

Profit and loss			
SoftOx Solutions AS			
Operating income and operating expenses	Notes	2023	2022
Other Income	1	2 185 793	5 983 776
Total operating income		2 185 793	5 983 776
Operating expenses			
Personnel expenses	2	4 390 635	16 684 850
Other operating expenses		38 763 482	77 930 753
Depreciation	3	999 534	224 302
Total operating expenses		44 153 652	94 839 905
Operating result		-41 967 859	-88 856 128
Financial income and financial expenses			
Interest income		59 347	735 353
Other financial income		642 131	809 158
Other interest expense		-6 417 472	-2 321 173
Other financial expenses		-5 216 226	-972 447
Profit and loss on financial activities		-10 932 219	-1 749 109
Profit before tax		-52 900 078	-90 605 238
Taxes	4	7 349 873	22 025 478
Profit on ordinary activities		-45 550 205	-68 579 760
Extraordinary income and expenses			
Annual profit/loss		-45 550 205	-68 579 760
Transfers			
Allocated to/- reduction of share premium reserve		-45 550 205	-68 579 760
Total transfers		-45 550 205	-68 579 760

Balance sheet SoftOx Solution AS

Balance sheet			
SoftOx Solutions AS			
Assets	Notes	31.12.2023	31.12.2022
Intangible assets			
Other intangible assets	3	14 600	14 600
Deferred tax assets	4	76 687 924	69 338 280
Non-tangible assets		76 702 524	69 352 880
Fixed assets			
Production assets	3	394 478	1 394 012
Fixed assets		394 478	1 394 012
Tangible assets			
		77 097 002	70 746 892
Financial fixed assets			
Shares in subsidiaries	5	6 649 670	9 407 048
Loans to subsidiaries	6	759 556	21 374 313
Total financial fixed assets		7 409 226	30 781 361
Total Non-Current assets		84 506 227	101 528 253
Current assets			
Receivables			
Other short-term receivables	7	945 041	6 474 820
Total receivables		945 041	6 474 820
Deposits, cash, etc.	9	3 592 025	6 757 318
Total current assets		4 537 067	13 232 139
Total assets		89 043 294	114 760 392

Balance sheet			
SoftOx Solutions AS			
Equity and debt	Notes	31.12.2023	31.12.2022
Paid-up capital			
Share capital	10, 12	214 557	206 857
Share premium reserve	10, 12	12 881 081	55 359 219
Total paid-up capital		13 095 638	55 566 077
Retained earnings			
Other equity			
Total retained earnings			
Total equity	10, 12	13 095 638	55 566 077
Long term debts			
Other long term debts	13	45 588 889	40 688 889
Long term debts to owners			
Total long term debts		45 588 889	40 688 889
Short-term debt			
Unpaid public duties		-69 583	645 423
Short-term debt to owners		-	-
Other short-term debt	14	11 601 781	8 208 216
Supplier debt	14	18 826 569	9 651 791
Total current liabilities		30 358 767	18 505 430
Total debt		75 947 656	59 194 319
Total Equity and debts		89 043 294	114 760 392

Cash Flow Statement SoftOx Solutions Group and SoftOx Solution AS

Cashflow statement				
SoftOx Solutions AS and the Group				
	SoftOx Group		SoftOx Solutions AS	
	2023	2022	2023	2022
Liquidity added to and spent on business operations				
Profit before tax	-42 083 436	-93 700 407	-52 900 078	-90 605 238
Paid tax				
Depreciation of fixed assets, & goodwill	7 478 699	3 900 135	999 534	224 302
Changes short-term receivables	6 840 738	884 853	5 529 779	643 385
Changes inventory	-	195 794	-	-
Changes short-term debt	28 520 676	2 783 578	11 853 337	1 431 340
Net Changes resulting from business operations	756 677	-85 936 047	-34 517 428	-88 305 762
Added liquidity / Spent on investments				
Investments in property, plant and equipment and long-term receivables	-7 609 253	-4 854 478	23 372 135	-1 702 300
Net Change resulting from investments	-7 609 253	-4 854 478	23 372 135	-1 702 300
LIQUIDS ADDED/SPENT ON FINANCING				
Issues for cash	3 080 000	-	3 080 000	-
Other financing activities	4 524 192	40 715 000	4 900 000	40 688 889
Translation differences	-4 019	-1 859		
Net change resulting from financing	7 600 173	40 713 141	7 980 000	40 688 889
Annual Net Liquidity Change	745 740	-50 077 384	-3 165 293	-49 319 173
Liquidity reserves as of 1 January	6 906 526	56 983 910	6 757 322	56 076 495
Liquidity reserves as of 31 December	7 652 266	6 906 526	3 592 025	6 757 322

General Accounting Principles

The financial statements have been prepared following 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 following the same accounting principles for both 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 until the date when control ceases.

An associate is an entity in which the Group has a significant influence but does not exercise control over 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 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 should 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 following 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 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 the 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.

Plants and equipment are capitalized and depreciated linearly over the estimated useful life. Significant fixed assets that 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 realizable 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, following 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.

Cash flow statement.

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

Notes to the Financial Statements

Note 1 Governmental and Public Funding

SoftOx is developing products to prevent and treat infections. In 2023, Public funding for R&D was NOK 1.020.271,- from the Norwegian Research Council and NOK 1.048.300,- from MTEC. In addition, NOK 899.132,- has been accepted in the Governmental Tax refund program (Skattefunn). The present value of expected earnings from ongoing research and development exceeds the investment cost.

Note 2 Payroll, holiday pay, pension etc.

	SoftOx Group 2023	SoftOx Solutions AS 2023	SoftOx Group 2022	SoftOx Solutions AS 2022
Payroll, holiday pay etc.	8 623 211	5 219 215	24 259 909	15 424 778
Tax refund	0	0	-2 375 000	-2 375 000
Employer's contribution	765 935	765 935	2 343 915	2 343 915
Other personnel expenses	-1 594 515	-1 594 515	2 153 688	1 291 157
Total personnel expenses	7 794 631	4 390 635	26 382 512	16 684 850
Number of employees	7	7	21	17

The company's board member received compensation of NOK 125.000,- per member in 2023.

The Executive Chairman of the Board received compensation of NOK 1.116.479,- in 2023.

The CEO received NOK 919.228,- in compensation in 2023.

Total expenses for auditing and other assistance for SoftOx Group was NOK 282.722,- of with NOK 256.722,- was related to ordinary auditing.

Total expenses for auditing and other assistance for SoftOx Solution was NOK 233.848,- of with NOK 66.935,- was related to ordinary auditing.

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

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

Note 3 Fixed assets

SoftOx Solutions Group AS	Production assets		Other Intangible assets		Goodwill	
	2023	2022	2023	2022	2023	2022
Acquisition cost 1.1	6 435 850	5 457 540	20 597 004	16 718 508		
Access	-	978 310	7 023 496	3 878 496		
Exchange rate adjustments			906 820			
Total acquisition cost	6 435 850	6 435 850	28 527 320	20 597 004		
Accumulated depreciation 1.1	-2 542 234	-1 961 760	- 12 669 519	- 9 306 070		
Yearly depreciation	-3 246 169	-580 474	- 4 250 696	- 3 319 661		
Exchange rate adjustments			- 305 866	- 43 788		
Accumulated depreciation 31.12.	-5 788 403	-2 542 234	-17 226 081	-12 669 519		
Book value 31.12	647 447	3 890 646	11 301 239	7 927 485		

SoftOx Solution AS	Production assets		Intangible assets		Goodwill	
	2023	2022	2023	2022	2023	2022
Acquisition cost 1.1	1 725 969	747 659	14 600	14 600		
Access	-	978 310				
Total acquisition cost	1 725 969	1 725 969	14 600	14 600		
Accumulated depreciation 1.1	-336 957	-112 655				
Yearly Depreciation	-994 534	-224 302				
Accumulated depreciation 31.12.	-1 331 491	-336 957				
Book value 31.12	394 478	1 394 012	14 600	14 600		

Note 4 Taxes

	SoftOx Group		SoftOx Solutions AS	
Tax	2023	2022	2023	2022
Income tax on ordinary profit:				
Tax payable				
Change deferred tax assets	-2 634 694	-22 559 282	-7 349 873	-22 025 478
Tax ordinary profit	-2 634 694	-22 559 282	-7 349 873	-22 025 478
Taxable income:				
Ordinary profit before tax	-42 083 436	-93 700 407	-52 900 078	-95 355 242
Permanent differences	-242 678	-4 760 049	19 492 085	-5 560 191
Change temporary differences	2 578 056	-7 596 478	687 287	-71 659
Taxable income	-39 748 058	-106 056 934	-32 720 706	-100 987 093
Tax payable in the balance sheet:				
Payable tax on profit for the year	0	0	0	0
Total tax payable on the balance sheet	0	0	0	0

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

SoftOx Solutions AS	2023	2022	Changes
Fixed assets	-348 895	338 392	-687 287
Inventories	0	0	0
Sum	-348 895	338 392	-687 287
Accumulated loss carry-forward	-348 232 579	-315 511 873	-32 720 706
Basis for calculation of deferred tax	-348 581 474	-315 173 481	-33 407 993
Deferred tax asset (22%)	-76 687 924	-69 338 051	-7 349 873

SoftOx Group	2023	2022	Changes
Fixed assets	-1 666 469	911 587	-2 578 056
Inventories	0	0	0
Sum	-1 666 469	911 587	-2 578 056
Accumulated loss carry-forward	-377 266 280	-337 518 222	-39 748 058
Accumulated loss carry-forward not incl. For calc. Def.tax	30 351 275		30 351 275
Basis for calculation of deferred tax	-348 581 474	-336 606 635	-11 974 839
Deferred tax asset (22%)	76 687 924	74 053 460	2 634 465

The deferred tax asset is booked with the value of NOK 76,7 million under the assumption that the company will find a solution to the liquidity problems and therefore be able to capitalize on the deferred taxes.

Note 5 Shares in other companies and intra-group transactions

In 2013, the company purchased all 1,500 shares with a nominal value of SEK 100,- in WIAB Water innovation AB, with an office address in Malmö, Sweden. The shares are valued at the lower of acquisition cost and fair value.

In 2021 SoftOx Solutions established the subsidiary SoftOx Defense Solutions AS with 30 shares.

In 2018 SoftOx Solutions AS established the subsidiary SoftOx Disinfection AS with originally 300 shares. In 2021 the company's share capital was increased to 400 shares. The investment in SoftOx Disinfection is written down to NOK 1 in 2023.

In 2019 SoftOx Solutions Denmark AS was established. The company became founded with DKK 500.000,- in share capital. Due to the lack of incomes the company was declared bankrupt in May 2023.

Note 6 Financial Claims and Debt / Accounts receivable on subsidiaries

SoftOx Solutions AS has a claim on Softox Defense Solutions AS equal to NOK 759.556,-.

The SoftOx Solutions AS claim on SoftOx Disinfection AS equal NOK 14.247.795,- is written down to NOK 0 per 31.12.23.

The Softox Solutions AS claim on SoftOx Denmark AS which equal NOK 1.301.503,- is written down to NOK 0 per 31.12.23. Due to the lack of incomes the company was declared bankrupt in May 2023.

Note 7 Other claims / Accounts receivable

As of 31 December 2023, SoftOx Solutions AS has receivables NOK 945.041,- including tax foundations grants (Skattefunn) earned in 2023 in the amount of NOK 899.132,-.

Note 8 Inventory

As of 31 December 2023 the inventory was valued to 0,-.

Note 9 Tied-up liabilities

Softox Solutions AS has its own account for tax deductions. The balance on this account as of 31 December 2023 was NOK 150.777,-.

As of 31 December 2023, The SoftOx Group has NOK 1.626.965,- in a deposit account.

Note 10 Share Capital

The company has per 31 December 2023 registered 10.727.871 shares with a nominal value of NOK 0,02 per share.

The largest shareholders registered in the Securities Register as of 31 December 2023 is:

#	Share %	Name
1	13,3 %	NORDNET LIVSFORSIKRING AS
2	6,9 %	HERMOD FARMS AS
3	6,7 %	DINGE INVEST AS
4	3,4 %	PRO AS
5	2,9 %	GH HOLDING AS
6	2,8 %	ALMHAUG BOLIG AS
7	2,6 %	GEMALLO AS
8	2,4 %	ALMÅS
9	2,4 %	SKOGBRYNET EIENDOM AS
10	2,0 %	ALMÅS
11	1,8 %	CS-HOLDING AS
12	1,8 %	HERNESS
13	1,7 %	Danske Bank A/S
14	1,4 %	OLSEN
15	1,1 %	OSLO NÆRINGSUTVIKLING AS
16	1,1 %	WL-01 HOLDING AS
17	1,1 %	Nordnet Bank AB
18	1,0 %	FALCK FRÅS AS
19	1,0 %	HAREFRØKEN INVEST AS
20	1,0 %	ROCHA INVEST AS

Note 11 Options and incentive program

Due to financial restructuring the board recommend in Q1 2024 that existing option programme is nilled and replaced by the following incentive program:

KEY PERSONELL & BOARD	Position	Amount used to		Total Amount of	Lifetime for	Strike
		calculate number	of warrents	warrents	date of issue	
Hermod Farms (Geir Almås)	Key Personell	1 944 000		9 720 000	5 years	kr 0,40
Harstad Experience (Christian Harstad)	Key Personell	1 194 750		5 973 750	5 years	kr 0,40
Medical Consulting (Thomas Bjarnsholdt)	Key Personell	895 000		4 475 000	5 years	kr 0,40
Bonica (Ingrid Juven)	Key Personell	1 080 000		5 400 000	5 years	kr 0,40
Elin Jørgensen	Key Personell	200 000		1 000 000	5 years	kr 0,40
Henrik Nielsen	Board	171 875		859 375	5 years	kr 0,40
Olav Jarlsby	Board	171 875		859 375	5 years	kr 0,40
Adrian Bignami	Board	171 875		859 375	5 years	kr 0,40
Jørgen Berggrav	Board	171 875		859 375	5 years	kr 0,40
SUM		6 001 250		30 006 250		

COB Geir Almås has approximately 740 000 shares per 31.12.2023.

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

Note 12 Changes in owners capital

SoftOx Solutions Group	Share capital	Share premium reserve	Other owners capital	Total owners capital
Per 31.12.2021	206 857	112 808 634	-3 278 265	109 737 226
Registered capital increase				
Capital increase	0	0		0
Translation differences		145 093		145 093
Annual result		-71 141 125		-71 141 125
Per 31.12.2022	206 857	41 812 602	-3 278 265	38 741 195
Registered capital increase	7 700			7 700
Capital increase		3 072 300	0	3 072 300
Translation differences		-6 106		-6 106
Annual result			-38 500 819	-38 500 819
Per 31.12.2023	214 557	44 878 795	-41 779 084	3 314 269

SoftOx Solutions AS	Share capital	Share premium reserve	Other owners capital	Total owners capital
Per 31.12.2021	206 857	123 938 979		124 145 836
Capital increase	-	-		-
Correction previous year		-		-
Year end result		-68 579 760		-68 579 760
Per 31.12.2022	206 857	55 359 219		55 566 076
Capital increase	7 700	3 072 300		3 080 000
Correction previous year		-233		-233
Year end result		-45 550 205		-45 550 205
Per 31.12.2023	214 557	12 881 081		13 095 638

The Board of Directors is working on getting sufficient financing in place during the first 6 months of 2024. A major milestone was achieved when the company in March/April 2024 strengthened the solidity by converting approximately NOK 90 million in debt to owners' capital and raising a total of NOK 25 million in fresh capital. Work is ongoing with Sp1 to secure the necessary short-term liquidity to continued going concern.

Note 13 Long term Debt

In 2022 the company raised NOK 40 million in convertible debt. The loan got due date 15th of January 2024. The loan got 10 % annual interest paid in kind. The lender got an option to convert the debt to shares for a price of NOK 8,- per share before due date.

Note 14 Short term Debt

SoftOx Solutions Group has per. 31 December 2023 incurred costs to suppliers of 20.942.066- that will be paid in 2024.

In 2023 the company raised MNOK 15,4 in convertible debt (MNOK 12,32 in debt and MNOK 3,080 in share issue). The loan got a due date of 31 January 2024. The loan got 25 % fixed interest rate in th loan period. The loan gives share issue rights equal two times loan amount pluss loan amount divided on strike. In March 2024 the loan was converted to shareholder capital.

Independent Auditors report



To the Shareholders' Meeting of Softox Solutions AS

Independent auditor's report

Qualified Opinion

We have audited the financial statements of Softox Solutions AS (the Company), which comprise:

- The financial statements of the company, which comprise the balance sheet as at 31 December 2023, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2023, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements comply with applicable statutory requirements,
- The financial statements give a true and fair view of the financial position of the company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- The financial statements give a true and fair view of the financial position of the group as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Qualified Opinion

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

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side 1 av 3

Dette dokumentet er signert med PAdES-formatet (PDF Advanced Electronic Signatures) av Signicat. Dette sikrer dokumentet og dets vedlegg mot endringer etter signering.

Verifisert av
SIGNICAT
31.05.2024

**Material Uncertainty Related to Going Concern:**

We draw attention to the mention in note 12, and the Financial Review, and Going Concern and Subsequent Events in the Board of Directors' report 2023 which indicates that the company's funding is not sufficient to cover ongoing operations after the first half of 2024.

As stated in the Board of Directors' report 2023, these events or conditions, along with other matters as set forth in the Board of Directors' report 2023, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information presented with the financial statements. Our opinion on the financial statements does not cover the information in the Board of Directors' report or the other information presented with the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the information in the Board of Directors' report and for the other information presented with the financial statements. The purpose is to consider if there is materially inconsistency between the information in the Board of Directors' report and the other information presented with the financial statements and the financial statements or our knowledge obtained in the audit, or otherwise the information in the Board of Directors' report and for the other information presented with the financial statements otherwise appears to be materially misstated. We are required to report that fact if there is a material misstatement in the Board of Directors' report and the other information presented with the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, in our opinion the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements

Our opinion on the Board of Directors' report applies correspondingly for statements on Corporate Social Responsibility.

Responsibilities of the management for the Financial Statements

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

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



Independent auditor's report 2023
Softox Solutions AS

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to: <https://revisorforeningen.no/revisjonsberetninger>

Oslo, 31.05.2024

berge & lundal revisjonsselskap as

Eivind Lundal

State Authorised Public Accountant

(This document is signed electronically)



Elektronisk signatur

Signert av

Lundal, Eivind
Norwegian BankID

Dato og tid

(UTC+01:00) Central European Time (Berlin)

05/31/2024 17:01:26

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General Information

SoftOx History

Below is a brief overview of the Company's history:

Date	Important event
2012 - 2017	<p>SoftOx Solutions AS was founded.</p> <p>The Company's first patent application was filed.</p> <p>The Company's first patent was granted.</p> <p>The Company completed an MNOK 25 private placement.</p>
2018	<p>The Company entered a scientific collaboration with Costerton Biofilm Center, University of Copenhagen. Ongoing product testing showed strong killing effects against biofilm infection models in laboratory settings.</p> <p>The Company received public funding through the User-driven Research-based Innovation program from the Research Council of Norway.</p> <p>The Company received public funding granted from the EU – Phase I of the Horizon 2020 program.</p> <p>The Company finished biocompatibility/ preclinical studies on its first product leads.</p> <p>The Company applied for listing of the Company's shares on Euronext Growth Oslo (then called Merkur Market).</p> <p>Inclusion for the Company's first clinical study SoftOx Wound Irrigation Solution ("SWIS") effects on surgical wounds in humans.</p> <p>The Company completed an MNOK 15 private placement consisting of the issuance of 680.000 new Shares, each at a subscription price of NOK 22. Both new and existing shareholders participated in the private placement.</p>
2019	<p>The Company's first trial involving humans showed positive effects in acute wounds. SoftOx's first-in-human clinical trial ("SWIS-01") with its wound rinsing product, abbreviated SWIS, was completed.</p> <p>The Company completed a private placement in December 2019. The private placement consisted of the issuance of a total of 3.125.000 new Shares and a capital increase of NOK 62.500 at a subscription price of NOK 24 per share, raising gross proceeds of NOK 75 million.</p>
2020	<p>The Company established its first production line in Norway.</p> <p>The Danish Medicines Agency ("DKMA") authorized the clinical investigation «SWIS-02» following the executive order on medical devices. The study is a confirmatory clinical investigation to document the safety and performance and SoftOx Wound Irrigation Solution (SWIS) compared to Normal Saline ("NS") in a human wound model.</p> <p>SoftOx experienced a potential breakthrough in the fight against COVID-19. Positive results from the clinical testing of inhalation solution in animals were achieved. The Danish Medicines Agency gave its recommendation for further development of the SoftOx Inhalation Solution ("SIS") for the treatment of respiratory infections, including COVID-19.</p> <p>SoftOx received USD 1.977 million for research and development of the SoftOx Infection Remover (Biofilm Eradicator) from the U.S. Department of Defense ("DoD").</p> <p>The Company completed a private placement in December 2020, raising gross proceeds of approximately MNOK 50 through the issuance of 909.090 new Shares, at a subscription price per offer Share of NOK 55. The private placement consisted of two tranches: tranche 1 consisting of 500.000 offer Shares and tranche 2 consisting of 409.090 offer Shares.</p>
2021	<p>DKMA approved the first-in-human clinical study for SoftOx's wound treatment agent for infections in chronic wounds, SoftOx Biofilm Eradicator ("SBE-01"), and the first patients are enrolled in the study.</p> <p>SoftOx and the Norwegian Defense Research Establishment ("FFI") entered into a three-year collaboration agreement until June 2024.</p>

	<p>The first study in humans for SoftOx Inhalation Solution ("SIS-01") was approved by DKMA and commenced with the first patients enrolled in the Phase I trial.</p> <p>Results of the clinical investigation of SoftOx Wound Irrigation Solution for acute wounds ("SWIS-02") showed both significant improvement in wound healing and reduction in bacterial burden compared to Normal Saline (NS).</p> <p>SoftOx's SafeDes® hand disinfectant won the Sykehusinnkjøp HF's national tender – hygiene products, disinfectants, and dispensing solutions for hand disinfectants, soap, and cream ("HINAS") and will be listed in Norwegian hospitals as the only alternative to alcohol-based products.</p> <p>SoftOx has agreed to purchase 50% of the shares in Ose Water AS ("Ose") and will move all production of disinfectant products to Ose to secure reliable production and delivery both nationally and internationally.</p> <p>The EU Commission's interpretation of the Biocidal Regulations can allow SoftOx to enter the market with all its disinfectant products in the EU and European Economic Area ("EEA").</p> <p>SoftOx won Swedish tender for "surface disinfection with sporicidal effect" and "hypochlorite-based surface treatment with sporicidal effect".</p> <p>The Company completed a MNOK 50 private placement through the issuance of new Shares.</p>
2022	<p>SoftOx attended and hosted an educational symposium at the European Wound Management Association Conference.</p> <p>SoftOx announced positive phase 1 results for SoftOx Inhalation Solution (SIS). In Phase 1, the first-in-human study of nebulized SIS achieved the primary objective of safety and tolerability in healthy subjects. There were no observed local tolerability issues, no adverse effects on pulmonary function, and no serious adverse events.</p> <p>The Norwegian Defense Research Establishment (FFI) published positive data analysis of non-alcohol disinfectants, including SafeDes.</p> <p>SoftOx strengthened its liquidity and entered into a loan agreement with the main shareholder Almhaug Bolig AS.</p> <p>SWIS-02 clinical trial data was published in <i>Acta Dermato-Venereologica</i>, a peer-reviewed journal focused on clinical and experimental research in dermatology and venerology.</p> <p>European Defense Fund granted SoftOx and partners MNOK 97 for the development of an inhalation solution countering CBRN threats.</p> <p>SoftOx strengthened its leadership team in its subsidiary SoftOx Defense Solutions AS ("SDS") with the appointment of Jørgen Berggrav and Christian Harstad, both of whom have extensive expertise and knowledge from the international and national military sectors.</p> <p>Phase 1 clinical study of SoftOx Biofilm Eradicator ("SBE") is completed. SBE-01 is a first-in-human study investigating the safety, tolerability, and antimicrobial efficacy of single and multiple doses of the SoftOx Biofilm Eradicator (SBE) in patients with venous leg ulcers. 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.</p>
2023	<p>The Company was restructured. Running costs were considerably reduced. Introduced strategic cooperation with partners to outsource research and development.</p> <p>Agreed on an MNOK 15 loan to secure the Company for 10 months of operation.</p> <p>Developed the strategy to split the company in two; SoftOx Inhalation Solution and SoftOx Skin & Wound Care Solution.</p> <p>A PhD study shows indications of SoftOx being effective in preventing and treating oral biofilm.</p> <p>Second generation presented.</p>

Glossary

B2B	Business-to-business
BPR	Biocidal Products Regulation
DKMA	Danish Medicines Agency
EU	European Union
EWMA	European Wound Management Association
FDA	U.S. Food and Drug Administration
FFI	Norwegian Defence Research Establishment (Forsvarets Forskningsinstitutt)
GLP	Good Laboratory Practice
GMP	Good Manufacturing Practice
HINAS	Hospital tender for the infection disease control category
IP	Intellectual property
KemI	Swedish Chemicals Agency
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 information.

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