

Quarterly Report

Q1 2024

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 in Copenhagen, Denmark.

Highlights for Q1 2024

The financial restructuring described in the Annual Report 2023 continued in Q1/24. The company's creditors, including bondholders and key personnel, have agreed to convert their total outstanding amounts, including accrued interest and costs, totaling NOK 76,2 million, to shares in the company. In addition, the company raised NOK 22,3 million in a private placement divided by NOK 14 million in the conversion of supplier debt and NOK 8,3 million in cash.

To approve the raise of new capital and conversion of debts, the board on the 13th of March 2024 called for an extraordinary general assembly (EGA) on the 27th of March 2024 at 10 am. The EGA approved the conversion of debt and gave the authority to initiate a repair issue of NOK 15 million towards existing shareholders.

Key figures for the SoftOx Solutions Group as of 31.03.2024

Financial figures for the SoftOx Solutions Group are not audited (figures in brackets are comparable figures for 2023).

SoftOx Solutions Group NOK 1,000	First quarter		Year	
	2024	2023	2024	2023
Total operating revenue	1 815	9 673	1 815	6 980
Total operating expenses	10 966	12 104	10 966	39 615
Operating result	-9 152	-2 431	-9 152	-32 635
Profit before tax	-21 346	-2 411	-21 346	-42 083
Net proceeds from equity issues	0	0	0	3 080
Net change in cash and cash equivalents	-4 603	3 250	-4 603	746
Cash and cash equivalents at end of period	3 048	10 158	3 048	7 652
Outstanding shares, beginning of the period	10 727 871	10 342 871	10 727 871	10 342 871
Outstanding shares, end of the period	10 727 871	10 342 871	10 727 871	10 727 871
Employees, end of the period	7	7	7	7

The Q1 pre-tax results ended with a loss of NOK 21,3 million (loss of NOK 2,4 million). Results are characterized by the restructuring program.

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 the respiratory tract, in chronic wounds, or the oral cavity, 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)

STRATEGY

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 (VAP) 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 RESEARCH & PRODUCT DEVELOPMENT

- 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. 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.

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- During 2023 documentation for applying for a phase 2 study was 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.

SoftOx Defense Solution (SDS)

STRATEGY

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 RESEARCH & PRODUCT DEVELOPMENT

- 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 received 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 on 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).

SoftOx Skin and Wound Care

STRATEGY

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 RESEARCH & PRODUCT DEVELOPMENT

- 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.
- 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*.
- SoftOx has started the process of reaching out to relevant actors in the market to investigate the possibilities for cooperation.

OUTLOOK

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

- The strategy for this segment will be developed in 2024.
- Pending separate funding, the Research & Development on SBE and SWIS will resume.

Financial matters

Financial figures for the SoftOx Solutions Group are not audited (figures in brackets are comparable figures for 2023).

Profit and loss statement

In Q1 2024, the company recognized NOK 1,8 million (NOK 9,7 million) as income in connection with funding from the European Defence Fund.

In Q1 2024, salary costs were NOK 1,1 million (NOK 4,4 million). Other operating costs in Q1 2024 are NOK 8,1 million (*) (NOK 6,7 million). Total operating expenses in Q1 2024 have decreased to NOK 11 million (NOK 12,1 million).

(*) NOK 0,85 million consultancy fee restructuring spring 2023, NOK 1,7 million accrued non-accrued costs set aside for precautionary reasons, NOK 1,5 million periodized IP costs, NOK 0,6 million project costs EDF/Counteract, NOK 3,45 million operating costs including un invoiced accrued fees to key personnel/board corresponding to monthly cost NOK 1,15 million.

Pre-tax results ended with a loss of NOK 21,3 million (loss of NOK 2,4 million) for Q1 2024. Results are characterized by the restructuring program.

Cash flow and consolidated balance sheet

Of the capitalized assets, the company has activated its IP and patent cost worth NOK 11,5 million (NOK 7,5 million). These are capitalized patent costs in the Swedish subsidiary, which are depreciated over 5 years. Deferred tax assets will not be addressed as the tax calculations will be performed at the end of the year on audited figures.

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

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 Q1/2024 accounts for the period 1st of January to 31st of March 2024 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 half-year report provides a true and fair view of the information specified in Section 5-6, fourth paragraph, of the Norwegian Securities Trading Act.

Oslo, 27th of June 2024

SIGNED

Geir Hermod Almås, Chairman of the Board

SIGNED

Olav Jarlsby, Board Member

SIGNED

Henrik Nielsen, Board Member

SIGNED

Adrian Bignami, Board Member

SIGNED

Jørgen Berggrav, Board Member

SIGNED

Christian Harstad, ICEO

Profit and Loss Statement

Profit and loss statement				
Accounts for first quarter 2024				
SoftOx Solutions Group <i>NOK 1,000</i>	First quarter		Year	
	2024	2023	2024	2023
Other operating revenues	1 815	9 673	1 815	6 980
Total operating revenues	1 815	9 673	1 815	6 980
Personnel expenses	1 051	4 397	1 051	7 795
Other operating expenses	8 131	6 696	8 131	24 341
Depreciation	1 784	1 010	1 784	7 479
Depreciation, goodwill	0	0	0	0
Total operating expenses	10 966	12 104	10 966	39 615
Operating result	-9 152	-2 431	-9 152	-32 635
Net financial items	-12 194	20	-12 194	-9 449
Profit before tax	-21 346	-2 411	-21 346	-42 083
Tax	0	0	0	2 635
Annual profit/loss	-21 346	-2 411	-21 346	-39 449

Balance sheet 31.03.24

Statement of financial position	31.03.2024	31.03.2023	31.12.2023
SoftOx Solutions Group			
<i>NOK 1,000</i>			
Other intangible assets	11 493	7 549	11 301
Deferred tax asset	76 688	74 053	76 688
Goodwill from acquisition of subsidiary	0	0	0
Total intangible assets	88 180	81 602	87 989
Production equipment	25	3 740	647
Total fixed assets	25	3 740	647
Non-current assets	88 206	85 342	88 637
Inventory	0	0	0
Total inventory	0	0	0
Other receivables	956	6 461	949
Total receivables	956	6 461	949
Cash and cash equivalents	3 048	10 155	6 025
Deposits	0		1 627
Current assets	4 004	16 616	8 602
Total assets	92 210	101 958	97 238

Share capital	215	207	215
Share premium reserve	12 528	51 260	58 073
Total paid up capital	12 742	51 466	58 287
Other equity	-31 720	-15 084	-55 921
Total equity	-18 978	36 382	2 366
Other long term debts	46 067	40 689	45 589
Other non-current liabilities	46 067	40 689	45 589
Public duties payable	-99	341	-70
Shareholder loans	0	0	0
Other current liabilities	39 642	4 613	28 410
Accounts payable	25 577	19 934	20 942
Total current liabilities	65 120	24 887	49 283
Total liabilities	111 188	65 576	94 872
Total equity and liabilities	92 210	101 958	97 238

Cash Flow Statement

Cash flow statement	First quarter		Year	
	2024	2023	2024	2023
SoftOx Solutions Group				
<i>NOK 1,000</i>				
Cash flow from operating activities				
Net result before taxes	-21 346	-2 411	-21 346	-42 083
Tax paid	0	0	0	0
Depreciation	1 784	1 010	1 784	7 479
Change in current assets	-7	1 329	-7	6 841
Change in current liabilities	15 838	4 125	15 838	28 521
Net cash flow from operating activities	-3 731	4 053	-3 731	757
Cash flow from investment activities				
Investments in non-current assets	-1 354	-481	-1 354	-7 609
Net cash flow from investment activities	-1 354	-481	-1 354	-7 609
Cash flow from financing activities				
Proceeds from equity issues	0	0	0	3 080
Other financing activities	479	-376	479	4 524
Translation differences	3	54	3	-4
Net cash flow from financing activities	482	-321	482	7 600
Net change in cash and cash equivalents	-4 603	3 250	-4 603	746
Cash and cash equivalents at beginning of period	7 652	6 907	7 652	6 907
Cash and cash equivalents at end of period	3 048	10 155	3 048	7 652

Statement of changes in equity (*)

Statement of changes in equity				
SoftOx Solutions Group				
	First quarter		Year	
	2024	2023	2024	2023
<i>NOK 1,000</i>				
Equity at end of prior period	2 366	38 741	2 366	38 741
Share issues	0	0	0	3 080
Loss for the period	-21 346	-2 411	-21 346	-39 449
Other changes in equity	3	54	3	-6
Equity at end of period	-18 976	36 382	-18 978	2 366

(*) First quarter 2023 and 2024 are before tax, 2023 Full year is after tax, 2024 Full year 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 parent and subsidiary.

The purchase method is applied when accounting for business combinations. Companies which have been bought or sold during the year are included in the consolidated financial statements from the date when control is achieved and until the date when control ceases.

An associate is an entity in which the Group has a significant influence but does not exercise control the management of its finances and operations (normally when the Group owns 20-50% of the company). The consolidated financial statements include the Group's share of the profits/losses from associates, accounted for using the equity method, from the date when a significant influence is achieved and until the date when such influence ceases.

When the Group's share of a loss exceeds the Group's investment in an associate, the amount carried in the Group's balance sheet is reduced to zero and further losses are not recognized unless the Group has an obligation to cover any such loss.

Use of estimates

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway.

Foreign currency translation

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognized in the income statement as they occur during the accounting period.

Revenue recognition

Revenues from the sale of goods are recognized in the income statement once delivery has taken place and most of the risk and return has been transferred. Revenues from the sale of services are recognized in the income statement according to the project's level of completion provided the outcome of the transaction can be estimated reliably. Progress is measured as the number of hours spent compared to the total number of hours estimated. When the outcome of the transaction cannot be estimated reliably, only revenues equal to the project costs that have been incurred will be recognized as revenue. The total estimated loss on a contract will be recognized in the income statement during the period when it is identified that a project will generate a loss.

Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as the tax rate of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will

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be utilized. Taxes payable and deferred taxes are yearly recognized directly in equity to the extent that they relate to equity transactions.

Balance sheet classification

Current assets and short-term liabilities consist of receivables and payables due within one year, and items related to the inventory cycle. Other balance sheet items are classified as fixed assets / long term liabilities. Current assets are valued at the lower of cost and fair value. Short-term liabilities are recognized at nominal value. Fixed assets are valued at cost, less depreciation and impairment losses. Long-term liabilities are recognized at nominal value.

Research and development

Development costs are capitalized providing that a future economic benefit associated with development of the intangible asset can be established and costs can be measured reliably. Otherwise, the costs are expensed as incurred. Capitalized development costs are amortized linearly over their useful life. Research costs are expensed as incurred.

Plant and equipment

Plant and equipment are capitalized and depreciated linearly over the estimated useful life. Significant fixed assets which consist of substantial components with dissimilar economic life have been unbundled; depreciation of each component is based on the economic life of the component. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property plant and equipment are added to the acquisition cost and depreciated with the related asset. If the carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realisable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are discounted.

Subsidiaries

Subsidiaries are valued at cost in the company accounts. The investment is valued as the cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognized if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Inventories

Inventories are recognized at the lowest of cost and net selling price. The net selling price is the estimated selling price in the case of ordinary operations minus the estimated completion, marketing and distribution costs. The cost is arrived at using the FIFO method and includes the costs incurred in acquiring the goods and the costs of bringing the goods to their current state and location.

Accounts receivable and other receivables

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss.

Pensions

Under the defined contribution scheme the Group does not commit itself to paying specific future benefits but makes annual contributions to the employees' pension savings. The Group's payment to the defined contribution scheme amounts to 7% of salary for Norwegian employees.

Cash flow statement

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

Glossary

CBRN	Chemical, Biological, Radiological and Nuclear
EDF	European Defence Fund
EN	European Norm
EU	European Union
FDA	U.S. Food and Drug Administration
IP	Intellectual property
KemI	Swedish Chemicals Agency
MRSA	Methicillin-resistant Staphylococcus aureus
OTA	Other Transaction Agreement
R&D	Research and Development
SBE	SoftOx Biofilm Eradicator (SoftOx Infection Remover)
SDS	SoftOx Defense Solutions AS
Shares	SoftOx Solutions issued and outstanding shares, unless the context indicates otherwise, including the Offer Shares offered in the Offering.
SIS	SoftOx Inhalation Solution
SWIS	SoftOx Wound Irrigation Solution

Contact us

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