

Terranet Holding AB (publ)

Interim report 1 January 2020 – 30 September 2020



terranel[™]

Third quarter
1 July – 30 September 2020

- Revenue amounted to SEK 0 thousand (604)
- Operating profit amounted to SEK -6,681 thousand (-7,873)
- Net profit/loss for the period amounted to SEK -7,342 thousand (-9,790)
- Cash flow from operating activities amounted to SEK -5,216 thousand (-8,460)
- Cash and cash equivalents amounted to SEK 20,717 thousand (11,569)
- Diluted and undiluted earnings per share amounted to SEK -0.05 (-0.40)

Interim period
1 January – 30 September 2020

- Revenue amounted to SEK 715 thousand (824)
- Operating profit/loss amounted to SEK -22,236 thousand (-28,503)
- Net profit/loss for the period amounted to SEK -25,358 thousand (-31,823)
- Cash flow from operating activities amounted to SEK -23,382 thousand (-23,836)
- Diluted and undiluted earnings per share amounted to SEK -0.23 (-1.31)
- The preferential rights issue and offset issues were registered in July. The preferential rights issue raised MSEK 35.1 in liquid assets for the company after issue costs

Comments from the CEO

The third quarter was marked by some momentous events in the company's history. Terranet took an important step in its development with its image analysis sensor VoxelFlow, a technological advance that offers an increase in performance from 200 to 200,000 voxels per second. VoxelFlow will be presented at the upcoming Daimler-Mercedes Benz Startup Autobahn Expo in 2021.

Despite uncertainties regarding the long-term impact of the coronavirus pandemic, Terranet was able to sign a memorandum of understanding (MoU) with Daimler in early October. This MoU reaffirms the collaboration that has already been initiated and addresses future plans and ambitions to collaborate with Daimler in the product development and market launch phases once the first prototype has been tested and verified.

Due to the success of the new share issue the company carried out during Q2, the company was able to significantly strengthen its ownership base by bringing in new long-term owners who have expressed their confidence in Terranet. As a result of this ownership change and a clear path forward for the company, there has also been a restructuring of the board, with Göran Janson stepping in as the new chairman of the board at an EGM that was convened in early September.

Another important milestone in the company's path forward is the recently issued warrant series, which in October raised a total of approximately MSEK 34 for the company. The capital injection, which will be used to finance investments directed towards the expansion of the company's operations, also marks a turning point for the company since the restart at the end of 2018.

In closing, I am very happy to announce that Johan Wångblad will join the company as our new CFO on December 1. Johan has vast experience from Volvo Cars, most recently as Head of Operations of Volvo Cars Technology Fund and will be able to contribute to Terranet's continued

development with his solid knowledge of the automotive industry.

Pär-Olof Johannesson, CEO

Significant events during the period

TerraNet announced on 1 July that, in accordance with established guarantee agreements and what has previously been communicated by the company, it will carry out a directed new issue of B shares to the guarantors in the preferential rights issue who have chosen to receive guarantee compensation as newly issued B shares in the company. The subscription price in the commitment fee issue is SEK 0.40 per B share, which corresponds to the subscription price per B-share in the preferential rights issue.

On 31 July, TerraNet called an Extraordinary General Meeting at the request of shareholders who represented approximately 19 percent of the total number of shares and votes in the company. Proposers moved to nominate Göran Janson as a new board member and chair of the board and that Anders Rantén and Claes Lachmann resign as board members. Proposers also moved that the EGM establish a resolution on the adoption of principles for a nomination committee.

The EGM, which was convened on 4 September, moved to elect Göran Janson and Christian Rasmusson as new board members. The EGM also elected Göran Janson as the new chairman of the board. Anders Rantén and Claes Lachmann resigned as board members. The EGM also issued a resolution to adopt the principles for the appointment of an election panel in accordance with the proposal in the meeting notice.

Significant events after the close of the period

On 12 October, it was announced that the exercise price for the warrants of series (TO1 B), with a subscription period 12-23 October, had been set at SEK 0.72.

On 20 October, Terranet announced that it had signed a memorandum of understanding (MoU) with Daimler to continue its cooperation in the development of Voxelflow. The next step in the cooperation is a demo planned for the Startup Autobahn Expo (the growth incubator and accelerator co-financed by Daimler, Porsche and Bosch) in February 2021.

The outcome of the exercise of warrants of series TO1 B was presented on 28 October. In total, 47,503,386 warrants, corresponding to approximately 94 percent of the outstanding warrants, were exercised for the subscription of 47,503,386 B shares at a subscription price of SEK 0.72 per share. Through the exercise of warrants of series TO1 B, Terranet will raise approximately MSEK 34.2 before issue costs.

On November 12, it was announced that Johan Wångblad will be the new CFO of Terranet. Johan has vast experience from Volvo Cars, most recently as Head of Operations at Volvo Cars Technology Fund, and will start his assignment on December 1.

Operations and notes

Terranet develops software for advanced driver-assisted systems (ADAS) and autonomous vehicles.

Business strategy

Terranet works to bring in licensing and royalty revenue through contracts with customers who have volume products in advanced driver-assistance systems (ADAS) and self-driving cars. In order to secure these contracts, Terranet is currently engaged in a development process on behalf of its customers to adapt the software to the customers' products.

History

TerraNet was founded in 2004 with the mission to improve communications in desolate environments within developing countries through access to broadband capacity.

After years of intensive research and development, Terranet's strategy has been consolidated around ADAS systems and supporting technology for autonomous vehicles that are the gold standard in the field. The Wi-Fi Aware standard, which was adopted by the Wi-Fi Alliance in 2015, was successively launched by mobile and microchip manufacturers in 2017.

Terranet works to develop unique solutions for customers based on this platform, including vehicle manufacturers and suppliers within active safety.

Operations

Terranet's operations are focused on advanced driver support and self-driving vehicles. The company develops collision-warning software and algorithms for positioning using 5G technology, as well as for communication between vehicles and between vehicles and other objects. Terranet also provides technology for three-dimensional image analysis for the identification of moving objects in potentially dangerous traffic situations that humans fail to see. These technologies enable the proper function of active safety features, such as collision warning systems.

Read more at
www.terranet.se

Terranet Holding
AB (publ) corp. i.d.
no. 556707-2128
Ideon Science Park 223 70 Lund

Staff

As of 30 September 2020, the number of employees in the Group was 10 (15). Temporary staff and staff on parental leave have been excluded.

Risks and uncertainties

Significant risks and uncertainties are described in the company's annual report for 2019. The company currently has a negative cash flow from operations, and should a need for capital arise beyond the capital raised from warrants of series 2020:2 and 2020:3 in 2021, the company plans to carry out an additional new share issue to fund the company's activities. In the board's assessment, this new share issue can be carried out. Considering the current business plan and the company's planned investments, the existing working capital, with the addition of the contribution from the warrants that came in this October, is deemed to be sufficient for more than 12 months.

The parent company

Terranet Holding AB (publ), having corporate identification number, 556707-2128, is a limited company registered in Sweden with its registered office in Lund. The company's B shares are listed on Nasdaq First North Premier Growth Market. The address of the main office is, Scheelevägen 17, 223 63 Lund.

During the interim period, a shareholder contribution to Terranet AB of SEK 21,100 thousand was made. As a result of the shareholder contribution, depreciation was carried out in Q1 after valuation, amounting to SEK 27,000 thousand. Depreciation is based on the market value of the Terranet Group as of 31 March. As of 30 September, the market value exceeds the book value of Terranet AB.

The parent company leads and administrates operations and financing activities and does not conduct any operating activities; reference is therefore made to information for the group in general.

Operations are conducted in the wholly owned subsidiary Terranet AB.

Accounting principles

The consolidated financial statements for Terranet Holding AB (publ.) have been established in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Annual Accounts Act (ÅRL) and Swedish Financial Reporting Board's recommendations RFR 1 "Supplementary accounting rules for groups". The parent company's financial reports have been established in accordance with the Swedish Annual Accounts Act and RFR 2, "Accounting for Legal Entities".

The parent company applies the same accounting principles as the group, where applicable.

This interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting". Disclosures required under IAS 34 are provided in notes and elsewhere in the interim report.

The accounting principles and calculation methods applied conform with those described in the annual report for 2019.

Equity

As of the beginning of the period, the number of shares amounted to 50,502,653. The preferential rights issue registered in July raised MSEK 40.4 (MSEK 27.9 after share issue costs, including compensation to guarantors) in equity and increased the number of shares by 101,005,306.

The company carried out a directed share issue in July by offsetting the guarantee compensation to the guarantors in the preferential rights issue. The new share issue contributed MSEK 7.2 in equity and increased the number of shares by 17,994,918. The total number of shares after these issues amounts to 169,502,877. The average number of shares for the interim period amounts to 112,595,900 (24,374,349) and 155,905,581 (24,436,768) for Q3.

Warrants

Through the preferential rights Issue, 50,502,653 warrants of series 2020:1 were also issued, which entitle the holder to subscribe to 50,502,653 B shares in the company; 50,502,653 warrants of series 2020:2, which entitle the holder to subscribe to an additional 50,502,653 B shares; and 50,502,653 warrants of series 2020:3, which entitle the holder to subscribe to an additional 50,502,653 B shares.

The subscription of B-shares through warrants of series 2020:1 occurred from 12 October 2020 to 23 October 2020. Each warrant of series 2020:1 entitled the holder to the subscription of one (1) new B share in the company in exchange for cash payment corresponding to 70 percent of the volume-weighted average price of the company's share on Nasdaq First North Premier Growth Market between 28 September 2020 to 9 October 2020, however, no less than the value corresponding to the quota value for TerraNet's share during the subscription

period and a maximum of SEK 0.80 per B share. The subscription price was set to SEK 0.72, and a total of 94 percent of the warrants of series 2020:1 were exercised, which raised MSEK 34.2 before transaction costs.

The subscription of B shares through warrants of series 2020:2 will occur from 8 March 2021 to 19 March 2021. Each warrant of series 2020:2 entitles the holder to the subscription of one (1) new B share in the company in exchange for cash payment corresponding to 70 percent of the volume-weighted average price of the company's share on Nasdaq First North Premier Growth Market between 22 February 2021 to 05 March 2021, however, no less than the value corresponding to the quota value for TerraNet's share during the subscription period and a maximum of SEK 0.80 per B share. In the event of full exercise of all warrants of series 2020:2, the company can expect to raise a maximum of an additional MSEK 40.4.

The subscription of B shares through warrants of series 2020:3 will occur from 23 August 2021 to 3 September 2021. Each warrant of series 2020:3 entitles the holder to the subscription of one (1) new B share in the company in exchange for cash payment corresponding to 70 percent of the volume-weighted average price of the company's share on Nasdaq First North Premier Growth Market between 9 August 2021 to 20 August 2021, however, no less than the value corresponding to the quota value for TerraNet's share during the subscription period and a maximum of SEK 0.80 per B share. In the event of full exercise of all warrants of series 2020:3, the company can expect to raise a maximum of an additional MSEK 40.4.

Transactions with related parties

No significant transactions with related parties have been completed during the period.

Financial overview

Third quarter

1 July 2020 – 30 September 2020

Revenue

Revenue for the quarter amounted to SEK 0 thousand (604). Revenue for the previous year consisted of remuneration for development work, SEK 327 thousand, and a contribution from Vinnova of SEK 277 thousand.

Operating profit/loss

Capitalised development costs amount to SEK 748 thousand (1,207) where SEK 358 thousand (394) is attributable to capitalised staff costs and the remainder is attributable to consulting costs.

Operating profit/loss for the quarter amounted to SEK -6,681 thousand (-7,873). Depreciation and write-offs for development projects and patents amounted to SEK 646 thousand (365) and depreciations of right-of-use assets amounted to SEK 255 thousand (255).

Other external expenses were reduced by SEK 1,005 thousand, primarily due to lower travel and marketing costs.

Staff costs were reduced by SEK 1,527 thousand as a result of a reduced number of employees and short-term layoffs during the quarter.

Financial expenses

Financial expenses include interest costs for convertible loans as well as interest costs for the bridge loans taken in Q1 and Q2. Interest costs attributable to right-of-use assets amount to SEK 116 thousand (153) for the period.

Taxes

The Group's effective tax amounted to 0 (0) percent. The group has a substantial accumulated tax loss carryforward, however, no deferred tax assets are reported with respect to this.

Net profit/loss for the period

Net profit/loss for the period amounted to SEK -7,342 thousand (-9,790). Diluted and undiluted earnings per share amounted to SEK -0.05 (-0.40).

Cash flow

Cash flow from operating activities amounted to SEK -5,216 thousand (-8,460).

Cash flow from investment activities amounted to SEK -797 thousand (-1,281) and consists of SEK -747 thousand in capitalised development costs and SEK -50 thousand in capitalised patent costs.

Cash flow from financing activities amounted to SEK 22,937 thousand (7,796). Of the proceeds from the issue, which amounted to SEK 38,747 thousand, loans amounting to SEK 10,245 thousand have been repaid and issue costs of SEK 5,322 thousand have been paid.

Lease liability amortisation amounted to SEK 243 thousand (204).

Interim period 1 January 2020 – 30 September 2020

Revenue

Revenue for the interim period amounted to SEK 715 thousand (824). Revenue consists of SEK 481 thousand in remuneration for development projects on behalf of customers and SEK 234 thousand in contributions from Vinnova.

Operating profit/loss

Work in progress for own account amounted to SEK 1,683 thousand (2,701) where SEK 770 thousand (1,111) is attributable to capitalised staff costs and the remainder is attributable to consulting costs.

Operating profit/loss for the interim period amounted to SEK -22,236 thousand (-28,503). Operating profit/loss for the previous year included write-offs of development projects amounting to SEK 4,000 thousand. Write-offs of development projects and patents for the period amounted to SEK 762 thousand.

The significant reduction in staff is a result of a reduced number of employees and short-term layoffs during the interim period.

Financial expenses

Financial expenses include interest on the convertible loan, interest and fees associated with bridge loans taken out during the period and interest on lease liabilities.

Taxes

The Group's effective tax amounted to 0 (0) percent.

Net profit/loss for the period

Net profit/loss for the period amounted to SEK -25,358 thousand (-31,823). Diluted and undiluted earnings per share amounted to SEK -0.23 (-1.31).

Cash flow

Cash flow from operating activities amounted to SEK -22,382 thousand (-23,836).

Cash flow from investment activities amounted to SEK -1,813 thousand (-3,076) and consists of SEK -1,682 thousand in capitalised development costs and SEK -131 thousand in capitalised patent costs.

Cash flow from financing activities amounted to SEK 34,343 thousand (22,180). The cash flow from Q3 is described in relation to the total cash flow above. During Q1 and Q2, bridge loans totalling SEK 11,900 thousand were taken. Of this amount, SEK 10,245 thousand was repaid in Q3, and the remainder was offset against shares. Lease liability amortisation for the interim period amounted to SEK 737 thousand.

Financial position and liquidity

The equity/assets ratio was 60% (42.9%) on 30 September 2020 and equity amounted to SEK 21,027 thousand (11,303). Total assets on 30 September 2020 amounted to SEK 35,030 thousand (26,354).

The carrying value of the group's interest-bearing liabilities amounts to SEK 7,892 thousand, of which SEK 5,958 thousand is in convertible loans and SEK 1,934 thousand is in lease liabilities.

Convertible loans with a nominal value of SEK 6,207 thousand mature on 15 January 2021, unless conversion takes place before that date.

At the end of the interim period, the group's cash and cash equivalents amounted to SEK 20,717 thousand (11,569).

Key figures

| (Amounts in SEK thousands unless otherwise indicated) | 2020 | 2019 | 2020 | 2019 | 2019 |
|--------------------------------------------------------------|-----------------------|-----------------------|--------------------------|--------------------------|---------------------------|
| | 3 months | 3 months | 9 months | 9 months | 12 months |
| | July–September | July–September | January–September | January–September | January – December |
| Undiluted EPS (SEK) | -0.05 | -0.40 | -0.23 | -1.31 | -1.67 |
| Diluted EPS (SEK) | -0.05 | -0.40 | -0.23 | -1.31 | -1.67 |
| Number of shares on the balance sheet date prior to dilution | 169,502 877 | 24,436 768 | 169,502 877 | 24,436 768 | 50,502 653 |
| Number of shares on the balance sheet date after dilution | 169,502 877 | 24,436 768 | 169,502 877 | 24,436 768 | 50,502 653 |
| Weighted average number of shares before dilution | 155,905 581 | 24,436 768 | 112,595 900 | 24,374 349 | 28,032 165 |
| Weighted average number of shares after dilution | 155,905 581 | 24,436 768 | 112,595 900 | 24,374 349 | 28,032 165 |
| Equity/asset ratio (%) | 60.0% | Neg | 60.0% | Neg | 42.9% |
| Operating profit/loss | -6,681 | -7,873 | -22,236 | -28,503 | -42,194 |
| EBITDA | -5,784 | -7,253 | -20,567 | -22,780 | -32,514 |

Definitions

| | |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Undiluted EPS | The profit/loss after tax for the period attributable to the parent company's shareholders divided by the weighted average of outstanding shares during the period |
| Diluted EPS | The profit/loss after tax for the period attributable to the parent company's shareholders divided by the weighted average of outstanding shares during the period plus shares that are added if all potential shares which can cause a dilutive effect are converted into shares. If the result is negative, the dilutive effect is not factored into the calculation, as this would mean that earnings per share would improve. Only option programmes with an issue price below the average share price for the period can cause a dilutive effect. |
| Number of shares after dilution | Only option programmes with an issue price below the share price on the balance sheet date/average share price for the period can cause a dilutive effect. |
| Equity/asset ratio | Equity at the close of the period as a percent of total assets at the close of the period |
| Earnings before interest and taxes (EBIT) | Profit/loss before financial items and tax |
| EBITDA | Earnings before interest and taxes (EBIT), before depreciation and write-offs on tangible and intangible assets |

Summary consolidated income statement

| (Amount in SEK thousands) | 2020 3 months July– September | 2019 3 months July– September | 2020 9 months January– September | 2019 9 months January– September | 2019 12 months January– December |
|--------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
| Other operating revenue | 0 | 604 | 715 | 824 | 824 |
| Work in progress for own account | 748 | 1,207 | 1,683 | 2,701 | 3,686 |
| <i>Operating expenses</i> | | | | | |
| Other external expenses | -4,029 | -5,034 | -14,613 | -14,051 | -20,469 |
| Staff costs | -2,503 | -4,030 | -8,352 | -12,254 | -16,555 |
| Depreciation and write-offs of tangible and intangible fixed assets | -897 | -620 | -1,669 | -5,723 | -9,680 |
| Operating profit/loss | -6,681 | -7,873 | -22,236 | -28,503 | -42,194 |
| Financial income | 0 | 0 | 0 | 4 | 20 |
| Financial expenses | -661 | -1,917 | -3,122 | -3,324 | -4,502 |
| Profit/loss before tax | -7,342 | -9,790 | -25,358 | -31,823 | -46,676 |
| Tax on profit/loss for the period | 0 | 0 | 0 | 0 | 0 |
| Profit/loss for the period attributable to the parent company's shareholders | -7,342 | -9,790 | -25,358 | -31,823 | -46,676 |
| Profit/loss for the period attributable to the parent company's shareholders in SEK | | | | | |
| Undiluted EPS | -0.05 | -0.40 | -0.23 | -1.31 | -1.67 |
| Diluted EPS | -0.05 | -0.40 | -0.23 | -1.31 | -1.67 |

Consolidated statement of comprehensive income

| (Amount in SEK thousands) | 2020 3 months July– September | 2019 3 months July– September | 2020 9 months January– September | 2019 9 months January– September | 2019 12 months January– December |
|----------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
| Profit/loss for the period | -7,342 | -9,790 | -25,358 | -31,823 | -46,676 |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 |
| Comprehensive income for the period attributable to the parent company's shareholders | -7,342 | -9,790 | -25,358 | -31,823 | -46,676 |

Summary consolidated statement of financial position

| (Amount in SEK thousands) | 30/09/2020 | 30/09/2019 | 31/12/2019 |
|-----------------------------------------------------------------|---------------|---------------|---------------|
| ASSETS | | | |
| Fixed assets | | | |
| <i>Intangible Assets</i> | | | |
| Capitalised development costs | 8,920 | 9,691 | 7,438 |
| Patents and trademarks | 2,029 | 2,850 | 2,607 |
| <i>Property, plant and equipment</i> | | | |
| Right-of-use assets | 1,706 | 2,720 | 2,466 |
| Total fixed assets | 12,655 | 15,261 | 12,511 |
| Current assets | | | |
| Accounts receivables | 0 | 0 | 0 |
| Other receivables | 889 | 1,045 | 1,050 |
| Prepaid expenses and accrued revenue | 769 | 1,091 | 1,224 |
| Cash and cash equivalents | 20,717 | 6,499 | 11,569 |
| Total current assets | 22,375 | 8,635 | 13,843 |
| TOTAL ASSETS | 35,030 | 23,896 | 26,354 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 1,695 | 24,437 | 50,503 |
| Other capital contribution | 287,787 | 285,920 | 293,287 |
| Translation reserve | -4 | -4 | -4 |
| Profit/loss carried forward | -243,093 | -285,807 | -285,807 |
| Profit/loss for the period | -25,358 | -31,823 | -46,676 |
| Equity attributable to the parent company's shareholders | 21,027 | -7,277 | 11,303 |
| Long-term liabilities | | | |
| Convertible loans | 0 | 5,563 | 5,662 |
| Lease liabilities | 693 | 1,781 | 1,547 |
| Total long-term liabilities | 693 | 7,344 | 7,209 |
| Current liabilities | | | |
| Loans payable | 0 | 16,183 | 0 |
| Convertible loans | 5,958 | 0 | 0 |
| Lease liabilities | 1,241 | 1,093 | 1,124 |
| Accounts payable | 1,443 | 2,556 | 2,787 |
| Other liabilities | 696 | 1,117 | 410 |
| Accrued expenses and prepaid income | 3,972 | 2,880 | 3,521 |
| Total current liabilities | 13,310 | 23,829 | 7,842 |
| TOTAL EQUITY AND LIABILITIES | 35,030 | 23,896 | 26,354 |

Summary consolidated statement of changes in equity

| | <i>Attributable to the parent company's shareholders</i> | | |
|-----------------------------------|----------------------------------------------------------|-------------------|-------------------|
| | 30/09/2020 | 30/09/2019 | 31/12/2019 |
| Opening balance | 11,303 | 22,805 | 22,805 |
| Profit/loss for the period | -25,358 | -31,823 | -46,676 |
| Other comprehensive income | 0 | 0 | 0 |
| New share issue, cash and offsets | 47,600 | 848 | 848 |
| Issue of convertible liabilities | 0 | 922 | 922 |
| Issue costs | -12,518 | -29 | -8,301 |
| Closing balance | 21,027 | -7,277 | 11,303 |

Summary consolidated cash flow statement

| (Amount in SEK thousands) | 2020 | 2019 | 2020 | 2019 | 2019 |
|--------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | 3 months | 3 months | 9 months | 9 months | 12 months |
| | July– | July– | January– | January– | January– |
| | September | September | September | September | December |
| Operating activities | | | | | |
| Operating profit/loss | -6,681 | -7,873 | -22,236 | -28,503 | -42,194 |
| Adjustments for items not included in the cash flow: | | | | | |
| Depreciation and write-offs | 897 | 620 | 1,669 | 5,723 | 9,680 |
| Interest received | 0 | 0 | 0 | 4 | 20 |
| Paid interest and other financial expenses | -1,431 | -1,087 | -2,361 | -2,298 | -3,785 |
| Cash flow from operations before changes in working capital | -7,215 | -8,340 | -22,928 | -25,074 | -36,279 |
| Changes in working capital | | | | | |
| Changes in operating receivables | 2,735 | -409 | 616 | 1,463 | 1,325 |
| Change in operating liabilities | -736 | 289 | -1,070 | -225 | -217 |
| Cash flow from operations | -5,216 | -8,460 | -23,382 | -23,836 | -35,171 |
| Investing activities | | | | | |
| Capitalisation of development costs | -747 | -1,207 | -1,682 | -2,702 | -3,686 |
| Capitalisation of patents and trademarks | -50 | -74 | -131 | -374 | -596 |
| Cash flow from investing activities | -797 | -1,281 | -1,813 | -3,076 | -4,282 |
| Financing activities | | | | | |
| New share issue | 38,747 | 0 | 38,747 | 0 | 41,705 |
| Convertible loans | 0 | 0 | 0 | 8,198 | 8,198 |
| Loans taken | 0 | 8,000 | 11,900 | 15,620 | 15,620 |
| Repaid convertible loans | 0 | 0 | 0 | -1,000 | -1,000 |
| Repaid loans | -10,245 | 0 | -10,245 | 0 | -15,620 |
| Amortisation of lease liabilities | -243 | -204 | -737 | -609 | -811 |
| Issue costs | -5,322 | 0 | -5,322 | -29 | -8,301 |
| Cash flow from financing activities | 22,937 | 7,796 | 34,343 | 22,180 | 39,791 |
| Cash flow for the period | 16,924 | -1,945 | 9,148 | -4,732 | 338 |
| Cash and cash equivalents at the start of the period | 3,793 | 8,444 | 11,569 | 11,231 | 11,231 |
| Cash and cash equivalents at the close of the period | 20,717 | 6,499 | 20,717 | 6,499 | 11,569 |

Summary parent company income statement

| (Amount in SEK thousands) | 2020 3 months July– September | 2019 3 months July– September | 2020 9 months January– September | 2019 9 months January– September | 2019 12 months January– December |
|----------------------------------------------|----------------------------------------|----------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
| Other operating revenue | 0 | 0 | 0 | 0 | 0 |
| <i>Operating expenses</i> | | | | | |
| Other external expenses | -473 | -794 | -1,859 | -1,527 | -2,371 |
| Operating profit/loss | -473 | -794 | -1,859 | -1,527 | -2,371 |
| Financial income | 0 | 0 | 0 | 4 | 20 |
| Depreciation of shares in group companies | 0 | -38,000 | -27,000 | -57,000 | -62,112 |
| Financial expenses | -545 | -1,763 | -2,771 | -2,863 | -3,888 |
| Total financial items | -545 | -39,763 | -29,771 | -60,359 | -65,980 |
| Profit/loss before tax for the period | -1,018 | -40,557 | -31,630 | -61,886 | -68,351 |
| Tax on profit/loss for the period | 0 | 0 | 0 | 0 | 0 |
| Profit/loss for the period | -1,018 | -40,557 | -31,630 | -61,886 | -68,351 |

Summary parent company statement of comprehensive income

| (Amount in SEK thousands) | 2020 3 months July– September | 2019 3 months July– September | 2020 9 months January– September | 2019 9 months January– September | 2019 12 months January– December |
|--------------------------------------------|----------------------------------------|----------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
| Profit/loss for the period | -1,018 | -40,557 | -31,630 | -61,886 | -68,351 |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 |
| Comprehensive income for the period | -1,018 | -40,557 | -31,630 | -61,886 | -68,351 |

Summary parent company balance sheet

| (Amount in SEK thousands) | 30/09/2020 | 30/09/2019 | 31/12/2019 |
|--------------------------------------|---------------|---------------|---------------|
| ASSETS | | | |
| <i>Financial assets</i> | | | |
| Shares in group companies | 47,803 | 48,022 | 53,703 |
| Total fixed assets | 47,803 | 48,022 | 53,703 |
| <i>Current assets</i> | | | |
| Prepaid expenses and accrued revenue | 228 | 181 | 145 |
| Cash on hand | 20,022 | 4,833 | 10,064 |
| Total current assets | 20,250 | 5,014 | 10,209 |
| Total assets | 68,053 | 53,036 | 63,912 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| NON-RESTRICTED EQUITY | | | |
| Share capital | 1,695 | 24,437 | 50,503 |
| NON-RESTRICTED EQUITY | | | |
| Share premium reserve | 287,787 | 285,920 | 293,287 |
| Profit/loss carried forward | -197,151 | -218,189 | -218,189 |
| Profit/loss for the period | -31,630 | -61,886 | -68,351 |
| Total equity | 60,701 | 30,282 | 57,250 |
| LONG-TERM LIABILITIES | | | |
| Convertible loans | 0 | 5,563 | 5,662 |
| Total long-term liabilities | 0 | 5,563 | 5,662 |
| CURRENT LIABILITIES | | | |
| Loans payable | 0 | 16,183 | 0 |
| Convertible loans | 5,958 | 0 | 0 |
| Accounts payable | 302 | 107 | 335 |
| Liabilities to group companies | 106 | 94 | 94 |
| Other current liabilities | 0 | 441 | 0 |
| Accrued expenses and prepaid income | 986 | 366 | 571 |
| Total current liabilities | 7,352 | 17,191 | 1,000 |
| TOTAL EQUITY AND LIABILITIES | 68,053 | 53,036 | 63,912 |

The Board of Directors and the CEO certify that the interim report provides a fair overview of the parent company's and the group's operations, financial position and results, and describes the significant risks and uncertainties faced by the parent company and the companies included in the group.

Lund, 13 November 2020

Göran Janson
Chairman of the Board

Pär-Olof Johannesson
CEO

Michael Roig
Board Member

Karolina Bjurehed
Board Member

Lars Novak
Board Member

Arne Hansson
Board Member

Christian Rasmusson
Board Member

Review Report

Introduction

We have reviewed the interim report for Terranet Holding AB (publ) for the period January 1 - September 30, 2020. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, in accordance with IAS 34 and the Annual Accounts Act.

Malmö, 13th November, 2020 Deloitte AB

Richard Peters
Authorized Public Accountant

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Calendar:

Release of unaudited annual earnings figures
AGM
Interim report January-March

26 February 2021
29 April 2021
12 May 2021

This information constitutes the information that TerraNet Holding AB (publ) is required to publish under the EU Market Abuse Regulation (MAR). The information was submitted for publication through the agency of the above-named contact person on 13 November at 8:30 am CET.