

ANNUAL REPORT 2022

Safety at the blink of an eye

This is a translation of the original Swedish Terranet annual report 2022. In the event of any discrepancies between the two versions, the original Swedish version shall apply.



WE SHAPE THE FUTURE OF URBAN ROAD SAFETY

We believe that our innovative technology will transform urban road safety and save lives in every city. Our commitment to intelligent solutions will drive this change and ensure a safer future for all. Every meter matters and every split-second counts.





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SUMMARY OF THE YEAR

February

- Pär-Olof Johannesson left his position as CEO with immediate effect. Göran Janson was appointed Acting CEO.
- The market was updated about the strategic choice of further accelerating the development of BlincVision, with the primary focus on the automotive industry.

March

- The warrant programme TO4 B, in which the chair of the board, CEO and main owners among others subscribed for their entire holding, was finalised. The Company received a total of TSEK 6,065 after issue expenses.

April

- The Annual General Meeting was held on 28 April. Göran Janson, Karolina Bjurehed, Anders Blom, Magnus Edman, Tarek Shoeb and Nils Wollny were re-elected to the board.
- The AGM decided to introduce two incentive programmes: a warrant programme for management and other employees and a warrant programme for board members.

May

- The market was updated about the development of BlincVision, the coming stages in the process and the future milestones for commercialising the solution.

June

- Management and Board members acquired warrants. CTO Nihat Küçük and the board members Magnus Edman, Göran Janson and Karolina Bjurehed acquired warrants.

July

- Magnus Andersson, CEO, signed agreement to fully acquire his warrant rights.

September

- Magnus Andersson took up the position of CEO.
- Terranet advised the market that it had completed the comprehensive development and simulation needed to determine the technical specifications for the company's laser scanner for the automotive industry.

October

- The Company updated the market in a letter from the CEO where Magnus Anderson stated an accelerated product development and a red-hot ADAS-market.

November

- An agreement was signed between Terranet and Prevas Development on the manufacture of a laser scanner prototype.
- Holoride GmbH launched its first XR/VR-product for in-car-entertainment in vehicles. Terranet owns 10.4% of holoride, which is also an important partner for the Company in marketing to the automotive industry in Germany.

December

- In a letter to the market, CEO Magnus Andersson repeated the aim to test BlincVision in a vehicle during 2023.
- Feasibility studies of the sensor module were commenced together with two international partners in this field.

WORDS FROM THE CEO

Dear shareholders,

I am pleased to announce that this has been a successful year for Terranet, where we have accomplished several important milestones and enhancements. During the year, we have reorganised the management group, intensified our product development, entered into new partnerships and reinforced the team with experienced new employees. This has been decisive for ensuring that we continue to drive Terranet forward towards our ambitious goals.

A complete technological solution

2022 represented a great leap forward in our product development journey. Terranet is now characterised by a strong drive to improve performance, develop BlincVision's various subcomponents and bring together a unique sensor technology that will revolutionise road safety in cities all over the world.

The agreement with Prevas Development AB has been an important element in developing the first prototype of BlincVision's new laser scanner module. Having the laser scanner in place in Lund is a further confirmation that we are getting closer to a pre-production prototype of BlincVision. The plan is to be able to demonstrate it to the market on a vehicle in 2023.

Development of BlincVision's other subcomponents has been continuing in parallel with the laser scanner, and feasibility studies for the sensor module have been performed with two international partners. Some work remains, but the results are good, and we are looking forward to continuing the exciting partnerships and development of the sensor module.

Technological transformation that creates opportunities

Despite an unsettled business environment and shaky stock market climate, we see great opportunities in the market.

The automotive industry is experiencing a transition in which sophisticated information technology will constitute an increasingly larger portion of the vehicles that are being produced. Historically, the automotive industry has been conservative, with a slow process of product implementation, unlike the technical IT market, which is faster. With the increasing digitalisation of vehicles, the adoption of new technologies will also accelerate. This development benefits Terranet, as it increases the likelihood that a ground-breaking solution such as BlincVision can be implemented in vehicles more rapidly than in the past.

Strengthening the company's continued development

Since assuming the position of CEO in September, I have learnt a lot and I am very impressed by the progress we have made at Terranet. We have a well-functioning organisation with many skilled colleagues who are driving this development together. I would like to thank everyone who works hard every day to take Terranet and BlincVision to the next level. We look forward to working with many new talents, that we are planning to recruit during the year.

Together with the board, I will be working to the utmost to continue to develop Terranet and BlincVision's commercial potential and we look forward to being able to share a great deal of exciting news in 2023!

Magnus Andersson

Chief Executive Officer

Lund, April 2023

TERRANET IN BRIEF

Terranet is a Swedish technology company working with active safety for vehicles. The company was founded in 2004 and since 2018 it has been dedicated to developing products for advanced driver-assistance systems (ADAS) and for autonomous vehicles. The company is currently developing BlincVision, an anti-collision system that prevents road accidents involving vulnerable road users.

MISSION:

We provide the fastest and most accurate safety system for automotives in urban road traffic

Our mission is to design and develop innovative safety technologies that address the challenges of complex urban environments. We want to make traffic safer for everyone.

Our innovative technology will change urban road safety and save lives. Our commitment to intelligent solutions drives this change and ensures a safer future for all.

Terranet has its head office Lund and a development and marketing office in Stuttgart. Since May 2017, the company has been listed on Nasdaq First North Premier Growth Market.



BUSINESS MODEL AND STRATEGY

Terranet's business concept is to develop technical solutions for advanced driver-assistance systems (ADAS) and for autonomous vehicles. The technology is primarily intended for vehicle manufacturers and dealers but is also aimed at other parties in the transport and mobility sector.

Terranet's products are aimed at the fast-growing global market for driver-assistance systems and consist of in-house developed software and hardware. Terranet's business model is based on selling the product in the form of manufacturing licences to OEMs (Original Equipment Manufacturers) and/or Tier 1 suppliers (companies that supply components directly to OEMs). These manufacture and integrate the product into vehicles, based on Terranet's specifications. In addition to licence income, Terranet also plans to generate income through customisations of the product, as well as through service and upgrades.

Terranet's aim is to develop and launch the BlincVision product to address some of the industry's needs. This is to be done by helping to make traffic environments safer and accelerating the development of autonomous vehicles. As urban environments grow and traffic becomes denser and more complicated, Terranet has the power to make a difference. We use cutting edge technology to protect the most vulnerable road users. We are convinced that the combination of more integrated, intelligent solutions in vehicles will change urban road safety.

The technology underlying BlincVision can be applied to various types of vehicles besides passenger cars, such as trucks and buses. BlincVision also has great potential for use in other types of intelligent transport systems, such as in mines, warehouses and amusement parks. Right now, however, Terranet is fully focused on developing and marketing BlincVision to the global automotive industry.



THE GLOBAL OUTLOOK AND MARKET DEVELOPMENT

A changing and more fast-moving urban environment demands more effective and smarter road safety solutions. The wave of urbanisation, the emergence of new micro-mobility solutions and the widespread cycling culture have increased the demands on vehicles' road safety. The challenge with the current ADAS systems on the market, which are based on radar, lidar, ultrasound and cameras, is that they do not have sufficiently fast reaction and detection abilities to be able to guarantee the safety of pedestrians and cyclists when the traffic is dense and varied. In an urban environment, a few milliseconds can determine whether an accident occurs or is avoided. Existing ADAS technologies have primarily been developed to prevent vehicles from colliding with each other, while Terranet's product BlincVision also assures the safety of all vulnerable road users in the urban traffic.

Solutions like BlincVision will play a key role in future urban development, in which there will be a constant need to implement and improve new mobility solutions. With the development of road safety solutions such as BlincVision, the implementation of new technology will be both faster and safer.

The market

Terranet operates within the fast-growing ADAS market. In 2021, this was valued at approximately 37.3 billion dollars, with an expected increase to 124.3 billion dollars by 2029, which corresponds to an annual

growth of 16.1 per cent.¹ The global ADAS market has the third-highest estimated growth in sales of all segments of the automotive industry, which can be explained by the increased electrification and digitalisation of vehicles, as well as the stricter safety requirements of government regulations^{2,3,4}.

The purpose of ADAS solutions is either to draw the driver's attention to traffic obstacles or alternatively for the automated systems of the vehicle to avoid an accident without involving the driver. ADAS uses sensors, cameras and radar to collect data from the surroundings. The data is then quickly analysed by an automated system which in turn controls the vehicle.

A common ADAS feature of today's vehicles is AEB (Autonomous Emergency Braking). AEB reacts with a warning and activates the automatic brakes if the driver fails to react when the vehicle is too close to an obstacle or another vehicle. Autonomous emergency braking systems reduce the number of collisions with pedestrians by as much as 27 per cent, according to a study by IIHS (Insurance Institute for Highway Safety).⁵ However, the same study shows that a number of challenges remain. The systems must be improved to be able to handle darkness and speeds over 80 km/h. Unlike traditional camera systems, which do not handle driving in the dark particularly well, BlincVision's performance in darkness is improved as the laser reflection is enhanced in darkness.

1 <https://www.fortunebusinessinsights.com/industry-reports/adas-market-101897>

2 <https://www2.deloitte.com/us/en/pages/manufacturing/articles/global-automotive-supplier-study.html>

3 [https://straitresearch.com/report/adas-and-autonomous-driving-component-market#:~:text=The%20global%20ADAS%20and%20autonomous,period%20\(2022%E2%80%932030](https://straitresearch.com/report/adas-and-autonomous-driving-component-market#:~:text=The%20global%20ADAS%20and%20autonomous,period%20(2022%E2%80%932030)

4 <https://conti-engineering.com/highlights/legal-regulations-and-ncap/>

5 <https://www.iihs.org/news/detail/pedestrian-crash-avoidance-systems-cut-crashes--but-not-in-the-dark>

Autonomous vehicles

ADAS solutions are part of the development towards future autonomous vehicles. Current safety requirements demand that vehicle manufacturers use multiple so-called reference systems in situations where the vehicle needs to intervene. Using several data sources from different sensors is called data fusion or sensor fusion. From level 3 upwards on SAE International's taxonomy of levels of automated driving, a fusion of lidar, radar and camera sensors will be required. A challenge for the market is that systems are affected by factors such as traffic, which can be dense in cities, and different types of weather such as snow, fog and rain. It is predicted that the integration of different types of systems, such as radar, lidar and cameras, will be significantly safer than the individual systems found on the market today. Terranet sees BlincVision as an essential complement to the systems developed to solve the industry's challenges in terms of speed and precision.

Regulations accelerate the development

Road safety is a priority issue for decision-makers and authorities worldwide, and regulations aimed at improving safety in traffic are one of the driving forces behind the rapidly growing ADAS market. Agencies such as NHTSA (National Highway Traffic Safety Administration) in the USA and organisations such as Euro NCAP both introduce recommendations to enhance safety in vehicles.⁶

The EU has produced a long-term plan for reducing accidents in traffic. The goal is for the number of serious injuries and fatalities to reach zero by 2050, with a subsidiary target of a 50 per cent reduction by 2030. The UN has a vision of reducing the number of car accidents by 50 per cent by 2030, where safer vehicles are one of the components in their strategy for increasing road safety in traffic. In July 2022, the European Commission introduced the Vehicle General Safety Regulation, which includes requirements for improvements, among them automatic braking and warning, to prevent collisions with pedestrians and cyclists. The new regulations must be implemented in new cars with effect from 7 July 2024.⁷

Terranet believes that similar regulations, in combination with the development of ADAS systems, are key elements in achieving these goals.

The automotive industry is transforming

The market for ADAS is affected by developments in the automotive market. The Covid-19 pandemic resulted in disturbances to the production and delivery chains, which had a negative effect on the automotive industry, but growth has picked up again. In 2021, global production of passenger cars increased to 63 million – an increase over the previous year of 2.7 per cent, and in 2022 production increased by a further 7.9 per cent to 68 million passenger cars globally.^{8,9} The automotive industry has historically been conservative with a slow product implementation process. As vehicles become more and more dependent on advanced technology, the pace of implementation of new technologies in the vehicles also increases. This development is positive for Terranet, as the likelihood increases that BlincVision may be implemented in vehicles faster than has historically been possible.

6 <https://conti-engineering.com/highlights/legal-regulations-and-ncap/>

7 https://ec.europa.eu/commission/presscorner/detail/en/IP_22_4312

8 <https://www.acea.auto/publication/economic-and-market-report-state-of-the-eu-auto-industry-full-year-2021/>

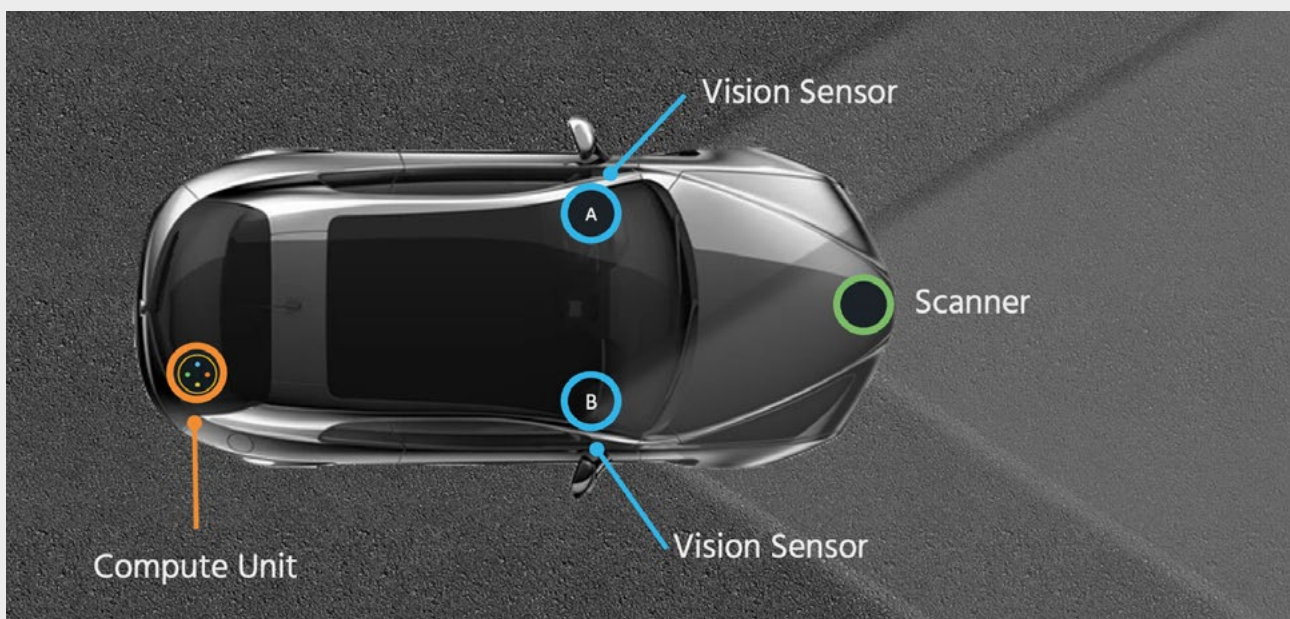
9 <https://www.acea.auto/publication/economic-and-market-report-state-of-the-eu-auto-industry-full-year-2022/>

BLINCVISION SAVES LIVES IN URBAN TRAFFIC

As urbanisation increases along with, cycling and the emergence of micro-mobility solutions, the need for a safe environment for vulnerable road users in urban areas becomes even greater.

The challenge with the radar, lidar, ultrasound and camera solutions that are used in advanced driver-assistance systems today is that they do not have the quick reaction abilities or image resolution capacity that are needed to save lives in complex traffic

environments. Above all, today's ADAS technologies are not optimised for the urban traffic environments in which up to 40 per cent of fatalities within the EU occur¹⁰. Radar systems have a long range but have difficulty in interpreting visual details, such as the difference between a child and a ball. And systems like lidar do not reach the same low latency as BlincVision which is needed to make a difference in urban traffic.



How BlincVision works

BlincVision is an anti-collision system with a mission to save lives of vulnerable road users in urban traffic. The technology is based on a unique and patented innovation that combines an active laser scanner with event sensors. The area in front of the vehicle is scanned in a wide angle with laser beams at very high speed. The event sensors capture reflections from the laser beams within a radius of 30 metres and analyse the shape and movement of objects with minimal delay. When an object is detected on the road, the system reacts within a few milliseconds and allows the vehicle to react to avert the situation, for example by slowing or braking.

In a critical traffic situation, this means that the vehicle equipped with BlincVision reacts within approximately 10 centimetres at a speed of 70 km/h. With traditional ADAS technology, the vehicle travels almost 6 metres further before the vehicle's autonomous emergency braking (AEB) is activated. In many cases, this could be crucial for whether an accident occurs or not – especially in urban environment with dense traffic, cyclists and a lot of pedestrians.

¹⁰ WHO, 2022: <https://www.who.int/news-room/fact-sheets/detail/road-traffic-injuries>, https://ec.europa.eu/commission/presscorner/detail/en/IP_22_2012

THE WAY FORWARD

Terranet's primary focus is to develop and commercialise BlincVision for the automotive industry.

During 2022 and 2023, Terranet has continued product development towards completing a pre-production prototype with the goal of testing it in vehicles in 2023. Initially, the priority was mainly to develop software for ADAS. This development continues, but at the same time, the development of hardware, in the form of scanners and sensors, has taken more space in the project plans. Terranet is now a developer of a complete product and not just a software developer. This choice is strategic and provides the company with several advantages, such as wider protection of BlincVision through future patents for the hardware and a fully customised and integrated technology solution for future customers. The broader grasp on hardware is expected to provide increased revenue potential and simplified sales in the market vertical that Terranet already targets – the automotive industry. It also creates a logical and attractive connection between BlincVision and the automotive industry's development of autonomous vehicles when the company is not solely focused on software for ADAS. Additionally, the hardware opens up for a horizontal expansion into other market areas.

The specifications for the laser scanner module were established by Terranet in the fall 2022. As part of this, the company entered into a partnership agreement with Prevas Development AB ("Prevas") for the production of a scanner prototype. Prevas specialises in developing technical solutions and has extensive expertise in laser technology for several world-leading companies in the automotive and defence industries, among others. A first version of the scanner was delivered to Terranet in the end March, and testing is now ongoing. Development of the specific sensor that is needed to meet the requirements of the automotive industry continues. In December 2022, Terranet initiated feasibility studies together with two international specialist companies in this field. Development of the product's compute unit is taking place in parallel through software development internally within the company.

The goal is to test a pre-production prototype of BlincVision in vehicles during 2023. Refining and adapting BlincVision's functionality and performance to meet the needs of the automotive industry is essential to achieve commercialisation of the product over the next years. Product development continues to be a high-priority area for Terranet in the coming year, with the ambition of developing a so-called A-Sample in collaboration with a Tier 1 supplier or OEM as the next step.

BOARD OF DIRECTORS



GÖRAN JANSON, BORN 1956
CHAIRMAN OF THE BOARD
ELECTED TO THE BOARD IN 2020

Education and experience:

Göran Janson is a serial entrepreneur, coach/mentor and advisor to management teams, boards and individual managers, as well as the founder and co-founder of several companies and foundations. Göran has an M.Sc. in Engineering from the Royal Institute of Technology (KTH).

Göran has more than 40 years' experience in areas such as research and development, product management, marketing and sales and executive management. Göran has a total of 30 years' experience in roles such as CEO and CTO, board member and chairman, and in these contexts has also worked on company acquisitions and mergers.

Göran Janson is considered to be independent in relation to the company, company management and the major shareholders.

Holdings in the company:

427,500 class B shares and 1,000,000 warrants from incentive programme 2022/2025:2.



ANDERS BLOM, BORN 1969
BOARD MEMBER
ELECTED TO THE BOARD IN 2022

Education and experience:

Anders has an M.Sc. in Business and Economics from Uppsala University. Anders Blom has more than 25 years' experience in international finance and business development in the pharmaceutical industry, including roles such as Business Controller at Pharmacia & Upjohn, Corporate Controller and head of business and corporate development at Q-Med AB, Partner and CEO of the venture capital company Nexttobe AB and Executive Vice President and CFO of Oasmia Pharmaceutical AB. Anders also has extensive boardroom experience in many companies in the pharmaceutical and technology sectors including, but not limited to, Hansa Biopharma AB, Biolamina AB, Delta Projects AB, Selego AB, Alzinova AB and Challengehop Inc.

Ongoing assignments:

Chairman of Maida Vale Capital AB and board member of Hunterhex AB, Wonderboo Holding AB, Alzinova AB, Peptonic Medical AB and Petzbe AB.

Anders Blom is considered to be independent in relation to the company and company management but not to major shareholders.

Holdings in the company:

2,245,405 class B shares.



MAGNUS EDMAN, BORN 1967
ELECTED TO THE BOARD
IN 2022

Education and experience:

Magnus has a diploma in electrical engineering from Bergslagen upper secondary school. Magnus has more than 30 years' experience of electronics, mechanics and software technology, as well as company management, product management and sales. Magnus is the founder and CEO of Prevas Development AB, which provides innovative solutions, including prototype development for complex systems, including development of all their electronic, mechanical and software components, usually based on various types of sensor technology. Magnus is also one of the founders of Aims AB, which develops advanced inertial measurement systems that is now part of KEBNI AB (publ), where Magnus has been a board member since 2019. Before Magnus founded Prevas Development AB in 2001, he worked at Daimler Chrysler GmbH and Bofors/SAAB Dynamics during the period 1990-2001.

Magnus Edman is considered to be independent in relation to the company, company management and the major shareholders.

Ongoing assignments:

CEO of Prevas Development AB, member of the boards of KEBNI AB (publ) and ASTGW AB.

Holdings in the company:

0 shares. 1,000,000 warrants from incentive programme 2022/2025:2.

BOARD OF DIRECTORS



KAROLINA BJUREHED, BORN 1978
ELECTED TO THE BOARD
IN 2020

Education and experience:

Karolina Bjurehed is qualified as a Systems Analyst at the University of Borås and the University of Gothenburg. Karolina Bjurehed has a background of more than 15 years' experience of IT and business and innovation in the automotive and telecom industries. She has a well-developed global automotive network and has worked globally for many years. Karolina Bjurehed is an active startup-mentor and is involved in several startup accelerators worldwide. Karolina Bjurehed runs her own company which focuses on horse breeding and stabling activities. Previous positions include multiple roles in business development, IT and innovation at Volvo Cars, as well as roles in IT at Ericsson. Karolina was previously active as a global investor (responsible for Europe) for the Volvo Cars Tech Fund.

Karolina Bjurehed is considered to be independent in relation to the company and its management, as well as to major shareholders.

Ongoing assignments:

Karolina Bjurehed is VC investor with the role of Investment Director at the venture capital fund Industrifonden.

Holdings in the company: :

0 shares. 875,000 warrants from incentive programme 2022/2025:2.



NILS WOLLNY, BORN 1981
ELECTED TO THE BOARD
IN 2022

Education and experience:

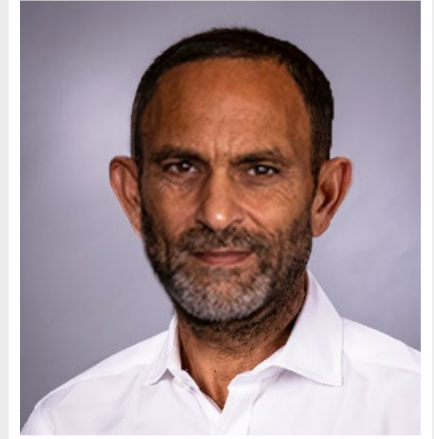
Nils has a diploma in foreign trading and international administration from the University of Applied Sciences Hamburg. Nils brings extensive experience of strategy, digital business and innovation from his present role as CEO of holoride, a spin-off from Audi which focuses on the next generation of in-car entertainment systems. Nils' passion for mobility and media led him to co-found holoride in 2018, since then holoride has been named as "Best of CES 2019", "CES Innovation Awards Honoree 2023" and recognised by TIME Magazine as one of "The 100 Best Inventions of 2019". In 2020, Nils was named as a "Rising Star" by Automotive News Europe. In 2018, Automobilwoche of Germany named Nils as a "40 under 40" manager with high potential. Previously, Nils was CEO for one of Europe's leading digital agencies before joining Audi as Head of digital business.

Nils Wollny is considered to be independent in relation to the company, company management and the major shareholders.

Ongoing assignments:

CEO of holoride GmbH

Holdings in the company: 0



TAREK SHOEB, BORN 1969
ELECTED TO THE BOARD
IN 2022

Education and experience:

Tarek took his B.A. at the American University in Cairo, Egypt and his MBA at Harvard Business School. Tarek Shoeb has a professional background as a private equity/venture capital investor in several industries, stages and places. He has performed transactions in Europe, America, India and the Middle East. Tarek has worked for Goldman Sachs (London), One Equity Partners (New York), Cerberus (London) and Vitol (London). Tarek has invested in a number of industries, such as healthcare, services, industry, technology and distribution. During his time at Vitol, he exclusively focused on investments in the energy and O&G sectors.

Ongoing assignments:

Tarek is currently working with a private investment platform and has exclusively focused on investing in growth capital and upscaling companies. Among other things, he has performed investments in fintech, renewable packaging, medtech, service tech, shellfish, cell-based leather, logistics and sports. He has an active board role in three of the companies. In parallel with this, since 2020 he has been working closely with a global infrastructure fund to initiate, investigate and perform transactions in renewable energy and energy transition markets. He has also been working on potential investments in pyrolysis, SAF, carbon capture, green/blue methanol, green hydrogen, waste management and plastic recycling.

Tarek Shoeb is considered to be independent in relation to the company, company management and the major shareholders.

Holdings in the company: 0

MANAGEMENT TEAM



MAGNUS ANDERSSON, BORN 1971
CEO SINCE SEPTEMBER 2022

Education and experience:

Magnus has more than 20 years' international experience in successfully building and leading tech companies in rapid growth, including the automotive industry and energy sector. He most recently held the role of interim CEO at the transport tech company Pilotfish, which offers a cloud platform for vehicle communication to the public transport sector. Magnus has a degree in computer science from the University of Skövde and PhD from Curtin University Business School in Australia.

Holdings in the company:

0 shares. 2,500,000 warrants from incentive programme 2022/2025:1.



NIHAT KÜÇÜK, BORN 1968
CTO SINCE 2021

Education and experience:

Nihat Küçük has more than 32 years' experience in the mobility and automotive industry, of which ten years as head of research and development in navigation and ADAS at Daimler. He has started and run two startup companies that develop software and applications for the mobility sector. Nihat has also been responsible for Daimler's innovation laboratory and has a great passion for innovative business development and product management. Nihat has an M.Sc. in Engineering from Baden-Wuerttemberg Cooperative State University in Stuttgart.

Holdings in the company:

0 shares. 1,250,000 warrants from incentive programme 2022/2025:1.



THOMAS FALKENBERG, BORN 1975
CFO SINCE 2021

Education and experience:

Thomas has an M.Sc. in Business and Economics from Stockholm University and has extensive experience from international industrial and media companies, where he has held the role of CFO among other positions. Thomas has also started up and run companies as CEO, with high growth and profitability.

Holdings in the company: 0



THE SHARE

General information

Terranet's class B share was listed on 30 May 2017 on Nasdaq First North Premier and is traded on Nasdaq First North Premier Growth Market. The share's short name is TERRNT B and the ISIN code for the class B share is SE0009806045.

On 30 December 2022, Terranet's total market value was TSEK 164,450. The share capital amounted to SEK 3,262,894, made up of 1,084,463 class A shares and 325,204,940 class B shares. Each share has a nominal value of SEK 0.01. No shares are owned by the company itself or its subsidiaries.

The share price at the end of the year was SEK 0.50 per share, compared with a share price of SEK1.21 per share at the start of the year. The number of shareholders at year end was 12,180.

Conversion of class A shares to class B shares can be done on three occasions per year. To perform such a conversion, a request from the shareholder must be received by the company's board during the three conversion periods of January, April and October. No dividend was paid for the year as the group is using its capital for development work and market establishment. Any future dividend payments will be based on the company's profitability, future development, acquisition possibilities and financial position.

Share capital development

See Note 25 for more information about share capital and events during 2022.

Ownership structure

The 10 largest shareholders as of 30 December 2022

Shareholders	Number of shares	A-shares	B-shares	Shares of capital %	Shares of votes %
Maida Vale Capital AB	57,834,896	0	57,834,896	17.73%	17.67%
Avanza Pension	19,573,355	0	19,573,355	6.00%	5.98%
Knutsson Holdings AB	10,131,074	0	10,131,074	3.10%	3.09%
Fredrik Olsson	9,750,000	0	9,750,000	2.99%	2.98%
Oliver Aleksov	7,665,817	0	7,665,817	2.35%	3.34%
IBKR Financial Services AG, W8IMY	7,178,073	0	7,178,073	2.20%	2.19%
Nordnet Pensionsförsäkring AB	6,583,868	2,084	6,583,868	2.02%	2.01%
Clearstream Banking S.A., W8IMY	5,029,166	0	5,027,082	1.54%	1.54%
Per Hultbom	4,110,000	0	4,110,000	1.26%	1.26%
Skandinaviska Isoleringsprojekt - SKISPAB AB	2,864,189	7,961	2,864,189	0.88%	0.87%
Other shareholders	195,568,965	1,082,379	194,486,586	59.93%	59.07%
Total	326,289,403	1,084,463	325,204,940	100.00%	100.00%

WARRANTS

Warrant programme TO4 B

The subscription of B shares through warrants of series TO4 B occurred from 28 February 2022 to 11 March 2022. Each warrant of series TO4 B entitled the holder to the subscription of one (1) new B share in the company against 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 11 February 2022 to 24 February 2022, which amounted to a subscription price of SEK 0.56 per B share. The outcome was 79.9%, and the company raised TSEK 6,065 in equity after issue costs.

The proceeds from the issue were used in their entirety to pay off loan debt.

The total number of shares increased by 11,436,473 shares in March 2022 with the warrant programme TO4 B. At the beginning of the 2022 financial year, the number of shares amounted to 314,852,930, and at the close of the year, 326,289,403.

Warrant programme TO5 B

The subscription of B shares through warrants of series TO5 B will occur from 13 March 2023 to 24 March 2023. Each warrant of series TO5 B entitles the holder to the subscription of one (1) new B share in the company against 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 24 February 2023 to 9 March 2023, however, no less than the value corresponding to the quotient value for Terranet's share during the subscription period and a maximum of SEK 4.20 per B share. In the event of full exercise of all warrants of series TO5 B and at the maximum share price, the company would raise a maximum of TSEK 51,750 before issue costs.

Warrant programme 2022/2025:1

The Annual General Meeting 2022 resolved to introduce incentive programme 2022/2025:1 through the issue of warrants to the Company, which would then be transferred to employees within the Company and the Group. A total of 9,850,000 warrants of series 2022/2025:1 were issued to the Company for transfer to employees, with each warrant entitling the holder to the subscription of one new B share during the period 1 October 2025 through 31 October 2025, or an earlier date stipulated in the terms of the warrants, at a subscription price of SEK 2.50.

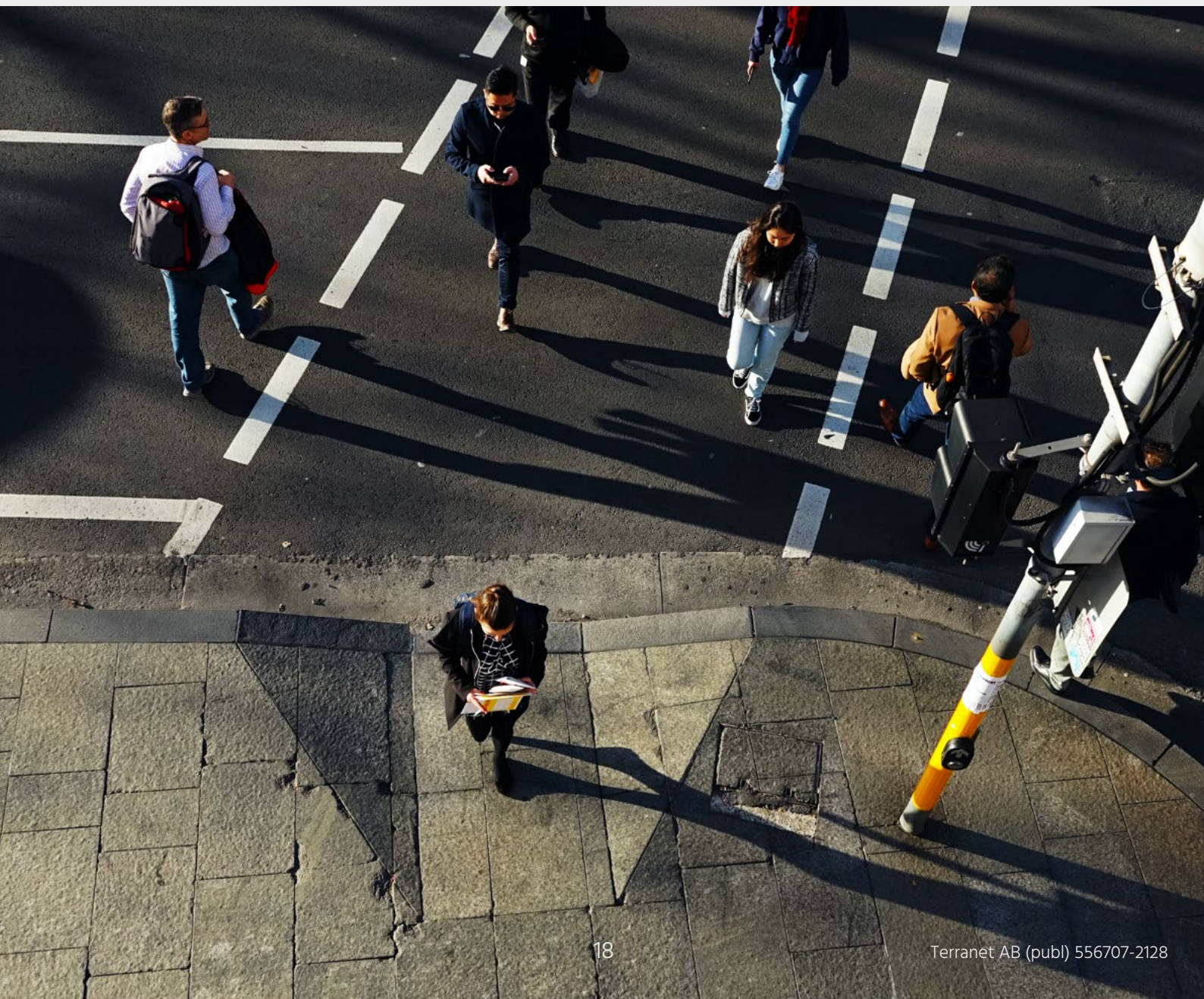
CEO had the option to acquire a maximum of 2,500,000 warrants, other members of the management (max 3 people) up to 1,250,000 warrants, and other employees (max 12 people) a maximum of 300,000 warrants each.

The warrants were acquired at market value, which was calculated by an independent valuation institute at SEK 0.12 per warrant. In the management group, Nihat Küçük, CTO, fully acquired his warrant rights totalling 1,250,000 warrants. CEO Magnus Andersson fully acquired his warrant rights totalling 2,500,000 warrants at SEK 0.17. The difference between the prices within the programme was due to the fact that the external valuations was performed at the time of the respective acquisition. Thomas Falkenberg, CFO, is a consultant and thus not covered by the programme. In addition, 315,000 warrants of series 2022/2025:1 was acquired by individuals in non-executive positions. The Company raised a total of TSEK 613 through the programme.

Warrant programme 2022/2025:2

In accordance with the proposal by shareholder Maida Vale Capital AB, the Annual General Meeting 2022 resolved to adopt incentive programme 2022/2025:2 through the issue of warrants to the Company, which would then be transferred to the Company's board members. A total of 5,000,000 warrants were issued to the Company for transfer to board members. Each warrant entitled board members to the subscription of one new B share between 1 May 2025 through 31 May 2025, or an earlier date as stipulated in the terms of the warrants, at a subscription price of SEK 1.75.

Excluding Anders Blom, the Company's board consists of five members, each of whom was entitled to acquire a maximum of 1,000,000 warrants. The warrants were acquired at market value, which was calculated by an independent valuation institute at SEK 0.16 per warrant. Magnus Edman and Göran Janson acquired 100% of their warrant rights and Karolina Bjurehed acquired 87.5%. Anders Blom was not eligible for the programme as he is a representative for the shareholder Maida Vale Capital AB, which submitted the proposal to the meeting. The Company raised a total of TSEK 460 through the programme.



CORPORATE GOVERNANCE REPORT

Introduction

Terranet AB is a Swedish public limited company with its head office in Lund. The company has been listed on Nasdaq First North Premier Growth Market since 2017. Terranet AB is the parent company of the Terranet group. Operating activities occur in its subsidiaries, which are described in the directors' report. The company develops technologies for advanced driver assistance systems and for autonomous vehicles. Terranet follows the Swedish Corporate Governance Code (the "Code") or reports any deviation from the Code in its corporate governance report.

Governance structure

The basis for corporate governance at Terranet is regulated by the company's own guidelines and policy documents, as well as by applicable laws and regulations.

The internal governing documents consist, among others, of:

- Instructions for the CEO
- Rules of procedure for the board of directors
- Nomination committee instructions
- Articles of association
- Internal company policies and guidelines

The external regulation consist, among others, of:

- The Swedish Companies Act
- The Annual Reports Act
- The EU Market Abuse Regulation
- Nasdaq's rules
- The Swedish Corporate Governance Code

To ensure the owners' influence on the company, its governance, control and management are distributed between the General Meeting, the Nomination

committee, the Board and CEO and company management, as well as auditors in accordance with the rules above. The nomination committee instructions and the articles of association may be found on the company's website www.terranet.se.

Shares and shareholders

The company's share capital shall be a minimum of SEK 3,000,000 and a maximum of SEK 12,000,000 in a minimum of 300,000,000 shares and a maximum of 1,200,000,000 shares. The shares have been issued in two series, series A and series B. A class A share carries two votes and a class B share one vote at the General Meeting.

The 10 largest shareholders together accounted for 40.9% of the votes on 30 December 2022. Maida Vale Capital AB was the largest shareholder with 17.7% of the votes; it was also the only shareholder with more than a tenth of the total votes. More details about the ownership structure may be found on the company's website www.terranet.se and under the heading The Share in the annual report.

Articles of association

The articles of association place no limit on the number of votes each shareholder may give at a General Meeting.

According to the articles of association, the board shall consist of a minimum of three and a maximum of eight members with a maximum of two deputies and these shall be elected annually by the Annual General Meeting for the period until the next Annual General Meeting is held. Otherwise, there are no special provisions that regulate the appointment and removal of board members.

The articles of association contain no special provisions on amendments to the articles of association.

General meeting

The shareholders exercise their influence on the company through the General Meeting, which is the highest decision-making body for the company's governance.

The Annual General Meeting shall be held within six months after the end of the financial year. The General Meeting shall be held in the city where the board is based or in the City of Stockholm. Extraordinary General Meetings may be convened in addition to the Annual General Meeting.

At the Annual General Meeting, the shareholders decide on adoption of the income statement and balance sheet, allocation of the company's profit and loss and the board and CEO's discharge from liability towards the company. The Annual General Meeting also decides on the election and remuneration of the company's board and auditor.

Convening the Annual General Meeting and any Extraordinary General Meeting where the question of amendments to the articles of association will be discussed must be done no earlier than six and no later than four weeks before the meeting. Convening any other Extraordinary General Meeting must be done no earlier than six and no later than two weeks before the meeting. Convening a General Meeting must be done through announcement in Post- och Inrikes Tidningar and by being made available on the company's website. At the time of convening, the Company must also advise by an announcement in the national daily newspaper SvD that convening has occurred.

To be able to participate in a General Meeting, a shareholder must be included in a printout or other presentation of the shareholders register on the date stated in the Swedish Companies Act and register themselves and the number of assistants (maximum two) with the company on the date stated when the meeting was convened. Further material regarding the meeting may be found on the company's website www.terranel.se. Shareholders wishing to have an item discussed at the General Meeting must submit a written request to the board. Such a request must normally be received by the board no later than seven weeks before the General Meeting.

Annual General Meeting 2022

The Annual General Meeting of Terranel AB was held on 28 April 2022. In addition to ordinary decision points as set out in the articles of association, the following was decided:

- The board and CEO were granted freedom from liability towards the company.
- It was decided to adopt the income statement, the balance sheet, the consolidated income statement and the consolidated balance sheet.
- Remuneration to the members and chair of the board was determined.
- Deloitte AB was re-elected as auditors, with Richard Peters as the chief auditor.
- It was decided to amend the limits for share capital and the number of shares in the articles of association.
- The board was authorised to decide on new issues of class B shares, warrants and/or convertibles within the limits of the articles of association.
- Göran Janson, Karolina Bjurehed, Anders Blom, Magnus Edman, Tarek Shoeb and Nils Wollny were re-elected to the board. It was decided to elect Anders Blom as chair of the board.
- It was decided to approve incentive programme 2022/2025:1 for employees and management of the company and incentive programme 2022/2025:2 for those board members who are independent of major shareholders.

For more details regarding the decisions of the Annual General Meeting 2022, see the company's website www.terranel.se.

The Annual General Meeting 2023 will be held on 10 May 2023. Right to participation in the meeting is advised when it is convened.

Nomination committee

The task of the nomination committee is to prepare proposals for the general meeting regarding the members and chair of the board and the auditor, as well as their remuneration. The nomination committee also proposes the chair of the general meeting and assesses the independence of members of the board in relation to the company.

Instructions for the work of the nomination committee were adopted at the Annual General Meeting 2021. The nomination committee, which is appointed until a new nomination committee is appointed, shall consist of four members who are appointed as follows: Before the end of the third quarter of the financial year, the chair of the board contacts the three largest shareholders in the company, each of which then appoints one member of the nomination committee. If any of the largest shareholders declines to appoint a member, the chair of the board will then invite the next largest shareholder to appoint a member. According to its instructions, the work of the nomination committee must follow the Swedish Corporate Governance Code.

The company is not affected by the diversity policy requirement, but the work of the nomination committee strives to achieve an even gender balance, breadth and diversity in the composition of the board as specifically laid down in point 4.1 of the Swedish Corporate Governance Code. The nomination committee's statement includes the grounds for its proposals and a report on how the work of the nomination committee is performed. More information about the instructions to the nomination committee may be found on the company's website www.terranet.se

Before the 2023 AGM, the nomination committee consists of

- Julian Aleksov, chair of the nomination committee, appointed by Maida Vale Capital AB,
- Michael Knutsson, appointed by Knutsson Holdings AB,
- Fredrik Olsson
- Göran Janson, chair of the board of Terranet AB.

The Board

The board of directors is responsible for the company's organisation and the management of its affairs. The board is responsible for ensuring that the company's organisation is appropriate for its purpose and that activities are performed in accordance with the articles of association, the Swedish Companies Act and other applicable laws and regulations. The tasks of the board include determining the company's overall objectives and strategy, as well as ensuring follow up and control of the company's activities, financial reporting and management, as well as the risks to the company that are associated with its activities.

The chair of the board is elected by the General Meeting. The chair of the board is responsible, among other things, for leading the work of the board and ensuring that its members receive in-depth knowledge and information about the company so as to be able to perform their work.

The board has defined work instructions that are reviewed and adjusted if needed at the first board meeting after the Annual General Meeting. The board shall hold at least six ordinary board meetings per year excluding statutory board meetings.

Evaluation of the work of the board is done on an ongoing basis through the year by the chair of the board through individual discussions with each member. The work of the board is also evaluated by the nomination committee through individual discussions with the chair and each member.

In 2022, the work of the board has focused on the company's strategy and finance matters, product development and the recruitment of an ordinary CEO. The board has met on a total of ten occasions, seven of which have been ordinary board meetings. Göran Janson, Anders Blom, Magnus Edman and Tarek Shoeb have been present at all meetings. Nils Wollny was present at eight meetings and Karolina Bjurehed at nine.

Detailed information about the members of the board may be found in the Annual Report under the heading The Board.

CEO and company management

The CEO is responsible for ongoing operation of the company's affairs and the day-to-day activities. The distribution of the work between the board and CEO, as well as responsibility for financial reporting, are determined in written instructions to the CEO. The CEO informs the board about the company's activities and financial position during ordinary and extraordinary board meetings. Between meetings, board members are kept continually updated by the CEO. The board evaluates the CEO's work on an ongoing basis. Company management is presented in detail in the annual report under the heading Management.

Remuneration to the board and management

The board has not established a remuneration committee. Questions and decisions that affect remuneration to the CEO and company management are discussed and decided by the entire board.

The nomination committee prepares proposals to the General Meeting regarding remuneration to the members of the board. The General Meeting decides on remuneration to the members of the board.

At the 2022 AGM, it was decided to introduce share-related remuneration programmes in the form of warrant programmes 2022/2025:1 and 2022/2025:2. Details of these programmes may be found under the heading Warrants in the Annual Report and on the company's website www.terranel.se. Information about remuneration to the board and company management may be found under Note 10 to the Annual Report.

Audit

The nomination committee proposes the auditor and auditor's fee to the General Meeting. The General Meeting decides on the election of and remuneration to the auditor. According to the articles of association, the AGM shall elect at least one and no more than two auditors, with or without deputies.

The auditor scrutinises the administration by the board and CEO, as well as the company's annual report and a general review of the company's nine-month report.

The board and auditor meet when there is reason for doing so. The auditor reports their work to the General Meeting in the auditor's report. Remuneration to the auditor is shown in Note 8 to the Annual Report.

Internal control

The board is responsible for ensuring that the company's activities are performed consistent with good internal control. The board keeps itself informed on an ongoing basis that the company's systems and rules that form the basis of good internal control are complied with. The purpose of internal control is partly to ensure that financial reporting is correct and complies with applicable laws, standards and other requirements for listed companies.

The board's distribution of work together with the instructions to the CEO form the basis for governance and control of the company's risks. The company's governing documents, including information policy, IT policy and insider policy among others, further ensure good internal control in the company. The distribution of roles in the company is clear and defines areas of responsibility and authorisations.

Company management reports to the board on an ongoing basis with its views on risks, which provides the opportunity to request supplementary information. Ongoing assessment of the company's risks is made between the company's management and board and also includes the financial reporting, with valuation of assets and liabilities. The board scrutinises all interim reports and the annual report in good time before publication and provides feedback to the company. A review of the company's risks is made in the directors' report in the Annual Report.

It is the board's combined assessment that the company's internal control is good, that information between management and the board works well and that the risks of incorrect reporting are small, since the company's extent and complexity are limited. The board therefore considers that there is no need for a special investigative function (internal audit) in the company.





Annual report and consolidated financial statement for Terranet AB (publ)

The Board of Directors and the CEO of Terranet AB (publ), having corporate identification number 556707-2128, with its registered office in Lund, hereby submit the annual report and consolidated financial statement for the financial year 01/01/2022–31/12/2022.

Statutory administration report

Group structure

Terranet AB is the parent company in the Terranet Group and owns 100% of the subsidiaries Terranet Tech AB, Terranet International AB and Terranet Tech GmbH. Terranet also has a company registered in the USA. The company in the USA has not yet conducted operations and as of 31 December 2022 had no balance sheet total to report.

Operating activities within the group are conducted in Terranet Tech AB, which has its headquarters at Ideon Science Park in Lund, and in Terranet Tech GmbH, which has an office in Stuttgart, Germany.

TerraNet International AB did not conduct operations during the financial year.

Terranet AB has been listed on Nasdaq First North Premier Growth Market since May 2017.

Operations

Terranet is a Swedish company that develops technical solutions for active safety systems in vehicles. The company, which was founded in 2004, has focused on the development of products for advanced driver assistance systems (ADAS) and self-driving vehicles since 2018. The company is currently engaged in the development of BlincVision, an anti-collision system that prevents road accidents with unprotected road users.

BlincVision is based on the company's VoxelFlow™ technology, a patented technology for four-dimensional image analysis for the identification of moving objects. Terranet has an exclusive global license to develop and market VoxelFlow within the automotive industry. The company's unique VoxelFlow technology allows BlincVision to quickly scan the vehicle's surroundings using advanced lasers to detect objects up to ten times faster and with higher precision than any other ADAS systems used in vehicles today. BlincVision uses advanced 4D sensor technology that combines intelligent sensors, computer vision and AI into a unique traffic safety system. BlincVision has the ability to detect, analyze and react up to ten times faster than any other ADAS technology available on the market. BlincVision has been specially designed to save lives in complex urban traffic environments.

Terranet's business concept centres around the development of solutions for advanced driver assistance (ADAS) and self-driving vehicles, primarily for vehicle manufacturers and subcontractors, but also for other actors in transport and mobility as a service.

Terranet's products are designed in response to the rapidly expanding global market for driver assistance systems and are based on the company's proprietary software and hardware. The company aims to sell its products as manufacturing licenses to OEMs (Original Equipment Manufacturers, i.e. the vehicle manufacturers) and/or Tier 1 suppliers (i.e. companies that supply components directly to OEMs). These manufacturers and suppliers will then manufacture and integrate the final product into vehicles based on Terranet's specifications. In addition to licensing revenue, Terranet can also generate revenue through customer-specific adaptations, as well as through service and upgrades.

The company also develops collision-warning software and algorithms for positioning using 5G technology, as well as for communication between vehicles and between vehicles and other objects (V2X).

Significant events during the year

On 20 December 2022, Terranet updated the market through a Letter from the CEO. In the Letter, the Company announced that its product development phase is progressing according to plan for BlincVision's three main components: the scanner module, sensor module and software unit. The company also reported that the collaboration with Prevas Development, which is manufacturing a prototype of the laser scanner module, has been fruitful, and that the Company has also initiated feasibility studies for the sensor module together with two international players. Given the substantial progress made this year, the company remains on track in its goal to test the first prototype of BlincVision in a vehicle in 2023, which naturally leads to discussions of commercialisation of BlincVision with Tier-1 and OEM vendors.

On 17 November 2022, CEO Magnus Andersson and CTO Nihat Küçük presented the company's Q3 report to shareholders through a webcast in order to update shareholders on the company's activities. Magnus emphasized how important it is for the company to quickly get a product to market and reported that through the company's initial contacts with major market players, Terranet's technology has been very well received.

On 9 November 2022, Terranet announced that through a strategic partnership, the company has taken major steps towards the development of a complete prototype for its driver assistance system, BlincVision. Preva has been engaged to build the first prototype of the BlincVision laser scanner module. Preva will develop this prototype according to Terranet's specifications, building on the technological progress Terranet has made during the year, including improvements to the laser's effective detection range and safety for the human eye.

On 2 November 2022, holoride captured the attention of the market with the launch of its unique, award-winning XR/VR product for integration into vehicles manufactured by Audi. Terranet owns 10.4% of holoride, which is an important partner for the company in its effort to cultivate the industry in Germany.

On 17 October 2022, Terranet published a newsletter where CEO Magnus Andersson discussed the high level of activity in the company, which has allowed Terranet to reach a critical milestone in the finalization of the technical specifications for the scanner

module. The newsletter also described the company's effort to accelerate the development of the two other key components in BlincVision: the sensor and the computer module.

On 6 October 2022, Terranet's CEO Magnus Andersson presented the company at Redeye's Investor Day.

On 28 September 2022, the company announced that it had laid down the technical specifications for its laser scanner and was now ready to take the next step in finding a partner who can manufacture the so-called "A-sample".

On 1 September 2022, Magnus Andersson stepped in as CEO of Terranet. At the same time, Göran Janson, who served as CEO and ordinary board member, returned to his previous post as board chair, and Anders Blom returned to his previous post as ordinary board member after serving as board chair.

On 26 July 2022, the company announced that CEO Magnus Andersson signed an agreement to acquire all of his 2,500,000 warrants in the company. The warrants are part of the incentive program for management and employees that was adopted at the 2022 Annual General Meeting.

On 15 July 2022, Terranet announced that the Board appointed Magnus Andersson as the company's new CEO. Magnus has over 20 years of international experience and a proven track record of leadership and growth in fast-growing tech companies, including companies within the automotive industry and energy sector. He most recently served as CEO in the transport technology company Pilotfish.

On 10 June 2022, the company announced that the management and board have acquired warrants. Terranet's CTO Nihat Küçük and board members Magnus Edman, Göran Janson and Karolina Bjurehed acquired warrants in the company. The warrants are part of the two incentive programs adopted at the 2022 Annual General Meeting.

On 18 May 2022, Terranet participated in Mangold's investor event. Acting CEO Göran Janson and Head of Development/CTO Nihat Küçük were on site to present the company and Terranet's driver assistance technology, BlincVision, which can save lives in urban traffic environments.

On 4 May 2022, Terranet gave an update on the development of the company's BlincVision technology, the next steps in the development process and the most important milestones in the company's effort to commercialize the technology for the global automotive industry.

On 28 April 2022, Terranet AB held its Annual General Meeting. Göran Janson, Karolina Bjurehed, Anders Blom, Magnus Edman, Tarek Shoeb and Nils Wollny were re-elected as board members. The AGM resolved to introduce two incentive programs through the issue of warrants to the company which would then be transferred to employees and board members within the company and the group.

The outcome of the exercise of warrants of series T04 B, which were issued in the second quarter of 2021, was presented on 15 March 2022. In total, 11,436,473 warrants of series T04 B, corresponding to approximately 80 percent of the outstanding warrants of series T04 B, were exercised for the subscription of 11,436,473 B shares at a subscription price of SEK 0.56 per share. Through the exercise of warrants of

series T04 B, Terranet will raise approximately MSEK 6.40 before issue costs.

On 7 February, 2022, Terranet provided a strategic update on changes in the company in order to further accelerate the development of BlincVision – which is based on VoxelFlow™ and is primarily directed to the automotive industry – and to establish the brand as a leader in roadway safety. The company also announced that the technical objectives that the company established and communicated at the beginning of 2021 have been achieved and exceeded.

On 4 February, 2022, the company announced that Pär-Olof Johannesson will leave his position as CEO with immediate effect. Göran Janson, former Chairman of the Board of Terranet, took over as interim CEO until a permanent successor is appointed. Göran therefore left his role as board chair but continued to serve as a board member. Anders Blom was elected the new Chairman of the Board.

The company announced on 31 January 31, 2022 that Michaela Berglund chose to leave her post at Terranet.

Comments on operations, results and position

Results

The Group's revenue for 2022 amounted to TSEK 748 (1,369) and consisted of grants from Vinnova. Revenue for the previous financial year included revenue from customer development projects.

Total operating costs, including depreciation and write-offs, amounted to SEK 33,210 thousand (52,498) for the year. Total payroll expenses amounted to TSEK 17,682 (16,014). Other external costs amounted to TSEK 14,237 (27,960).

Profit/loss before and after tax amounted to TSEK -32,287 (-44,732), which was in line with the management team's and the board's expectations.

Financial position

The Group's assets amounted to TSEK 89,435 (115,900), divided into intangible assets of TSEK 17,295 (14,041), right-of-use assets of TSEK 3,870 (1,895), equipment of TSEK 315 (450), long-term securities attributable to the investment in holoxide and Summer Robotics of TSEK 38,088 (32,658), cash and cash equivalents of TSEK 26,715 (62,788), and other current assets of TSEK 3,152 (4,068). During the financial year, TSEK 3,091 (9,421) was capitalised in ongoing development projects and TSEK 503 (211) was capitalised in patents.

The group's loans amounted to TSEK 32,428 (34,954), which consist exclusively of the loan raised in connection with the investment in holoxide. The loan falls due in the end of May 2023. Other current liabilities amounted to TSEK 5,403 (5,900) and consist of short-term lease liabilities of TSEK 818 (457), as well as accounts payables and accrued liabilities for vacation pay, social costs and interest.

Financing and liquidity

Liquidity in the Group as of 31 December 2022 amounted to TSEK 26,715 (62,788). Cash flow from operating activities for the year amounted to TSEK -28,116 (-41,589); the change in cash flow is primarily attributable to lower external consulting costs in 2022. Cash flow from investing activities amounted to TSEK -8,437 (-42,863) with TSEK -4,752 attributable to the investment in Summer Robotics. The total cash flow from financing activities amounted to TSEK 480 (102,745). The distribution of cash flow from financing activities can be found in the consolidated cash flow statement.

The company has a negative cash flow from operating activities. The Board's assessment is that a renegotiation of the due date of the loan, raised in connection with the acquisition of shares in Holoride may be relevant, whereby the company's cash is expected to last seven months from the closing date. Capital requirement to finance the company in a longer perspective or for amortization of the loan debt at a later date is by the board considered possible to cover with other financing measures.

During the financial year, the parent company decided to raise TSEK 31,000 (44,807) through shareholders' contributions to Terranet Tech AB. A corresponding write-off has been made on the shares in Terranet Tech AB.

Equity

The company's equity, which is attributable to the parent company's shareholders, amounted to TSEK 48,382 (73,531) on 31 December 2022 and TSEK 88,391 (117,172) for the parent company.

During the financial year, the number of shares increased by a total of 11,436,473 to 326,289,403. The distribution of the share increase is reported in Note 25.

Equity per share amounted to SEK 0.15 (0.23) as of 31 December 2022.

Terranet's technology

BlincVision uses lightning-fast 4-D technology to scan the area around a vehicle to detect and identify objects and react in a matter of milliseconds. BlincVision registers objects up to ten times faster than currently available ADAS systems and can interpret the shape and movement of objects with a much higher degree of precision. BlincVision's ability to distinguish, for example, between a child and a ball, can save countless lives among unprotected road users while avoiding unnecessary braking.

BlincVision combines multibeam lasers, event cameras and advanced image analysis to create a system that scans the vehicle's surroundings in record time to reliably detect objects, regardless of weather and light conditions. BlincVision is based on Voxelflow™, Terranet's patented image-analysis technology. The system is able to react faster than other ADAS systems and can interpret movement and form with a higher degree of precision. Terranet has an exclusive global license to develop and market Voxelflow within the automotive industry.

The BlincVision system relies on two sensor modules (or simply event cameras) with neuromorphic event sensors, an active laser scanner module and a computer unit. The system uses laser beams to scan the area in front of the vehicle at a wide angle at lightning-fast speed. The event sensors capture the reflection from the lasers within a 30 meter radius and analyze the shapes and movement of objects with almost no time delay. When an object is detected, the system reacts within a few milliseconds and allows the vehicle to take appropriate action, for example, by slowing down or braking.



Significant risks and uncertainties

Product and technology development

Terranet's operations are based on technology that is in a constant state of technical development and refinement. There is a risk that the company's planned product development work will be more time consuming or result in higher costs than what the company has assumed or that the company's products will not be able to be adapted to a commercial environment, which could have a significant negative effect on the company's operations, financial position and/or results.

Complex technical development and competition

Terranet operates in a market characterised by rapid advancement and technological change. In this environment, the company must be able to anticipate developments in technology, market demand and other market trends and develop and adapt its products accordingly. There is a risk that the assumptions about technical developments, market demand and other market trends according to which the company currently operates or will operate in the future, are or will be inaccurate or misleading. Furthermore, there is also a risk that the company's competitors will be better able to adapt their products in response to market trends or to make more accurate assumptions about the development of technologies in the market.

The potential for error in the company's products

In the near future, Terranet's products and components may be integrated into a number of applications and products. In the event that any of these applications or products are improperly designed from a technical standpoint or the company's own products do not perform as promised, the company may be obligated to participate in or implement action programmes or otherwise respond to shortcomings under different guarantees. This has the potential to result in significant costs for the Company and could negatively impact the company's reputation. As a result, the company would risk losing existing and potential customers, which could have a negative impact on Terranet's reputation, operations, financial position and/or earnings.

Partners

Terranet's commercial success is dependent on development and sales in collaboration with its partners. If the company is unable to maintain existing collaborations and establish future collaborations, the group's opportunities for commercialisation may be negatively affected.

Financing and liquidity risk

Terranet is currently at a stage of development where revenue does not cover costs. The company currently has a negative cash flow and is expected to continue to have a negative cash flow during the 2023 financial year. The overall market situation and financial climate are important at each individual capitalisation opportunity, and there is a risk that the company will not be able to raise additional capital under acceptable terms when the need arises. Terranet strives to manage this risk through sound liquidity planning and foresight in its capital raising efforts.

Should a need for capital arise, the company plans to raise capital through financing or to carry out a share issue to fund the company's activities. The board works actively to manage the company's financing, and in the assessment of the Board, such a share issue can be carried out.

Employees

On 31 December 2022, Terranet had the equivalent of 13 (13) FTEs and 1 (3) consultants. The corresponding figure from 2021 includes two administrative positions, which have been replaced with product developers in the 2022 financial year. The recruitment process to bring in additional developers is ongoing.

On 31 December 2022, all employees in the group have their employment contracts through Terranet Tech AB.

All members of the management team and employees within Terranet engage in regular performance review dialogues, which include the follow-up of set goals and a review of the employee's individual development plan.

The parent company

The parent company is a holding company and is not involved in operations. Information about financing during the 2022 financial year is given above.

Expected future development

Terranet expects to increase its pace of technology development in the next few years in order to be able to launch products targeted to end customers in collaboration with its partners, thereby generating volume-based licensing revenue. In addition to the development of the company's technology, the company's progression towards commercialisation will lead to both organisational and structural investments, as well as continued sales and the establishment of new markets.

PROPOSED APPROPRIATION OF PROFITS

THE PARENT COMPANY

The Annual General Meeting has the following funds (SEK) at its disposal.

Share premium reserve	400,123,928
Profit carried forward	-279,076,480
Annual profit/loss	-35,918,858
	85,128,590
The board proposes that the profits be disposed such that the amount is carried forward	
	85,128,590
	85,128,590

For information on the parent company's and the group's results and position in general, reference is made to subsequent financial reports. All amounts are given in thousands of Swedish kronor (TSEK) unless otherwise stated.

CONSOLIDATED INCOME STATEMENT

Amounts in TSEK	Note	2022	2021
Other operating revenue	6	748	1,369
Work in progress for own account	15	3,091	9,421
Operating expenses			
Other external expenses	7,8,9	-14,237	-27,960
Staff costs	10	-17,682	-16,014
Depreciation and write-offs of tangible and intangible fixed assets	15,16,17,18	-1,255	-8,506
Other operating costs		-36	-18
Operating profit/loss		-29,371	-41,708
Financial items			
Financial income	11	891	109
Financial expenses	12	-3,807	-3,133
		-2,916	-3,024
Profit/loss before tax		-32,287	-44,732
Tax on profit/loss for year	13	0	0
Profit/loss for the year attributable to the parent company's shareholders		-32,287	-44,732
Profit/loss per share in SEK			
	14		
Before dilution		-0.10	-0.17
After dilution		-0.10	-0.17

CONSOLIDATED REPORT ON COMPREHENSIVE INCOME

Amounts in TSEK	Note	2022	2021
Annual profit/loss		-32,287	-44,732
Other comprehensive income		0	0
Comprehensive income for the year attributable to the parent company's shareholders		-32,287	-44,732



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in TSEK	Note	2022-12-31	2021-12-31
ASSETS			
Tangible fixed assets			
Intangible fixed assets			
Capitalised development costs	15	15,140	12,049
Patents	16	2,155	1,992
Property, plant and equipment			
Right of use assets	17	3,870	1,895
Equipment, machinery and computers	18	315	450
Financial assets			
Long-term securities	20	38,088	32,658
Total fixed assets		59,568	49,044
Current assets			
Accounts receivables	21	0	481
Other receivables	22	1,114	786
Prepaid expenses and accrued revenue	23	2,038	2,801
Cash and cash equivalents	24	26,715	62,788
		29,867	66,856
TOTAL ASSETS		89,435	115,900
EQUITY AND LIABILITIES			
Equity			
Share capital	25	3,263	3,149
Other contributed capital	25	400,124	393,100
Profit/loss carried forward		-322,718	-277,986
Comprehensive income for the year		-32,287	-44,732
Equity attributable to the parent company's shareholders		48,382	73,531
Long-term liabilities			
Loans payable	26	0	34,954
Lease liabilities		3,222	1,515
		3,222	36,469
Current liabilities			
Loans payable	26	32,428	0
Lease liabilities		818	457
Accounts payable		1,223	1,997
Other liabilities		514	803
Accrued expenses and prepaid income	28	2,848	2,643
		37,831	5,900
TOTAL EQUITY AND LIABILITIES		89,435	115,900

CONSOLIDATED REPORT ON CHANGES IN EQUITY

Amounts in TSEK

Attributable to the parent company's shareholders

	Share capital	Translation reserve	Other contributed capital	Profit/loss carried forward including profit/loss for the year	Total equity
Equity on 1 January 2021	2,170	0	319,729	-277,986	43,913
Annual profit/loss				-44,732	-44,732
Other comprehensive income		0			0
Comprehensive income for the year		0		-44,732	-44,732

Other Changes in equity

New cash issue	979		77,298		78,277
Issue costs			-3,927		-3,927
Equity on 31 December 2021	3,149	0	393,100	-322,718	73,531

Equity on 1 January 2022	3,149	0	393,100	-322,718	73,531
Annual profit/loss				-32,287	-32,287
Other comprehensive income		0			0
Comprehensive income for the year		0		-32,287	-32,287

Other Changes in equity

New cash issue	114		6,290		6,404
Received option premiums			1,073		1,073
Issue costs			-339		-339
Equity on 31 December 2022	3,263	0	400,124	-355,005	48,382

CONSOLIDATED CASH FLOW STATEMENT

Amounts in TSEK	Note	2022	2021
Cash flow from operations			
Operating profit/loss		-29,371	-41,708
Adjustments for items not included in the cash flow:			
Depreciation and write-offs	15,16,17,18	1,255	8,506
Other non-cash items		409	412
Interest received		213	109
Interest paid		-268	-3,137
Cash flow from operations before changes in working capital		-27,762	-35,818
Changes in working capital			
Changes in operating receivables		503	-2,854
Change in operating liabilities		-857	-2,917
Cash flow from operations		-28,116	-41,589
Investing activities			
Capitalisation of development costs	15	-3,091	-9,422
Patent fees	16	-503	-211
Acquisition of tangible assets	18	-91	-572
Investment in financial assets	20	-4,752	-32,658
Cash flow from investing activities		-8,437	-42,863
Financing activities			
	27		
New share issue		6,404	78,277
Issue costs		-339	-3,927
Received option premiums		1,073	0
Loans taken		0	35,000
Repaid loans		-6,065	-6,198
Amortisation of lease liabilities		-593	-407
Cash flow from financing activities		480	102,745
Cash flow for the year			
		-36,073	18,293
Cash and cash equivalents on January 1		62,788	44,495
Cash and cash equivalents on December 31	24	26,715	62,788

PARENT COMPANY INCOME STATEMENT

Amounts in TSEK	Note	2022	2021
Other operating revenue	6	0	0
Operating expenses			
Other external expenses	7.8	-2,271	-1,910
Operating profit/loss		-2,271	-1,910
Profit/loss from financial items			
Depreciation of shares in group companies	19	-31,000	-44,807
Interest revenue and similar profit and loss items	11	891	109
Interest expenses and similar profit and loss items	12	-3,539	-2,866
		-33,648	-47,564
Profit/loss before tax		-35,919	-49,474
Tax on profit/loss for year	13	0	0
Annual profit/loss		-35,919	-49,474

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in TSEK	Note	2022	2021
Annual profit/loss		-35,919	-49,474
Other comprehensive income		0	0
Comprehensive income for the year		-35,919	-49,474

PARENT COMPANY BALANCE SHEET

Amounts in TSEK	Note	2022-12-31	2021-12-31
ASSETS			
Tangible fixed assets			
Financial assets			
Shares in group companies	19	57,011	56,733
Other long-term securities	20	38,975	33,545
		95,986	90,278
Total fixed assets		95,986	90,278
Current assets			
Short-term receivables			
Prepaid expenses and accrued revenue	23	206	212
		206	212
Cash on hand	24	24,787	61,773
Total current assets		24,993	61,985
TOTAL ASSETS		120,979	152,263
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	25	3,263	3,149
		3,263	3,149
Non-restricted equity			
Share premium reserve		400,124	393,100
Profit/loss carried forward		-279,077	-229,603
Profit/loss for the year		-35,919	-49,474
		85,128	114,023
Total equity		88,391	117,172
Long-term liabilities			
Loans payable	26	0	34,954
		0	34,954
Current liabilities			
Loans payable	26	32,428	0
Accounts payable		36	13
Liabilities to group companies		94	94
Accrued expenses and prepaid income	28	30	30
		32,588	137
TOTAL EQUITY AND LIABILITIES		120,979	152,263

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts in TSEK

	Restricted equity	Non-restricted equity			Total equity
	Share capital	Share premium reserve	Profit/loss carried forward	Profit/loss for the year	
Equity on 1 January 2021	2,170	319,729	-197,151	-32,452	92,296
Appropriation of profit/loss for previous year			-32,452	32,452	0
Profit/loss for the year				-49,474	-49,474
Other comprehensive income			0	0	0
Comprehensive income for the year			0	-49,474	-49,474
Other Changes in equity					
New cash issue	979	77,298			78,277
Issue costs		-3,927			-3,927
Equity on 31 December 2021	3,149	393,100	-229,603	-49,474	117,172
Equity on 1 January 2022	3,149	393,100	-229,603	-49,474	117,172
Appropriation of profit/loss for previous year			-49 474	49 474	0
Profit/loss for the year				-35 919	-35 919
Other comprehensive income			0		0
Comprehensive income for the year			0	-35 919	-35 919
Other Changes in equity					
New cash issue	114	6,290			6,404
Received option premiums		1,073			1,073
Issue costs		-339			-339
Equity on 31 December 2022	3,263	400,124	-279,077	-35,919	88,391

PARENT COMPANY CASH FLOW STATEMENT

Amounts in TSEK	Note	2022	2021
Cash flow from operations			
Operating profit/loss		-2,271	-1,910
Adjustments for items not included in the cash flow:			
Other non-cash items		0	0
Interest received		213	109
Interest paid		0	-2,870
Cash flow from operations before changes in working capital		-2,058	-4,671
Changes in working capital			
Changes in operating receivables		6	22
Change in operating liabilities		23	-1,144
Cash flow from operations		-2,029	-5,793
Investing activities			
Investments in group companies	19	-278	0
Investment in securities	20	-4,752	-33,545
Paid shareholder contributions	19	-31,000	-44,807
Cash flow from investing activities		-36,030	-78,352
Financing activities			
New share issue		6,404	78,277
Issue costs		-339	-3,927
Received option premiums		1,073	0
Loans taken		0	35,000
Repaid loans		-6,065	-6,198
Cash flow from financing activities		1,073	103,152
Cash flow for the year			
Cash and cash equivalents on January 1		61,773	42,766
Cash and cash equivalents on December 31	24	24,787	61,773

NOTES

Note 1 – General information

Terranet AB (publ), having corporate identification number 556707-2128, is a limited company registered in Sweden with its registered office in Lund. The address of the main office is Mobilvägen 10, 223 62 Lund.

The group's activities consist of the development of software for advanced driver-assisted systems (ADAS) and autonomous vehicles. Operations are conducted in the wholly owned subsidiary Terranet Tech AB (556666-9916). The parent company does not conduct its own operations. The currently dormant company TerraNet International AB (556759-6662) is also a part of the group, as well as the newly formed group company Terranet Tech GmbH. The German subsidiary did not conduct operations in 2022; German operations were conducted in a branch of Terranet Tech AB in 2022.

Terranet also has a registered company in the USA in preparation for a planned international expansion. The company in the USA has not yet conducted operations and as of 31 December 2022 had no balance sheet total to report.

Note 2 – Significant accounting principles

The consolidated financial statements for Terranet AB (publ.) have been established in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and interpretations from the IFRS Interpretations Committee (IFRIC).

Furthermore, the group applies the Swedish Annual Accounts Act (ÅRL) and Swedish Financial Reporting Board's recommendations RFR 1 "Supplementary accounting rules for groups".

The new and amended standards and improvements that entered into force in 2022 had no significant impact on the Group's financial reports for the financial year.

The consolidated financial statements are given in Swedish kronor (SEK) and refer to the period 1 January – 31 December for income statement-related items and 31 December for balance sheet-related items. Assets and liabilities are reported in accordance with the acquisition cost method unless otherwise indicated. Significant accounting principles applied in the preparation of the financial statements are described below.

The accounting principles applied by the parent company are described at the end of this section.

The preparation of the financial statements in accordance with IFRS requires the senior management team to make assessments and estimates and to make assumptions that affect the application of the accounting principles and the reported amounts of assets, liabilities, income and costs. The actual outcome may differ from these estimates and assessments. The estimates and assumptions are reviewed regularly. Any changes in estimates are reported in the period in which the change occurs if the change only affects this period, or in the period in which the change occurs and future periods if the change affects the current period and future periods. Any assessments made by the senior management team in applying the principles of IFRS that have a significant impact on the financial statements and any estimates that may lead to significant adjustments in the following financial year's financial statements are described in more detail in Note 3.

New and changed standards and interpretations that have not yet entered into force

The new and amended standards and interpretations that have been decided but which will enter into force for financial years beginning after 01 January 2022 have not yet been applied by the Group. In the senior management team's assessment, when these new standards and interpretations are applied, they will have no significant effect on the group's financial reports.

Consolidated financial statement

The consolidated financial statements include the parent company Terranet AB (publ) and the companies for which the parent company directly or indirectly has a controlling interest (subsidiaries). Controlling interest refers to the right to directly or indirectly determine the strategies employed by a company in order to receive financial benefit. In assessing whether a controlling interest exists, shareholder agreements and any voting capital stock that can be used or converted without delay must be taken into account. Controlling interest is typically deemed to exist if the parent company directly or indirectly holds shares that represent more than 50% of the shares with voting rights.

Subsidiaries are included in the consolidated accounts from the date of acquisition and are excluded from the consolidated accounts as of the date on which the controlling influence ceases.

The group's results and components in other comprehensive income are attributable in their entirety to the parent company's owners.

All intra-group transactions, balances and unrealised gains and losses attributable to intra-group transactions have been eliminated in the preparation of the consolidated financial statements.

Segment reporting

Revenues are reported as the total for the entire group, that is as an operating segment where control, follow-up and decisions are taken for each individual project and for the entire operation as a whole. Within the group, the company's board has been identified as the highest executive decision-maker.

Revenue

The group's operating revenue consists of revenue from cooperation agreements for the company's development work. Revenue is reported at the actual value of what was received or will be received, with deductions for value added tax, discounts and similar deductions. Revenue is recognised to the extent that it is likely that the company will be able to utilise the financial benefits and the revenue can be calculated in a reliable manner. Revenue is recognised when control of a product or service has been transferred to the customer.

Remuneration for development work completed under cooperation agreements is recognised as revenue as the work is completed, that is, over time. Future revenue from royalties and licensing will be recognised as revenue in line with the financial significance of the agreements, which will be analysed on a case-by-case basis.

Future licensing revenue and royalty remuneration will be recognised under net turnover.

Remuneration for development work and research collaboration is recognised as other revenue.

Government grants

Government grants are recognised as other revenue when the grant's performance-related conditions are met. In cases where the grant is received before the performance-related conditions have been met, the grant is reported as a liability in the balance sheet. Government grants are valued at the fair value of the asset received or receivable.

Lease agreements

Terranet recognises its lease agreements in accordance with IFRS 16, which means that essentially all lease agreements are reported in the Statement of Financial Position.

Upon conclusion of a lease agreement, the current value of the lease liability is calculated, which determines the value of the right of use asset that is recognised. When discounting the lease liability for rental premises, the company's marginal borrowing rate of 10% has been applied. For vehicles, the rate implicit in the agreement has been used as the discount rate. For right of use assets, the term of each respective agreement has been used to determine the depreciation period applied.

Lease agreements with terms shorter than 12 months and lease agreements where the leased asset is of low value are recognised in the income statement on a straight line basis over the term of the lease.

Foreign currency

The consolidated financial statements have been prepared in Swedish kronor, which is the parent company's functional currency and accounting currency. Transactions in foreign currency are translated into Swedish kronor at the rate of exchange on the date of the transaction. Receivables and liabilities in foreign currency have been translated to closing day rate. Foreign exchange rate gains and losses on operating receivables and liabilities are recognised under operating revenue as other operating revenue or other operating costs. Gains and losses on financial receivables and liabilities are recognised as financial items.

Foreign exchange rate differences are recognised in the income statement during the period in which they arise.

Remuneration to employees

Short-term remuneration to employees

Remuneration paid to employees as salary, bonuses, vacation pay, sick pay and pensions are recognised in line with the time of accrual (usually monthly).

Pensions

The group's pension plans are defined contribution plans. Under a defined contribution plan, the group pays fixed contributions into a separate legal entity. The group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Group's contributions to defined contribution pension plans are charged to the income statement in the year to which they relate.

Share-based payments

The group receives share-based payments in the form of warrants. These have been valued at fair value at the time of payment and the group has received corresponding compensation. The compensation is reported in Other contributed capital as received option premiums.

Taxes

Income taxes amount to the total of the current tax and deferred tax.

Current tax

Current tax is calculated on the taxable profit/loss for the period and the adjustment of current tax for previous periods. Taxable profit/loss differs from the reported profit/loss in the income statement as it has been adjusted for non-taxable income and non-deductible costs and for income and costs that are taxable or deductible in other periods. The group's current tax liability is calculated according to the tax rates that have been decided or notified on the balance sheet date.

Deferred tax

Deferred tax is reported on temporary differences between the carrying amount of assets and liabilities in the financial statements and the tax value used for calculating taxable profit/loss. Deferred tax is reported according to the so-called balance sheet method.

Deferred tax liabilities are recognised in principle for all taxable temporary differences, and deferred tax assets are recognised in principle for all deductible temporary differences to the extent that it is likely that the amounts can be utilised against future taxable surpluses. Deferred tax liabilities and tax assets are not recognised if the temporary difference is attributable to goodwill or if it arises as a consequence of a transaction which constitutes the first recognition of an asset or liability (which is not a business acquisition) and which, at the date of the transaction, neither affects the recognised or the taxable result.

Deferred tax is calculated using the tax rates that are expected to apply for the period when the asset is realised or the tax liability is settled based on the tax rates (and tax laws) that have been decided or announced on closing day.

Deferred tax assets and tax liabilities are offset as they relate to income taxes charged by the same authority and when the Group intends to settle the tax at a net amount.

Current and deferred tax for the period

Current and deferred tax is reported as an expense or income in the income statement, except when the tax is attributable to transactions in other comprehensive income or directly against equity. In such cases, the tax must also be reported in other comprehensive income or directly against equity. For current and deferred tax that arises when reporting business acquisitions, the tax effect must be reported in the acquisition estimate.

Tangible fixed assets

Computers and equipment are reported at acquisition cost less accumulated depreciation and any write-offs. The acquisition cost consists of the purchase price, expenses directly attributable to putting the acquisition in place and bringing it to usable condition in accordance with the purpose of the acquisition.

Depreciation is expensed such that the asset's value is decreased according to the estimated residual value at the end of the asset's useful life, amortised on a straight-line basis over its estimated useful life, which is estimated at:

Computers and equipment	3 years
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Estimated useful lives, residual values and depreciation methods are reconsidered at the end of each accounting period. The effects of any changes in assessments are reported prospectively.

In accordance with IFRS 16 Leasing, starting in 2019, the Group reports right of use assets in the statement of financial position. Right of use assets primarily consist of leases for premises. All right-of-use assets are written off throughout the term of the agreements.

The carrying amount of a tangible fixed asset is removed from the Statement of financial position on disposal or sale, or when no future economic benefits are expected from the use or disposal/sale of the asset. The gain or loss arising from the sale or disposal of an asset consists of the difference between any net income on disposal of the asset and its carrying amount and is recognised in the period in which the asset is removed from the Statement of financial position.

Intangible Assets

Intangible assets with determinable useful lives that have been acquired separately or developed internally are reported at acquisition cost less cumulative depreciation and any accumulated write-offs. Depreciation is done on a straight-line basis over the asset's estimated useful life. Estimated useful lives and depreciation methods are reconsidered at the end of each accounting period. The effects of any changes in assessments are reported prospectively.

Internally generated intangible assets

The development work for internally generated intangible fixed asset is divided into a research phase and a development phase. All costs attributable to the Group's research phase are recognised as operating costs when they arise. Costs for the development of an asset are recognised as an asset if the following conditions are met:

- it is technically feasible to complete the intangible asset so that it can be used or sold;
- it is the company's intention to complete the intangible asset and use or sell it;

- it is possible to use or sell the intangible fixed asset;
- the intangible asset will likely generate future economic benefits;
- adequate technical, financial and other resources are available to complete the development of the asset and use or sell the intangible asset;
- the costs attributable to the intangible asset during its development can be reliably calculated.

If it is not possible to report any internally generated intangible asset, development costs are recognised as an expense in the period in which they arise. Depreciation begins with the completion of the technological development phase, which is deemed to be completed when the technology is included in offers to end users based on a commercialised contract and its financial benefits begin to be realised via a licensing agreement or other remuneration.

Amortisation of intangible fixed assets is expensed such that the value of the asset is decreased by the estimated residual value at the end of its useful life. The useful lives of intangible fixed assets are estimated at:

Patents	10 years
Capitalised development costs	5 years

Sales and disposals

An intangible asset is removed from the statement of financial position upon sale or disposal or when no future economic benefit is expected from the use or sale/disposal of the asset. The gain or loss arising when an intangible asset is removed from the statement of financial position, consisting of the difference between the net disposal proceeds and the asset's carrying amount, is recognised in the income statement when the asset is removed from the statement of financial position.

Impairment of tangible fixed assets and intangible assets

Assets that have an indefinite useful life and intangible assets where depreciation has not yet been initiated, are tested for impairment at least annually with regard to any need for impairment and when there is an indication of impairment. Assets that are written off are impairment tested whenever events or changes in conditions indicate that the carrying amount is not recoverable.

An impairment loss is recognised at the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is determined to be lesser than its carrying amount, the carrying amount of the asset is written down to the recoverable amount. An impairment loss must be immediately recognised in the income statement.

Previously recognised impairments are reversed if the recoverable amount is deemed to exceed the carrying amount. However, impairment is not reversed to an amount greater than what the carrying amount would have been if no impairment had been recognised in previous periods.

Financial instruments

Recognition in and removal from the statement of financial position

A financial asset or liability is included in the report of the company's financial position at the time that the company becomes a party to the contractual terms associated with the instrument. A receivable is recognised when the company has performed a service and a contractual obligation arises for the counterparty to pay, even if the invoice has not yet been sent. Accounts receivables are reported in the statement of financial position when the invoice has been sent. Liabilities are recognised when the counterparty has performed a service and a contractual obligation arises to pay, even if the invoice has not yet been received.

Accounts payables are recognised when an invoice has been received. A financial asset is removed from the statement of financial position once the entitlements in the agreement are realised, mature or the company loses control over them. The same applies to part of a financial asset. A financial liability is removed from the statement of financial position once the obligation in the agreement is fulfilled or otherwise terminated. The same applies to part of a financial liability. No financial assets and liabilities are offset in the Statement of financial position, as the conditions for offset are not met. Acquisition and sale of financial assets are recognised on the date of the transaction. The date of the transaction is the date on which the company undertakes to acquire or dispose of the asset.

Classification and measurement

Financial assets are classified on the basis of the business model in which the asset is managed and the characteristics of its cash flow. If a financial asset is held as part of a business model in which the goal is to obtain contractual cash flows and the agreed terms for the financial asset give rise to cash flows at certain times that only consist of payments of principal and interest on the outstanding principal amount, the asset is reported at accrued acquisition value. This business model is categorised as "hold to collect", which equates to valuation at accumulated acquisition cost.

If a financial asset is held as part of a business model in which the objectives can be achieved both by obtaining contractual cash flows and selling financial assets, and the agreed terms for the financial asset give rise to cash flows at certain times that only consist of payments of principal and interest on the outstanding principal amount, the asset is recognised at fair value via other comprehensive income. This business model is categorised as "hold to collect and sell".

All other amounts related to business models where the purpose is speculative, holdings for trading or where the character of the cash flow excludes other business models is recognised at fair value via the income statement. This business model is categorised as "other".

Terranet applies two different business models. For cash and cash equivalents, accounts receivable and other current receivables, the company applies the "hold to collect" business model, which means that the

asset is reported at amortised cost. Other long-term securities consist of the holding in Holoride Total and Summer Robotics (see also Note 20), where Terranet applies the business model “other”, which means that the holding is reported at fair value via the income statement. Unlisted securities are valued at fair value in Level 3 of the valuation hierarchy. This means that several significant inputs are not based on observable market information.

Financial assets that are valued at accumulated acquisition cost are initially recognised at fair value including transaction costs. After the first reporting occasion, the assets are valued and recognised at amortised cost, see below.

Financial liabilities are classified as described below:

Financial liabilities

- Amortised cost
- Fair value via the income statement

The Group has no liabilities valued at fair value.

Financial liabilities that are valued at accumulated acquisition cost are initially reported at fair value, including transaction costs. After the first reporting occasion, the liabilities are valued and recognised at amortised cost, see below.

The fair value of financial instruments

For all financial assets and liabilities, the carrying amount is deemed to be a suitable approximation of its fair value, unless otherwise stated in the notes in this report.

Accumulated acquisition cost

Amortised cost refers to the amount at which the asset or liability was initially recognised with deductions for amortisations, additions or deductions for accumulated accruals according to the effective interest method of the initial difference between the amount received/paid and amount to be paid/received on the maturity date, less write-offs. The effective interest rate is the interest rate that, when discounting all future expected cash flows over the expected term, results in the initially recognised value of the financial asset or financial liability.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and recognised at a net amount in the balance sheet when there is a legal right to offset, and when the intention is to settle the items at a net amount or to simultaneously realise the asset and settle the debt.

Cash and cash equivalents

Cash and cash equivalents includes cash and bank balances as well as other liquid investments that can easily be converted into cash and are not exposed to the risk of significant changes in value. In order to be classified under cash and cash equivalents, the maturity date may not exceed three months from the date of acquisition. Cash and bank balances are categorised as “Loans and advances and accounts receivables” which entails valuation at amortised cost. Due to the fact that bank funds are payable on demand, amortised cost corresponds to the nominal amount.

Accounts receivables and other receivables

Accounts receivables and other receivables are categorised as “Loans and advances and accounts receivables” which entails valuation at amortised cost. The anticipated term of accounts receivable and other current receivables is short, and the value is, therefore, reported at a nominal amount without discounting. Deductions are made for receivables that are assessed to be doubtful. Impairment losses on accounts receivables are reported in operating costs.

Lease liabilities

The Group’s lease liabilities are valued and reported at amortised cost.

Accounts payables and other current liabilities

Accounts payables and other short-term liabilities are categorised as “Other financial liabilities” which entails valuation at amortised cost. However, the expected maturity of accounts payables and other short-term liabilities is short, which is why the liability is recognised at nominal value without discounting.

Loans payable

Lease liabilities are valued and reported at amortised cost.

Derivative instruments

The Group does not hold any derivative instruments.

Provisions

Provisions are recognised when the group has an existing obligation (legal or informal) as a result of an event that has occurred, where it is likely that an outflow of resources is required to settle the obligation and the amount can be reliably estimated.

Accounting for cash flows

Cash and cash equivalents consist of available cash, bank balances and, if applicable, other liquid investments with a maturity of 3 months or less that are only subject to insignificant value fluctuations. The cash flow statement is prepared according to the indirect method. The reported cash flow only includes transactions that resulted in proceeds or payments.

Accounting principles for the parent company

The parent company applies the Swedish Annual Accounts Act (ÅRL) and Swedish Financial Reporting Board's recommendations RFR 2 "Accounting for Legal Entities". With the application of RFR 2, the parent company applies, as far as possible, all EU-approved International Financial Reporting Standards (IFRS) within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and takes into account the relationship between accounting and taxation. The changes to RFR 2 that entered into force in 2022 had no significant impact on the parent company's financial reports for the financial year. The differences between the accounting principles applied by the parent company and the Group are described below:

Classification and presentation

The parent company's income statement and balance sheet are presented in accordance with the schedules of the Swedish Annual Accounts Act. The difference compared to IAS 1 The presentation of financial statements that is applied in the preparation of the Group's financial statements mainly refers to the presentation of financial income and costs, intangible fixed assets and equity.

Subsidiaries

Shares in subsidiaries are recognised at the acquisition cost in the parent company's financial reports. Shareholder contributions are recognised as an increase in the carrying amount of the shares. Valuation of shares in subsidiaries is done annually.

Financial instruments

The parent company does not apply IFRS 9 Financial Instruments: Accounting and valuation. The parent company applies a method based on acquisition cost in accordance with the Swedish Annual Accounts Act.

Approved amendments to RFR 2 that have not yet entered into force

The senior management team deems that amendments to RFR 2 that have not yet entered into force are not expected to have any significant effect on the parent company's financial reports.

Proposed changes to RFR 2 that have not yet entered into force

The senior management team deems that proposed changes to RFR 2 that have not yet entered into force are not expected to have a significant effect on the parent company's financial reports.

Not 3 – Important estimates and assessments

Important sources of uncertainty in estimates

Below are the main assumptions about the future and other important sources of uncertainty in estimates at the balance sheet date, which may entail a significant risk of significant adjustments in the reported values of assets and liabilities in subsequent financial years.

Capitalised development costs

The capitalised development fees consist of payroll, including social costs for the company's own employees and costs for contracted software development consultants in the company's product development work. Product development of BlincVision occurs through the development of software, partly based on the company's VoxelFlow patent and partly based on the development of hardware.

The assessment is that there is great potential for future licensing revenues and cash flows based on the Group's product development. The carrying amount of capitalised costs amounts to SEK 15,140 thousand (12,049).

Tax loss carryforwards

The Group holds accumulated tax loss carryforwards for which no deferred tax asset has yet been reported, as revenue generation to date has been limited. At the time the Group's revenues are able to be confirmed with greater certainty, deferred tax assets relating to tax loss carryforwards will be recognised and will have a positive effect on results and equity.

Tax loss carryforwards amount to SEK 422,233 thousand (390,128).

If the Group is able to report a deferred tax asset for the entire loss carryforward, profit and equity would increase by TSEK 86,980 (80,366). There is no maturity date that limits the utilisation of the tax loss carryforwards.

Long-term securities

The group's long-term securities are reported at fair value, TSEK 38,088, in the group's consolidated statement of financial position. These unlisted holdings are valued at fair value in level 3, which means that several material inputs are not based on observable market information. Faulty and/or inaccurate assumptions can affect the valuation of these holdings.

Important assessments when applying the Group's accounting principles

The following sections describe the most important assessments, in addition to those that include estimates (see above) that senior management has made in applying the Group's accounting principles and that have the most significant effect on the amounts reported in the financial statements.

Liquidity and financing

The Group's financial reports have been prepared in accordance with the going concern principle.

The company has a negative cash flow from operating activities, and should a need for capital arise, the company plans to raise capital through financing or to carry out a share issue to ensure cash is available to fund the company's activities for the next 12 months. The board works actively to manage the company's financing, and in the assessment of the Board, such a share issue can be carried out.

Internally generated intangible assets

The Group's accounting principles with regard to the capitalisation of internally generated intangible assets is described in Note 2 above. When applying these accounting principles, senior management must make important assessments to ensure that the correct distinction is made between capitalisation and expense recognition.

Note 4 – Financial risk management and financial instruments

The Group is exposed to various financial risks and uncertainties through its operations, such as market risks, liquidity risks and credit risks. Market risks consist of currency risk, which is currently limited. It is ultimately the company's Board that is responsible for exposure, management and follow-up of the group's financial risks.

Market risks

Currency risks

Currency risk refers to the risk that fair value or future cash flows will fluctuate due to changes in exchange rates. Exposure to currency risks primarily arises from payment flows in foreign currency (transaction exposure).

The Group's transaction exposure arises due to future payment flows in foreign currency. The table below lists exposure in each currency.

	2022		2021	
	Operating income	Operating costs	Operating income	Operating costs
USD	0%	3%	0%	12%
EUR	0%	16%	35%	7%
SEK	100%	81%	65%	81%
	100%	100%	100%	100%

As shown in the table above, the Group's transaction exposure primarily consists of USD and EUR. A 5% increase in the value of USD would have an effect on profit/loss after tax of approximately SEK -58 thousand (-326) and a 5% increase in the value of EUR would have an effect on profit/loss after tax of approximately SEK -259 thousand (-172).

The Group had liabilities in foreign currency amounting to USD 100 thousand (0) and TEUR 4 (7) as of closing day.

Interest rate risks

Interest rate risk refers to the risk that fair value or future cash flows will fluctuate due to changes in market interest rates. The Group has taken loans at a fixed interest rate of 0.6% for each commenced 30-day period. With the application of IFRS 16, the interest on lease liabilities, which relates to lease contracts, is estimated to amount to 10%, which is estimated to correspond to the Group's incremental borrowing rate.

Liquidity and financing risk

Liquidity risk refers to the risk that the Group will be unable to meet its financial obligations as they fall due. Liquidity risk is managed through careful liquidity planning.

Financing risk refers to the risk that cash and cash equivalents are unavailable and that financing can only be obtained in part, not at all or at an elevated cost. Currently, Terranet's operations are mainly financed through capital injections via share issues and warrants. During the 2020 and 2021 financial years, the Group also financed its operations through bridge financing for a limited period; the group also took loans to finance the investment in Holoride. Financing risk is a significant risk in relation to the Group's continued product development and market development activities. Financing risk is managed through market establishment and continuous engagement with shareholders regarding future capital needs. To date, the Group has been successful in its efforts to raise capital and is now listed on First North, which enables the company to access an even wider circle of investors.

Should a need for capital arise, the company plans to raise capital through financing or by carrying out a share issue to fund the company's activities. The board works actively to manage the company's financing, and in the assessment of the board, such a share issue can be carried out.

The maturity profile of contractual payment commitments related to the Group's financial liabilities, excluding derivatives, is presented in the tables below. The amounts in these tables are not discounted values and also include interest payments where relevant, which means that these amounts cannot be reconciled with the amounts reported in the balance sheets. The

Group's contractual and undiscounted interest payments and repayments of financial liabilities are shown in the table below. Amounts in foreign currency have been translated to SEK at the closing day rate. Liabilities are included in the period when repayment can be claimed at the earliest.

The Group's loan agreements contain no special conditions that could mean payment would fall due significantly earlier than the dates shown in the tables.

The maturity profile for the Group's financial liabilities are reported below.

2022-12-31

	Within 3 months	3-12 months	1-2 Year	3-5 Year	Over 5 years	Total
Loans payable	0	33,863	0	0	0	33,863
Lease liabilities	286	856	2,230	1,064	531	4,967
Accounts payable	1,223	0	0	0	0	1,223
Other current liabilities	755	0	0	0	0	755
Total	2,264	34,719	2,230	1,064	531	40,808

The board works actively to manage the company's financing, which also involves the handling of outstanding loan debts.

2021-12-31

	Within 3 months	3-12 months	1-2 Year	3-5 Year	Over 5 years	Total
Loans payable	0	0	40,460	0	0	40,460
Lease liabilities	148	446	1,190	524	0	2,308
Accounts payable	1,997	0	0	0	0	1,997
Other current liabilities	529	0	0	0	0	529
Total	2,674	446	41,650	524	0	45,294

Credit and counterparty risk

Credit risk refers to the risk that the counterparty in a transaction causes the Group a loss by not fulfilling its contractual obligations. The Group's exposure to credit risk can primarily be attributed to accounts receivables and cash and cash equivalents. No credit losses have occurred in 2021 and 2022.

Credit risks arise when the Group's excess liquidity is placed in bank accounts. Credit risk is reduced by only dealing with counterparties with a very good rating.

The Group is exposed to a few counterparties through its receivables and bank balances. The credit risk is deemed to be low as the counterparties are considered to have a good ability to pay.

The Group's maximum exposure to credit risk is deemed to correspond to the reported values of all financial assets as shown in the table below.

	The group	
	2022-12-31	2021-12-31
Accounts receivables	0	481
Other current receivables	1,114	786
Cash and cash equivalents	26,715	62,788
Maximum exposure to credit risk	27,829	64,055

Categorisation of financial instruments

The book value of financial assets and financial liabilities, broken down by valuation category in accordance with IFRS 9, is shown in the table below.

	The group	
	2022-12-31	2021-12-31
Financial assets are valued at amortised cost		
Accounts receivables	0	481
Other receivables	1,114	786
Cash and cash equivalents	26,715	62,788
Total Financial assets are valued at amortised cost	27,829	64,055

	The group	
	2022-12-31	2021-12-31
Financial assets are valued at fair value via the balance sheet		
Long-term securities	38,088	32,658
Total Financial assets valued at fair value	38,088	32,658

The group's long-term securities consist of holdings in holoride and Summer Robotics, which are described in Note 20. Holdings are valued at fair value (Level 3) in accordance with the valuation categories in IFRS 9. This means that fair value is determined based on valuation models where significant inputs are based on unobservable inputs. The valuation of the company's

holdings in holoride is essentially based on discounted future cash flows (the DCF model and revenue multiples) and the valuation of holoride in the most recent financing round. The valuation for the financial year has had no impact on the income statement.

	The group	
	2022-12-31	2021-12-31
Financial liabilities valued at amortised cost		
Lease liabilities	4,040	1,972
Loans payable	32,428	34,954
Accounts payable	1,223	1,997
Other financial liabilities	755	529
Total Financial liabilities are valued at amortised cost	38,446	39,452

The group has no liabilities valued at fair value in the income Statement.

No reclassifications of the valuation categories above have occurred during the period.

For financial assets and liabilities, the carrying amount given above is considered a reasonable approximation of fair value.

Note 5 – Capital management

The group defines capital as equity. The group's goal in managing capital is to ensure the Group is able to continue to conduct and expand its operations and generate reasonable returns to shareholders and benefits to other stakeholders.

The group is currently in a development phase with new technology and capital raised primarily through new issues. The group is not subject to any externally imposed capital requirements.

The group does not currently have a dividend policy and it is deemed that no dividend will be relevant in the next few years as the group uses its capital for development and market establishment.

Changes in the group's capital are given in the consolidated statement of changes in equity.

Note 6 – Revenue

Revenues are reported as the total for the entire group, that is as an operating segment where control, follow-up and decisions are taken for each individual project and for the entire operation as a whole.

Other operating revenue	The group		The parent company	
	2022	2021	2022	2021
Revenue from development cooperation	0	482	0	0
Grants from Vinnova	748	887	0	0
Total	748	1 369	0	0

Revenue from development cooperation is recognised as revenue as the work is completed, i.e. over time.

Information on geographic markets	Revenue from external customers		Tangible fixed assets	
	2022	2021	2022-12-31	2021-12-31
Sweden	0	0	57,161	49,044
Germany	0	482	2,407	0
	0	482	59,568	49,044

Revenues from external customers are reported by geographical region based on the invoicing address.

Information on intra-group purchases and sales	The parent company	
	2022	2021
Purchases	0.0%	0.0%
Sales	0.0%	0.0%

Note 7 – Other external expenses

	The group		The parent company	
	2022	2021	2022	2021
Cost of premises	839	849	0	0
Consumable equipment, software and consumables	1,399	2,229	0	0
Sales and marketing costs	2,311	4,299	159	50
Hired external resources	1,598	14,095	0	0
Consulting costs	2,931	2,713	1 778	1,559
Other	5,159	3,775	334	301
Total	14,237	27,960	2 271	1,910

Note 8 – Audit fees and expenses

Deloitte AB	The group		The parent company	
	2022	2021	2022	2021
Audit assignment	286	300	0	0
Auditing activities beyond the scope of the audit assignment	0	157	0	0
Summa	286	457	0	0

Auditing assignment refers to the auditor's fees for the statutory audit. The assignment includes the audit of the annual financial statements and bookkeeping, the

administration of the Board of Directors and the CEO, as well as fees for advice and other assistance provided in connection with the audit assignment.

Note 9 – Leasing

The Group is a lessee through leases for premises and for a vehicle. The lease in Sweden extends through 1 February 2026, and the lease in Germany extends through December 2028.

The Group's estimated marginal loan interest rate for premises of 10% has been applied when discounting the lease liabilities.

A maturity analysis of leasing liabilities is presented in Note 4.

Amounts reported in the income statement	The group	
	2022	2021
Depreciation of right of use assets	-689	-484
Interest costs for lease liabilities	-265	-182
Costs attributable to short-term lease agreements	0	0
Costs attributable to lease agreements of low value	-20	-15
Revenue attributable to subletting right of use assets	0	0
Total	-974	-681

On 31 December 2022, the group has obligations attributable to short-term lease agreements of TSEK 54 (69).

Cash flow	The group	
	2022	2021
Amortisation of lease liabilities	-593	-407
Interest costs lease liabilities	-265	-182
Short-term lease agreements and leasing agreements with low value	-20	-15
Total cash flow	-878	-604

Se Note 17 för specifikation av tillgångar med nyttjanderätt.

Note 10 – Number of employees, salaries, other remuneration and social costs

Average number of employees	2022		2021	
	Number employees	Of which number of men	Number employees	Of which number of men
The parent company				
Sweden	0	0	0	0
Total in the parent company	0	0	0	0
Subsidiaries				
Sweden	12	9	13	9
Total in subsidiaries	12	9	13	9
Total in the Group	12	9	13	9

Distribution of senior executives on closing day	The group		The parent company	
	2022-12-31	2021-12-31	2022-12-31	2021-12-31
Women:				
Board members	1	1	1	1
Other persons in company leadership incl. CEO	0	1	0	0
Men:				
Board members	5	5	5	5
Other persons in company leadership incl. CEO	3	3	1	1
Total	9	10	7	7

Salaries, other remuneration, etc.	2022		2021	
	Salaries and other remuneration	Soc costs (of which pensions costs)	Salaries and other remuneration	Soc costs (of which pensions costs)
The parent company	0	0	0	0
		0		0
Subsidiaries	13,861	3,445	12,350	3,822
		(1,484)		(1,187)
Total for group	13,861	(3,445) (1,484)	12,350	3,822 (1,187)

Salaries and remuneration distributed between board members, etc. and employees	2022		2021	
	Board and CEO (of which bonuses and similar)	Other employees	Board and CEO (of which bonuses and similar)	Other employees
The parent company	0	0	0	0
	(-)		(-)	
Subsidiaries	3,357	10,504	2,432	9,918
	(0)		(0)	
Total for group	3,357	10,504	2,432	9,918

Of the group's pension costs, TSEK 168 (0) relates to the board and the CEO.

Pensions

Magnus Andersson receives a pension corresponding to 30% of the fixed monthly salary. Previous CEOs, Pär-Olof Johannesson and Göran Janson, had no pension agreement with the company; pension was included in the fixed gross salary. Members of the board do not receive a pension from the company. The company pays pension premiums according to its current pension policy.

The group's total cost for defined contribution pension plans amounts to TSEK 1,484 (1,187). The parent company's total cost for defined contribution pension plans amounts to TSEK 0 (0).

Remuneration to senior executives

2022	Base salary /Fees	Variable remuneration	Other benefits	Pensions-cost	Total
Göran Janson, Board chair, CEO for part of the year	1,193	0	0	0	1,193
Anders Blom, Board Member, Board Chair for part of the year	158	0	0	0	158
Tarek Shoeb, Board member	100	0	0	0	100
Karolina Bjurehed, Board member	200	0	0	0	200
Nils Wollny, Board member	0	0	0	0	0
Magnus Edman, Board member	100	0	0	0	100
Magnus Andersson, CEO for part of the year	583	225	16	0	824
Pär-Olof Johannesson, CEO for part of the year	1,880	0	70	0	1,950
Other senior executives (2)	2,168	280	0	333	2,781
Total	6,382	505	86	333	7,306

In addition to the board fee of SEK 100,000, board member Karolina Bjurehed has received compensation for recruitment work for the new CEO. The amount for Pär-Olof Johannesson includes payment of vacation days. Nils Wollny waived his remuneration. Pension of TSEK168 reserved as cost but not paid during 2022.

2021	Base salary /Fees	Variable remuneration	Other benefits	Pensions-cost	Total
Göran Janson, Board chair	200	0	0	0	200
Arne Hansson, Board member	100	0	0	0	100
Karolina Bjurehed, Board member	100	0	0	0	100
Michel Roig, Board member	100	0	0	0	100
Lars Novak, Board member	100	0	0	0	100
Christian Rasmusson, Board member for part of the year	32	0	0	0	32
Pär-Olof Johannesson, CEO	1,800	0	100	0	1,900
Other senior executives (4)	2,382	0	0	388	2,770
Total	4,814	0	100	388	5,302

Severance pay

No severance pay has been paid in 2022. Previous CEO Pär-Olof Johannesson received a fixed monthly salary during his six-month notice period. The agreement that governs the relationship between the company and CEO Magnus Andersson does not include severance pay. The Board is entitled to dismiss the CEO after providing 6 months' notice, and the CEO can terminate employment with 6 months' notice.

Warrant series programme

For warrant holdings for the board and senior executives, see Note 25.

Note 11 – Financial income

	The group		The parent company	
	2022	2021	2022	2021
Interest revenue	213	109	213	891
Foreign exchange rate gains	678	0	678	0
Total financial revenue	891	109	891	891

Note 12 – Financial costs

	The group		The parent company	
	2022	2021	2022	2021
Interest expenses	3,542	2,951	3,539	2,866
Interest costs, lease liabilities	265	182	0	0
Total financial costs	3,807	3,133	3,539	2,866

All interest costs are attributable to financial liabilities that are valued at accrued acquisition cost.

Note 13 – Taxes

	The group		The parent company	
	2022	2021	2022	2021
Current tax on profit/loss for the year	0	0	0	0
Deferred tax	0	0	0	0
Total reported tax	0	0	0	0

Income tax in Sweden is calculated at 20.6% (20.6%) on the taxable profit/loss for the year. Below is a reconciliation between reported profit and loss and the year's reported tax:

Reconciliation of the reported tax for the year	The group		The parent company	
	2022	2021	2022	2021
Profit/loss before tax	-32,287	-44,732	-35,919	-49,474
Total reported tax for the year				
Tax calculated according to Swedish tax rate of 20.6% (20.6%)	6,651	9,215	7,399	10,192
Tax effect of non-deductible write-offs	0	0	-6,386	-9,230
Tax effect of other non-deductible costs	-36	-277	0	0
Tax effect of tax loss carryforwards for which deferred tax assets are not reported	-6,615	-8,938	-1,013	-962
Total reported tax for the year	0	0	0	0

No tax is reported in other comprehensive income or directly against equity.

The group's accumulated unutilised tax loss carryforwards amounted to TSEK 422,233 (390,128) as of

31 December 2022. There is no maturity date that limits the utilisation of the tax loss carryforwards. However, no deferred tax asset attributable to the tax losses is reported, as there is nothing to suggest that sufficient taxable surpluses will be generated.

Note 14 – Earnings per share

Undiluted EPS

The following results and weighted average number of ordinary shares have been used in the calculation of undiluted EPS:

	The group	
	2022	2021
Profit/loss for the year attributable to the parent company's shareholders	-32,287	-44,732
Weighted average number of ordinary shares before dilution, number of shares	323,939,443	268,413,390
Undiluted EPS, SEK	-0.10	-0.17

Diluted EPS

The following earnings and weighted average number of ordinary shares have been used in the calculation of diluted EPS.

	The group	
	2022	2021
Profit/loss for the year attributable to the parent company's shareholders	-32,287	-44,732
Weighted average number of ordinary shares before dilution, number of shares	323,939,443	268,413,390
Effect of potential ordinary shares with regard to options	0	0
Weighted average number of ordinary shares after dilution, number of shares	323,939,443	268,413,390
Resultat per aktie efter utspädning, kronor	-0.10	-0.17

For information on changes in the number of outstanding shares, see Note 25 Equity.

Note 15 – Capitalised development costs

	The group	
	2022-12-31	2021-12-31
Opening acquisition value	60,169	50,748
Capitalised costs for the year	3,091	9,421
Closing amortised cost	63,260	60,169
Opening depreciation	-3,685	-3,685
Depreciation for the year	0	0
Closing accumulated depreciation	-3,685	-3,685
Opening write-offs	-44,436	-36,801
Write-offs for the year	0	-7,635
Closing accumulated write-offs	-44,436	-44,436
Closing carrying amount	15,140	12,049

The capitalised development fees consist of payroll, including social costs for the company's own employees and costs for contracted development consultants in the company's product development work. Product development of BlincVision occurs through the development of software, partly based on the company's VoxelFlow patent and partly based on the development of hardware.

Depreciation is initiated when a product is ready for commercial sale.

Impairment testing for capitalised development expenditure where depreciation has not been initiated

In the Group, the need for impairment of capitalised development expenditure is tested annually and when there is an indication that an impairment need exists.

When assessing the need for impairment, an estimate of the value in use is made for the technology or for the products to which capitalised development expenditure refer. The value in use is determined based on the estimated future cash flows that the technology is expected to generate. In cases where the carrying amount exceeds the value in use, an impairment is made.

Impairment testing of capitalised development expenditures for the year showed that no write-down is required as of 31 December 2022.

Note 16 – Patents

	The group	
	2022-12-31	2021-12-31
Opening acquisition value	6,974	6,763
Acquisitions for the year	503	211
Closing amortised cost	7,477	6,974
Opening depreciation	-1,587	-1,406
Depreciation for the year	-340	-181
Closing accumulated depreciation	-1,927	-1,587
Opening write-offs	-3,395	-3,311
Write-offs for the year	0	-84
Closing accumulated write-offs	-3,395	-3,395
Closing carrying amount	2,155	1,992

Costs for pending patent applications are capitalised on an ongoing basis. At the time a patent is granted, a 10-year amortisation period begins.

Note 17 – Right of use assets

Buildings	The group	
	2022-12-31	2021-12-31
Acquisition cost		
Opening acquisition costs	2,083	2,201
Additional right-of-use assets	2,608	0
Closing right-of-use assets	0	-118
Closing amortised cost	4,691	2,083
Accumulated depreciation		
Opening depreciation	-417	0
Closing right-of-use assets	0	0
Depreciation for the year	-617	-417
Closing accumulated depreciation	-1,034	-417
Booked value	3,657	1,666

Vehicles	The group	
	2022-12-31	2021-12-31
Acquisition cost		
Opening acquisition costs	297	231
Additional right-of-use assets	236	297
Closing right-of-use assets	-297	-231
Closing amortised cost	236	297
Accumulated depreciation		
Opening depreciation	-68	-70
Closing right-of-use assets	116	70
Depreciation for the year	-71	-68
Closing accumulated depreciation	-23	-68
Booked value	213	229

Note 18 – Equipment, machinery and computers

	The group		The parent company	
	2022-12-31	2021-12-31	2022-12-31	2021-12-31
Opening acquisition cost	572	0	0	0
Acquisitions for the year	91	572	0	0
Closing amortised cost	663	572	0	0
Opening depreciation	-122	0	0	0
Depreciation for the year	-226	-122	0	0
Closing accumulated depreciation	-348	-122	0	0
Closing carrying amount	315	450	0	0



Note 19 – Shares in group companies

	The parent company	
	2022-12-31	2021-12-31
Opening acquisition cost	417,152	372,345
Shareholder contributions	31,000	44,807
Formation of Terranet Tech GmbH	278	0
Closing acquisition costs	448,430	417,152
Opening write-offs	-360,419	-315,612
Write-offs for the year	-31,000	-44,807
Closing accumulated depreciation	-391,419	-360,419
Closing carrying amount	57,011	56,733

Company, corporate identification number	Registered office	2022-12-31	2021-12-31	2022-12-31	2021-12-31
		Capital share %*	Capital share %*	Booked value	Booked value
Terranet Tech AB (556666-9916)	Lund	100%	100%	56 633	56 633
TerraNet International AB (556759-6662)	Lund	100%	100%	100	100
Terranet Tech GmbH (HRB 787805)	Stuttgart, Germany	100%	-	278	-
Terranet California Inc.	San José, USA	100%	100%	0	0

* Also share of voting rights

Terranet has a registered company in the USA in preparation for a planned international expansion. The company in the USA has not yet conducted operations and as of 31 December 2022 had no balance sheet total to report.

Note 20 – Long-term securities

	The group		The parent company	
	2022-12-31	2021-12-31	2022-12-31	2021-12-31
Opening carrying amount	32,658	0	33,545	0
Investments for the financial year	5,430	32,658	5,430	33,545
Closing carrying amount	38,088	32,658	38,975	33,545

Long-term securities holdings on 31 December 2022 consist of Terranet's investment in the VR/AR technology company holoride. This is a joint investment with Audi, Shell Attractions (game developer) and two actors from Asia. Terranet's investment in holoride's new share issue in April 2021 corresponded to MEUR 3.2. The ownership stake corresponds to 10.4% of the total number of shares and votes. Terranet's collaboration with holoride gives the company broader access to large segments of

the global automotive industry and opens the door to a new business segment for the company's BlincVision technology within Infotainment.

Investments for the financial year of TSEK 5,430 are attributable to convertible loans issued to Summer Robotics, which were converted to shares in November with an ownership stake corresponding to 1.7% of the total number of shares.

Note 21 – Accounts receivables

	The group		The parent company	
	2022-12-31	2021-12-31	2022-12-31	2021-12-31
Accounts receivable – gross	0	481	0	0
Bad debt reserve	0	0	0	0
Total accounts receivables	0	481	0	0

Note 22 – Other receivables

	The group		The parent company	
	2022-12-31	2021-12-31	2022-12-31	2021-12-31
VAT receivables	569	539	0	0
Other items	545	247	0	0
Total	1,114	786	0	0

Note 23 – Prepaid expenses and accrued revenue

	The group		The parent company	
	2022-12-31	2021-12-31	2022-12-31	2021-12-31
Prepaid rents	237	163	0	0
Prepaid licensing fees	1,237	1,649	0	0
Other items	564	989	206	212
Total	2,038	2,801	206	212

Note 24 – Cash and cash equivalents

	The group		The parent company	
	2022-12-31	2021-12-31	2022-12-31	2021-12-31
Bank balances	26,715	62,788	24,787	61,773
Total	26,715	62,788	24,787	61,773

Note 25 – Equity

Share capital and Other contributed capital	Number of ordinary shares	Share capital (TSEK)	Other contributed capital (TSEK)
As of 01 January 2021	217,006,263	2,170	319,729
New issue through exercise of TO 2B	47,906,993	479	35,925
New issue through exercise of TO 3B	49,939,674	500	37,446
As of 31 December 2021	314,852,930	3,149	393,100
New issue through exercise of TO 4B	11,436,473	114	5,951
Received option premiums	-	-	1,073
As of 31 December 2022	326,289,403	3,263	400,124

As of 31 December 2022, the registered share capital consisted of 326,289,403 ordinary shares with a quotient value of SEK 0.01/share. Of these, 1,084,463 are Class A shares and 325,204,940 Class B shares, all of which are fully paid. No shares are held by the company itself or its subsidiaries.

Warrants

Warrant programme T04 B and T05 B

In connection with the loan of MSEK 35 taken to fund the acquisition of shares in Holoride, warrants (series T04 B and series T05 B), which can be subscribed free of charge, were also issued to the lender and existing shareholders. A total of 14,319,634 warrants of series T04 B were issued, of which 7,159,817 were issued to the lender and 7,159,817 to existing shareholders.

The subscription of B shares through warrants of series T04 occurred from 28 February 2022 to 11 March 2022. Each warrant of series T04 entitled the holder to the subscription of one (1) new B share in the company against 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 11 February 2022 to 24 February 2022, which amounted to a subscription price of SEK 0.56 per B share. The outcome of the warrant series was 79.9%, and the company was thus able to raise MSEK 6.1 after issue costs.

A total of 12,321,546 warrants of series T05 B were issued, of which 6,160,773 were issued to the lender and 6,160,773 to existing shareholders. Each warrant of series T05 B entitles the holder to the subscription of one (1) new share in the company against 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 24 February 2023 to 09 March 2023; however, a maximum of SEK 4.20 and no less than the value corresponding to the quotient value for Terranet's share. The subscription period for shares through warrants of series T05B will occur from 13 March 2023 to 24 March 2023. Outcome available in note 31 Events after closing date.

Warrant programme 2022/2025: 1

The Annual General Meeting 2022 resolved to introduce incentive programme 2022/2025:1 through the issue of warrants to the Company, which would then be transferred to employees within the Company and the Group. A total of 9,850,000 warrants of series 2022/2025:1 were issued to the Company for transfer to employees, with each warrant entitling the holder to the subscription of one new B share during the period 1 October 2025 through 31 October 2025, or an earlier date stipulated in the terms of the warrants, at a subscription price of SEK 2.50.

CEO had the option to acquire a maximum of 2,500,000 warrants, other members of the management (max 3 people) up to 1,250,000 warrants, and other employees (max 12 people) a maximum of 300,000 warrants each.

The warrants were acquired at market value, which was calculated by an independent valuation institute at SEK 0.12 per warrant. In the management group, Nihat Küçük, CTO, fully acquired his warrant rights totalling 1,250,000 warrants. CEO Magnus Andersson fully acquired his warrant rights totalling 2,500,000 warrants at SEK 0.17. The difference between the prices within the programme was due to the fact that the external valuations were performed at the time of the respective acquisition. Thomas Falkenberg, CFO, is a consultant and thus not covered by the programme. In addition, 315,000 warrants of series 2022/2025:1 were acquired by individuals in non-executive positions. The Company raised a total of TSEK 613 through the programme.

Warrant programme 2022/2025: 2

In accordance with the proposal by shareholder Maida Vale Capital AB, the Annual General Meeting 2022 resolved to adopt incentive programme 2022/2025:2 through the issue of warrants to the Company, which would then be transferred to the Company's board members. A total of 5,000,000 warrants were issued to the Company for transfer to board members. Each warrant entitled board members to the subscription of one new B share between 1 May 2025 through 31 May 2025, or an earlier date as stipulated in the terms of the warrants, at a subscription price of SEK 1.75.

Excluding Anders Blom, the Company's board consists of five members, each of whom was entitled to acquire a maximum of 1,000,000 warrants. The warrants were acquired at market value, which was calculated by an independent valuation institute at SEK 0.16 per warrant. Magnus Edman and Göran Janson acquired 100% of their warrant rights and Karolina Bjurehed acquired 87.5%. Anders Blom was not eligible for the programme as he is a representative for the shareholder Maida Vale Capital AB, which submitted the proposal to the meeting. The Company raised a total of TSEK 460 through the programme.

Other contributed capital

Other contributed capital consists of capital contributed by the company's owners, e.g. share premium upon share subscription, with deductions for issue costs, received option premiums and the equity portion of issued convertible liabilities.

Note 26 – Loans payable

	The group		The parent company	
	2022-12-31	2021-12-31	2022-12-31	2021-12-31
Other liabilities	32,428	34,954	32,428	34,954
Total	32,428	34,954	32,428	34,954

Loans of MSEK 35 (nominal amount) were taken in April 2021 to fund the investment in holoride (see Note 20). TSEK 6,065 was amortised in 2022 in connection with the funds raised from T04 B. Additional amortization

will occur in connection with the receipt of funds raised from and T05 B (see note 25 above under Warrants). The final date of maturity of the loan is 31 May 2023.



Note 27 – Reconciliation of liabilities arising from financing activities

The table below presents the changes for the year in the Group's liabilities linked to the financing of operations. The table includes long-term and short-term liabilities.

	Convertible loans	Lease liabilities	Other loans payable	Total
Opening balance 2021	6,156	2,354	0	8,510
Items affecting cash flow				
Assumption of loans	0	0	35,000	35,000
Repaid loans	-6,198	-407	0	-6,605
Other non-cash items				
Leasing agreement entered		296		296
Terminated leasing agreements		-271		-271
Accrued interest			1,890	1,890
Discount effect	42	0	-1,936	-1,894
As of 31 December 2021	0	1,972	34,954	36,926
Items affecting cash flow				
Assumption of loans	0	0	0	0
Repaid loans	0	-593	-6,065	-6,658
Other non-cash items				
Leasing agreement entered		2,843		2,843
Terminated leasing agreements		-182		-182
Accrued interest			2,170	
Discount effect	0	0	1,369	1,369
As of 31 December 2022	0	4,040	32,428	36,468

Note 28 – Accrued expenses and prepaid income

	The group		The parent company	
	2022-12-31	2021-12-31	2022-12-31	2021-12-31
Accrued salaries and vacation pay	1,569	1,378	0	0
Accrued social costs	134	504	0	0
Accrued special payroll tax	390	232	0	0
Other items	755	529	30	30
Total	2,848	2,643	30	30

Note 29 – Deposit collateral and contingent liabilities

	The group		The parent company	
	2022-12-31	2021-12-31	2022-12-31	2021-12-31
Deposit collateral	None	None	None	None
Contingent liabilities	None	None	None	None

Note 30 – Transactions with related parties

Transactions between the company and its subsidiaries, which are related parties to the company, have been eliminated on consolidation and disclosures regarding these transactions are therefore not submitted in this note. Disclosures regarding transactions between the Group and other related parties are detailed below.

Purchase of services

Magnus Edman is a board member in Terranet AB and CEO of Prevas Development AB. During the financial year, Prevas Development has billed Terranet for the production of a prototype for BlincVision.

	The group		The parent company	
	2022	2021	2022	2021
Prevas Development AB	622	0	0	0
Management without employee status	1,594	412	0	0
Total	2,216	412	0	0

Remuneration for management above refers to the company's procurement of services that are usually performed by key people in senior positions. As of the closing day, one (1) such function was purchased.

There are no liabilities or receivables attributable to

purchases or sales to related parties, nor are there any outstanding loans.

Remuneration to senior executives

Information on remuneration to senior executives is presented in Note 10.

Note 31 – Events after closing day

- In early January 2023, Magnus Andersson attended CES in Las Vegas, where he worked to cultivate the market for the company and made valuable new contacts in the automotive industry, which together with the ADAS segment, has a significant presence at the event.
- On 4 January 2023, holoride launched a retrofit version of its product, which opens the door to a much larger market as the new version of its product can easily be retrofitted by the end consumer in all vehicles regardless of manufacturer and model. The product was launched to much acclaim during CES in Las Vegas and holoride received the distinction of "CES Innovation Awards Honoree".
- On 31 January, Magnus Andersson gave a well-received presentation of Terranet at Aktiespararna's popular aktiedag in Lund.
- On 23 February 2023, Terranet published its year-end report for 2022.
- On 23 February 2023, Mangold Insight released an updated commissioned research of Terranet with repeated buy-recommendation.
- On 13 March 2023, it was announced that the subscription price for exercise of warrants of series TO5 B was set at SEK 0.44 per B share.
- On 23 March 2023, the market was informed that Terranet is expanding its global business development network by contracting Martin Wöhrle with a background in BMW and Hyundai as external senior automotive advisor.
- On 27 March 2023, Terranet announced that the outcome of the exercise of warrants of series TO5 B was 70.2% and that the company thereby received approximately SEK 3.8 million before issuing costs.
- On 31 March 2023, Prevas Development AB delivered the prototype of the laser scanner ordered by Terranet based on the company's specifications.
- On 5 April, 2023, the company published the notice to attend the Annual General Meeting 2023 and the Nomination Committee's proposal to elect Torgny Hellström as new Chairman of the Board.
- On 13 April, 2023, the company updated the market in a CEO letter where Magnus Andersson summarized the status of the product development of BlincVision's laser scanner and sensor module.

Note 32 – Dividends and appropriation of profits

No dividend was paid in 2021 and 2022.

At the Annual General Meeting on 10 May 2023, no dividend will be proposed.

The Annual General Meeting has the following funds (SEK) at its disposal

Share premium reserve	400,123,928
Profit/loss carried forward	-279,076,480
Profit/loss for the year	-35,918,858
	85,128,590
The Board proposes that carried forward	85,128,590

Note 33 – Approval of financial reports

The annual report and consolidated financial statements have been approved for release by the Board of Directors according to the date of subsequent digital signature. The consolidated income statement and statement of financial position as well as the parent company's income statement and balance sheet will be raised for approval at the Annual General Meeting on 10 May 2023.

The Board of Directors and CEO hereby certify that the annual report has been prepared in accordance with the Annual Accounts Act and RFR 2 "Accounting for legal entities" and provides a true and fair view of the company's financial position and results, and that the management report provides a true and fair overview of the company's financial position and results and that

the administration report provides a fair overview of the development of the company's operations, position and results as well as a description of significant risks and uncertainty factors the company faces. The Board of Directors and CEO hereby certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and provide a true and fair view of the group's financial position and results, and that the administration report for the group provides a true and fair overview of the development of the group's operations, financial position and results as well as a description of significant risks and uncertainty factors the group's companies face.

According to the date of digital signature of the Swedish original

Göran Janson
Board Chair

Anders Blom
Board Member

Tarek Shoeb
Board Member

Nils Wollny
Board Member

Karolina Bjurehed
Board Member

Magnus Edman
Board Member

Magnus Andersson
CEO

Our audit report has been submitted according to date of digital signing of Swedish original
Deloitte AB

Richard Peters
Authorized Auditor



AUDITOR'S REPORT

To the general meeting of the shareholders of Terranet AB (publ) corporate identity number 556707-2128

Report on the annual accounts and consolidated account

Opinions

We have audited the annual accounts and consolidated accounts of Terranet AB for the financial year 2022-01-01-2022-12-31

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Significant factor of uncertainty regarding the assumption going concern

We would like to draw attention to the description in the administration report under "Financing and liquidity", which shows the board's view of measures to secure financing for continued development. According to what is stated in the administration report these events and conditions indicate that there is a material factor of uncertainty that may lead to significant doubt about the company's ability to continue as a going concern. We have not modified our statement because of this.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.



Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Terranet AB for the financial year 2022-01-01-2022-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A separate list of loans and collateral has been prepared in accordance with the provisions of the Companies Act.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.



Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts.

Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Malmö / 2023
Deloitte AB

Signature on Swedish original

Richard Peters
Authorized Public Accountant



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