



**ANNUAL REPORT AND
CONSOLIDATED FINANCIAL
STATEMENT FOR
Terranet AB (publ) 2021**

Safety at the blink of an eye

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This is a translation of the original Swedish Terranet annual report 2021.
In the event of any discrepancies between the two versions, the original Swedish version shall apply.



About Terranet

The blink of an eye can make all the difference

9 out of 10 traffic accidents today are caused by human error. Regardless of how good drivers we think we are, traffic can be even safer with the use of the right technology.

Terranet develops tech solutions for Advanced Driver Assistance System (ADAS) and self-driving vehicles (AV) that makes life on the road safer.

With lightning-fast 3D technology, Terranet's BlincVision system laser scans a radius of 30 meters in front of the vehicle and reacts faster than in 10 milliseconds when an object is detected on the road – up to ten times faster than today's ADAS. In addition, BlincVision has an AI-based ability to distinguish between different types of objects moving on the road, so that the vehicle can act according to what the situation requires. Behind the system is VoxelFlow™, Terranet's patented software for advanced three-dimensional image analysis of moving objects.

Terranet was founded in 2004 and has since 2018 focused on advanced driver assistance and self-driving vehicles. The company targets Original Equipment Manufacturers (OEMs), which provide vehicle parts, as well as Tier-1 suppliers that supply components to OEMs in the automotive industry.

Terranet Holding AB (publ) has been listed on Nasdaq First North Premier Growth Market (Nasdaq: TERRNT B) since 2017.

A part of the fast-growing ADAS market

Although road safety has improved enormously in recent decades, hundreds of thousands of people worldwide still die on the roads every year. Safety continues to be a key issue for the automotive industry. Legislation, new safety recommendations and the rapid development of technology intensive and connected vehicles has caused the market for ADAS to grow significantly¹.

Terranet's priority is to develop BlincVision, with the goal of commercialising the tech solution for the automotive industry in the coming years.

In 2021, major technological advances were made in product development. Terranet established and further developed several important industrial partnerships, including ones with electric car manufacturer NEVS, automotive giant Mercedes-Benz and Hologrid, a developer of AR entertainment for passengers. In 2022, we will continue to develop and refine BlincVision and VoxelFlow™ technology as well as present and adapt the solution to potential clients.

¹ An average growth of 11.9% per year during the period 2021 to 2030 according to [marketsandmarkets.com](https://www.marketsandmarkets.com).

Market & Drivers

Road safety continues to be a priority for decision-makers and authorities around the world. The EU has a vision to achieve zero road fatalities by 2050 (Vision Zero), and both the EU and the UN wants to reduce the number of road accidents by 50% by 2030. Safer cars and the development of Advanced Driver Assistance Systems, so-called ADAS, are an important piece of the puzzle to increase safety in traffic.

ADAS includes features in automotive electronics and software technology that facilitates safer driving by alerting the driver to traffic barriers and hazards in its surroundings. ADAS systems make use of automated technologies such as sensors and cameras to obtain data, which is then analysed by a system that operates the vehicle.

Urbanisation is changing the need for road safety

Today, about 40% of road deaths occur in urban environments². The emergence of new micro mobility solutions, increasing urbanisation and a thriving cycling culture has led to a rapid change in the demands for road safety in towns and cities. Available ADAS systems that are based on radar, lidar, ultrasound or camera technologies lacks sufficiently fast detection and reaction capabilities to ensure safety for pedestrians and cyclists in dense and varied traffic. In a busy city, a millisecond can be the difference between an accident occurring or not. Where existing ADAS technologies are primarily developed to protect road users from colliding with each other, BlincVision can provide safety for everyone else who moves in city traffic. BlincVision reacts faster and with higher precision than any other ADAS today and thus has the capability to become a complementary ADAS solution that saves lives in complicated urban traffic environments.

The market for Advanced Driver Assistance Systems is growing

Transport policy objectives and stricter regulatory requirements, combined with the rapid development of technology-intensive and connected vehicles, have led to a rapid growth in the ADAS market. By 2025, it is projected to reach USD 84 billion, an increase of 150% between 2021 and 2025³. Other sources estimate an average of growth of 11.9% per year until 2030⁴. Growth is expected to be driven by the APAC area followed by Europe and North America⁵.

The Covid-19 pandemic has disrupted production and supply chains and heavily affected the automotive industry over the past years, growth is however expected to pick up again. In 2021, 63 million passenger cars were produced worldwide, an increase of 2.7% over the previous year⁶. More than 70% of all passenger car manufacturers plan to outsource production of their ADAS⁷. Therefore, the increased use of safety sensors is driving the need for integrated software systems in newly produced vehicles.

² EU Commission

³ Deloitte, 2021 Global Automotive Supplier Study

⁴ Marketsandmarkets.com

⁵ Marketsandmarkets.com

⁶ ACEA Economic and Market Report Full-year 2021

⁷ JABIL 2018, Managing Automotive Technology Trends survey

Words from the CEO

Towards safer city traffic for all

Dear fellow shareholders,

I am writing this statement in my role as acting CEO following the management changes announced by the board in February. The Board will naturally take the time it needs to recruit a permanent CEO. Until then, I intend to put my all into leading and continuing to strengthen Terranet on its exciting growth journey.

Terranet's technology can drastically reduce accidents in urban traffic

Let me begin by stating that today, Terranet is well equipped for the coming future. We have a clear focus on the development of BlincVision for the fast-developing market for Advanced Driver Assistance Systems (ADAS) and automated vehicles (AV). Over the course of 2021, we have taken BlincVision from lab testing to functionality testing in a vehicle in an initial Proof of Concept. After an intense development phase, we were able to demonstrate, at the StartUp Autobahn event in Stuttgart in July, how BlincVision detects objects considerably faster and with greater precision than ADAS on the market today.

Urban traffic is becoming increasingly complicated as cities grow, as more people opt to cycle instead of drive, and as new micro mobility solutions continue to gain ground. In a busy city, the safety margins are very small – a reaction time of a few milliseconds can determine if a cyclist, a child running across the street, or a pedestrian will be hit or if the car will manage to stop or swerve before an accident occurs. The ADAS technologies that exist today – radar, lidar, ultrasound and cameras – do not have sufficient reaction and detection capacity to guarantee the safety of pedestrians and cyclists in a dense and diverse traffic context. This way, Terranet's technology will be an important addition to the ADAS technologies of today, contributing dramatically towards a reduction in traffic accidents in urban areas which are heavily trafficked by a variety of different road users.

All technical development goals established for 2021 have been surpassed and the development of BlincVision is proceeding in accordance with plan. Our ambition is to reach a commercialisation of BlincVision for the automotive industry over the next few years.

A clearer direction and a strengthened Board and management team

Terranet's technology also has potential and usability in areas other than ADAS and autonomous vehicles. A concrete example is our collaboration with holoride, where Terranet's technology can enrich the experience in holoride's VR / AR-based entertainment systems. However, as a development company, Terranet requires a clear focus and my mandate from the Board as acting CEO is to deliver on a clearer direction for the company. Terranet must unceasingly continue to keep its eyes open to new applications of its technology, but the development of BlincVision

for the automotive market is the company's primary focus. Terranet's new Board is well established and has a large network in the automotive industry and capital market, which strengthens Terranet's focus and long-term capabilities in the automotive market.

Clear priorities going forward

We have clear priorities for the coming years. An area of particular importance is the continued miniaturisation and development of BlincVision. The key is to continue to build on the Proof of Concept demonstrated in a vehicle in collaboration with Mercedes-Benz at Startup Autobahn in July, among other things by minimising the system's physical volume to simplify implementation and technical integration into a vehicle.

Another important priority is to continue to develop and to deepen our relationship with important actors and players on the development side of the automotive industry. Today we have strong partnerships with Daimler, NEVS, holoride and Summer Robotics, which are all helping to accelerate our development and reach closer to a commercial product. Terranet also evaluates the possibility to cooperate with hardware specialists to further accelerate the development. The establishment of Terranet's permanent development hub in Stuttgart in 2021 was an important step to get even closer to the centre of decision-making in the automotive industry.

Achieving all of this and at high speed will naturally require financial resources. Terranet has a strong financial position today, but the continued capitalisation of Terranet will be necessary over time to continuously strengthen our skills and capacity within product- and business development.

Another prerequisite for building a competitive company is that Terranet attracts people with the right competences, who share our long-term commitment to the business. Therefore, I am very positive about the warrant program for management and employees that the main shareholders through the Board are proposing for resolution at the 2022 Annual General Meeting.

My ambition is for Terranet to become a more well-known company on the market and among investors. Not only as a technology supplier, but also as a leading force behind society's advancement and the development of tomorrow's sustainable, safe, and cost-efficient transport systems to be used in cities all over the world. Whereas today's ADAS primarily protect motorists from crashing into each other, BlincVision can increase traffic safety for everyone who shares the urban traffic landscape. This way, BlincVision as a solution is wholly in line with the future vision that many cities are working towards – becoming more pedestrian and cyclist-friendly.

Change and development at Terranet thus progresses at a fast pace. I believe we are in a good position to continue to generate long-term value for you, our shareholders, and I look forward to yet another exciting year together.

Lund 2022-04-07

Göran Janson
Acting CEO

Business Model, Strategy & Objectives

Business model

Terranet's business idea is to develop technical solutions for advanced driver assistance and self-driving vehicles, primarily for vehicle manufacturers, subcontractors and other actors in transportation and mobility services.

Terranet's solutions addresses the fast-growing global market for Advanced Driver Assistance Systems. By 2025, the market is projected to reach USD 84 billion, an increase of 150% between 2021 and 2025⁸.

The business model is based on Terranet's solutions being sold as licenses to OEMs (Original Equipment Manufacturers) and Tier-1 suppliers that supply components to OEMs in the automotive industry. Besides licensing revenues, sales may also create revenue from product customisation as well as service and upgrades.

Strategy & Objectives

Terranet focuses primarily on the development of BlincVision, a system for advanced driver assistance for motorised vehicles, based on three-dimensional image analysis. BlincVision can detect moving objects ten times faster, and interpret their shape and motion with greater precision, than any other ADAS today. BlincVision complements currently available ADAS technologies such as radar, lidar and cameras in dense urban environments where margins are very small.

BlincVision is based on VoxelFlow™, a new patented lightning-fast vision sensor technology. Terranet has an exclusive global license to develop and market VoxelFlow™ towards the automotive industry. BlincVision is under development and aims to be commercialised over the next few years. The product development is managed through close collaboration with leading actors in the software and hardware development industry.

The VoxelFlow™ technology could be implemented in a variety of vehicles. In addition to cars, motorcycles and electric scooters may also be relevant. It also has great potential to create value in other types of intelligent transport systems, such as in mines, warehouses, and theme parks. However, today Terranet's focus is to develop and market BlincVision towards the automotive industry, primarily in Europe and the US, as it is considered to hold the greatest commercial potential.

⁸ Deloitte, 2021 Global Automotive Supplier Study

Our Technology

BlincVision saves lives on the road

When something unexpected happens in traffic, the blink of an eye could mean the difference between life and death. With a super-human rapid 3D vision technology, BlincVision scans the area in front of the vehicle and reacts faster than in 10 milliseconds when an object is detected on the road. BlincVision can detect moving objects ten times faster, and interpret their shape and motion with greater precision, than any other ADAS vision system today. With the ability to distinguish between a child and a ball on the road, BlincVision will protect pedestrians from getting hurt and drivers from making fatal mistakes.



Scanning of a man with VoxelFlow™.

A solution for safer urban mobility

The challenge with radar, lidar, ultrasound and camera technologies used in ADAS today is that they lack the rapid reaction time and resolution capabilities necessary to save lives in certain traffic scenarios. In particular, today's ADAS technologies are not designed for urban traffic where up to 40% of all fatal accidents occur⁹.

Urbanisation, increased bicycle traffic as well as a surge in electric scooters and other micro mobility solutions has increased the demand for better road safety in cities. While radar-based safety systems offer a long range, they lack angular resolution capabilities and are for example unable to distinguish between a plastic bag and a human being. Lidar on the other hand uses an active-sensing technology that registers frames but can only detect a limited amount of these per second, causing the reaction time to increase significantly compared to BlincVision. Each millisecond can make a crucial difference in busy and complex urban traffic where bicycles, cars and pedestrians share the road. In such environments, BlincVision's fast response time and precise analysis of an object's shape and movement is an important complement to existing ADAS.

⁹ EU Commission

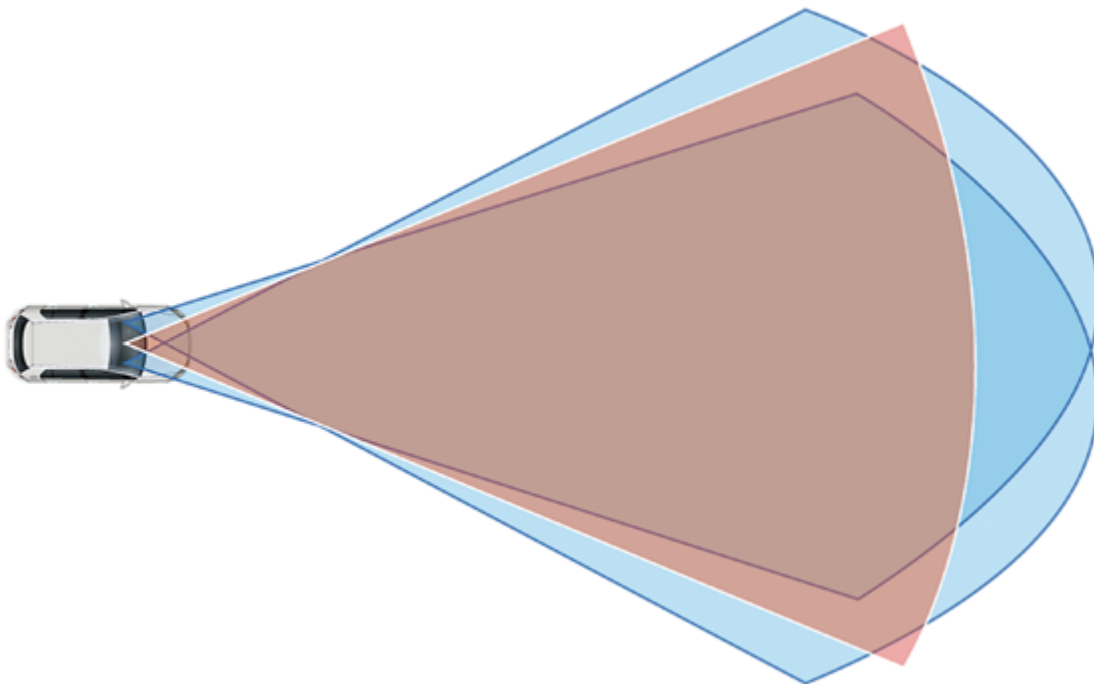
Speed and precision

BlinclVision combines multi-beam laser technology, dynamic event sensors, and advanced computer vision into a system that scans the road ahead and detects objects at a record pace in real time, regardless of weather conditions and time of day. With VoxelFlow™, Terranet's patented lightning-fast vision sensor technology, BlinclVision reacts faster and can detect objects with greater precision than any other available ADAS technologies on the market today, such as radar, lidar, or frame-based cameras.

How it works

BlinclVision consists of two or more neuromorphic cameras sensors (event sensors), an active laser scanner mounted on the vehicle, and a main compute unit. The area in front of the car is scanned in high-speed with multiple lasers beams. The event sensors capture the reflected laser beams within a range up to 30 meters and analyse both the shape and movement of objects with ultra-low latency. If an object is detected, the system reacts faster than in 10 milliseconds to avert the potentially dangerous situation, for example by braking or dodging. This can be compared to a minimal reaction time of 300 and more milliseconds with other ADAS.

In a critical traffic situation, this would translate to the car reacting within ~10 centimetres when driving at a speed of 70 kph. With traditional ADAS technology, the vehicle would have kept rolling almost six more metres before the Automatic Emergency Braking system would have been activated. In many cases, those few metres determine whether an accident becomes fatal or not – especially in urban environments with dense traffic and lots of vulnerable cyclists and pedestrians.



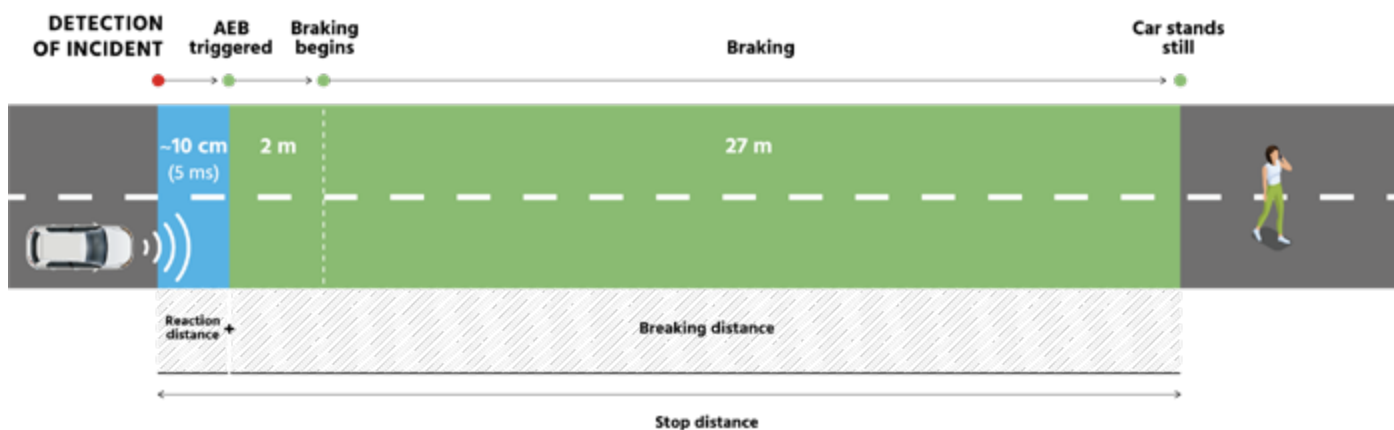
The red area shows the effective field of vision registered by BlinclVision, a forward-looking range of 30 meters, where the lasers and event sensors overlap. Blue areas illustrate the total reach of the event sensors.

BlincVision’s rapid reaction saves lives

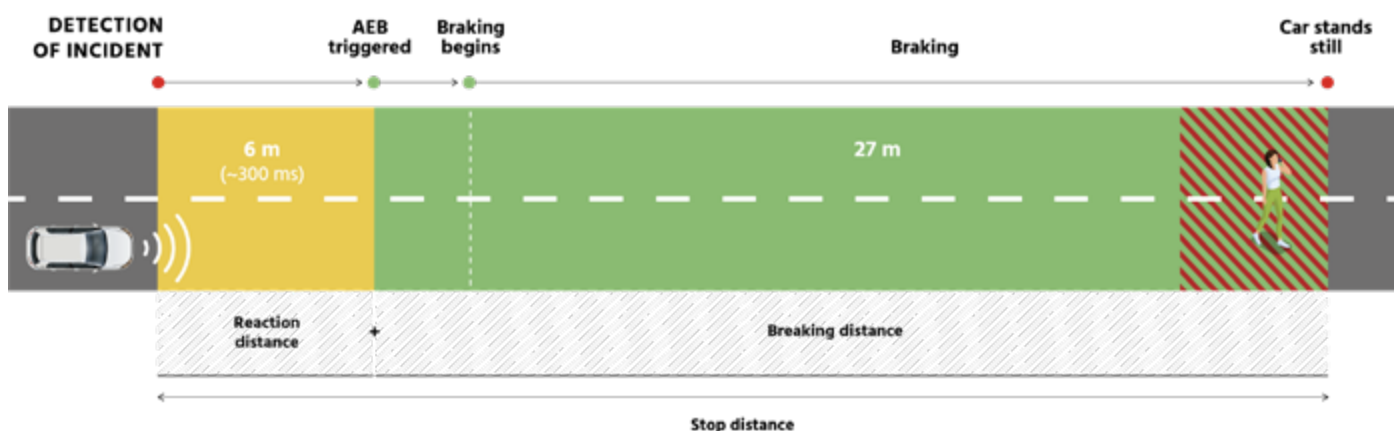
BlincVision activates the vehicle’s automatic braking system / automatic emergency steering system within a few milliseconds, and by that significantly reduces the total stop distance.

BlincVision reduces the total stop distance by 6 metres when driving at a speed of 70 km/h.

With BlincVision



Without BlincVision



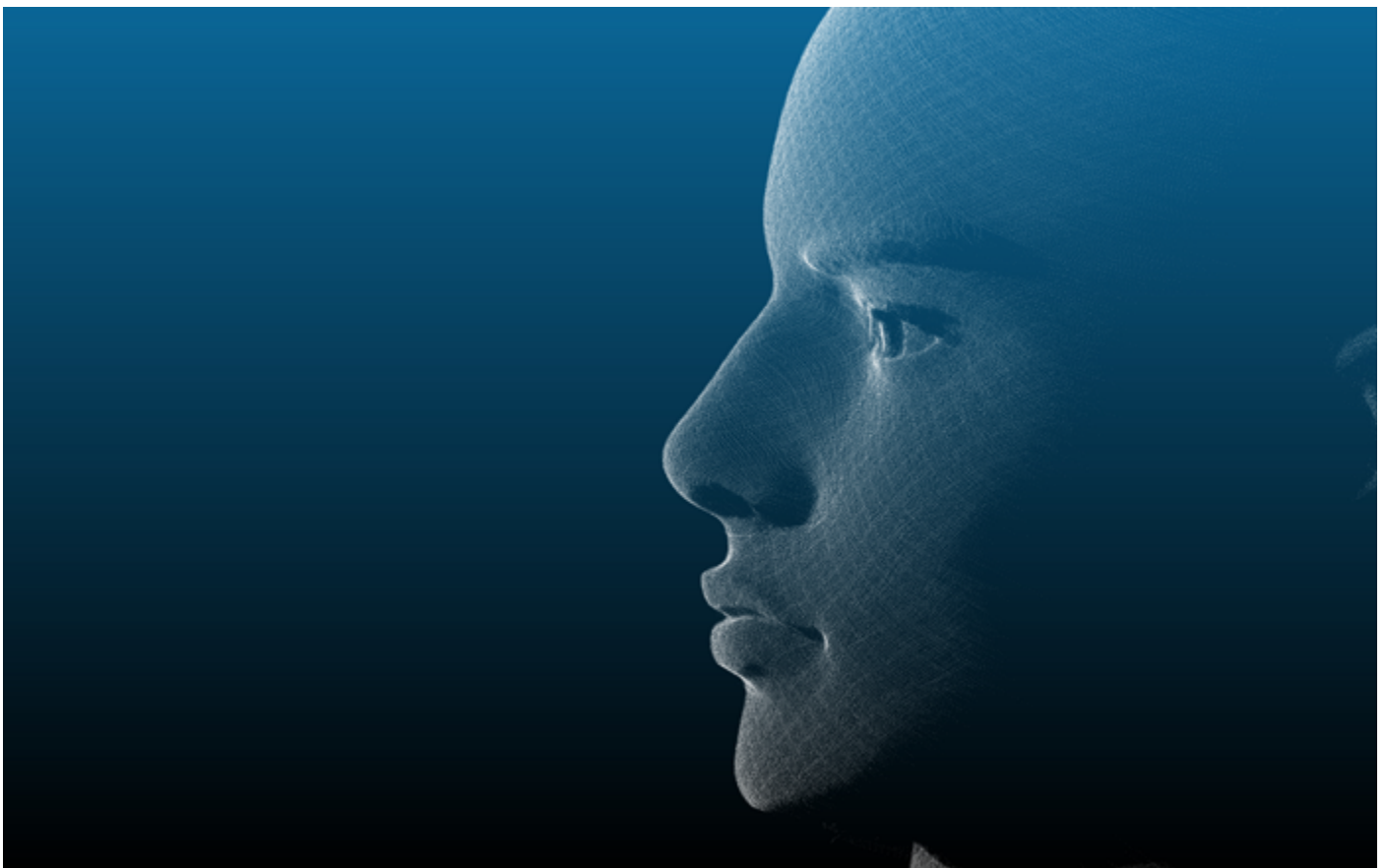
Research & Development

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

In 2021, Terranet took BlincVision from conceptualisation and lab testing to functionality testing in a vehicle. In collaboration with Mercedes-Benz, BlincVision's lightning-fast vision sensor technology was demonstrated inside a demo garage in Stuttgart in connection with the StartupAutobahn event in July.

Refining and adapting BlincVision's functionality and performance to the needs of the automotive industry is a crucial step to commercialise the technology in the next few years. Product development continues to be a top priority for Terranet. As the next step, Terranet aims to develop a prototype that can be physically integrated into vehicles.

BlincVision is developed as a complement to today's ADAS (Advanced Driver Assistance Systems), especially designed to save lives in urban traffic. ADAS technologies such as lidar, radar and cameras work well in some traffic scenarios, but to fulfil the vision of zero road fatalities, sensor technologies must detect and classify objects very rapidly in any weather- or light conditions. BlincVision reacts faster and can detect objects with greater precision than any other ADAS vision system today.



Scanning with VoxelFlow™.

Technical milestones reached in 2021

In 2021, the technical development of BlincVision took major leaps forward. Together with Terranet's software partner Summer Robotics, significant improvements were made to Terranet's patented vision sensor technology VoxelFlow™, powering BlincVision. VoxelFlow™ can now control and process multiple laser beams simultaneously, creating a denser scan pattern which allows objects to be detected sooner and their shapes to be captured with greater precision. The vision sensors in the BlincVision system now react ten times faster than those used in traditional ADAS. By using advanced filtering technology, the engineering team also managed to filter out background noise that interferes with the sensors.

Development projects & Deliveries

In parallel with technological developments, Terranet continues to build partnerships with the automotive industry. In 2021, the following projects have been initiated or executed:

- In collaboration with Mercedes-Benz, Terranet executed a functionality testing of BlincVision in a demo garage in conjunction with the Startup Autobahn event in July 2021. Terranet has a relationship with Mercedes-Benz, and continues to work according to plan to meet the technological requirements of car manufacturers in general and Mercedes-Benz in particular.
- Terranet initiated a collaboration with electric car manufacturer NEVS to evaluate a possible integration of the sensor technology VoxelFlow™ into NEVS' autonomous vehicle Sango.
- As part of the agreement with NEVS, Terranet is also working with holoride, a startup that develops AR entertainment for passengers. In July 2021, Terranet received an order for 1.6 million SEK to use its expertise in image analysis and signal processing to optimize network stability in holoride's VR platform. The collaboration is an example of how VoxelFlow™ can be used for a wide range of applications in the mobility sector, not only for road safety purposes.

Patents & Immaterial Rights

BlincVision's functionality is partly based on a series of patents for the VoxelFlow™ vision sensor technology. Terranet has a global license that gives the company exclusive rights to use and develop VoxelFlow to the automotive industry.

VoxelFlow™ is a software platform with algorithms that, with the help of laser triangulation and image analysis, determine the position, direction and speed of an object in front. ADAS is just one application of VoxelFlow™ among many other..

The patents held by Terranet have different durations. The first patent extends until 2027 and the last one (of the now registered/"patent pending") to 2039. Terranet has exclusivity until the last patent expires. The development of BlincVision is progressing according to plan, and commercialisation of the technology, and thus revenue generation for the company, is expected in a few years. This gives Terranet a good opportunity to create earnings before the patents expire and secure a head start, should potential competitors like to access individual patents. In parallel, Terranet is working to develop and secure new patents that will further enhance the product and ensure a successful marketisation.

Board of Directors



**ANDERS BLOM, BORN 1969.
CHAIRMAN OF THE BOARD SINCE 2022.**

Background: Anders Blom has more than 25 years of experience in international finance and business development in the medical industry. His experience includes Business Controlling from Pharmacia & Upjohn and Corporate Development from Q-Med AB (publ). He has also been a partner and CEO at venture capital firm Nexttobe AB, as well as Executive VP and CFO at Oasmia Pharmaceutical AB (publ).

Anders has extensive board experience from the pharmaceutical and tech industry including, Hansa Biopharma AB (publ), Biolamina AB and Delta Projects AB.

Education: BSc in Economics at Uppsala University.

Ongoing assignments: Anders is Chairman of the Board of Maida Vale Capital AB and board member of HunterHex AB, Wonderbooo AB, Challengehop Inc., Alzinova AB (publ) and Emotra AB (publ) among other.

Holdings in the company: 1,863,724 Class B shares.



**GÖRAN JANSON, BORN 1956.
BOARD MEMBER SINCE 2020.**

Background: Göran Janson is a serial entrepreneur with more than 40 years of experience in research & development, product management, marketing and business development. He has taken on several roles as CEO, CTO, Board member and Chairman, and he has also worked as an advisor and mentor to management teams, boards and managers.

Education: MSc in Electronics and Computer Engineering at the Royal Institute of Technology.

Ongoing assignments: Interim CEO at Terranet

Holdings in the company: 427,500 Class B shares



**KAROLINA BJUREHED, BORN 1978.
BOARD MEMBER SINCE 2020.**

Background: Karolina Bjurehed has more than 15 years of experience in IT, business and innovation from the automotive and telecom industry. She has worked in IT and Digital at Volvo Cars, as well as Product Owner Web and Mobile at Ericsson in Borås and Project Manager for Web and Mobile at the University of Borås.

Education: MSc in Informatics at the University of Gothenburg and Computer and Information sciences at the University of Borås.

Ongoing assignments: Active as a startup mentor and involved in several startup accelerators worldwide, as well as Head of Investment Relations at Volvo Cars Tech Fund.

Holdings in the company: 0



**MAGNUS EDMAN, BORN 1967.
BOARD MEMBER SINCE 2022.**

Background: Magnus Edman has more than 30 years of experience in electronics, mechanics and software engineering with positions in executive management, product management and sales. Magnus is the founder and CEO of Prevas Development AB, which provides innovative solutions in software and hardware development. He has also worked with Daimler Chrysler GmbH and Bofors/SAAB Dynamics, and is the co-founder of Aims AB, which develops advanced inertial measurement systems.

Education: Certified electrical engineer at Bergslagen High School.

Ongoing assignments: CEO of Prevas Development AB and board member of KEBNI AB (publ) and ASTGW AB.

Holdings in the company: 0



**NILS WOLLNY, BORN 1981.
BOARD MEMBER SINCE 2022.**

Background: Nils Wollny is co-founder and CEO of Terranet's partner holotide. He has also been responsible for the digital operations at Audi, as well as the CEO of Sinner-Schrader, one of Europe's leading digital agencies.

Education: Foreign Trade and International Management at the Hamburg University of Applied Sciences.

Ongoing assignments: CEO at holotide

Holdings in the company: 0



**TAREK SHOEB, BORN 1969.
BOARD MEMBER SINCE 2022.**

Background: Tarek Shoeb has a background in international investments in private equity and growth companies, including technology, industrials, healthcare, and services. He has worked for Goldman Sachs (London), One Equity Partners (New York), Cerberus (London) and the commodities company Vitol (London). He has also been an active personal investor in companies such as fintech, services-tech, renewable packaging, ECO-leather, seafood, and sports among others..

Education: BSc at American University in Cairo, Egypt and MBA from Harvard Business School.

Ongoing assignments: -

Holdings in the company: 0

Management team



**GÖRAN JANSON, BORN 1956.
INTERIM CEO SINCE 2022.**

Background: Göran Janson is a serial entrepreneur with more than 40 years of experience in research & development, product management, marketing and business development. He has taken on several roles as CEO, CTO, Board member and Chairman, and he has also worked as an advisor and mentor to management teams, boards and managers.

Education: MSc in Electronics and Computer Engineering at the Royal Institute of Technology.

Holdings in the company: 427,500 Class B shares



**THOMAS FALKENBERG, BORN 1975.
CFO SINCE 2021.**

Background: Thomas Falkenberg has long experience in executive roles as CFO and CEO at international industrial and media companies.

Education: MSc in Business Administration at Stockholm University.

Holdings in the company: 0



**NIHAT KÜÇÜK, BORN 1968.
SENIOR VP PRODUCT MANAGEMENT SINCE 2021.**

Background: Nihat Küçük has over 30 years of experience in mobility technology, including ten years as Head of Research and Development in maps and navigation at Daimler. He has also been leading two startups and been responsible for Daimler's innovation laboratory, with a strong passion for innovative business development and product management.

Education: Master in Computer Science from Cooperative State University Stuttgart.

Holdings in the company: 0



The Share

General information

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

On 31 December 2021, Terranet's total market capitalisation was SEK 380.97 million. Share capital amounted to SEK 3,148,530 across 1,137,463 A-shares and 313,715,467 B-shares. Each share has a quota value of SEK 0.01. No shares are held by the company itself or its subsidiaries.

Share price at year end was SEK 1.21 per share compared with a share price of SEK 1.07 per share at the start of the year. At the end of the year the total number of shareholders were 13,461.

A-shares can be converted into B-shares on three occasions each year. In order to execute such a conversion, the shareholder must submit a request to the company's board during the conversion periods in January, April or October. No dividends are paid out for the year as the group is using its capital for development work and market capitalisation. Any future dividend payments will be based on the company's profitability, future development, acquisition prospects and financial position.

Share capital development

See note 24 for more information on share capital and events in 2021.

Ownership structure

Terranet's 10 largest shareholders as per 31 December 2021

| Shareholder(s) | Number of shares | Class A shares | Class B shares | Share of capital % | Share of votes % |
|-----------------------------------|--------------------|------------------|--------------------|--------------------|------------------|
| Maida Vale Capital AB | 52,358,274 | 0 | 52,358,274 | 16,63% | 16,57% |
| Avanza Pension | 21,693,831 | 0 | 21,693,831 | 6,89% | 6,87% |
| Oliver Aleksov | 10,865,817 | 0 | 10,865,817 | 3,45% | 3,44% |
| Fredrik Olsson | 10,000,000 | 0 | 10,000,000 | 3,18% | 3,16% |
| Knutsson Holdings AB | 9,916,660 | 0 | 9,916,660 | 3,15% | 3,14% |
| Nordnet Pensionsförsäkring AB | 6,144,608 | 0 | 6,144,608 | 1,95% | 1,94% |
| Clearstream Banking S.A., W8IMY | 4,098,965 | 2,084 | 4,096,881 | 1,30% | 1,30% |
| Maths Hultbom | 3,782,461 | 0 | 3,782,461 | 1,20% | 1,20% |
| IBKR Financial Services AG, W8IMY | 2,513,596 | 0 | 2,513,596 | 0,80% | 0,80% |
| CS (CH) Client Omnibus ACC | 2,277,961 | 7,961 | 2,270,000 | 0,72% | 0,72% |
| Other shareholders | 191,200,757 | 1,127,418 | 190,073,339 | 60,73% | 60,86% |
| TOTAL | 314,852,930 | 1,137,463 | 313,715,467 | 100,00% | 100,00% |

Warrants

As per 31 December 2021, Terranet had two warrant programs.

Warrant TO4B

The subscription of B shares through warrants of series TO4B occurred from 28 February 2022 to 11 March 2022. Each warrant of series TO4B entitled the holder to the subscription of one (1) new B share in the company against cash payment corresponding to 70% 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.

Warrant TO5B

The subscription period for shares through warrants of series TO5B 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 share in the company against cash payment corresponding to 70% 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. Upon full exercise of warrants of serie TO5B, Terranet will raise a total of approximately MSEK 51.8, based on subscription price of SEK 4.20.

For more information, see note 24.



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 01/01/2021–31/12/2021.

Report of the directors

Group structure

Terranet AB is the parent company in the Terranet Group and owns 100% of the subsidiaries Terranet AB and Terranet International AB. Terranet also has a company registered in the USA. The company in the USA has not yet conducted operations and as of 31 December 2021 had no balance sheet total to report.

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

TerraNet International AB had no operations during the financial year.

In 2021, the parent company changed its name from TerraNet Holding AB to Terranet AB. Previously named TerraNet AB changed its name to Terranet Tech AB.

Operations

Terranet's business idea is to develop technical solutions for advanced driver assistance and self-driving vehicles, primarily for vehicle manufacturers, subcontractors and other actors in transportation and mobility services. Terranet's solutions addresses the fast-growing global market for Advanced Driver Assistance Systems.

The business model is based on Terranet's solutions being sold as licenses to OEMs (Original Equipment Manufacturers) and Tier-1 suppliers that supply components to OEMs in the automotive industry. Besides licensing revenues, sales may also create revenue from product customisation as well as service and upgrades.

Significant events during the year

On 30 December, an Extraordinary General Meeting was held in Terranet AB, where a new Board of Directors was elected. Arne Hansson, Lars Novak and Michel Roig resigned as members. Anders Blom, Magnus Edman, Nils Wollny and Tarek Shoeb were appointed as new board members.

On 6 December, Terranet held a highly successful Capital Markets Day in Stockholm, where the company introduced the product name BlincVision – the new conceptual collective term for Terranet’s development of the VoxelFlow™ platform.

On 1 December, Thomas Falkenberg took over as interim CFO of Terranet.

On 4 November, Terranet announced a new cooperation agreement with NEVS, which is a Swedish company that develops electric cars and self-driving vehicles. The same day, Terranet also announced that it will work with holoride to continue the development of a user interface between active safety and VR/AR entertainment for autonomous vehicles as part of Terranet’s ongoing collaboration with NEVS.

Terranet opened a new office in Stuttgart on 1 October.

On 7 September, the outcome of warrant series TO 3 B was announced, which was subscribed at 98.9% and provided Terranet with a capital injection of SEK 40 million before fees.

On 3 August, the company announced the receipt of an order from holoride corresponding to MSEK 1.6.

On 21 July, Terranet again participated in Start-Up Autobahn, which featured a demo that showcased the progress the company has made in the development of its VoxelFlow™ technology.

On 17 June, Terranet announced that Nihat Küçük would be joining the company as CTO.

On 22 April, the signing of a cooperation agreement and investment in holoride was announced. This is a joint investment with A4nXT (Audi), Shell Attractions (game developer) and two actors from Asia. Terranet will invest the equivalent of EUR 3.2 million in holoride’s new share issue, corresponding to 10.84% of the total number of shares and votes.

On 31 March, notice convening the Annual General Meeting was sent and the meeting was held on 29 April 2021. A resolution was adopted at the meeting to change the company name to Terranet AB. Göran Janson, Karolina Bjurehed, Arne Hansson, Lars Novak and Michel Roig were re-elected as board members. Göran Jansson was re-elected Board Chair. Authorisation was granted for a new issue of warrants in two series (TO4 B and TO5 B) to raise capital for the acquisition of shares in holoride.

On 9 February, Terranet announced that it will be presenting at StartUp Autobahn. StartUp Autobahn is an annual event held in Stuttgart and is a collaboration between Plug & Play, Mercedes Benz, Porsche and Bosch. The actual event was held on 25 February, and Terranet was on site to showcase the latest technical advancements in its VoxelFlow™ technology in collaboration with Mercedes Benz.

On 15 January, the convertible loan signed in January 2019 was paid in full.

On 8 January, Terranet announced its first order from Mercedes Benz for EUR 31,000.

Comments on operations, results and position

Results

The Group's revenue for 2021 amounted to TSEK 1,369 (847) and consisted of revenue from co-financed customer development and grants from Vinnova.

Total operating costs, including depreciation and write-offs, amounted to TSEK 52,498 (35,533) for the year. Total payroll expenses amounted to TSEK 16,014 (11,853). Other external costs amounted to TSEK 27,960 (20,544).

The operating profit/loss is affected by the depreciation of development projects and patents amounting to TSEK 7,719 (762). The company continuously assesses the value of the capitalised development costs linked to future cash flows. The value of write-offs refers primarily to development costs and costs attributable to previous projects, wherein the impact on future cash flow is more uncertain and the write-offs are not directly linked to VoxelFlow™ or BlincVision. Write-offs have no effect on cash flow in the group.

Profit/loss before and after tax amounted to TSEK -44,732 (-34,893), which was in line with the expectations of the management team and the Board.

Financial position

The Group's assets amounted to TSEK 115,900 (60,792), divided into intangible assets of TSEK 14,041 (12,308), right-of-use assets of TSEK 1,895 (2,362), equipment of TSEK 450 (0), long-term securities attributable to the investment in holoride of TSEK 32,658 (0), cash and cash equivalents of TSEK 62,788 (44,495), and other current assets of TSEK 4,068 (1,627). During the financial year, TSEK 9,422 (3,024) was capitalised in ongoing development projects and TSEK 211 (188) was capitalised in patents.

The Group's long-term liabilities amounted to TSEK 36,469 (1,742). Long-term liabilities at the end of the year mainly consist of the loan raised in connection with the investment in holoride. A previous taken convertible loan matured in full in January 2021 and was repaid that month. Other current liabilities amounted to TSEK 5,900 (15,137) and consist of short-term lease liabilities of TSEK 457 (612), 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 2021 amounted to TSEK 62,788 (44,495). Cash flow from operating activities for the year amounted to TSEK -41,589 TSEK (-30,387); the increased cash outflow is attributable to the increased level of activity in the company and changes in working capital. Cash flow from investing activities amounted to TSEK -42,863 (-3,212) with TSEK -32,658 attributable to the investment in Holoride. The total cash flow from financing activities amounted to TSEK 102,745 (66,525). The distribution of cash flow from financing activities can be found in the consolidated cash flow statement.

During the financial year, the Parent Company decided to raise TSEK 44,807 (30,100) through shareholders' contributions to Terranet Tech AB. A corresponding write-off has been made of the Terranet Tech AB shares in the parent company.

Equity

The company's equity, which is attributable to the parent company's shareholders, amounted to TSEK 73,531 (43,913) on 31 December 2021 and to TSEK 117,172 (92,296) for the parent company.

During the financial year, the number of shares increased by a total of 97,846,667 to 314,852,930. The distribution of the share increase is reported in Note 24.

Equity per share amounted to SEK 0.23 (0.20) as of 31 December 2021.

Terranet's technology

Terranet develops tech solutions for Advanced Driver Assistance System (ADAS) and self-driving vehicles (AV) that makes life on the road safer. The technology is called VoxelFlow™ and is an event camera-based system that generates voxels unlike pixel-based cameras. The VoxelFlow™ system has been commercialized during the year under the product name BlincVision. BlincVision combines multi-beam lasers, sensor cameras and advanced image analysis into a system that reads the road surface in record time and detects objects, regardless of the weather and time of day. Terranet has a global license to use and further develop VoxelFlow™ towards the automotive industry. The company also develops software algorithms for positioning using 5G technology, as well as for communication between different vehicles and between vehicles and other objects, so-called V2X.

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 forces and 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 more be better able to adapt their products in response to market trends or will 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 2022 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.

The TO 2 and TO 3 warrant series have contributed to a large capital inflow for the company in 2021. Considering the current business plan and the company's planned investments, the existing working capital, with the addition of the contribution from the warrants that came in this October, is deemed to be sufficient for more than 12 months.

Employees

On 31 December 2021, Terranet had the equivalent of 13 (10) FTEs and 3 (8) consultants.

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 follow-up of agreed 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 2021 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 | 393,100,045 |
| Profit carried forward | -229,602,923 |
| Annual profit/loss | -49,473,557 |
| | 114,023,565 |

The Board proposes that the profits be disposed such that the amount is carried forward

114,023,565

114,023,565

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

| Totals in SEK thousand | Note | 2021 | 2020 |
|---|-------------|----------------|----------------|
| Other operating revenue | 6 | 1,369 | 847 |
| Work in progress for own account | 14 | 9,421 | 3,024 |
| Operating expenses | | | |
| Other external expenses | 7,8,9 | -27,960 | -20,544 |
| Staff costs | 10 | -16,014 | -11,853 |
| Depreciation and write-offs of tangible and intangible fixed assets | 14,15,16,17 | -8,506 | -3,136 |
| Other operating costs | | -18 | 0 |
| Operating profit/loss | | -41,708 | -31,662 |
| Financial items | | | |
| Financial income | | 109 | 381 |
| Financial expenses | 11 | -3,133 | -3,612 |
| | | -3,024 | -3,231 |
| Profit/loss before tax | | -44,732 | -34,893 |
| Tax on profit/loss for year | 12 | 0 | 0 |
| Profit/loss for the year attributable to the parent company's shareholders | | -44,732 | -34,893 |
| Profit/loss per share in SEK | | | |
| | 13 | | |
| Before dilution | | -0,17 | -0,27 |
| After dilution | | -0,17 | -0,27 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| Amounts in SEK thousand | Note | 2021 | 2020 |
|--|-------------|----------------|----------------|
| Annual profit/loss | | -44,732 | -34,893 |
| Other comprehensive income | | | |
| Items reversed in the income statement | | | |
| Translation differences | | 0 | 4 |
| Total of other comprehensive income, net after taxes | | 0 | 4 |
| Comprehensive income for the year attributable to the parent company's shareholders | | -44,732 | -34,889 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| Amounts in SEK thousand | Note | 31/12/2021 | 31/12/2020 |
|--------------------------------------|------|----------------|---------------|
| ASSETS | | | |
| Tangible fixed assets | | | |
| Intangible Assets | | | |
| Capitalised development expenditure | 14 | 12,049 | 10,262 |
| Patents | 15 | 1,992 | 2,046 |
| Property, plant and equipment | | | |
| Right of use assets | 16 | 1,895 | 2,362 |
| Equipment, machinery and computers | 17 | 450 | 0 |
| Financial assets | | | |
| Long-term securities | 19 | 32,658 | 0 |
| Total fixed assets | | 49,044 | 14,670 |
| Current assets | | | |
| Accounts receivables | 20 | 481 | 0 |
| Other receivables | 21 | 786 | 448 |
| Current tax assets | | 0 | 449 |
| Prepaid expenses and accrued revenue | 22 | 2,801 | 730 |
| Cash and cash equivalents | 23 | 62,788 | 44,495 |
| | | 66,856 | 46,122 |
| TOTAL ASSETS | | 115,900 | 60,792 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continuation

| Amounts in SEK thousand | Note | 31/12/2021 | 31/12/2020 |
|---|------|----------------|---------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 24 | 3,149 | 2,170 |
| Other contributed capital | 24 | 393,100 | 319,729 |
| Profit/loss carried forward | | -277,986 | -243,097 |
| Comprehensive income for the year | | -44,732 | -34,889 |
| Equity attributable to the parent company's shareholders | | 73,531 | 43,913 |
| Long-term liabilities | | | |
| Loans payable | 25 | 34,954 | 0 |
| Lease liabilities | | 1,515 | 1,742 |
| | | 36,469 | 1,742 |
| Current liabilities | | | |
| Convertible loans | 26 | 0 | 6,156 |
| Lease liabilities | | 457 | 612 |
| Accounts payable | | 1,997 | 2,103 |
| Other liabilities | | 803 | 2,116 |
| Accrued expenses and prepaid income | 28 | 2,643 | 4,150 |
| | | 5,900 | 15,137 |
| TOTAL EQUITY AND LIABILITIES | | 115,900 | 60,792 |

CONSOLIDATED REPORT ON CHANGES IN EQUITY

Amounts in SEK thousand

| | Attributable to the parent company's shareholders | | | | Total equity |
|--|---|---------------------|---------------------------|--|----------------|
| | Share capital | Translation reserve | Other contributed capital | Profit/loss carried forward including profit/loss for the year | |
| Equity on 1 January 2020 | 50,503 | -4 | 293,287 | -332,483 | 11,303 |
| Annual profit/loss | | | | -34,893 | -34,893 |
| Other comprehensive income | | 4 | | | 4 |
| Comprehensive income for the year | | 4 | | -34,893 | -34,889 |
| Other Changes in equity | | | | | |
| Reduction of share capital | -89,390 | | | 89,390 | 0 |
| New cash issue | 40,877 | | 32,072 | | 72,949 |
| New share issue through debt conversion/offset | 180 | | 8,674 | | 8,854 |
| Issue costs | | | -14,304 | | -14,304 |
| Equity on 31 December 2020 | 2,170 | 0 | 319,729 | -277,986 | 43,913 |
| 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 | 0 | 78,277 |
| Issue costs | | | -3,927 | | -3,927 |
| Equity on 31 December 2021 | 3,149 | 0 | 393,100 | -322,718 | 73,531 |

CONSOLIDATED CASH FLOW STATEMENT

| Amounts in SEK thousand | Note | 2021 | 2020 |
|--|-------------|----------------|----------------|
| Cash flow from operations | | | |
| Operating profit/loss | | -41,708 | -31,662 |
| Adjustments for items not included in the cash flow: | | | |
| Depreciation and write-offs | 14,15,16,17 | 8,506 | 3,136 |
| Other non-cash items | | 412 | 0 |
| Interest received | | 109 | 30 |
| Interest paid | | -3,137 | -2,472 |
| Cash flow from operations before changes in working capital | | -35,818 | -30,968 |
| Changes in working capital | | | |
| Changes in operating receivables | | -2,854 | 647 |
| Change in operating liabilities | | -2,917 | -66 |
| Cash flow from operations | | -41,589 | -30,387 |
| Investing activities | | | |
| Capitalisation of development costs | 14 | -9,422 | -3,024 |
| Patent fees | 15 | -211 | -188 |
| Acquisition of tangible assets | 17 | -572 | 0 |
| Investment in securities | 19 | -32,658 | 0 |
| Cash flow from investing activities | | -42,863 | -3,212 |
| Financing activities | | | |
| | 27 | | |
| New share issue | | 78,277 | 72,949 |
| Issue costs | | -3,927 | -7,108 |
| Convertible loans | | 0 | 1900 |
| Loans taken | | 35,000 | 10,000 |
| Repaid convertible loans | | -6,198 | -245 |
| Repaid loans | | 0 | -10,000 |
| Amortisation of lease liabilities | | -407 | -971 |
| Cash flow from financing activities | | 102,745 | 66,525 |
| Cash flow for the year | | 18,293 | 32,926 |
| Cash and cash equivalents on January 1 | | 44,495 | 11,569 |
| Cash and cash equivalents on 31 December | 23 | 62,788 | 44,495 |

PARENT COMPANY INCOME STATEMENT

| Amounts in SEK thousand | Note | 2021 | 2020 |
|---|------|----------------|----------------|
| Other operating revenue | 6 | 0 | 0 |
| Operating expenses | | | |
| Other external expenses | 7,8 | -1,910 | -2,265 |
| Operating profit/loss | | -1,910 | -2,265 |
| Profit/loss from financial items | | | |
| Depreciation of shares in group companies | 18 | -44,807 | -27,071 |
| Interest revenue and similar profit and loss items | | 109 | 29 |
| Interest expenses and similar profit and loss items | 11 | -2,866 | -3,145 |
| | | -47,564 | -30,187 |
| Profit/loss before tax | | -49,474 | -32,452 |
| Tax on profit/loss for year | 12 | 0 | 0 |
| Annual profit/loss | | -49,474 | -32,452 |

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

| Amounts in SEK thousand | Note | 2021 | 2020 |
|--|------|----------------|----------------|
| Annual profit/loss | | -49,474 | -32,452 |
| Other comprehensive income | | 0 | 0 |
| Comprehensive income for the year | | -49,474 | -32,452 |

PARENT COMPANY BALANCE SHEET

| Amounts in SEK thousand | Note | 31/12/2021 | 31/12/2020 |
|--------------------------------------|------|----------------|---------------|
| ASSETS | | | |
| Tangible fixed assets | | | |
| Financial assets | | | |
| Shares in group companies | 18 | 56,733 | 56,733 |
| Other long-term securities | 19 | 33,545 | 0 |
| | | 90,278 | 56,733 |
| Total fixed assets | | 90,278 | 56,733 |
| Current assets | | | |
| Short-term receivables | | | |
| Due from group companies | | 0 | 30 |
| Prepaid expenses and accrued revenue | 22 | 212 | 204 |
| | | 212 | 234 |
| Cash on hand | 23 | 61,773 | 42,766 |
| Total current assets | | 61,985 | 43,000 |
| TOTAL ASSETS | | 152,263 | 99,733 |

PARENT COMPANY BALANCE SHEET continuation

| Amounts in SEK thousand | Note | 31/12/2021 | 31/12/2020 |
|-------------------------------------|------|----------------|---------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Restricted equity | | | |
| Share capital | 24 | 3,149 | 2,170 |
| | | 3,149 | 2,170 |
| Non-restricted equity | | | |
| Share premium reserve | | 393,100 | 319,729 |
| Profit/loss carried forward | | -229,603 | -197,151 |
| Profit/loss for the year | | -49,474 | -32,452 |
| | | 114,023 | 90,126 |
| Total equity | | 117,172 | 92,296 |
| Long-term liabilities | | | |
| Loans payable | 25 | 34,954 | 0 |
| | | 34,954 | 0 |
| Current liabilities | | | |
| Convertible loans | 26 | 0 | 6,156 |
| Accounts payable | | 13 | 11 |
| Liabilities to group companies | | 94 | 94 |
| Accrued expenses and prepaid income | 28 | 30 | 1,176 |
| | | 137 | 7,437 |
| TOTAL EQUITY AND LIABILITIES | | 152,263 | 99,733 |

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousand

| | 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 2020 | 50,503 | 293,287 | -218,189 | -68,351 | 57,250 |
| Appropriation of profit/loss for previous year | | | -68,351 | 68,351 | 0 |
| Profit/loss for the year | | | | -32,452 | -32,452 |
| Other comprehensive income | | | 0 | 0 | 0 |
| Comprehensive income for the year | | | 0 | -32,452 | -32,452 |
| Other Changes in equity | | | | | |
| Reduction of share capital | -89,390 | | 89,390 | | 0 |
| New cash issue | 40,877 | 32,072 | | | 72,949 |
| New share issue through debt conversion/offset | 180 | 8,674 | | | 8,854 |
| Issue costs | | -14,304 | | | -14,304 |
| Rounding differences | | | -1 | | -1 |
| Equity on 31 December 2020 | 2,170 | 319,729 | -197,151 | -32,452 | 92,296 |
| 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 | 0 | | 78,277 |
| Issue costs | | -3,927 | | | -3,927 |
| Equity on 31 December 2021 | 3,149 | 393,100 | -229,603 | -49,474 | 117,172 |

PARENT COMPANY STATEMENT OF STATEMENT

| Amounts in SEK thousand | Note | 2021 | 2020 |
|--|------|----------------|----------------|
| Cash flow from operations | | | |
| Operating profit/loss | | -1,910 | -2,265 |
| Adjustments for items not included in the cash flow: | | | |
| Other non-cash items | | 0 | 0 |
| Interest received | | 109 | 29 |
| Interest paid | | -2,870 | -2,005 |
| Cash flow from operations before changes in working capital | | -4,671 | -4,241 |
| Changes in working capital | | | |
| Changes in operating receivables | | 22 | -88 |
| Change in operating liabilities | | -1,144 | -365 |
| Cash flow from operations | | -5,793 | -4,694 |
| Investing activities | | | |
| Investment in securities | 19 | -33,545 | 0 |
| Paid shareholder contributions | 18 | -44,807 | -30,100 |
| Cash flow from investing activities | | -78,352 | -30,100 |
| Financing activities | | | |
| New share issue | | 78,277 | 72,949 |
| Issue costs | | -3,927 | -7,108 |
| Convertible loans | | 0 | 1,900 |
| Loans taken | | 35,000 | 10,000 |
| Repaid convertible loans | | -6,198 | -245 |
| Repaid loans | | 0 | -10,000 |
| Cash flow from financing activities | | 103,152 | 67,496 |
| Cash flow for the year | | 19,007 | 32,702 |
| Cash and cash equivalents on January 1 | | 42,766 | 10,064 |
| Cash and cash equivalents on 31 December | 23 | 61,773 | 42,766 |



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.

Terranet has also registered a 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 2021 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 2021 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 amended standards and interpretations that have not yet entered into force

The new and amended standards and interpretations that have been decided and have entered into force for financial years beginning after 1 January 2021 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 contribution to defined contribution pension plans is charged to the income statement for the year in the year to which they relate.

Share-based payments

The Group has no share-based payments.

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, as well as 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

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 generated internally are reported at acquisition cost less accumulated 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 assets 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; and
- 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 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 amortised cost. This business model is categorised as "hold to collect", which equates to valuation at amortised 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 (see also Note 19), where Terranet applies the business model “other”, which means that the holding is reported at fair value via the income statement.

Financial assets that are valued at amortised 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 amortised 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.

Amortised 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 receivables 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.

Issued convertible debentures

Convertible debentures can be converted into shares by the counterparty utilising its option to convert the right to claim into shares. Convertible debentures are recognised as a compound financial instrument and are divided into a debt component and an equity component. At the time of issue, the debt component is valued at the fair value of a similar debt that has no right to conversion or has a similar equity component. The value of the equity component is calculated as the difference between the proceeds of the convertible debenture issue and the fair value of the debt component at the time of issue. The equity component is recognised as other contributed capital. After the issue date, the debt component is recognised at amortised cost through the application of the effective interest method.

Direct costs attributable to the issue of a complex financial instrument are allocated between the debt component and the equity component in proportion to how the proceeds from the issue are distributed.

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.

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 2021 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.

Note 3 Important estimates and assessments

Important sources of uncertainty in estimates

Below are the main assumptions about future and other important sources of uncertainty in estimates on 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 expenditure

Capitalised development expenditures 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.

Impairment testing of capitalised development costs for the year showed that previously completed development work is no longer expected to contribute to future cash flows. The value of the write-offs refers to previous projects, wherein the impact on future cash flow is more uncertain and the write-offs are not directly linked to VoxelFlow™ or BlincVision. Thus, the requirements for capitalising these costs are not met and an impairment has been made in the amount of TSEK 7,635 (157).

The assessment is that there is great potential in what remains of capitalised development expenditure for future licensing revenues and cash flows based on the Group's product development. The carrying amount of capitalised costs amounts to TSEK 12,049 (10,262).

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 TSEK 390,128 (346,740).

If the Group is able to report a deferred tax asset for the entire loss carryforward, profit and equity would increase by TSEK 80,366 (71,428). There is no maturity date that limits the utilisation of the tax loss carryforwards.

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 thus has a negative cash flow from operating activities. The company has additional cash on hand due to the capital injection from the most recent warrant issue (series TO 3). Considering the current business plan and the company's planned investments, the cash on hand, with the addition of the contribution from the warrants that came in this October, is deemed to be sufficient for more than 12 months.

Internally generated intangible assets

The Group's accounting principles with regard to the capitalisation of internally generated intangible assets are 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.

| | 2021 | | 2020 | |
|-----|------------------|-----------------|------------------|-----------------|
| | Operating income | Operating costs | Operating income | Operating costs |
| USD | 0% | 12% | 18% | 21% |
| EUR | 35% | 7% | 0% | 5% |
| GBP | 0% | 0% | 38% | 0% |
| SEK | 65% | 81% | 44% | 74% |
| | 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 TSEK -326 (-367) and a 5% increase in the value of EUR would have an effect on profit/loss after tax of approximately TSEK -172 (16).

The Group had liabilities in foreign currency amounting to TUSD 0 thousand (33) and TEUR 7 (27) 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 holoxide. 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 listed on First North, which enables the company to access an even wider circle of investors.

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.

| 31/12/2021 | Within 3 months | 3-12 months | 1-2 Years | 3-5 Years | 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 |

| 31/12/2020 | Within 3 months | 3-12 months | 1-2 Years | 3-5 Years | Over 5 Years | Total |
|---------------------------|----------------------------|------------------------|----------------------|----------------------|-------------------------|---------------|
| Convertible loans | 7,335 | 0 | 0 | 0 | 0 | 7,335 |
| Lease liabilities | 400 | 388 | 1,035 | 1,035 | 0 | 2,858 |
| Accounts payable | 2,103 | 0 | 0 | 0 | 0 | 2,103 |
| Other current liabilities | 2,275 | 0 | 0 | 0 | 0 | 2,275 |
| Total | 12,113 | 388 | 1,035 | 1,035 | 0 | 14,571 |

Credit and counterparty risk

Credit risk refers to the risk that the counterparty in a transaction causes the Group to incur 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 2020 and 2021.

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 | |
|--|-------------------|-------------------|
| | 31/12/2021 | 31/12/2020 |
| Long-term securities | 32,658 | 0 |
| Accounts receivables | 481 | 0 |
| Other current receivables | 786 | 448 |
| Cash and cash equivalents | 62,788 | 44,495 |
| Maximum exposure to credit risk | 96,713 | 44,943 |

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 | |
|--|-------------------|-------------------|
| | 31/12/2021 | 31/12/2020 |
| Financial assets are valued at amortised cost | | |
| Accounts receivables | 481 | 0 |
| Other receivables | 786 | 448 |
| Cash and cash equivalents | 62,788 | 44,495 |
| Total Financial assets are valued at amortised cost | 64,055 | 44,943 |

| | The Group | |
|--|-------------------|-------------------|
| | 31/12/2021 | 31/12/2020 |
| Financial assets valued at fair value via the balance sheet | | |
| Long-term securities | 32,658 | 0 |
| Total Financial assets valued at fair value | 32,658 | 0 |

The Group's long-term securities consist entirely of its holdings in holoride, which is described in Note 19. Holdings are valued at fair value (Level 3) in accordance with the valuation categories in IFRS 3. This means that fair value is determined based on valuation models where significant inputs are unobservable inputs for the asset or liability. 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 | |
|---|-------------------|-------------------|
| | 31/12/2021 | 31/12/2020 |
| Financial liabilities valued at amortised cost | | |
| Lease liabilities | 1,972 | 2,354 |
| Convertible loans | 0 | 6,156 |
| Accounts payable | 1,997 | 2,103 |
| Other financial liabilities | 529 | 2,275 |
| Total Financial liabilities are valued at amortised cost | 4,498 | 12,888 |

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 | |
|--------------------------------------|--------------|------------|--------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenue from development cooperation | 482 | 481 | 0 | 0 |
| Grants from Vinnova | 887 | 344 | 0 | 0 |
| Other revenue | 0 | 22 | 0 | 0 |
| Total | 1,369 | 847 | 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 | |
|---------|---------------------------------|------------|-----------------------|---------------|
| | 2021 | 2020 | 31/12/2021 | 31/12/2020 |
| Sweden | 0 | 0 | 49,044 | 14,670 |
| Germany | 482 | 0 | 0 | 0 |
| USA | 0 | 155 | 0 | 0 |
| UK | 0 | 326 | 0 | 0 |
| | 482 | 481 | 49,044 | 14,670 |

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

Information on intra-group purchases and sales

| | The parent company | |
|-----------|--------------------|------|
| | 2021 | 2020 |
| Purchases | 0,0% | 0,0% |
| Sales | 0,0% | 0,0% |

Note 7 Other external expenses

| | The Group | | The parent company | |
|--|---------------|---------------|--------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Cost of premises | 849 | 484 | 0 | 0 |
| Consumable equipment, software and consumables | 2,229 | 859 | 0 | 0 |
| Sales and marketing costs | 4,299 | 3,340 | 50 | 75 |
| Extra hired staff | 14,095 | 10,442 | 0 | 0 |
| Consulting costs | 2,713 | 2,974 | 1,559 | 1,955 |
| Other information | 3,775 | 2,445 | 301 | 235 |
| Total | 27,960 | 20,544 | 1,910 | 2,265 |

Note 8 Audit fees and expenses

| | The Group | | The parent company | |
|--|------------|------------|--------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Deloitte AB | | | | |
| Audit assignment | 300 | 300 | 0 | 0 |
| Auditing activities beyond the scope of the audit assignment | 157 | 286 | 0 | 0 |
| Total | 457 | 586 | 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.

Safety at the blink of an eye



Note 9 Leasing

The Group is a lessee through leases for premises and for a vehicle. An agreement was reached in the autumn of 2020 on the early termination of the lease for premises. The agreement originally ran through April 2022. The agreement has meant that right of use assets have been written down by TSEK 1,183 and that interest income of TSEK 351 has been reported in 2020. A new lease has been signed, which extends to 1 February 2026.

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 | |
|--|------------------|---------------|
| | 2021 | 2020 |
| Depreciation of right of use assets | -484 | -1,004 |
| Impairment of right of use assets | 0 | -1,183 |
| Interest costs for lease liabilities | -182 | -463 |
| Interest income for lease liabilities | 0 | 351 |
| Costs attributable to short-term lease agreements | 0 | 0 |
| Costs attributable to lease agreements of low value | -15 | -9 |
| Revenue attributable to subletting right of use assets | 0 | 0 |
| Total | -681 | -2,308 |

On 31 December 2021, the Group has obligations attributable to short-term lease agreements of TSEK 69 (16).

Cash flow

| | The Group | |
|---|------------------|---------------|
| | 2021 | 2020 |
| Amortisation of lease liabilities | -407 | -971 |
| Interest costs lease liabilities | -182 | -463 |
| Short-term lease agreements and leasing agreements with low value | 0 | -9 |
| Total cash flow | -589 | -1,443 |

See Note 16 for specification of right-of-use assets.

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

| | 2021 | | 2020 | |
|------------------------------------|------------------|------------------------|------------------|------------------------|
| | Number employees | Of which number of men | Number employees | Of which number of men |
| Average number of employees | | | | |
| The parent company | | | | |
| Sweden | 0 | 0 | 0 | 0 |
| Total in the parent company | 0 | 0 | 0 | 0 |
| Subsidiaries | | | | |
| Sweden | 13 | 9 | 10 | 8 |
| Total in subsidiaries | 13 | 9 | 10 | 8 |
| Total in the Group | 13 | 9 | 10 | 8 |

Distribution of senior executives on closing day

| | The Group | | The parent company | |
|---|------------|------------|--------------------|------------|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| Women: | | | | |
| Board members | 1 | 1 | 1 | 1 |
| Other persons in company leadership incl. CEO | 1 | 1 | 0 | 0 |
| Men: | | | | |
| Board members | 5 | 5 | 5 | 5 |
| Other persons in company leadership incl. CEO | 3 | 3 | 1 | 1 |
| Total | 10 | 10 | 7 | 7 |

Salaries, other remuneration, etc.

| | 2021 | | 2020 | |
|------------------------|---------------------------------|-------------------------------------|---------------------------------|-------------------------------------|
| | Salaries and other remuneration | Soc costs (of which pensions costs) | Salaries and other remuneration | Soc costs (of which pensions costs) |
| Parent company | 0 | 0 | 0 | 0 |
| | | (0) | | (0) |
| Subsidiaries | 12,350 | 3,822 | 7,669 | 2,510 |
| | | (1,187) | | (796) |
| Total for Group | 12,350 | 3,822 | 7,669 | 2,510 |
| | | (1,187) | | (796) |

Salaries and remuneration distributed between board members, etc. and employees

| | 2021 | | 2020 | |
|------------------------|--|-----------------|--|-----------------|
| | Board and CEO CEO (of which bonuses and similar) | Other employees | Board and CEO CEO (of which bonuses and similar) | Other employees |
| The parent company | 0 | 0 | 0 | 0 |
| | (0) | | (0) | |
| Subsidiaries | 2,432 | 9,918 | 2,076 | 5,593 |
| | (0) | | (0) | |
| Total for Group | 2,432 | 9,918 | 2,076 | 5,593 |

Of the Group's pension costs, TSEK 0 (0) relates to the Board and the CEO.

Pensions

The retirement age for CEO Pär-Olof Johannesson, who was active throughout the financial year 2021, is 65 years. The CEO has no pension agreement with the company; pension is included in the gross salary. Göran Janson was appointed interim CEO on 4 February 2022, and has no pension agreement with the company. For other senior executives, the retirement age is 65 years. The company pays pension premiums according to its current pension policy. The amount of the premiums corresponds to the ITP1 plan for occupational pensions.

The Group's total cost for defined contribution pension plans amounts to TSEK 1,187 (796). The parent company's total cost for defined contribution pension plans amounts to TSEK 0 (0).

Remuneration to senior executives

| 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 | 0 | 0 | 1,800 |
| Other senior executives (4) | 2,382 | 0 | 0 | 388 | 2,770 |
| Total | 4,814 | 0 | 0 | 388 | 5,202 |

| 2020 | Base salary/ Fees | Variable remuneration | Other benefits | Pensions- cost | Total |
|--|------------------------------|----------------------------------|---------------------------|---------------------------|--------------|
| Anders Rantén, Board Member and Board Chair for part of the year | 61 | 0 | 0 | 0 | 61 |
| Arne Hansson, Board member for part of the year | 63 | 0 | 0 | 0 | 63 |
| Christian Rasmusson, Board member for part of the year | 32 | 0 | 0 | 0 | 32 |
| Claes Lachmann, Board member for part of the year | 51 | 0 | 0 | 0 | 51 |
| Conny Larsson, Board chair for part of the year | 88 | 0 | 0 | 0 | 88 |
| Göran Janson, Board chair for part of the year | 64 | 0 | 0 | 0 | 64 |
| Karolina Bjurehed, Board member for part of the year | 63 | 0 | 0 | 0 | 63 |
| Pär-Olof Johannesson, CEO | 1,665 | 0 | 0 | 0 | 1,665 |
| Other senior executives (2) | 1,949 | 0 | 0 | 224 | 2,173 |
| Total | 4,036 | 0 | 0 | 224 | 4,260 |

Severance pay

In the 2021 financial year, there were no agreements on severance pay for the CEO; the Board was entitled to dismiss the CEO after providing 6 months' notice and the CEO could terminate employment with 3 months' notice. The CEO retains the same salary during the notice period. The agreement that governs the relationship between the company and the interim CEO, who has served in the position since 4 February 2022, does not include severance pay; the board is entitled to dismiss the CEO after providing 1 month's notice and the CEO can terminate employment with 1 month's notice.

Warrant series programme

The Board and other senior executives have no option programmes in the company other than the warrants granted to shareholders (see Note 24).

Note 11 Financial costs

| | The Group | | The parent company | |
|-----------------------------------|--------------|--------------|--------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Interest costs | 2,951 | 3,149 | 2,866 | 3,145 |
| Interest costs, lease liabilities | 182 | 463 | 0 | 0 |
| Total financial costs | 3,133 | 3,612 | 2,866 | 3,145 |

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

Note 12 Taxes

| | The Group | | The parent company | |
|---|-----------|----------|--------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| 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% (21.4%) 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 | |
|---|-----------|----------|--------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Profit/loss before tax | -44,732 | -34,893 | -49,474 | -32,452 |
| Total reported tax for the year | | | | |
| Tax calculated according to Swedish tax rate of 20.6% (21.4%) | 9,215 | 7,467 | 10,192 | 6,945 |
| Tax effect of non-deductible write-offs | 0 | 0 | -9,230 | -5,793 |
| Tax effect of other non-deductible costs | -277 | -36 | 0 | 0 |
| Tax effect of non-taxable income | 0 | 63 | 0 | 0 |
| Tax effect of tax loss carryforwards for which deferred tax assets are not reported | -8,938 | -7,494 | -962 | -1,152 |
| 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 390,128 (346,740) as of 31 December 2021. 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 13 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 | |
|--|------------------|--------------|
| | 2021 | 2020 |
| Profit/loss for the year attributable to the parent company's shareholders | -44,732 | -34,893 |
| Weighted average number of ordinary shares before dilution, number of shares | 268,413,390 | 128,172,645 |
| Undiluted EPS, SEK | -0,17 | -0,27 |

Diluted EPS

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

| | The Group | |
|--|------------------|--------------|
| | 2021 | 2020 |
| Profit/loss for the year attributable to the parent company's shareholders | -44,732 | -34,893 |
| Weighted average number of ordinary shares before dilution, number of shares | 268,413,390 | 128,172,645 |
| Effect of potential ordinary shares with regard to options | 0 | 0 |
| Weighted average number of ordinary shares after dilution, number of shares | 268,413,390 | 128,172,645 |
| Diluted EPS, SEK | -0,17 | -0,27 |

For information on changes in the number of outstanding shares, see Note 24 Equity.

Note 14 Capitalised development expenditure

| | The Group | |
|--|----------------|----------------|
| | 31/12/2021 | 31/12/2020 |
| Opening acquisition value | 50,748 | 47,724 |
| Capitalised costs for the year | 9,422 | 3,024 |
| Closing amortised cost | 60,170 | 50,748 |
| Opening depreciation | -3,686 | -3,643 |
| Depreciation for the year | 0 | -43 |
| Closing accumulated depreciations | -3,686 | -3,686 |
| Opening write-offs | -36,801 | -36,644 |
| Write-offs for the year | -7,635 | -157 |
| Closing cumulative write-offs | -44,436 | -36,801 |
| Closing carrying amount | 12,049 | 10,262 |

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.

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 refers. 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 previously completed development work is no longer expected to contribute to future cash flows. The value of the write-offs refers to previous projects, wherein the impact on future cash flow is more uncertain and the write-offs are not directly linked to VoxelFlow™ or BlincVision. Thus, the requirements for capitalising these costs are not met and an impairment has been made in the amount of TSEK 7,635 (157).

Note 15 Patents

| | The Group | |
|--|-------------------|-------------------|
| | 31/12/2021 | 31/12/2020 |
| Opening acquisition value | 6,763 | 6,575 |
| Acquisitions for the year | 211 | 188 |
| Closing amortised cost | 6,974 | 6,763 |
| Opening depreciation | -1,406 | -1,262 |
| Depreciation for the year | -181 | -144 |
| Closing accumulated depreciations | -1,587 | -1,406 |
| Opening write-offs | -3,311 | -2,706 |
| Write-offs for the year | -84 | -605 |
| Closing cumulative write-offs | -3,395 | -3,311 |
| Closing carrying amount | 1,992 | 2,046 |

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

In conjunction with this year's impairment testing of capitalised development expenditure, impairment needs of TSEK 84 (605) were identified, which relate to capitalised patent costs attributable to development projects that are no longer included in the Group's business focus areas.

Note 16 Right of use assets

Buildings

| | The Group | |
|--|--------------|--------------|
| | 31/12/2021 | 31/12/2020 |
| Acquisition cost | | |
| Opening acquisition costs | 2,201 | 3,253 |
| Additional right-of-use assets | 0 | 2,083 |
| Closing right-of-use assets | -118 | -3,135 |
| Closing amortised cost | 2,083 | 2,201 |
| Cumulative depreciation | | |
| Opening depreciation | 0 | -976 |
| Closing right-of-use assets | 0 | 1,952 |
| Depreciation for the year | -417 | -976 |
| Closing accumulated depreciations | -417 | 0 |
| Booked value | 1,666 | 2,201 |

Vehicles

| | The Group | |
|--|------------|------------|
| | 31/12/2021 | 31/12/2020 |
| Acquisition cost | | |
| Opening acquisition costs | 231 | 231 |
| Additional right-of-use assets | 296 | 0 |
| Closing right-of-use assets | -231 | 0 |
| Closing amortised cost | 296 | 231 |
| Cumulative depreciation | | |
| Opening depreciation | -70 | -42 |
| Closing right-of-use assets | 70 | 0 |
| Depreciation for the year | -68 | -28 |
| Closing accumulated depreciations | -68 | -70 |
| Booked value | 228 | 161 |

Note 17 Equipment, machinery and computers

| | The Group | | The parent company | |
|--|-------------|------------|--------------------|------------|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| Opening acquisition cost | 0 | 0 | 0 | 0 |
| Acquisitions for the year | 572 | 0 | 0 | 0 |
| Closing amortised cost | 572 | 0 | 0 | 0 |
| Opening depreciation | 0 | 0 | 0 | 0 |
| Depreciation for the year | -122 | 0 | 0 | 0 |
| Closing accumulated depreciations | -122 | 0 | 0 | 0 |
| Closing carrying amount | 450 | 0 | 0 | 0 |

Note 18 Shares in group companies

| | The parent company | |
|---|---------------------------|-------------------|
| | 31/12/2021 | 31/12/2020 |
| Opening acquisition cost | 372,345 | 342,315 |
| Shareholder contributions | 44,807 | 30,100 |
| Liquidation of TN Communication Systems Ltd | 0 | -70 |
| Closing acquisition costs | 417,152 | 372,345 |
| Opening write-offs | -315,612 | -288,612 |
| Write-offs for the year | -44,807 | -27,000 |
| Closing cumulative depreciations | -360,419 | -315,612 |
| Closing carrying amount | 56,733 | 56,733 |

| Company, corporate identification number | Registered office | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
|---|--------------------------|-------------------------|-------------------------|---------------------|---------------------|
| | | Capital share %* | Capital share %* | Booked value | Booked value |
| Terranet Tech AB (556666-9916) | Lund | 100% | 100% | 56,633 | 53,633 |
| TerraNet International AB (556759-6662) | Lund | 100% | 100% | 100 | 100 |
| 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 2021 had no balance sheet total to report.

Note 19 Long-term securities

| | The Group | | The parent company | |
|------------------------------------|---------------|------------|--------------------|------------|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| Opening carrying amount | 0 | 0 | 0 | 0 |
| Investments for the financial year | 32,658 | 0 | 33,545 | 0 |
| Closing carrying amount | 32,658 | 0 | 33,545 | 0 |

Long-term securities holdings consist of Terranet's investment in the VR/AR technology company holoride. This is a joint investment with A4nXT (Audi), Shell Attractions (game developer) and two actors from Asia. Terranet invested the equivalent of MEUR 3.2 in holoride's new share issue in April, corresponding to 10.84% 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 VoxelFlow™ technology – Infotainment.

Within the Group, acquisition costs for the acquisition of shares in holoride are expensed, while the acquisition costs in the parent company are recognised as a supplement to the acquisition cost.

Note 20 Accounts receivables

| | The Group | | The parent company | |
|-----------------------------------|------------|------------|--------------------|------------|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| Accounts receivable – gross | 481 | 0 | 0 | 0 |
| Bad debt reserve | 0 | 0 | 0 | 0 |
| Total accounts receivables | 481 | 0 | 0 | 0 |

The company had one outstanding accounts receivable per 2021-12-31 that was overdue, however it has been fully paid in January 2022.

Note 21 Other receivables

| | The Group | | The parent company | |
|-----------------|------------|------------|--------------------|------------|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| VAT receivables | 539 | 400 | 0 | 0 |
| Other items | 247 | 48 | 0 | 0 |
| Total | 786 | 448 | 0 | 0 |

Note 22 Prepaid expenses and accrued revenue

| | The Group | | The parent company | |
|------------------------|--------------|------------|--------------------|------------|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| Prepaid rents | 163 | 230 | 0 | 0 |
| Prepaid licensing fees | 1,649 | 0 | 0 | 0 |
| Other items | 989 | 500 | 212 | 204 |
| Total | 2,801 | 730 | 212 | 204 |

Note 23 Cash and cash equivalents

| | The Group | | The parent company | |
|---------------|---------------|---------------|--------------------|---------------|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| Bank balances | 62,788 | 44,495 | 61,773 | 42,766 |
| Total | 62,788 | 44,495 | 61,773 | 42,766 |

Note 24 Equity

Share capital and Other contributed capital

| | Number of ordinary shares | Share capital (SEK thousand) | Other contributed capital (SEK thousand) |
|-------------------------------------|------------------------------|---------------------------------|---|
| As of 01 January 2020 | 50,502,653 | 50,503 | 293,287 |
| New issue, July | 101,005,306 | 40,402 | -12,519 |
| Reduction of share capital, July | 0 | -89,390 | 0 |
| New offset issue, July | 17,994,918 | 180 | 7,018 |
| New issue through exercise of TO 1B | 47,503,386 | 475 | 31,943 |
| As of 31 December 2020 | 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 |

As of 31 December 2021, the registered share capital consisted of 314,852,930 ordinary shares with a quotient value of SEK 0.01/share. Of these, 1,137,463 are Class A shares and 313,715,467 Class B shares, all of which are fully paid. No shares are held by the company itself or its subsidiaries.

Warrants

Through the preferential rights Issue, 50,502,653 warrants of series 2020:1 named TO1 were also issued, which entitle the holder to subscribe to 50,502,653 B shares in the company, 50,502,653 warrants of series 2020:2 named TO2, which entitle the holder to subscribe to an additional 50,502,653 B shares, and 50,502,653 warrants of series 2020:3 named TO3, which entitle the holder to subscribe to an additional 50,502,653 B shares.

The subscription of B shares through warrants of series 2020:1 (TO1) occurred from 12 October 2020 to 23 October 2020. Each warrant of series 2020:1 entitled the holder to the subscription of one (1) new B share in the company 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 28 September 2020 to 9 October 2020, however, no less than the value corresponding to the quota value for TerraNet's share during the subscription period and a maximum of SEK 0.80 per B share. The subscription price was set at SEK 0.72, and a total of 94 percent of the warrants of series 2020:1 were exercised, which raised MSEK 32.4 before transaction costs.

The subscription of B shares through warrants of series 2020:2 (TO2) occurred from 08 March 2021 to 19 March 2021. Each warrant of series 2020:2 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 22 February 2021 to 05 March 2021, which gave a maximum value of SEK 0.80 per B share. The outcome of the warrant series was 94.9%, and the company was thus able to raise an additional MSEK 36.4 after issue costs.

The subscription of B shares through warrants of series 2020:3 (TO3) occurred from 23 August 2021 to 03 September 2021. Each warrant of series 2020:3 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 09 August 2021 to 20 August 2021, which amounted to a subscription price of SEK 0.80 per B share. The outcome of the warrant series was 98.9%, and the company was thus able to raise MSEK 37.9 after issue costs.

In connection with the loan of MSEK 35 taken to fund the acquisition of shares in holoride, warrants (series TO4 B and series TO5 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 TO4 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 (TO4) occurred from 28 February 2022 to 11 March 2022. Each warrant of series TO4 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 TO5 B were issued, of which 6,160,773 were issued to the lender and 6,160,773 to existing shareholders. Each warrant of series TO5 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 TO5B will occur from 13 March 2023 to 24 March 2023.

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 25 Loans payable

| | The Group | | The parent company | |
|-------------------|---------------|------------|--------------------|------------|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| Other liabilities | 34,954 | 0 | 34,954 | 0 |
| Total | 34,954 | 0 | 34,954 | 0 |

Loans of TSEK 35,000 (nominal amount) were taken in April 2021 to fund the investment in holoxide (see Note 19). The loan falls due in connection with the receipt of funds raised from TO4 B and TO5 B (see note 24 above under Warrants). The final date of maturity of the loan is 31 May 2023. The loan is recognised in its entirety as a long-term loan in this annual report.

Note 26 Convertible loans

In February 2019, Terranet AB issued a convertible promissory note of TSEK 6,198 with a coupon rate of 10%. The promissory note falls due on 15 January 2021 at the nominal amount if it is not converted into shares before that date. Twice a year (June 15 to June 30 and December 15 to 31 December), convertible holders have the right to demand the conversion of all or part of their convertible receivable into new shares in the company at a conversion price corresponding to 75 percent of the average market price of the company's B shares on Nasdaq First North Premier, or another market, on the date that immediately precedes the start of the respective conversion period, however, a minimum of SEK 5 per share. As of the end of the 2020 financial year, no conversion had taken place. As of 15 January 2021, the nominal amount of the convertible loan (TSEK 6,198) and accrued interest (TSEK 1,136) have been paid in full.

Note 27 Reconciliation of liabilities arising from financing activities

Tabellen nedan presenterar årets förändring av koncernens skulder kopplat till finansiering av verksamheten. 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 2020 | 5,662 | 2,671 | 0 | 8,333 |
| <i>Items affecting cash flow</i> | | | | 0 |
| Assumption of loans | 1,900 | 0 | 10,000 | 11,900 |
| Repaid loans | -245 | -971 | -10,000 | -11,216 |
| <i>Other non-cash items</i> | | | | |
| Leasing agreement entered | | 2,083 | | 2,083 |
| Reclassification of lease liabilities | | -1,078 | | -1,078 |
| Discount effect | 494 | -351 | | 143 |
| Conversion to shares | -1,655 | | | -1,655 |
| As of 31 December 2020 | 6,156 | 2,354 | 0 | 8,510 |
| <i>Items affecting cash flow</i> | | | | |
| Assumption of loans | 0 | 0 | 35,000 | 35,000 |
| Repaid loans | -6,198 | -407 | 0 | -6,605 |
| <i>Other non-cash items</i> | | | | |
| Leasing agreement entered | | 296 | | 296 |
| Terminated leasing agreements | | -271 | | -271 |
| Accrued interest | | | 1,890 | 0 |
| Discount effect | 42 | 0 | -1,936 | -1,894 |
| As of 31 December 2021 | 0 | 1,972 | 34,954 | 36,926 |

Note 28 Accrued expenses and prepaid income

| | The Group | | The parent company | |
|-----------------------------------|--------------|--------------|--------------------|--------------|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| Accrued salaries and vacation pay | 1,378 | 1,383 | 0 | 0 |
| Accrued social costs | 504 | 435 | 0 | 0 |
| Accrued special payroll tax | 232 | 353 | 0 | 0 |
| Accrued interest | 0 | 1,136 | 0 | 1,136 |
| Other items | 529 | 843 | 30 | 40 |
| Total | 2,643 | 4,150 | 30 | 1,176 |

Note 29 Deposit collateral and contingent liabilities

| | The Group | | The parent company | |
|------------------------|------------|------------|--------------------|------------|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| 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

In 2021, no purchases of services were made from board members.

Purchases from board members and management during 2020 and 2021 are detailed below and have been made via invoicing from the companies.

| | The Group | | The parent company | |
|---|------------|--------------|--------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Anders Rantén, Board member for part of 2020 | 0 | 118 | 0 | 0 |
| Claes Lachmann, Board member for part of 2020 | 0 | 83 | 0 | 0 |
| Management without employee status | 412 | 2,383 | 0 | 0 |
| Total | 412 | 2,584 | 0 | 0 |

Board member invoicing for the previous year is attributable to time spent for consultations for measures to support market and business relationships.

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

- On 4 February 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, has taken over as interim CEO until a permanent successor is appointed. Göran has therefore left his role as board chair but continues to be a board member. Anders Blom has been elected the new Chairman of the Board.
- On 7 February Terranet updated the market for BlincVision, which is based on Voxelflow™, and announced that the technical goals the company set for 2021 have been achieved and exceeded.
- On 15 March the company announced the outcome of the exercise of warrants of series TO4. Outcome was 79,9% and Terranet will receive approximately SEK 6.40 million before issuing costs.

Note 32 Dividends and appropriation of profits

No dividend was paid in 2020 and 2021.

At the Annual General Meeting on 28 April 2022, no dividend will be proposed.

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

| | |
|---|--------------|
| Share premium reserve | 393,100,045 |
| Profit/loss carried forward | -229,602,923 |
| Profit/loss for the year | -49,473,557 |
| | 114,023,565 |
| The Board proposes that carried forward | 114,023,565 |

Note 33 Approval of financial reports

The annual report and consolidated financial statements have been approved for release by the Board of Directors on 7 April 2022. 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 28 April 2022.

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.

Lund 07 April 2022

Anders Blom
Board Chair

Göran Janson
CEO and Board Member

Tarek Shoeb
Board Member

Nils Wollny
Board Member

Karolina Bjurehed
Board Member

Magnus Edman
Board Member

Our audit report has been submitted on
Deloitte AB

Richard Peters
Authorised Auditor



AUDITOR'S REPORT

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Terranet AB for the financial year 2021-01-01 – 2021-12-31.

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 2021 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 2021 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.

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 2021-01-01 – 2021-12-31 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.

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 scepticism 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 whether the proposal is in accordance with the Companies Act.

Malmö / 2022
Deloitte AB

Signature on Swedish original

Richard Peters
Authorized Public Accountant



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