



ANNUAL REPORT 2023

Safety at the blink of an eye



WE ARE IMPROVING SAFETY IN THE URBAN TRANSPORT OF THE FUTURE

Our innovative technology will make the urban traffic landscape safer and save lives. We strive to develop intelligent solutions that will transform the traffic landscape and ensure a safer future for all road users. Every metre makes a difference – every millisecond counts.





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THE YEAR IN REVIEW

GREAT PROGRESS IN PRODUCT DEVELOPMENT

2023 was characterized by a clear and successful focus on the development of the company's anti-collision solution, BlincVision. This focus has resulted in Terranet making important progress and successfully meeting its announced targets and the company at the end of 2023 is ready for the next step as communicated in the product development plan: Testing of our unique BlincVision prototype in a laboratory environment.

BUSINESS DEVELOPMENT INTENSIFIED

In 2023, the company's management had an increasingly close dialogue with potential partners and customers who show great interest in BlincVision, because of its the uniqueness of product speed and precision. The need for better solutions than those we see on the market today is great and we will be further intensifying customer contacts and discussions in 2024 with a stated goal of signing agreements.

ORGANIZATIONAL REINFORCEMENTS

During the year, Terranet has strengthened the organization, primarily by building a new management team that can take the company through the next steps required for the commercialization of BlincVision. During the fourth quarter of the year, both a new CFO, Dan Wahrenberg, and a new CTO, Pierre Ekwall, were recruited. Dan has several years of experience from similar work in other development companies and Pierre brings solid experience in commercialised product development and technology from the automotive industry.

COMMENTS FROM THE CEO

To our valued shareholders,

The 2023 financial year was an exciting year in the company's history marked by many important advances in our operation. After years of hard work, BlincVision, our anti-collision project, is beginning to show its full potential as a comprehensive solution. We are seeing increased interest from potential customers and partners and can confidently state that the sector is looking for a product with the kind of speed and precision that BlincVision offers. In the development towards a safer traffic environment and fully autonomous vehicles, solutions such as BlincVision are a prerequisite for making them work safely and efficiently.

Product development is progressing on schedule according to our previously announced development plan, with the target of demonstrating our prototype in a laboratory environment during the first quarter of 2024 and to demonstrate our prototype in a vehicle in an outdoor test environment during the second quarter of 2024. The outcome of the lab tests in the first quarter was incredibly encouraging and gave us the confirmation we needed to be able to launch the upcoming prototype tests in cars during the second quarter. At the beginning of April, based on the test results during the first quarter, the company initiated the work of optimizing the various components of our BlincVision system, and, after a number of major advances in the development work, we are well on track for the upcoming prototype demonstration in the car.

It is very encouraging that BlincVision has now reached a sufficiently advanced level of technical maturity, which allow us to directly bring into the ongoing customer and partner dialogues and makes a significant difference in their engagement and interest to develop a commercial relationship with Terranet.

We continue to strengthen our commercial expertise and at the beginning of the new year, Mats Fägerhag was elected to the Board. As a Senior Advisor, Mats has already started to contribute operationally with his long experience from the automotive industry and broad knowledge in product development and commercialization. We have also completed a recruitment process in business development and thus have a new complete management team in place to successfully commercialise and take the product to market.

At this year's CES in January, one of the world's premier trade shows for the automotive industry and tech sector, advanced driver assistance systems (ADAS) continued to be one of the

hottest topics. Car manufacturers and suppliers emphasized the need to improve existing anti-collision solutions. Despite the fact that many car models are currently equipped with advanced driver assistance systems, a high number of accidents still occur. And the continued high rate of accidents is especially concerning in cities, where accidents occur between cars and vulnerable road users. Solving this problem will require faster and more precise sensor technology. Our final product will offer precisely the technology that will help solve these problems, save lives and enable new mobility innovations for a safer and more efficient traffic environment. The collaboration that we initiated in the autumn of last year with AstaZero's test track and EuroNCAP are important steps in making this vision a reality. This collaboration will continue with new activities during the current year.

Terranet is in an incredibly exciting phase where years of development are finally coming to successful fruition across multiple fronts – particularly commercialisable product development and technology. The fact that the Company is now initiating these prototype tests is a significant milestone in the development work carried out in recent years in the Company.

We are seeing an increasing interest in our technology, which is evident from the feedback we continuously receive from leading car manufacturers and suppliers. Ongoing dialogues with Tier 1 suppliers and car manufacturers confirm that there is a great interest in what we do, both in driver support and for autonomous vehicles, and in a number of other transport and traffic sectors.

At the beginning of the year, we have been around the world and presented Terranet to the automotive industry, most recently we had the pleasure of presenting Terranet and BlincVision at the VTM fair in Turin, Italy, together with Business Sweden and Jan Björklund, Sweden's ambassador to Italy. We will continue to inform the stock market about the upcoming events that we will attend during the year.

Our goal to create the world's fastest and most accurate sensor solution will be an exciting journey this year and in the years to come. We look forward to keeping you updated on what is sure to be a very exciting year!

Magnus Andersson

CEO

Lund 30 April 2024

ABOUT TERRANET

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

MISSION:

To offer the fastest and most reliable safety system for vehicles in city traffic.

Our mission is to design and develop innovative safety technologies that meet the challenges of complex urban environments. Our goal is to make traffic safer for all road users.

Our unique, innovative technology will make the urban traffic landscape safer and save lives. We strive to develop intelligent solutions that will transform city traffic and ensure a safer future for all road users.

Terranet has its headquarters in Lund and Gothenburg and a development and marketing office in Stuttgart. The company has been listed on Nasdaq First North Premier Growth Market since May 2017.

BUSINESS MODEL AND STRATEGY

Terranet's business concept centres around the development of solutions for advanced driver assistance (ADAS) and self-driving vehicles. The technology is primarily aimed at vehicle manufacturers and subcontractors, but it is also suitable for a wide range of other actors in transport and Mobility as a Service.

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

Terranet's goal is to develop and launch our proprietary BlincVision system as a finished product that meets a number of identified needs in the industry. We aim to achieve this by helping to create safer traffic environments and accelerating the development of self-driving vehicles. As urban environments continue to grow and traffic becomes denser and more complex, Terranet has a tremendous opportunity to

make a difference. Our cutting-edge technology will help protect even the most vulnerable road users. We believe that the integration of multiple smart solutions in vehicles will transform urban traffic safety.

Terranet evaluates and tests different sensor technologies for BlincVision. One of these technologies is based on Voxelflow™, which Terranet has an exclusive global license to develop and sell to the automotive industry. Voxelflow is a software platform with algorithms that use triangulation methodology and image analysis to determine the position, direction and speed of an object in front. Product development takes place in close partnership with players within software and hardware development. During the development work, the company also has the opportunity to expand its patent portfolio, which, together with our exclusive license, builds sufficient protection for BlincVision.

BlincVision is built on technology that can be implemented in a variety of vehicle types beyond cars and autonomous vehicles, such as agricultural machinery, construction machinery, trucks, buses, motorcycles and electric scooters. BlincVision has tremendous potential for use in other types of intelligent transport systems, for example, in smart cities, mines, warehouses and theme parks. However, for the time being, Terranet is fully focused on developing and marketing BlincVision to the automotive industry globally.

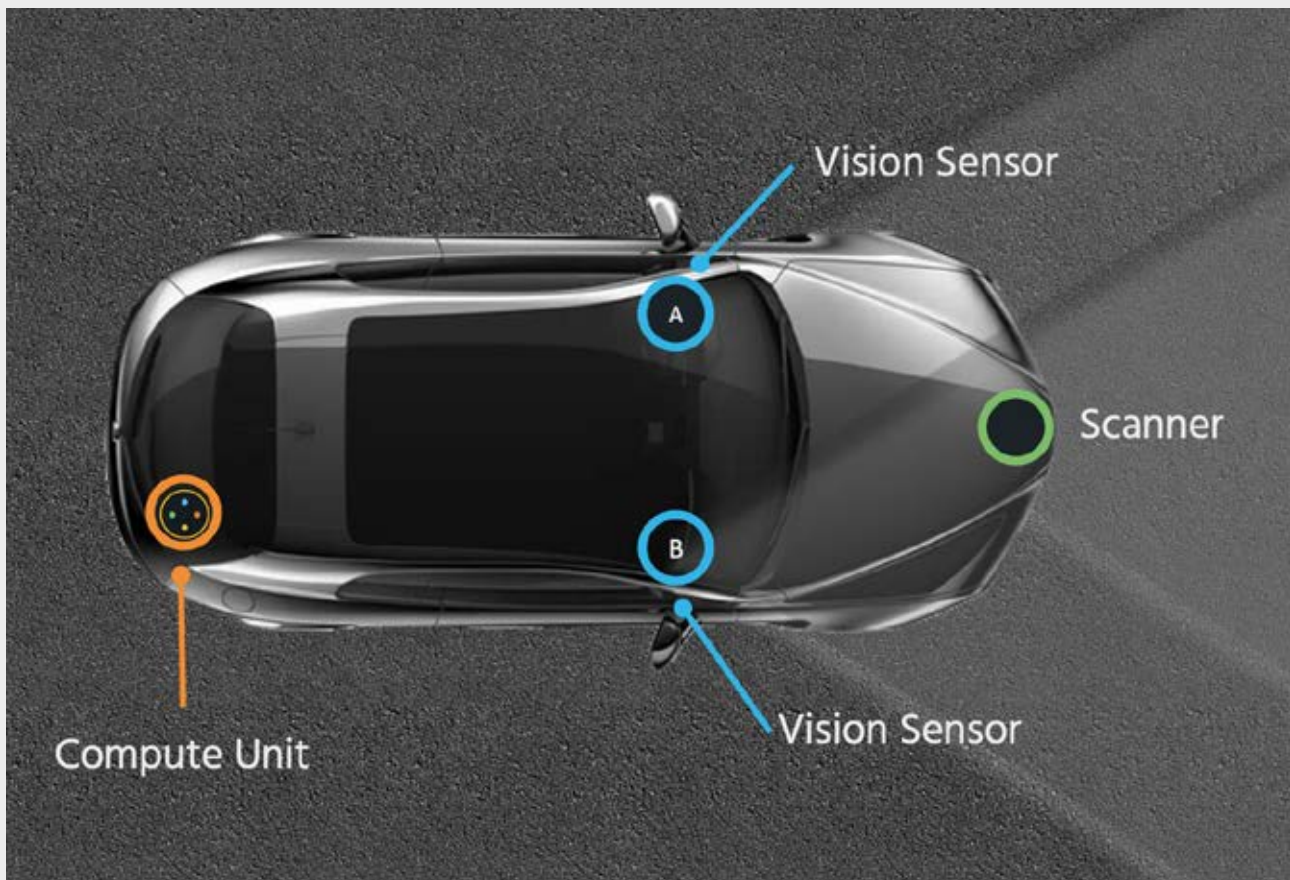


BLINCVISION SAVES LIVES IN CITY TRAFFIC

With increased urbanization, bicycle traffic and the emergence of micro-mobility solutions, the need to create a safe environment for unprotected road users in urban environments is greater than ever.

The problem with the radar, lidar, ultrasound and camera solutions used in advanced driver assistance systems today is that they lack the rapid response and image resolution capabilities required to save lives in complex traffic environments. Above all, today's ADAS technologies are not optimized for urban traffic environments, where over 40 percent of all traffic-related deaths occur in the EU.¹ Radar systems have a long range but have difficulty interpreting visual details, such as distinguishing between a child and a ball. Systems that rely on lidar technology use

sensors that register and calculate the laser beam's "Time of Flight" (ToF), which delays the reaction time. ToF can be described as the time it takes for a light signal to return to a sensor after being reflected by an object. The solutions on the market today use "frames", relying on whole images, and also require many images to determine how an object is moving. This makes these systems slow, and it also produces large amounts of data, which is a challenge for the automotive industry. BlincVision, on the other hand, uses pixel-by-pixel technology that is based on the triangulation of laser beams using event cameras, also called motion cameras, and does not rely on calculations of the laser's ToF. This results in a very precise information using only small amounts of data.



¹ WHO, 2022: <https://www.who.int/news-room/fact-sheets/detail/road-traffic-injuries>, https://ec.europa.eu/commission/presscorner/detail/en/IP_22_2012

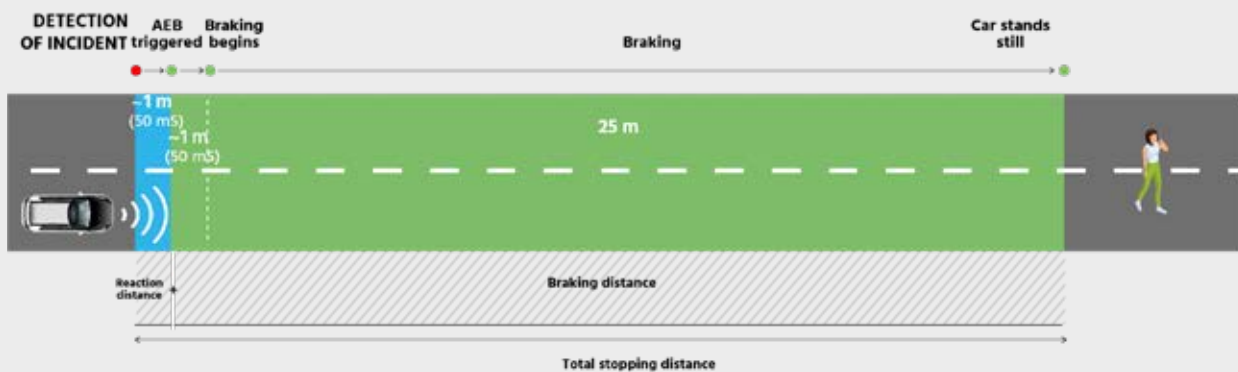
How does BlincVision work?

The BlincVision system relies on two camera sensors (event cameras) with event sensors (also called neuromorphic sensors), an active laser scanner module and a computer unit. The system uses laser beams to scan the area in front of the vehicle at a wide angle at lightning-fast speed. The event sensors capture the reflection from the lasers within a 35-metre radius and analyse the shapes and movement of objects with almost no time delay. When a pedestrian in a critical scenario is initially detected within a few milliseconds, the system reacts within 10s of milliseconds and

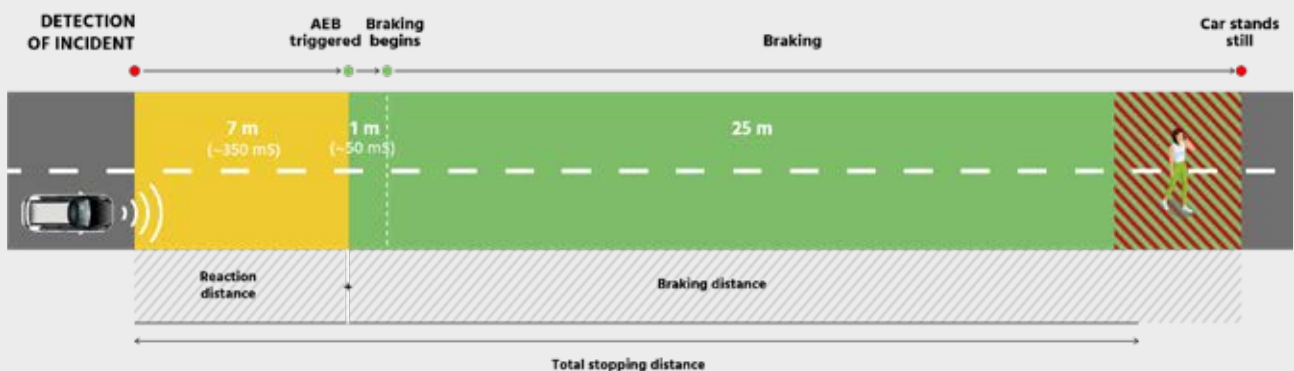
allows the vehicle to act to avert the situation, for example by braking within 100 ms. When relying on traditional ADAS technology, the same vehicle would travel almost 6 metres further at 70 km/h before the automatic braking system (AEB) activates. In many cases, the vehicle's reaction time can be the decisive factor in determining whether an accident occurs or is avoided – especially in heavily trafficked urban environments with high-density bicycle and pedestrian traffic.

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

WITH BLINCVISION



WITHOUT BLINCVISION



TERRANET'S DEVELOPMENT WORK

Terranet is focused on developing and commercialize the BlincVision system for the automotive industry. Together with amongst others Mercedes-Benz, Terranet was able to conduct a POC (Proof of Concept) in July 2021 where they demonstrated BlincVision's responsiveness in connection with the Startup Autobahn event. During 2022 and 2023, Terranet has continued product development towards a production prototype with the goal of being tested in vehicles in 2024.

Initially, the priority was primarily to develop a software for ADAS. This development continues, but at the same time, the development of the hardware, in the form of scanners and sensors, has taken up more space in the project plans. Terranet is now a developer of both software and hardware, which makes our product more complete compared to the past. The choice is strategic and gives the Company a number of advantages, such as a broader protection of BlincVision through future patents for the hardware and a fully customized and integrated technology solution for future customers as it consists of both hardware and software. The broader grasp of hardware is expected to provide increased revenue potential and simplified sales in the market vertical that Terranet already serves, i.e. the automotive industry. At the same time, it creates a connection between BlincVision and the automotive industry as the Company not only concentrates on the development of software for ADAS but can also contribute to the industry's development of autonomous vehicles. In addition, the hardware opens up for a horizontal broadening to other market areas that need similar sensors that Terranet is developing.

The laser scanner's specifications were established by Terranet in the fall of 2022. In connection with this, the Company entered into a cooperation agreement with Prevas Development AB ("Prevas") for the manufacture of a prototype of the scanner. Prevas' operations are centered on the development of technical solutions. Prevas Development, based in Karlskoga, Sweden, has extensive expertise in the field of lasers and high-tech solutions for several companies in the automotive and defense industries, among others. A first prototype of the scanner was delivered to Terranet at the end of March 2023, which means that the Company has been able to test and evaluate an eye-safe scanner prototype in Terranet's lab in Lund in 2023.

The development of the specific sensor required to meet the requirements of the automotive industry is ongoing. In December 2022, Terranet initiated feasibility studies together with two international specialist companies in the field. In its most advanced form, the sensor consists of a motion camera, also called an event camera, which minimizes the amount of data being processed and thus the time for reaction and analysis.

The development of the product's AI-based object identification takes place in parallel, primarily through software development internally within the Company.

In 2023, the company's focus in product development has been focused on optimizing the various parts of BlincVision in preparation for the externally communicated milestones in our product development plan in the autumn of 2023;

- Demonstration of prototype in laboratory environment during the first quarter of 2024
- Demonstration of prototype integrated in car during the second quarter of 2024
- Miniaturization and improved optomechanics for laser scanners in the third quarter of 2024
- Second generation of the company's AI-based object identification technology in the fourth quarter of 2024

During the year, the company has made great technical progress and during the final period of the year, development work was concentrated on BlincVision's functionality in so-called coincidence matching and triangulation that generates 3D stereovision data. In parallel, the development department has been working on object identification based on our AI technology, which uses 3D stereovision data. Through the use of AI combined with data from the sensors, BlincVision will be able to identify and classify objects and road users in real time. Testing, analysing, modifying and verifying are important parts of our technical development. The analyses from the tests give us the opportunity to constantly develop BlincVision. In 2024, based on this knowledge, we will improve the laser scanner's optomechanics, make the scanner smaller and more compact, and further develop our AI-based object identification technology.



SURROUNDING WORLD AND MARKET CONDITIONS

A rapidly changing, faster paced urban environment requires more efficient and smarter traffic safety solutions. The wave of urban growth, with the emergence of new micro-mobility solutions and broader reliance on cycling have, increased demands on vehicle traffic safety. The problem with the current ADAS systems on the market, which are based on radar, lidar, ultrasound and cameras, is that they are unable to detect and react quickly enough to guarantee the safety of pedestrians and cyclists in dense and varied traffic. In an urban traffic environment, a few milliseconds can mean the difference between an accident and an accident prevented. Even if an accident does occur, the speed at impact is decisive for the ultimate outcome of the accident. The ADAS technology that is currently available on the market is primarily developed to protect vehicle users in the event of accidents with other vehicles. Terrenet's product, BlincVision, on the other hand, also ensures the safety of unprotected road users in city traffic. During a presentation by Luminar at this year's CES in January, the company said that in about 70% of the accidents that occur in

urban traffic in the USA where pedestrians are involved, the vehicles are equipped with an ADAS solution. It is therefore evident that existing ADAS solutions are unable to react quickly enough to avoid collisions and make city traffic safer.

According to the National Highway Traffic Safety Administration (NHTSA) in the US, the number of fatal traffic accidents in the US continues to increase, from 38,824 in 2020 to 42,795 in 2022. Technologies such as BlincVision will therefore play an important role for traffic safety in the urban environment of the future, helping society meet the need to continuously implement and improve new safer mobility solutions. Traffic safety solutions such as BlincVision will also open the door to new innovation that can increase response speed and safety even further.

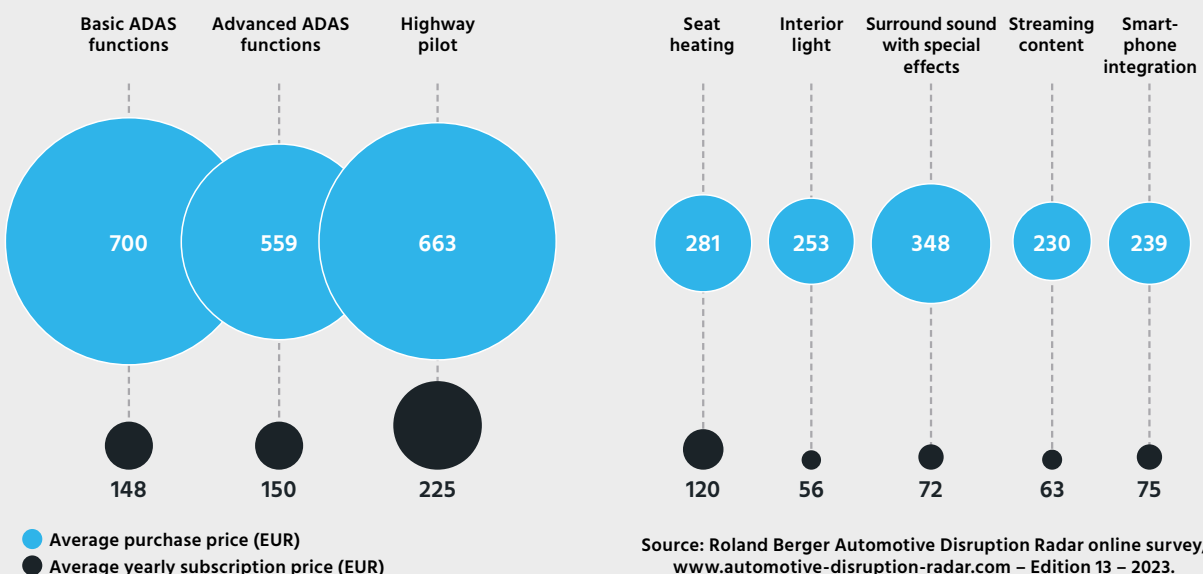
The ADAS market

Terranet is an active player within the growing market for ADAS (Advanced Driver Assistance Systems). In 2023, the ADAS market was valued at approximately

Highly valued:

Of the range of Functions on Demand services, consumers are willing to pay the most for ADAS function

What are you willing to pay for the following functions?



Source: Roland Berger Automotive Disruption Radar online survey, www.automotive-disruption-radar.com – Edition 13 – 2023.

SEK 340 billion, with an expected increase to SEK 1,400 billion in 2029, corresponding to an annual growth rate of 17.2 percent.¹ The global ADAS market boasts the third highest projected revenue growth among all segments within the automotive industry, which is largely attributable to the increased electrification and digitalization of vehicles, as well as government regulations that have introduced stricter safety requirements.^{2,3,4}

A recently published survey conducted by global management consulting firm Roland Berger shows that ADAS systems are the most sought-after feature by end consumers. And consumers are much more willing to pay a premium to access ADAS features in their vehicle than many other features (see figure in image above).⁵

The purpose of ADAS solutions is to alert the driver to obstacles or to enable the vehicle's automated system to prevent an accident without the driver's intervention. ADAS relies on sensors, cameras, lidar and radar to collect data from the environment. The collected data is then quickly analysed by an automated system, which in turn manoeuvres the vehicle accordingly.

One of the most common ADAS features in today's vehicles is AEB (Autonomous Emergency Braking). The AEB system triggers a warning and automatically applies the brakes if the driver is late to respond to a nearby object or another vehicle. In response to an initiative by the Department of Transportation's National Highway Traffic Safety Administration in the US, twenty vehicle manufacturers have implemented automatic braking (AEB) systems in their vehicles since September 2022. According to a study by IIHS (Insurance Institute for Highway Safety), automatic braking systems reduce the number of collisions with pedestrians by as much as 27 percent.⁶ However, the same study shows that a number of important challenges remain. The systems must be improved so that they work effectively in dark conditions and stricter requirements for shortened reaction times. Unlike

traditional camera systems that are unable to function optimally in dark driving conditions, BlincVision's performance in dark conditions improves as the laser's reflection is enhanced in the dark.

Data fusion and self-driving vehicles

ADAS solutions play an important role in the development and implementation of the self-driving vehicles of the future. Current safety regulations require vehicle manufacturers to use several "reference systems" on occasions where the vehicle must intervene. The use of multiple data sources from different sensors is called data fusion or sensor fusion. In SAE International's taxonomy for its six levels of driving automation, a fusion of lidar, radar and camera sensors will be required from level 3 and up. One challenge that will need to be addressed in the market is that these systems are affected by factors such as traffic, which can be dense in urban environments, and different types of weather such as rain, snow and fog. It is believed that the successful integration of different types of systems such as radar, lidar and camera systems, will significantly increase safety compared to the individual solutions available on the market today. Terranet believes that its BlincVision system fills this gap by complementing the systems that are currently being developed to address challenges in the industry related to speed and precision. And if BlincVision is the fastest sensor solution, other sensors can focus on the right hazard, which means that BlincVision can improve the entire safety system used in the vehicle.

Government regulations accelerate the need for new technologies

Traffic safety is a priority issue for decision-makers and government authorities worldwide, and regulations that have been adopted to increase traffic safety are one of the driving forces behind the rapidly growing ADAS market. Work continues to update and develop new legislation and updated recommendations on the national, international (UN/UNECE) and agency level (National Highway Traffic Safety Administration in the USA), as well as in

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

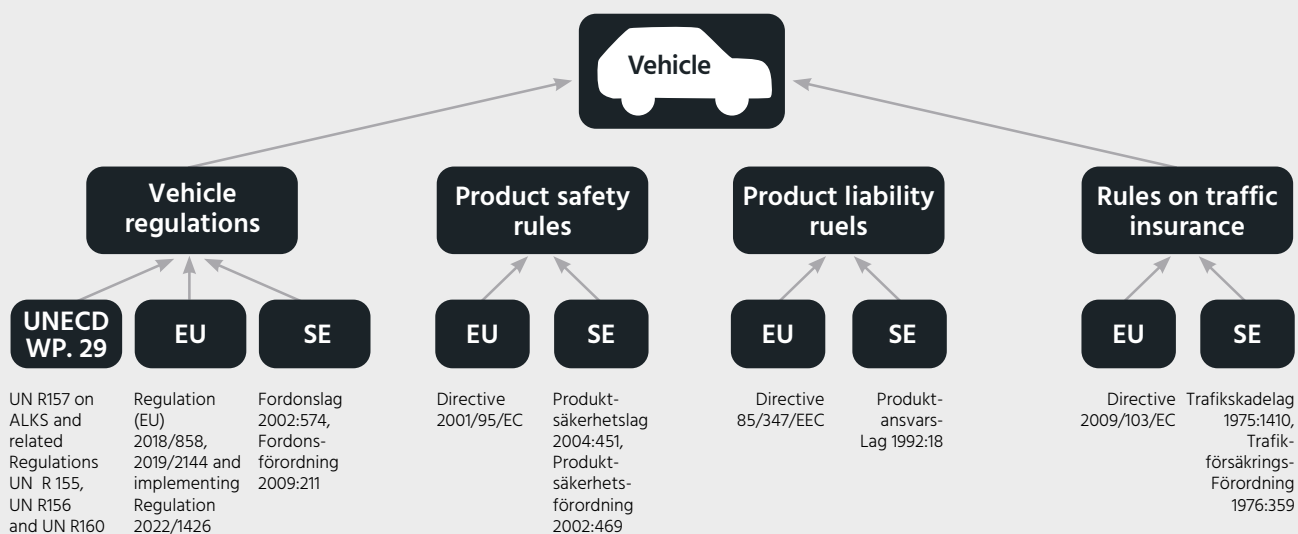
2 <https://www2.deloitte.com/us/en/pages/manufacturing/articles/global-automotive-supplier-study.html>

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

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

5 Roland Berger Automotive Disruption Radar online survey, Edition 13 - 2023

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



organizations, such as the Euro NCAP. These efforts aim to increase traffic safety and vehicle safety, and to clarify the division of responsibilities in connection with the use of advanced driver assistance systems (ADAS) and self-driving vehicles.⁷ Euro NCAP will introduce a new revision in 2026 and again in 2029. The requirements for advanced driver assistance systems are expected to be much tighter in future revisions, especially given the availability of new technologies, such as BlincVision. The EU has drafted a long-term plan to reduce accidents in traffic. The long-term goal is for zero deaths and serious injuries by 2050, with an interim target of 50% fewer deaths and serious injuries between 2020 and 2030. The UN has also adopted a vision to reduce the number of road deaths and serious injuries by 50 percent by the end of 2030, where increased vehicle safety is one part of their strategy to increase traffic safety. In July 2022, the European Commission introduced the new Vehicle General Safety Regulation, which contains requirements for improvements, including automatic emergency braking and warning systems to prevent collisions with pedestrians and cyclists. The new rules apply to all new cars from 7 July 2024.⁸ Terranet believes that similar regulations combined with the development of ADAS systems are crucial pieces of the puzzle if we are to achieve traffic safety goals.

The automotive industry is in a state of transformation

The ADAS market is affected by developments in the vehicle market. The COVID-19 pandemic resulted in disruptions in the production and supply chains, which had a significant negative impact on the automotive industry, but the sector is once again seeing growth. According to S&P Global Mobility, the sale of passenger cars is expected to reach 86 million vehicles in 2023, which is an increase of 8.9% compared to the previous year. In 2024, global sales are expected to increase by 2.7% to 88.3 million passenger cars.⁹ More than 70 percent of all passenger car manufacturers plan to outsource production of their ADAS systems.¹⁰ Shorter lead times in the implementation of new technological innovations in cars is also expected to accelerate this transformation. Faster implementation of new technology by market leading manufacturers such as Tesla or some Chinese manufacturers generally drives the transformation of the automotive industry.

The figure above illustrates the legal and regulatory landscape for vehicles divided into different legal regulations at different levels (UN/EU/SE level). There are many different ways to illustrate this. The illustration is not exhaustive in terms of the various regulations that affect how vehicles are to be designed and equipped.¹¹

⁷ <https://conti-engineering.com/highlights/legal-regulations-and-ncap/>

⁸ https://ec.europa.eu/commission/presscorner/detail/en/IP_22_4312

⁹ <https://press.spglobal.com/2023-12-14-S-P-Global-Mobility-forecasts-88-3M-auto-sales-in-2024>

¹⁰ <https://www.jabil.com/dam/jcr:4174aad8-c400-443d-9114-7cbab4893e29/managing-automotive-technology-trends-report-jabil.pdf>

¹¹ RISE: Steering the future: An overview of current and upcoming regulations in automated driving

THE ROAD AHEAD

Terranet is focused on developing and commercialising its BlincVision system for use in the automotive industry.

After several years of active research and development, the Company's focus in product development during the 2023 financial year was on producing a complete pre-production prototype that can be tested in vehicles in 2024.

During the first quarter of 2024, the prototype demonstration of BlincVision was completed in the Company's lab. During the tests, measurements were successfully carried out in areas such as latency, object identification, object classification, lighting conditions and eye safety, which generated important data for continued product development. The main purpose was to validate the functionality and capacity of the system in a controlled environment. Particularly satisfying was verifying our unique and fast reaction time as well as a confirmation that the system works in different lighting conditions. In parallel with the initiation of the prototype tests in the car, the development of BlincVision's performance and precision is now continuing. The data obtained through the tests is now in the process of being translated into relevant technical product specifications that Terranet can now, for the first time, discuss in detail with potential partners. This is an important and significant milestone in the commercialization of the technology, which is the basis for creating attractive partnerships.

At the beginning of April, work continued on optimizing the various components of the BlincVision system based on the first quarter's test results. Furthermore, work on product specifications and preparations for the upcoming prototype tests in cars will be intensified in line with the previously communicated time and development plans. The company is now well on track for the upcoming prototype demo in the car, mainly after the strong progress in recent development work that was recently communicated to manufacturers, suppliers and the stock market.

During the second half of the year, the Company's plan is for BlincVision to increasingly approach the technical specification and format required to be integrated into cars. An increasing part of the development activities will be located outside the company's own lab, in the form of tests in cars, including on AstaZero's test track. The plan is for BlincVision to be fully integrated into an ADAS system to be able to actively generate emergency braking to avoid a collision.

As the functionality and performance of our BlincVision prototype improves and stabilizes, potential customers will be invited to prototype demonstrations where we can demonstrate the product's unique benefits.

The work to develop and strengthen the organization continued during the first part of 2024 – at the beginning of the year we managed to recruit Mats Fägerhag, former CEO of CEVT to the company. With the help of Mats' extensive knowledge of product development within the automotive industry and unique network of contacts, we are confident that we can increase the quality of our work with the development of BlincVision while accelerating business development. We will also strengthen the management team with a business developer, which creates additional bandwidth and improves the conditions for a first deal in 2024.

Our ongoing dialogue with Tier 1 suppliers and vehicle manufacturers has confirmed that there continues to be a great deal of interest in what we do across a number of different sectors, both in the area of ADAS and AV (autonomous vehicles).

THE BOARD OF DIRECTORS



TORGNY HELLSTRÖM, born 1958 **BOARD CHAIR ELECTED TO** **THE BOARD IN 2023**

Education and experience:

Torgny holds a degree in law from Stockholm University. Torgny has extensive experience in the IT and Tech industry, with assignments including CEO of Anoto Group AB and leadership positions as Chair of DDM Holding AG and MagComp AB, and board member of True Heading AB and Seapilot AB. He has also served as Vice President Litigation within the Ericsson Group and held positions within IBM Europe and IBM Nordic.

Current assignments: In addition to his role as Board Chair of Starbreeze AB, Swipp AB, Precise Biometrics AB and Drupps Group AB, Torgny is also the founder and CEO of Ruddex International AB.

Torgny Hellström is considered to be independent in relation to the Company, company management and major shareholders.

Holdings in the company:

888,888 B shares. 333,333 warrants from series TO7 B, 80,808 warrants from series TO8 B.



GÖRAN JANSON, born 1956 **BOARD MEMBER ELECTED TO** **THE BOARD IN 2020**

Education and experience:

Göran Janson is a serial entrepreneur, coach/mentor and advisor to senior management teams, boards and individuals in management roles, as well as a founder and co-founder of a number of companies and foundations. Göran has a Master of science in engineering from KTH Royal Institute of Technology (Stockholm).

Göran has more than 40 years of experience in areas including research and development, product management, marketing and sales, and executive management. Göran has a total of 30 years of experience serving in roles as CEO and CTO, board member and board chair, and has also played an active role in company acquisitions and mergers while serving in these positions.

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

Holdings in the company:

1,282,500 B shares. 320,625 warrants from series TO7 B, 1,000,000 warrants from incentive program 2022/2025:2, 116,591 warrants from series TO8 B.



ANDERS BLOM, born 1969 **BOARD MEMBER ELECTED TO** **THE BOARD IN 2022**

Education and experience:

Anders holds a Master of Science in Business Administration and Economics from Uppsala University. Anders Blom has more than 25 years of experience in international finance and business development from the medical industry, which includes roles such as business controller at Pharmacia & Upjohn, corporate controller and head of business and corporate development at Q-Med AB, partner and CEO at the venture capital company Nexttobe AB and executive vice president and CFO at Oasmia Pharmaceutical AB. Anders also has extensive board experience from many companies in the pharmaceutical and pharmaceutical industries. technology sectors.

Current assignments:

Chairman of the Board of Maida Vale Capital AB, GloboPetz AB (publ) and Peptonic Medical AB (publ) and Board member of Hunterhex AB, Rosland Nordic AB, Wonderboo Holding AB (publ) and Alzinova AB (publ).

Holdings in the company:

3,356,515 B shares. 666,666 warrants from series TO7 B, 305,307 warrants from series TO8 B.

THE BOARD OF DIRECTORS



MAGNUS EDMAN, born 1967
BOARD MEMBER
SINCE 2022

Education and experience:

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

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

Current assignments:

CEO of Prevas Development AB, board member in KEBNI AB (publ), board member of Ekobot AB and ASTGW AB.

Holdings in the company:

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



MATS FÄGERHAG, born 1961
BOARD MEMBER
SINCE 2024

Education and experience:

Mats has a Master of science in mechanical engineering from the Faculty of Engineering (LTH) at Lund University and has more than 35 years of experience in research and development in the automotive industry. He has held various leadership positions within Saab Automobile, General Motors Europe, Volvo Cars and Geely Automotive.

During his time with Saab Automobile/GM, he spent four years in Russelsheim (Germany) as the development manager for GM Europe and five years as CTO for Saab Automobile. In 2012, he moved to Volvo Cars, and in 2013, he started and served as the CEO for the development company CEVT (China Europe Vehicle Technology which is a tech company within the Geely Group) until 2023. Under Mats' leadership, CEVT developed the CMA platform for Geely Auto, Volvo Cars, Polestar and LYNK&CO. Under Mats' leadership, the first four LYNK&CO cars and the mobility vehicle for self-driving technology were also developed for Waymo.

Current assignments:

Board chair of Aliaro AB, and board member of Systemite AB, CarlixKlippan AB, MedicSolution AB and Chalmers Industri Teknik. Through his own company, Mats also works as an advisor to various companies.

Mats Fägerholm is considered to be independent in relation to the Company, company management and major shareholders.

Holdings in the company: 0



NILS WOLLNY, born 1981
BOARD MEMBER
SINCE 2022

Education and experience:

Nils has a degree in foreign trade and international management from the University of Applied Sciences Hamburg. Nils has extensive experience in strategy, digital business and innovation through his current role as CEO of holoride, an Audi spin-off focused on the next generation of in-car entertainment systems. Due to his passion for mobility and media, Nils co-founded holoride in 2018, which has since been named "Best of CES 2019" and recognized by TIME Magazine as one of "The 100 Best Inventions of 2019". Nils was also recognized as a "Rising Star" by Automotiv News Europe in 2020. In 2018, the German B-to-B newspaper Automobilwoche named Nils a "40 under 40" manager with high potential. Before co-founding holoride, Nils served as the CEO of one of Europe's leading digital agencies before moving on to Audi as head of digital operations, where Nils was responsible for digital services and platforms.

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

Current assignments:

CEO of holoride GmbH.

Holdings in the company: 0

THE BOARD OF DIRECTORS



TAREK SHOEB, born 1969
BOARD MEMBER
SINCE 2022

Education and experience:

Tarek received his B.A. at the American University in Cairo, Egypt, and his MBA from Harvard Business School. Tarek has a background as a private equity/venture capital investor in a variety of industries, where he has been involved in many stages and many locations across the globe. He has been involved in transactions in Europe, the Americas, India and the Middle East. Tarek has previously worked for Goldman Sachs (London), One Equity Partners (New York), Cerberus (London) and Vitol (London). Tarek has invested in a variety of sectors, including healthcare, services, industrials, technology and distribution. During his time at Vitol, he focused exclusively on investments in the energy and O&G sectors. While at Vitol, Tarek has remained active as a private investor in growth companies and he has made investments in fintech, services, renewable packaging, seafood, cellular leather and sports.

Current assignments:

Tarek currently works with a private investment platform and has focused exclusively on investing in growth capital and scale-up companies. He has overseen investments in areas such as fintech, renewable packaging, med-tech, services-tech, seafood, logistics and sports. He has an active role on the board in three of the companies. During this period, he has worked closely with a global infrastructure fund since 2020 to initiate, review and execute transactions in the renewable energy and energy transition markets. He has also worked with potential investments in pyrolysis, SAF, carbon dioxide capture, green/blue methanol, green hydrogen, waste management and plastics recycling. Tarek is a board member of Peptronic Medical AB (publ).

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

Holdings in the company: 0



SENIOR MANAGEMENT



MAGNUS ANDERSSON, born 1971
CEO SINCE SEPTEMBER 2022

Education and experience:

Magnus has over 20 years of international experience and a proven track record of leadership and growth in fast-growing tech companies, including companies within the automotive industry and energy sector. He most recently served as interim CEO at the transport technology company Pilotfish, which offers a cloud-based vehicle communication platform for companies in the public transport sector. Magnus has a bachelor's degree in computer science from the University of Skövde and has completed post-graduate courses at Curtin University Business School in Australia.

Holdings in the company:

2,222,216 B shares, 2,500,000 warrants from incentive programme 2022/2025:1, 833,331 warrants from series TO7 B, 202,019 warrants from series TO8 B.



DAN WAHRENBORG, born 1969
CFO SINCE 2023

Education and experience:

Dan has over ten years of experience in roles as a CFO in listed companies: Anoto Group, LifeAssays AB and MultiQ International. He comes most recently from the role of CFO in the Asperiq Group, a privately owned company that develops and sells encryption technology to public sector customers. Dan has a master's in economics from Lund University.

Holdings in the company:

500,000 B shares, 200,000 warrants from series TO7 B, 45,454 warrants from series TO8 B.



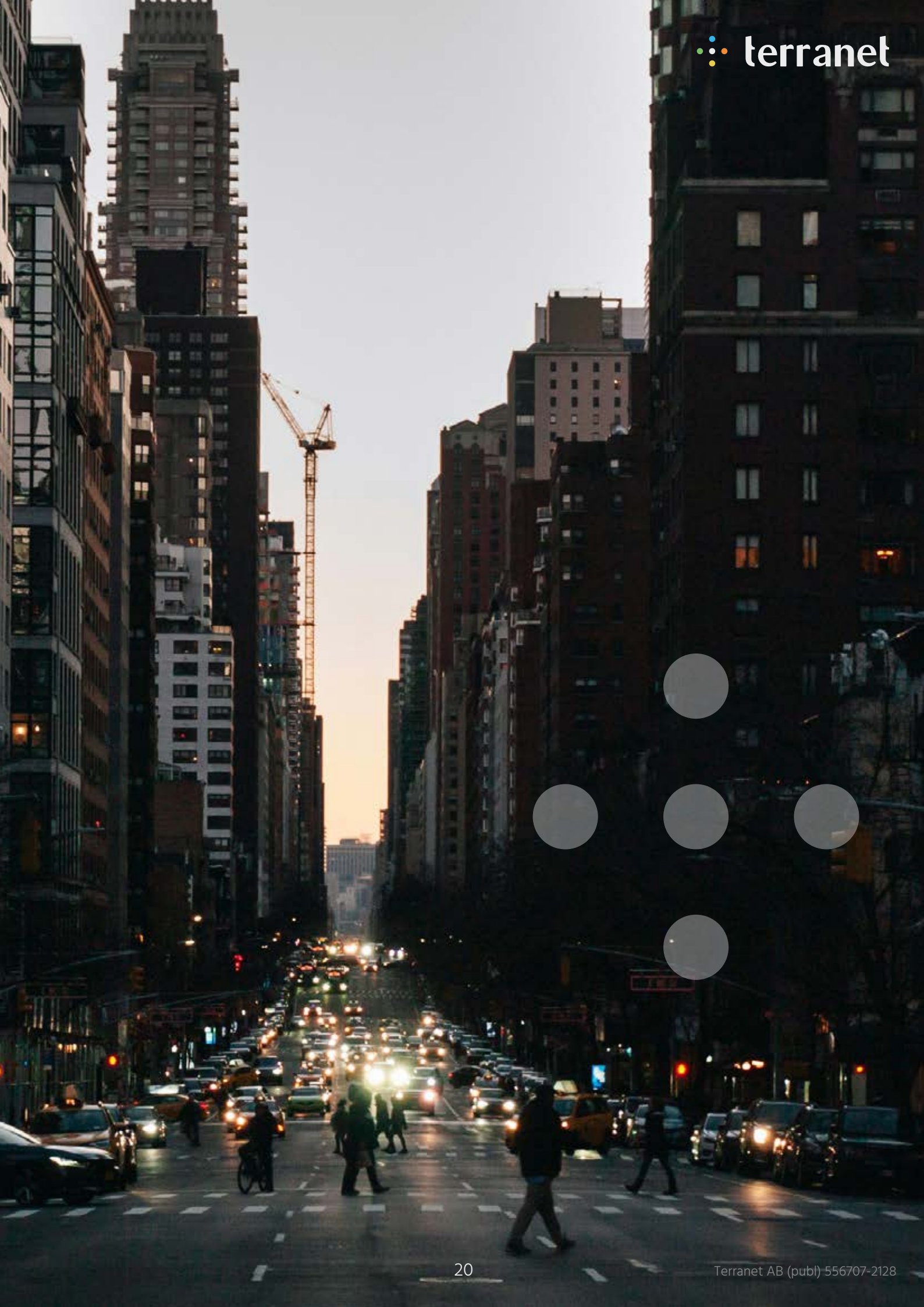
PIERRE EKWALL, born 1979
CTO SINCE 2023

Education and experience:

Pierre has over 25 years of experience in the automotive industry, primarily in the areas of AD/ADAS, electrification and infotainment, and over 16 years of experience in several leadership positions in product development, sales and business development. He comes most recently from the role of Vehicle Line Manager at Einride, where he was responsible for the development of the next generation of self-driving trucks. Pierre has a degree in electrical engineering from the University of Borås and has completed additional studies in Business Administration at IHM Business School in Gothenburg.

Holdings in the company:

1,000,000 B shares, 22,727 warrants from series TO8 B.



THE SHARE

General information

Terranet's B shares were listed on Nasdaq First North Premier on 30 May 2019 and are traded on Nasdaq First North Premier Growth Market. The stock symbol is TERRNT B and the ISIN code B share: SE0009806045.

On 31 December 2023, Terranet's market cap was TSEK 46,139. Share capital amounted to SEK 7,551,458 divided into 1,084,463 A shares and 754,061,376 B shares.

Each share has a quotient value of SEK 0.01. No shares are held by the company itself or its subsidiaries.

The share price at the close of the year was SEK 0.06 per share, compared with a share price of SEK 0.50 per share at the beginning of the year. The number of shareholders at the close of the financial year was 11,585.

Conversion of A shares to B shares can be done on three occasions per year. In order to convert shares, the holder must submit a request to the company's board during the conversion periods in January, April and October. No dividend was paid for the year as the group uses its capital for development and market establishment. Any future dividends will be based on the company's profitability, future development, acquisition opportunities and financial position.

Share capital development

See Note 25 for more information on share capital and significant events during 2023.

Ownership structure

10 Largest shareholders as of 31 December 2023

Shareholder	Number of shares	A shares	B shares	Share of capital %	Share of Voting rights
Maida Vale Capital AB	130,254,547	0	130,254,547	17.25	17.25
Försäkringsaktiebolaget Avanza Pension	41,744,338	0	41,744,338	5.53	5.53
Oliver Aleksov	21,673,972	0	21,673,972	2.87	2.87
Nordnet Pensionsförsäkring AB	21,076,274	0	21,076,274	2.79	2.79
Mario Pereira	14,287,144	0	14,287,144	1.89	1.89
Knutsson Holdings AB	10,315,570	0	10,315,570	1.37	1.37
Nordica Life	10,000,000	0	10,000,000	1.32	1.32
Sabelsjo Emanuel	9,956,104	0	9,956,104	1.32	1.32
Olsson Carl Fredrik	8,495,163	0	8,495,163	1.12	1.12
Tuvedalen Limited	8,477,476	0	8,477,476	1.12	1.12
Other shareholders	478,865,251	1,084,463	477,814,788	63.41	63.41
Total number of shares	755,145,839	1,084,463	754,061,376	100	100

CORPORATE GOVERNANCE REPORT 2023

Introduction

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

Governance structure

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

The internal governing documents consist, among others, of:

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

The external regulation consists, among others, of:

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

To ensure the owners' influence on the company, its governance, control and management are distributed between the General Meeting, the Nomination committee, the Board and CEO and company management, as well as auditors in accordance with the

rules above. The nomination committee instructions and the articles of association may be found on the company's website www.terranel.se.

Shares and shareholders

The company's share capital shall be a minimum of SEK 3,300,000 and a maximum of SEK 13,200,000 in a minimum of 330,000,000 shares and a maximum of 1,320,000,000 shares. The shares have been issued in two series, series A and series B. A class A share carries two votes and a class B share one vote at the General Meeting.

The 10 largest shareholders together accounted for 36.6% of the votes on 31 December 2023. Maida Vale Capital AB was the largest shareholder with 17.25% of the votes; it was also the only shareholder with more than a tenth of the total votes. More details about the ownership structure may be found on the company's website www.terranel.se and under the heading The Share in the annual report.

Articles of association

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

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

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

General meeting

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

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

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

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

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

Annual General Meeting 2023

The Annual General Meeting of Terranel AB was held on 10 May 2023. In addition to ordinary decision points as set out in the articles of association, the following was decided:

- The board and CEO were granted freedom from liability towards the company.
- It was decided to adopt the income statement, the balance sheet, the consolidated income statement and the consolidated balance sheet.
- Remuneration to the members and chair of the board was determined.
- Ernst & Young AB was elected as auditors, with Martin Henriksson as the chief auditor.
- It was decided to amend the limits for share capital and the number of shares in the articles of association.
- The board was authorised to decide on new issues of class B shares, warrants and/or convertibles within the limits of the articles of association.
- Göran Janson, Anders Blom, Magnus Edman, Tarek Shoeb and Nils Wollny were re-elected to the board. It was decided to elect Torgny Hellström as chair of the board.

For more details regarding the decisions of the Annual General Meeting 2023, see the company's website www.terranel.se.

The Annual General Meeting 2024 will be held on 21 May 2024. Right to participation in the meeting is advised when it is convened.

Nomination committee

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

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

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

More information about the instructions to the nomination committee may be found on the company's website www.terranel.se

Before the 2024 AGM, the nomination committee consists of

- Julian Aleksov, chair of the nomination committee, appointed by Maida Vale Capital AB,
- Michael Knutsson, appointed by Knutsson Holdings AB,
- Fredrik Olsson
- Torgny Hellström, chair of the board of Terranel AB.

The Board

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

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

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

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

In 2023, the work of the board has focused on the company's strategy and finance matters, product development and the recruitment of an ordinary CEO.

The board has met on a total of 22 occasions, eight of which have been ordinary board meetings. Göran Janson och Magnus Edman have been present at all meetings. Anders Blom was present at 21 meetings, Nils Wollny was present at 20, Torgny Hellström was present at 16 meetings, Tarek Shoeb was present at 15 meetings and Karolina Bjurehed at five.

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

CEO and company management

The CEO is responsible for ongoing operation of the company's affairs and the day-to-day activities. The distribution of the work between the board and CEO, as well as responsibility for financial reporting, are determined in written instructions to the CEO.

The CEO informs the board about the company's activities and financial position during ordinary and extraordinary board meetings. Between meetings, board members are kept continually updated by the CEO. The board evaluates the CEO's work on an ongoing basis

Company management is presented in detail in the annual report under the heading Management.

Remuneration to the board and management

The board has established a remuneration committee. Questions and decisions that affect remuneration to the CEO and company management are prepared by the remuneration committee and decided by the board. The Remuneration Committee has met on one occasion in 2023 and consisted of Board members Torgny Hellström (Chairman), Tarek Shoeb and Magnus Edman.

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

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

Information about remuneration to the board and company management may be found under Note 10 to the Annual Report.

Audit

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

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

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

Remuneration to the auditor is shown in Note 8 to the Annual Report.



Audit committee

The Audit Committee was established in 2023 following a decision at the inaugural meeting in conjunction with the Annual General Meeting.

The Audit Committee's task is to support the Board in its work to fulfil its responsibilities in auditing, internal control and financial reporting. In addition, the Audit Committee shall, among other things, assist the company's Nomination Committee in the preparation of proposals for the election of auditors and, where applicable, procure audits, monitor the auditor's independence and establish guidelines for services other than auditing provided by the auditor, as well as keep itself informed about the Supervisory Board of Public Accountants' quality control of the auditor. In 2023, the Committee primarily focused on reporting (interim reports), valuation issues related to investments and internal control. The Committee held four meetings during the year. The Audit Committee shall meet with the company's auditor at least twice per calendar year. Since the 2023 Annual General Meeting, the Company's Audit Committee has consisted of Board members Torgny Hellström, Anders Blom (Chairman of the Committee) and Göran Janson.

Finance committee

The Board of Directors has established a financing committee with the purpose of continuous reviewing the company's financial situation and preparing proposals to secure the company's financing. The Committee has met on one occasion in 2023 with a focus on the company's financing for the coming year. Since the 2023 Annual General Meeting, the Company's Finance Committee has consisted of Board members Anders Blom (Chairman of the Committee), Torgny Hellström and Tarek Shoeb.

Internal control

The board is responsible for ensuring that the company's activities are performed consistent with good internal control.

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

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

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

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

Lund April 30
The Board of Directors

Auditor's report on the corporate governance statement

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

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2023 on pages 22-26 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Malmö as our digital signature
Ernst & Young AB

Martin Henriksson
Authorized Public Accountant



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 01/01/2023–31/12/2023.

Report of the directors

Group structure

Terranet AB is the parent company in the Terranet Group and owns 100% of the subsidiaries Terranet Tech AB, Terranet International AB and Terranet Tech GmbH. Terranet also has a company registered in the USA. The company in the USA has not yet conducted operations and as of 31 December 2023 had no balance sheet total to report.

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

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

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

As of July 2008, Terranet is subject to the Corporate Governance Code. The Corporate Governance Report can be found on pages 22-26.

Operations

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

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

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

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

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

Significant events during the year

On December 13, the company announced that 63% of the warrants of series TO6 B were exercised and that the company received approximately SEK 6.3 million. The number of shares increased by 115,760,009 B shares and the share capital increased by SEK 1,157,600.

On December 6, Terranet announced that the last day of trading in TO6 was December 6.

On December 4, the company announced that it had received a grant of SEK 614 thousand from Skyltfonden (the Swedish Transport Administration) for the development of new test methods together with RISE testbed AstaZero.

On November 28, the company announced that Pierre Ekwall had been hired as the new CTO of Terranet.

On November 27, it was announced that the subscription period for shares with the support of warrants of series TO6 B commenced as of today's date.

On November 24, Terranet announced that the subscription price for the exercise of warrants of series TO6 B in Terranet AB has been set at SEK 0.054 per share.

On November 16, the company published its interim report for the third quarter. On the same day, a webcast was held where CEO Magnus Andersson and CFO Dan Wahrenberg answered questions about the development of the business during the third quarter.

On November 14, the company announced that it was inviting to a webcast with a presentation of the interim report for Q3.

On October 30, it was announced that Terranet had been awarded an innovation grant from Vinnova to conduct groundbreaking research in collaboration with RISE's test bed AstaZero. The aim is to develop new ADAS test methods for vulnerable road users in time-critical accident scenarios where advanced driver assistance systems (ADAS) play a crucial role in saving lives.

On October 23, the company announced that it had reached an agreement with the company's CTO Nihat Küçük to terminate the employment. The purpose was to accelerate the product development of

BlincVision previously communicated timetable remains. A permanent CTO replacement was expected to be in place shortly.

On October 11, it was announced that Terranet has recruited a permanent CFO, Dan Wahrenberg, and that it intends to implement further organizational reinforcements.

On September 28, the company provided an update on the development plan for BlincVision where it announced that; Terranet is currently in a product development phase where all employees are focusing on showcasing a prototype in the laboratory in Lund during the first quarter of 2024. A subsequent prototype demonstration on a vehicle in a test environment will take place during the second quarter.

On August 17, the company published its interim report for the second quarter. On the same day, a webcast was held where CEO Magnus Andersson and CTO Nihat Küçük answered questions about the development of the business during the second quarter.

On August 11, the company announced that Terranet was inviting to a webcast with a presentation of the interim report for Q2.

On June 30, it was announced that Terranet's Board of Directors has resolved on a directed issue of units to guarantors, who have chosen to receive guarantee compensation in the form of new units in connection with the recently completed rights issue. The subscription price in the Remuneration Issue has been set at the same subscription price as in the Rights Issue, SEK 0.90 per unit, which corresponds to SEK 0.18 per share and payment is made by offsetting the guarantors' claims for guarantee compensation.

On June 29, Terranet announced that it had participated in the Vision Zero conference in Stockholm. The conference, organized by the Government Offices, the Swedish Transport Administration and Vinnova, offered a platform for Swedish and international decision makers, key stakeholders and researchers in road safety to discuss how we can reduce road accidents globally through knowledge sharing and influencing key actors.

On June 15, the company announced the outcome of the rights issue. Terranet AB ("Terranet" or the "Company") has completed the rights issue of units, consisting of shares of series B and warrants of series TO6 B and series TO7 B, which the Board of Directors resolved on May 17, 2023 based on the authorization granted by the annual general meeting held on May 10, 2023 (the "Rights Issue"). The outcome shows that 40,646,315 units were subscribed for with unit rights, corresponding to approximately 48.5 percent of the Rights Issue. In addition, the Company has received applications for subscription of 1,044,146 units, corresponding to approximately 1.2 percent of the Rights Issue, for subscription without unit rights. In total, 41,690,461 units were subscribed for with the support of unit rights and subscription applications, corresponding to approximately 49.8 percent of the Rights Issue.

On June 9, the company announced that it had completed a successful test of a laser scanner for driver assistance and self-driving cars. The first prototype of Terranet's laser scanner, which was delivered to the office in Lund in March, has undergone successful tests in a controlled laboratory environment. The laser scanner is a crucial component in the company's anti-collision product BlincVision. The tests marked a very important milestone towards integrating the system into vehicles.

On June 7, the company announced that it published an in-depth product video along with a video from the Investor Day on May 30, 2023.

On June 2, Terranet announced that it is accelerating its software development by simulating traffic accidents with autonomous vehicles in a virtual system.

On June 1, it was announced that members of Terranet AB's board of directors and management intend to subscribe in the ongoing rights issue. Göran Janson intends to exercise all his unit rights, while Torgny Hellström and Magnus Andersson will subscribe for unit rights that have been transferred free of charge from Anders Blom in order to secure allotment. Anders will further use all his remaining unit rights to subscribe privately, in addition to the subscription commitment of SEK 13.0 million that Anders entered into through Maida Vale Capital AB.

On June 25, a prospectus was published in connection with the rights issue of units.

On May 24, Terranet announced that it was inviting to an investor meeting at Mangold on May 30.

On May 17, the company announced that Terranet's Board of Directors has resolved on a rights issue of units of approximately SEK 75 million and the refinancing of outstanding loans. Terranet's Board of Directors has, based on the authorization granted by the Annual General Meeting on May 10, 2023, resolved to carry out the Rights Issue of units consisting of a maximum of 83,736,190 units, corresponding to 418,680,950 B-shares, 251,208,570 warrants of series TO6 B and 251,208,570 warrants of series TO7 B.

On May 17, the company published its interim report for the first quarter. A webcast was held on the same day where CEO Magnus Andersson and CTO Nihat Küçük answered questions about the development of the business during the quarter.

On May 12, it was announced that Terranet's associated company holoride GmbH is expanding its market roll-out and has secured a convertible loan for this purpose. The financing agreement enables an intensive market roll-out and broadening of holoride's products through one of the shareholders (not Terranet) issuing a convertible loan to holoride of EUR 5 million.

On May 10, a communiqué was issued from the Annual General Meeting of Terranet AB on May 10, 2023. Göran Janson, Anders Blom, Magnus Edman, Tarek Shoeb and Nils Wollny were re-elected as members of the Board of Directors. The Annual General Meeting resolved to elect Torgny Hellström as a new member of the Board of Directors. Torgny Hellström was elected Chairman of the Board. The accounting firm Ernst & Young AB ("EY") was elected as the Company's auditor. EY has announced that the authorised public accountant Martin Henriksson will be the auditor in charge.

On May 10, the company invited to a webcast with a presentation of the interim report for the first quarter.

On April 19, Terranet published its annual report for 2022.

On April 13, the company updated the market in a letter from the CEO in which it gave an update on the company's product development.

On April 5, the Nomination Committee's proposals for the 2023 Annual General Meeting were published. Re-election of Board members Anders Blom, Nils Wollny, Magnus Edman, Tarek Shoeb and Göran Janson and new election of Torgny Hellström. The Nomination Committee further proposed Torgny Hellström to be elected Chairman of the Board.

On April 5, Terranet convened the Annual General Meeting of 2023.

On March 31, the company announced that Prevas Development AB had delivered a new laser scanner to Terranet. "This means that we can now test and evaluate an eye-safe scanner prototype in our lab in Lund, which is a crucial step towards integrating the scanner into the complete pre-production prototype of BlincVision," says Nihat Küçük, CTO.

On March 27, the outcome of the warrants of series TO5 B was announced. A total of 8,655,357 warrants of series TO5 B, corresponding to approximately 70.2 percent of the outstanding warrants of series TO5 B, were exercised for subscription of 8,655,357 B shares at a subscription price of SEK 0.44 per B share. Through the exercise of the warrants of series TO5 B, Terranet will receive approximately SEK 3.8 million before issue costs.

On March 23, Terranet announced that it is strengthening its business development network with leading automotive experts in the form of Martin Wöhrle, with over 20 years of experience from BMW, including the build-up of BMW R&D in Korea, as well as in the role as VP of Future Technology Strategy at Hyundai Motor Company.

On March 22, the company announced that "the last day of trading in the warrants of series TO5 B in Terranet AB is today, March 22, 2023".

On March 13, it was announced that the subscription price for the exercise of warrants of series TO5 B in Terranet AB had been set at SEK 0.44 per B-share and that the exercise period began on March 13.

On February 23, Terranet announced that Mangold Insight had published an updated assignment analysis of Terranet AB.

On 23 February, the company published its year-end report for 2022. On the same day, a webcast was held where CEO Magnus Andersson and CTO Nihat Küçük answered questions about the development of the business during the fourth quarter of 2022.

On February 16, the company invited to a webcast with a presentation of the interim report for the fourth quarter of 2022.

Comments on operations, results and position

Results

The Group's revenue for 2023 amounted to TSEK 834 (748) and consisted of grants from Vinnova.

Total operating costs, including depreciation and write-offs, amounted to TSEK 39 324 (33,210) for the year. Total payroll expenses amounted to TSEK 18,195 (17,682). Other external costs amounted to TSEK 18,668 (14,237).

Profit/loss before tax amounted to TSEK -73,116 (-32,287), which was below expectations. The deviation is due to the impairment of the investment in holoride.

Financial position

The Group's assets amounted to TSEK 60,227 (89,435), divided into intangible assets of TSEK 18,835 (17,295),

right-of-use assets of TSEK 3,095 (3,870), equipment of TSEK 331 (315), long-term securities attributable to the investment in holoride and Summer Robotics of TSEK 5,430 (38,088). After the end of 2023, holoride has ended up in an insolvency situation, as a result of the company not being able to fulfill its obligations to external creditors, and a preliminary insolvency process has been initiated. Terranet's management and board of directors have made the assessment that the value of the holding in holoride can therefore be considered small and have hence made a write-down as of December 31, 2023 of SEK 33,545 thousand, to 0 SEK. Cash and cash equivalents of TSEK 29,006 (26,715), and other current assets of TSEK 3,366 (3,152). During the financial year, TSEK 2,564 (3,091) was capitalised in ongoing development projects and TSEK 75 (503) was capitalised in patents.

The group's loans amounted to TSEK 15,538 (32,428), which consist exclusively of the loan raised in connection with the investment in Holoride. The loan was re-negotiated during 2023 and falls due in the end of June 2024. Other current liabilities amounted to TSEK 13,542 (5,403) and consist of short-term lease liabilities of TSEK 958 (818), 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 2023 amounted to TSEK 29,006 (26,715). Cash flow from operating activities for the year amounted to TSEK -34,109 (-28,116); the change in cash flow is primarily attributable to increased external expenses in 2023. Cash flow from investing activities amounted to TSEK -3,119 (-8,437) primarily attributable to capitalized development expenses. The total cash flow from financing activities amounted to TSEK 39,517 (480). Financing activities include the following items: net proceeds from issues amounting to TSEK 53,527, deferral of social security contributions of TSEK 6,318, amortization of loans of TSEK 19,479 and amortization of lease liabilities of TSEK 848. The distribution of cash flow from financing activities can be found in the consolidated cash flow statement.

The company thus has a negative cash flow from operating activities, and should a need for capital arise, the company plans to raise capital through financing or by carrying out a share issue to fund the company's activities. The board works actively to manage the

company's financing, and in the assessment of the board, such a share issue can be carried out.

For more information, see the section on risks and uncertainties.

During the financial year, the parent company decided to raise TSEK 25,800 (31,000) through shareholders' contributions to Terranet Tech AB. A corresponding write-off has been made on the shares in Terranet Tech AB.

The write-down of the investment in Holoride will not have an effect on the Company's liquidity.

Equity

The group's equity, which is attributable to the parent company's shareholders, amounted to TSEK 28,749 (48,382) on 31 December 2023 and TSEK 75,194 (88,391) for the parent company.

During the financial year, the number of shares increased by a total of 428,856,466 to 755,145,869. The distribution of the share increase is reported in Note 25.

Equity per share amounted to SEK 0.04 (0.15) as of 31 December 2023.

Significant events after the end of the reporting period

For significant events after the end of the reporting period, see Note 31.



Significant risks and uncertainties

Business and operational risks

Product and technology development

Terranet's operations are based on technology that is in a constant state of technical development and refinement. In 2023, Terranet has continued product development towards a finished pre-production prototype that is planned to be tested in vehicles in 2024, and product development will continue to be a high priority area for Terranet in the coming years. The technology that the Company uses is largely new, which means that Terranet needs to develop large parts of the product itself and can only to a certain extent use existing solutions on the market. Thus, there is a risk that the Company will not succeed with its own product development and that the Company's continued product development will not result in a sufficiently competitive product. It is also not possible to predict in advance exact time and cost aspects of development work, there is thus a risk that planned product development will be more time-consuming or costly than the Company has assumed in advance or that the Company's products cannot be adapted to a commercial environment, which could have a material negative effect on the Company's operations, ability to generate revenue and thus the Company's earnings. Furthermore, there is a risk that the Company or its partners fail to successfully carry out the necessary tests in connection with the development work, which may mean that the opportunity to commercialize the Company's pre-production prototype is delayed or, in the worst case, does not materialize.

Rapid technical development and competition

Terranet operates in a market characterised by rapid advancement and technological change and with by a high growthrate. In this environment, the company must be able to anticipate developments in technology, market demand and other market trends and develop and adapt its products accordingly. There is a risk that the assumptions about technical developments, market demand and other market trends according to which the company currently operates or will operate in the future, are or will be inaccurate or misleading. Furthermore, there is also a risk that the

company's competitors will be better able to adapt their products in response to market trends or to make more accurate assumptions about the development of technologies in the market.

The potential for error in the company's products

The company's operations involve risks related to product liability. In the near future, Terranet's products and components may be integrated into a number of applications and products, primarily intended for vehicle manufacturers and their suppliers, but also for other actors in transport and mobility services. 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 short-comings under different guarantees. Any defects or security defects in the Company's products could also give rise to liability and claims for damages. 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 has important collaborations in areas such as development, manufacturing, marketing and business development that constitute an important part of the Company's current operations and for the future commercialization of the Company's products. Should these collaborations be terminated or changed to terms that are unfavourable to the Company, it would have a material negative impact on the Company's ability to conduct its business. In addition to the partners described above, the Company will likely continue to be dependent on collaborations in development, manufacturing, marketing and sales. There is a risk that the Company will not be able to find future partners and/or enter into cooperation agreements on terms favourable to the Company.

Furthermore, it cannot be guaranteed that the Company's partners fully meet or will be able to meet the quality requirements set by the Company or relevant authorities. In the event that any of the above risks were to occur, it could have a negative impact on the Company's operations in the form of delayed commercialization, delays or interruptions in the Company's operations, lead to unforeseen costs for the Company and possibly also lead to limited or lost revenues for the Company. If existing and future collaborations cannot be established or maintained, the Group's commercialization may be adversely affected.

Limited resources

Terranet is a small company with limited resources and history, especially when it comes to the development of the sensor technology required for the product development of BlincVision. In order for the Company to successfully establish a permanent market position, it is important that resources are allocated in an optimal manner for the Company. The Company prioritizes the development and evaluation of various sensor technologies that will meet the requirements for fast reaction time and be optimally integrated into the product BlincVision, there is thus a risk that the Company will spend too many resources on certain technologies, when it could have been more profitable to prioritize other sensor technology. The Company's limited resources mean that such choices and priorities must be made, which entails a risk that the Company as a result will suffer organizational and/or financial problems, which in turn may have a negative impact on the Company's financial position and results.

Financing and liquidity risk

The company has a negative cash flow from operating activities and will have a need for future capital injections until positive cash flows are achieved. Through the rights issue, the capital contribution from TO6 in 2023 and from the directed issue in the first quarter of 2024, the Company has received cash and cash equivalents that ensure operations at least until the outstanding loan from an external lender has been repaid as of June 30, 2024.

The write-down of the investment in holoride does not present an added risk to the liquidity of the Company.

The Company will likely receive additional capital via the outstanding warrant series; from TO7 during the second quarter of 2024 and from TO8 during the fourth quarter of 2024. A prerequisite for continued operation during the coming twelve-month period is a favorable outcome from the exercise of the outstanding warrant series or refinancing of outstanding loans or a new issue. Capital can be raised in different ways and the Board of Directors is still working to secure financing for continued operations. It is the Board's assessment that this will be possible to implement. In the event that the Company does not succeed with future capital raising, there may be a significant uncertainty factor regarding the Company's ability to continue as a going concern.

Exchange rate risk

External factors such as inflation, currency and interest rate changes can have an impact on operating costs, selling prices and share valuation. A weakening or strengthening of the Swedish krona against other currencies may affect Terranet's reported assets, liabilities, revenues and earnings.

The Company may be exposed to currency exposure due to currency risk as the Company conducts operations in Germany. As of the publication of the annual report, the company does not have a policy that prescribes hedging of currency exposure. On the cost side, the Company has transactions made primarily in EUR and USD, approximately 40% of the cost base, the majority of which is due to the Company's operations in Germany. Depending on how the Company's costs are allocated between different currencies, changes in exchange rates may affect the Company's results.

Legal and regulatory risks

Risks associated with licensing agreements

One of the sensor technologies being evaluated for BlincVision's functionality is partly based on a series of patents for the VoxelFlow™ technology. In September 2019, Terranet entered into a license agreement with inventor Gerhard Dirk Smits whereby Terranet licenses patents for high-resolution image analysis for optical scanning and calibration using lasers in order to identify moving objects in dangerous traffic situations. The license agreement with Dirk Smits was renegotiated in 2020. The licence relates to the market for vehicles and means of transport, it is exclusive and global and without time limits. Of any revenue attributable to the commercialization or sub-licensing of the technology, Gerhard Dirk Smits shall receive a fee amounting to low single digit royalties. There is a risk that the Company's investments in VoxelFlow™ will not have the expected technical and commercial effect that the Company would like or that the Company will no longer be able to access Gerhard Dirk Smit's know-how in the event that he is unable to assist in the development. Should any of these events occur, it could have a material adverse effect on the Company's commercialization opportunities and thus affect the Company's operational activities and financial position.

Risks related to patents and intellectual property rights

As of December 31, 2023, the Company's intangible assets amounted to SEK 19 million, of which patents and trademarks amounted to approximately SEK 2 million and capitalized development costs amounted to approximately SEK 17 million. There is a risk that the Company will not be able to maintain or renew these rights or that other innovations developed by the Company will not be able to obtain adequate protection in the future. Furthermore, there is a risk that the Company commits, or is alleged to infringe, a third party's intellectual property rights. If the Company's competitors develop new technology or innovations, there is also a risk that the Company's intellectual property rights will be replaced or circumvented. If the Company in the future is unable

to maintain and maintain adequate protection for its intellectual property rights or if the Company is alleged to infringe the intellectual property rights of a third party, they may have a material impact on the Company's operations and financial position.

Risks related to regulatory approvals and compliance

Road safety is a priority issue for decision-makers and authorities. Authorities such as NHTSA and organisations such as Euro NCAP are introducing recommendations with the aim of increasing vehicle safety. Furthermore, in July 2022, the European Commission introduced a new regulation, the Vehicle General Safety Regulation, containing requirements for improvements in vehicle safety. There is a risk that the Company's products and safety systems will fail to meet the requirements of relevant authorities or the products and/or technology will not meet the recommendations of organizations, which may result in OEMs or Tier 1 suppliers not being able to enter into agreements for the Company's manufacturing licenses. Furthermore, there is a risk that relevant authorities impose additional or higher requirements on the safety of the products, or that the Company's compliance activities are not sufficient or become more resource-intensive than expected, which may lead to delays, increased costs, delayed or lost revenues for the Company.

Employees

On 31 December 2023, Terranet had the equivalent of 16 (13) FTEs and 1 (1) consultants.

On 31 December 2023, 13 employees in the group have their employment contracts through Terranet Tech AB and 3 employees have their contract through Terranet Tech GmbH.

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

The parent company

Terranet AB (publ) with corporate registration number 556707-2128 is a public limited liability company registered in Sweden with its registered office in Lund, Sweden. The company's Class B share is listed on Nasdaq First North Premier Growth Market. The address of the head office is Mobilvägen 10, 223 62 Lund, Sweden.

During the fourth quarter, the parent company made shareholder contributions to Terranet Tech AB of SEK 2,000,000 and SEK 25,800,000 for the full year, corresponding write-downs have been made on the shares in Terranet Tech AB. The write-down does not affect the Group's balance sheet or cash flow.

The Parent Company's operations consist of ownership management and financing and do not conduct any operational activities, which is why reference is otherwise made to tasks for the Group.

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	449,362,475
Profit carried forward	-314,995,339
Annual profit/loss	-66,723,595
	67,643,542
The board proposes that the profits be disposed such that the amount is carried forward	
	67,632,542
	67,632,542

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

CONSOLIDATED INCOME STATEMENT

Amounts in TSEK	Note	2023	2022
Other operating revenue	6	834	748
Work in progress for own account	15	2,564	3,091
Operating expenses			
Other external expenses	7, 8, 9	-18,668	-14,237
Staff costs	10	-18,195	-17,682
Depreciation and write-offs of tangible and intangible fixed assets	15, 16, 17, 18	-2,331	-1,255
Other operating costs		-130	-36
Operating profit/loss		-35,926	-29,371
Financial items			
Write-down of Long-term securities	20	-32 658	0
Financial income	11	600	891
Financial expenses	12	-5,132	-3,807
		-37,190	-2,916
Profit/loss before tax		-73,116	-32,287
Tax on profit/loss for year	13	-37	0
Profit/loss for the year attributable to the parent company's shareholders		-73,153	-32,287
Profit/loss for the period attributable to the parent company's shareholders in SEK	14		
Before dilution		-0.15	-0.10
After dilution		-0.15	-0.10

CONSOLIDATED REPORT ON COMPREHENSIVE INCOME

Amounts in TSEK	Note	2023	2022
Annual profit/loss		-73,153	-32,287
Other comprehensive income		0	0
Items that could be reclassified to income statement:			
Translation differences		-7	0
Total other comprehensive income, net after tax		-7	0
Comprehensive income for the year attributable to the parent company's shareholders		-73,160	-32,287



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in TSEK	Note	2023-12-31	2022-12-31
ASSETS			
Tangible fixed assets			
Intangible fixed assets			
Capitalised development costs	15	16,881	15,140
Patents	16	1,954	2,155
Property, plant and equipment			
Right of use assets	17	3,095	3,870
Equipment, machinery and computers	18	331	315
Financial assets			
Long-term securities	20	5,430	38,088
Other long-term receivables		164	0
Total fixed assets		27,855	59,568
Current assets			
Other receivables	21	874	1,114
Prepaid expenses and accrued revenue	22	2,492	2,038
Cash and cash equivalents	23	29,006	26,715
		32,372	29,867
TOTAL ASSETS		60,227	89,435
EQUITY AND LIABILITIES			
Equity			
Share capital	24	7,551	3,263
Other contributed capital	24	449,362	400,124
Translation differences		-7	0
Profit/loss carried forward		-355,004	-322,718
Comprehensive income for the year		-73,153	-32,287
Equity attributable to the parent company's shareholders		28,749	48,382
Long-term liabilities			
Lease liabilities		2,398	3,222
		2,398	3,222
Current liabilities			
Loans payable	25	15,538	32,428
Lease liabilities		958	818
Accounts payable		1,178	1,223
Tax liabilities		38	0
Other liabilities	27	7,229	514
Accrued expenses and prepaid income	28	4,139	2,848
		29,080	37,831
TOTAL EQUITY AND LIABILITIES		60,227	89,435

CONSOLIDATED CASH FLOW CHANGES IN EQUITY

Amounts in TSEK

	Attributable to the parent company's shareholders				
	Share capital	Translation reserve	Other contributed capital	Profit/loss carried forward including profit/loss for the year	Total equity
Equity on 1 January 2022	3,149	0	393,100	-322,718	73,531
Annual profit/loss				-32,287	-32,287
Other comprehensive income		0			0
Comprehensive income for the year		0		-32,287	-32,287
Other Changes in equity					
New cash issue	114		6,290		6,404
Received option premiums	0		1,073		1,073
Issue costs			-339		-339
Equity on 31 December 2022	3,263	0	400,124	-355,005	48,382
Equity on 1 January 2023	3,263	0	400,124	-355,005	48,382
Annual profit/loss				-73,153	-73,153
Other comprehensive income		-7			-7
Comprehensive income for the year		-7		-73,153	-73,160
Other Changes in equity					
New cash issue	4,174		58,639		62,813
Offset issue guarantors	114		1,931		2,045
Issue costs			-11,331		-11,331
Equity on 31 December 2023	7,551	-7	449,362	-428,157	28,749

CONSOLIDATED CASH FLOW STATEMENT

Amounts in TSEK	Note	2023	2022
Cash flow from operations			
Operating profit/loss		-35,926	-29,371
Adjustments for items not included in the cash flow:			
Depreciation and write-offs	15, 16, 17, 18	2,331	1,255
Other non-cash items		451	409
Interest received		600	213
Interest paid		-2,444	-268
Cash flow from operations before changes in working capital		-34,988	-27,762
Changes in working capital			
Changes in operating receivables		-665	503
Change in operating liabilities		1,544	-857
Cash flow from operations		-34,109	-28,116
Investing activities			
Capitalisation of development costs	15	-2,564	-3,091
Patent fees	16	-75	-503
Acquisition of tangible assets	18	-310	-91
Investment in financial assets	20	0	-4,752
Paid deposits		-170	0
Cash flow from investing activities		-3,119	-8,437
Financing activities			
	26		
New share issue		62,813	6,404
Issue costs		-9,286	-339
Received option premiums		0	1,073
Loans taken	27	6,318	0
Repaid loans		-19,479	-6,065
Amortisation of lease liabilities		-848	-593
Paid deposition		-170	0
Cash flow from financing activities		39,517	480
Cash flow for the year			
Cash and cash equivalents on January 1		26,715	62,788
Translation differences in cash & cash equivalents		1	0
Cash and cash equivalents on December 31	23	29,006	26,715

PARENT COMPANY INCOME STATEMENT

Amounts in TSEK	Note	2023	2022
Other operating revenue	6	0	0
Operating expenses			
Other external expenses	7, 8	-3,207	-2,271
Operating profit/loss		-3,207	-2,271
Profit/loss from financial items			
Write-down of Other long-term securities	20	-33 545	0
Depreciation of shares in group companies	19	-25,800	-31,000
Interest revenue and similar profit and loss items	11	509	891
Interest expenses and similar profit and loss items	12	-4,681	-3,539
		-63,517	-33,648
Profit/loss before tax		-66,724	-35,919
Tax on profit/loss for year	13	0	0
Annual profit/loss		-66,724	-35,919

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in TSEK	Note	2023	2022
Annual profit/loss		-66,724	-35,919
Other comprehensive income		0	0
Comprehensive income for the year		-66,724	-35,919

PARENT COMPANY BALANCE SHEET

Amounts in TSEK	Note	2023-12-31	2022-12-31
ASSETS			
Tangible fixed assets			
Financial assets			
Shares in group companies	19	57,011	57,011
Other long-term securities	20	5,430	38,975
		62,441	95,986
Total fixed assets		62,441	95,986
Current assets			
Short-term receivables			
Other receivables		8	0
Prepaid expenses and accrued revenue	22	223	206
		231	206
Cash on hand	23	28,268	24,787
Total current assets		28,499	24,993
TOTAL ASSETS		90,940	120,979
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	24	7,551	3,263
		7,551	3,263
Non-restricted equity			
Share premium reserve	24	449,362	400,124
Profit/loss carried forward		-314,995	-279,077
Profit/loss for the year		-66,724	-35,919
		67,643	85,128
Total equity		75,194	88,391
Current liabilities			
Loans payable	25	15,538	32,428
Accounts payable		7	36
Liabilities to group companies		94	94
Accrued expenses and prepaid income	28	107	30
		15,746	32,588
TOTAL EQUITY AND LIABILITIES		90,940	120,979

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts in TSEK

	Restricted equity		Non-restricted equity		Total equity
	Share capital	Share premium reserve	Profit/loss carried forward	Profit/loss for the year	
Equity on 1 January 2022	3,149	393,100	-229,603	-49,474	117,172
Appropriation of profit/loss for previous year			-49,474	49,474	0
Profit/loss for the year				-35,919	-35,919
Other comprehensive income			0		0
Comprehensive income for the year			0	-35,919	-35,919

Other Changes in equity

New cash issue	114	6,290			6,404
Received option premiums		1,073			1,073
Issue costs		-339			-339
Equity on 31 December 2022	3,263	400,124	-279,077	-35,919	88,391

Equity on 1 January 2023	3,263	400,124	-279,077	-35,919	88,391
Appropriation of profit/loss for previous year			-35,919	35,919	0
Profit/loss for the year				-66,724	-66,724
Other comprehensive income			0		0
Comprehensive income for the year			0	-66,724	-66,724

Other Changes in equity

New cash issue	4,174	58,639			62,813
Offset issue guarantors	114	1,931			2,045
Issue costs		-11,331			-11,331
Equity on 31 December 2023	7,551	449,362	-314,995	-66,724	75,194

PARENT COMPANY CASH FLOW STATEMENT

Amounts in TSEK	Note	2023	2022
Cash flow from operations			
Operating profit/loss		-3,207	-2,271
Adjustments for items not included in the cash flow:			
Other non-cash items		0	0
Interest received		509	213
Interest paid		-2,092	0
Cash flow from operations before changes in working capital		-4,790	-2,058
Changes in working capital			
Changes in operating receivables		-25	6
Change in operating liabilities		48	23
Cash flow from operations		-4,767	-2,029
Investing activities			
Investments in group companies	19	0	-278
Investment in securities	20	0	-4,752
Paid shareholder contributions	19	-25,800	-31,000
Cash flow from investing activities		-25,800	-36,030
Financing activities			
New share issue		62,813	6,404
Issue costs		-9,286	-339
Received option premiums		0	1,073
Repaid loans		-19,479	-6,065
Cash flow from financing activities		34,048	1,073
Cash flow for the year			
Cash and cash equivalents on January 1		24,787	61,773
Cash and cash equivalents on December 31	23	28,268	24,787

NOTES

Note 1 – General information

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

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

Terranet also has a registered company in the USA in preparation for a planned international expansion. The company in the USA has not yet conducted operations and as of 31 December 2023 had no balance sheet total to report.

In the notes, amounts are stated in TSEK unless otherwise stated.

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 2023 had no significant impact on the Group's financial reports for the financial year.

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

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

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

The new and amended standards and interpretations that have been decided but which will enter into force for financial years beginning after 01 January 2023 have not yet been applied by the Group. In the senior management team's assessment, when these new standards and interpretations are applied, they will have no significant effect on the group's financial reports.

Consolidated financial statement

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

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

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

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

Segment reporting

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

Revenue

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

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

Future licensing revenue and royalty remuneration will be recognised under net turnover. Remuneration for development work and research collaboration is recognised as other revenue.

Government grants

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

Lease agreements

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

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

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

Foreign currency

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

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

Remuneration to employees

Short-term remuneration to employees

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

Pensions

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

Share-based payments

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

Taxes

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

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Tangible fixed assets

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

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

Computers and equipment 3 years

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

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

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

Intangible Assets

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

Internally generated intangible assets

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

- it is technically feasible to complete the intangible asset so that it can be used or sold;
- it is the company's intention to complete the intangible asset and use or sell it;
- it is possible to use or sell the intangible fixed asset;
- the intangible asset will likely generate future economic benefits;

- dequate 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 with regard to any need for impairment and when there is an indication of impairment. Assets that are written off are impairment tested whenever events or changes in conditions indicate that the carrying amount is not recoverable.

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

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

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

Financial instruments

Recognition in and removal from the statement of financial position

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

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

Classification and measurement

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

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

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

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

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

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

Financial liabilities are classified as described below:

Financial liabilities

- Amortised cost
- Fair value via the income statement

The Group has no liabilities valued at fair value.

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

The fair value of financial instruments

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

Accumulated acquisition cost

Amortised cost refers to the amount at which the asset or liability was initially recognised with deductions for amortisations, additions or deductions for accumulated accruals according to the effective interest method of the initial difference between the amount received/paid and amount to be paid/received on the maturity date, less write-offs.

The effective interest rate is the interest rate that, when discounting all future expected cash flows over the expected term, results in the initially recognised value of the financial asset or financial liability.

Offset of financial assets and liabilities

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

Cash and cash equivalents

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

Accounts receivables and other receivables

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

Lease liabilities

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

Accounts payables and other current liabilities

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

Loans payable

Lease liabilities are valued and reported at amortised cost.

Derivative instruments

The Group does not hold any derivative instruments.

Provisions

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

Accounting for cash flows

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

Accounting principles for the parent company

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

Classification and presentation

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

Subsidiaries

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

Financial instruments

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

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

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

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

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

Note 3 – Important estimates and assessments

Important sources of uncertainty in estimates

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

Capitalised development costs

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

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

Tax loss carryforwards

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

Tax loss carryforwards amount to SEK 474,105 thousand (422,233).

If the Group is able to report a deferred tax asset for the entire loss carryforward, profit and equity would increase by TSEK 97,666 (86,980). There is no maturity date that limits the utilisation of the tax loss carryforwards.

Long-term securities

The group's long-term securities are, after the write-down of the investment in holoride by TSEK 32,658 in the Group and by 33,545 TSEK in the parent company to 0 TSEK, reported at fair value, TSEK 5,430, in the group's consolidated statement of financial position. These unlisted holdings are valued at fair value in level 3, which means that several material inputs are not based on observable market information. Faulty and/or inaccurate assumptions can affect the valuation of these holdings.

Important assessments when applying the Group's accounting principles

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

Liquidity and financing

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

A prerequisite for continuing as a going concern for the coming twelve-month period is a fa-vourable outcome from the exercise of the out-standing warrant series. Alternatively, this can be achieved through the refinancing of out-standing loans or a new issue. The company can acquire capital in different ways and the board works continuously to ensure that the funding needed to continue as a going concern is se-cured. It is the board's assessment that this will be possible to achieve. In the event that the company is not able to acquire sufficient capital as planned, there may be significant uncertainties regarding the company's ability to continue as a going concern.

Internally generated intangible assets

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

Note 4 – Financial risk management and financial instruments

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

Market risks

Currency risks

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

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

	2023		2022	
	Operating income	Operating costs	Operating income	Operating costs
Currency exposure				
USD	0%	3%	0%	3%
EUR	0%	37%	0%	16%
SEK	100%	60%	100%	81%
	100%	100%	100%	100%

As shown in the table above, the Group's transaction exposure primarily consists of USD and EUR. A 5% increase in the value of USD would have an effect on profit/loss after tax of approximately SEK -59 thousand (-58) and a 5% increase in the value of EUR would have an effect on profit/loss after tax of approximately SEK -673 thousand (-259).

The net book value of the Group's monetary assets and liabilities subject to translation into SEK on the balance sheet date amounts to; (expressed in SEK) (debts are indicated by a minus sign).

Currency	2023-12-31	2022-12-31
EURO	1,021	-4
USD	0	0

Translation exposure

Translation exposure entails a risk that the value of the Group's net investments in foreign currency will be negatively affected by changes in exchange rates. The Group consolidates its net assets in SEK on the balance sheet date. This risk is referred to as translation exposure and is not hedged in accordance with the Group's finance policy.

The table below shows the translation exposure for net investments in foreign currency. The amounts below are in local currency.

Currency	2023-12-31	2022-12-31
TEURO	53	24

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 1.25% (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 holotide. Financing risk is a significant risk in relation to the Group's continued product development and market development activities. Financing risk is managed through market establishment and continuous engagement with shareholders regarding future capital needs. To date, the Group has been successful in its efforts to raise capital and is now listed on First North, which enables the company to access an even wider circle of investors.

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.

2023-12-31

	Within 3 months	3-12 months	1-2 year	3-5 year	Over 5 years	Total
Loans payable	0	16,245	0	0	0	16,245
Lease liabilities	304	911	1,160	1,595	0	3,970
Accounts payable	1,178	0	0	0	0	1,178
Other current liabilities	208	0	0	0	0	208
Total	1,690	17,156	1,160	1,595	0	21,601

The board works actively to manage the company's financing, which also involves the handling of outstanding loan debts. The financial planning for the next year include a reduction of outstanding loans through use of the expected proceeds from warrants of series TO7 B.

2022-12-31

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

Credit and counterparty risk

Credit risk refers to the risk that the counterparty in a transaction causes the Group a loss by not fulfilling its contractual obligations. The Group's exposure to credit risk can primarily be attributed to other receivables and cash and cash equivalents. No credit losses have occurred in 2022 and 2023.

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	
	2023-12-31	2022-12-31
Other long-term receivables	164	0
Other current receivables	440	545
Cash and cash equivalents	29,006	26,715
Maximum exposure to credit risk	29,610	27,260

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.

	Group	
	2023-12-31	2022-12-31
Financial assets are valued at amortised cost		
Other long-term receivables	164	0
Other receivables	440	545
Cash and cash equivalents	29,006	26,715
Total Financial assets are valued at amortised cost	29,610	27,260

	The Group	
	2023-12-31	2022-12-31
Financial assets are valued at fair value via the balance sheet		
Long-term securities	5,430	38,088
Total Financial assets valued at fair value	5,430	38,088

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

The valuation of the holdings in Summer Robotics for the financial year has had no impact on the income statement. After the end of 2023, holoride has ended up in an insolvency situation and a preliminary insolvency process has been initiated. Terranet's management and board of directors have made the assessment that the value of the holding in holoride can be considered small and have therefore made a write-down as of December 31, 2023 of SEK 32,658 thousand, to 0 SEK.

	The Group	
	2023-12-31	2022-12-31
Financial liabilities valued at amortised cost		
Lease liabilities	3,356	4,040
Loans payable	15,538	32,428
Accounts payable	1,178	1,223
Other financial liabilities	208	755
Total Financial liabilities are valued at amortised cost	20,280	38,446

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	
	2023	2022	2023	2022
Grants from Vinnova	834	748	0	0
Summa	834	748	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	
	2023	2022	2023-12-31	2022-12-31
Sweden	0	0	60,349	57,161
Germany	0	0	164	2,407
	0	0	60,513	59,568

Information on intra-group purchases and sales	The parent company	
	2023	2022
Purchases	0.0%	0.0%
Sales	0.0%	0.0%

Note 7 – Other external expenses

	The group		The parent company	
	2023	2022	2023	2022
Cost of premises	638	839	0	0
Consumable equipment, software and consumables	1,387	1,399	0	0
Sales and marketing costs	3,393	2,311	377	159
Extra hired staff	3,005	1,598	0	0
Consulting costs	3,556	2,931	2,451	1,778
Other	6,689	5,159	378	334
Total	18,668	14,237	3,206	2,271

Note 8 – Audit fees and expenses

	Koncernen		Moderföretaget	
	2023	2022	2023	2022
Deloitte AB				
Audit assignment	93	286	0	0
Auditing activities beyond the scope of the audit assignment	0	0	0	0
EY				
Audit assignment	257	0	229	0
Auditing activities beyond the scope of the audit assignment	31	0	0	0
Total	381	286	0	0

Auditing assignment refers to the auditor's fees for the statutory audit. The assignment includes the audit of the annual financial statements and bookkeeping, the administration of the Board of Directors and the CEO, as well as fees for advice and other assistance provided in connection with the audit assignment.

Note 9 – Leasing

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

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

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

Amounts reported in the income statement	The group	
	2023	2022
Depreciation of right of use assets	-939	-689
Interest costs for lease liabilities	-330	-265
Costs attributable to short-term lease agreements	0	0
Costs attributable to lease agreements of low value	-20	-20
Revenue attributable to subletting right of use assets	0	0
Total	-1,289	-974

On 31 December 2023, the group has obligations attributable to short-term lease agreements of TSEK 37 (54).

Cash flow	The Group	
	2023	2022
Amortisation of lease liabilities	-848	-593
Interest costs lease liabilities	-330	-265
Short-term lease agreements and leasing agreements with low value	-20	-20
Total cash flow	-1,198	-878

See Note 17 for specification of right-of-use assets.

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

Average number of employees	2023		2022	
	Number employees	Of which number of men	Number employees	Of which number of men
The parent company				
Sweden	0	0	0	0
Total in the parent company	0	0	0	0
Subsidiaries				
Sweden	12	11	12	9
Germany	2	1	0	0
Total in subsidiaries	14	12	12	9
Total in the Group	14	12	12	9

Distribution of senior executives on closing day	The Group		The parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Women:				
Board members	0	1	0	1
Other persons in company leadership incl. CEO	0	0	0	0
Men:				
Board members	6	5	6	5
Other persons in company leadership incl. CEO	3	3	1	1
Total	9	9	7	7

Salaries, other remuneration, etc.	2023		2022	
	Salaries and other remuneration	Soc costs (of which pensions costs)	Salaries and other remuneration	Soc costs (of which pensions costs)
The parent company	0	0	0	0
		0		0
Subsidiaries	13,331	3,927	13,861	3,445
		(1,627)		(1,484)
Total for group	13,331	3,927 (1,627)	13,861	3,445 (1,484)

Salaries and remuneration distributed between board members, etc. and employees	2023		2022	
	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
	(-)		(-)	
Subsidiaries	3,116	10,215	3,357	10,504
	(207)		(225)	
Total for group	3,116	10,215	3,357	10,504

Of the group's pension costs, TSEK 677 (168) relates to the board and the CEO.

Pensions

The retirement age for the CEO, Magnus Andersson, is 65 years. Magnus Andersson receives a pension corresponding to 30% of the fixed monthly salary. Members of the board do not receive a pension from the company. For other senior executives, the retirement age is 65 years. The company pays pension premiums according to its current pension policy.

The group's total cost for defined contribution pension plans amounts to TSEK 1,627 (1,484). The parent company's total cost for defined contribution pension plans amounts to TSEK 0 (0).

Remuneration to senior executives

2023	Base salary/ Fees	Variable remuneration	Other benefits	Other benefits	Total
Göran Janson, Board chair, CEO for part of the year	194	0	0	0	194
Torgny Hellström, Board chair for part of the year	299	0	0	0	299
Anders Blom, Board member	181	0	0	0	181
Tarek Shoeb, Board member	148	0	0	0	148
Nils Wollny, Board member	0	0	0	0	0
Magnus Edman, Board member	150	0	0	0	150
Karolina Bjurehed, Board member part of the year	36				36
Magnus Andersson, CEO	1,680	207	220	677	2,785
Other senior executives (2)	2,092			148	2,240
Total	4,780	207	220	825	6,033

Nils Wollny waived his remuneration during 2023.

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

Severance pay

No severance pay has been paid in 2023. The agreement that governs the relationship between the company and CEO Magnus Andersson does not include severance pay. The Board is entitled to dismiss the CEO after providing 6 months' notice, and the CEO can terminate employment with 3 months' notice.

Teckningsoptionsprogram

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

Note 11 – Financial income

	The Group		The parent company	
	2023	2022	2023	2022
Interest revenue	600	213	509	213
Foreign exchange rate gains	0	678	0	678
Total financial revenue	600	891	509	891

Note 12 – Financial costs

	The group		The parent company	
	2023	2022	2023	2022
Interest expenses	4,802	3,542	4,681	3,539
Interest costs, lease liabilities	330	265	0	0
Total financial costs	5,132	3,807	4,681	3,539

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

Note 13 – Taxes

	The group		The parent company	
	2023	2022	2023	2022
Aktuell skatt på årets resultat	-37	0	0	0
Uppskjuten skatt	0	0	0	0
Total reported tax	-37	0	0	0

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

Reconciliation of the reported tax for the year	Koncernen		Moderföretaget	
	2023	2022	2023	2022
Profit/loss before tax	-73,116	-32,287	-66,724	-35,919
Total reported tax for the year				
Tax calculated according to Swedish tax rate of 20.6% (20.6%)	-15,062	6,651	13,745	7,399
Effect from other tax rates in other countries	15	0	0	0
Tax effect of non-deductible write-offs	-6,728	0	-12,225	-6,386
Tax effect of other non-deductible costs	-53	-36	0	0
Tax effect of other non-taxable revenues	19	0	0	0
Tax effect of tax loss carryforwards for which deferred tax assets are not reported	-8,351	-6,615	-1,520	-1,013
Total reported tax for the year	-37	0	0	0

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

The group's accumulated unutilised tax loss carry-forwards amounted to TSEK 474,105 (422,233) as of 31 December 2023. There is no maturity date that limits

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

Note 14 – Earnings per share

Undiluted EPS

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

	The group	
	2023	2022
Profit/loss for the year attributable to the parent company's shareholders	-73,153	-32,287
Weighted average number of ordinary shares before dilution, number of shares	493,404,984	323,939,443
Undiluted EPS, SEK	-0.15	-0.10

Diluted EPS

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

	The group	
	2023	2022
Profit/loss for the year attributable to the parent company's shareholders	-73,153	-32,287
Weighted average number of ordinary shares before dilution, number of shares	493,404,984	323,939,443
Effect of potential ordinary shares with regard to options	0	0
Weighted average number of ordinary shares after dilution, number of shares	493,404,984	323,939,443
Diluted EPS, SEK	-0.15	-0.10

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

Note 15 – Capitalised development costs

The group

	2023-12-31	2022-12-31
Opening acquisition value	63,260	60,169
Capitalised costs for the year	2,564	3,091
Closing amortised cost	65,824	63,260
Opening depreciation	-3,685	-3,685
Depreciation for the year	0	0
Closing accumulated depreciation	-3,685	-3,685
Opening write-offs	-44,436	-44,436
Write-offs for the year	-823	0
Closing accumulated write-offs	-45,259	-44,436
Closing carrying amount	16,881	15,140

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

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

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

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

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

As of September 2023, an impairment loss of SEK 823 thousand was made. No additional impairment of capitalized development fees as of 2023-12-31 has been identified.

Notes 16 – Patents

	The group	
	2023-12-31	2022-12-31
Opening acquisition value	7,477	6,974
Acquisitions for the year	75	503
Closing amortised cost	7,552	7,477
Opening depreciation	-1,927	-1,587
Depreciation for the year	-227	-340
Closing accumulated depreciation	-2,154	-1,927
Opening write-offs	-3,395	-3,395
Write-offs for the year	-49	0
Closing accumulated write-offs	-3,444	-3,395
Closing carrying amount	1,954	2,155

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



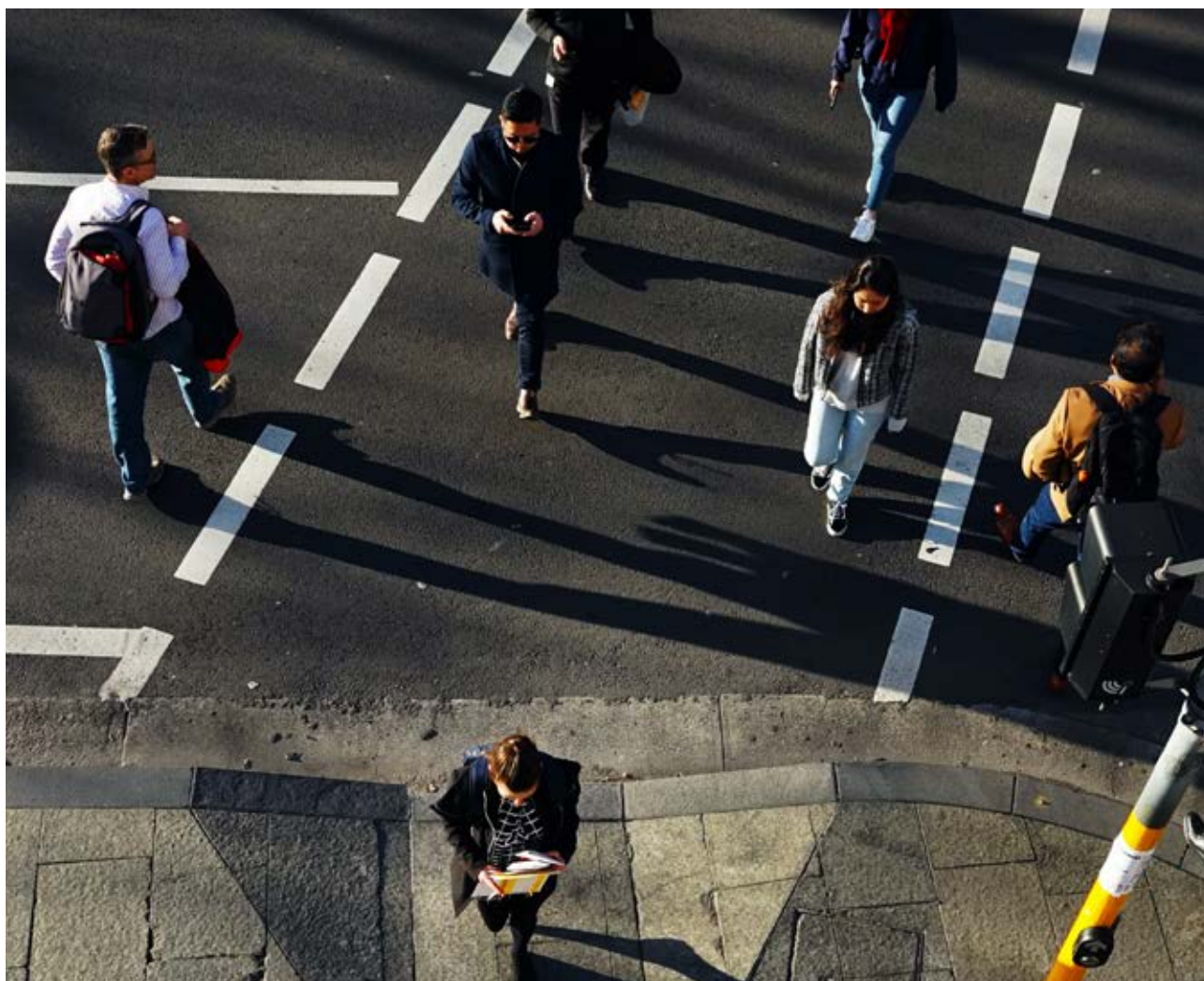
Note 17 – Right of use assets

Buildings	The group	
	2023-12-31	2022-12-31
Acquisition cost		
Opening acquisition costs	4,691	2,083
Additional right-of-use assets	163	2,608
Closing right-of-use assets	0	0
Closing amortised cost	4,854	4,691
Accumulated depreciation		
Opening depreciation	-1,034	-417
Closing right-of-use assets	0	0
Depreciation for the year	-850	-617
Closing accumulated depreciation	-1,884	-1,034
Booked value	2,970	3,657

Vehicles	The group	
	2023-12-31	2022-12-31
Acquisition cost		
Opening acquisition costs	236	297
Additional right-of-use assets	0	236
Closing right-of-use assets	0	-297
Closing amortised cost	236	236
Accumulated depreciation		
Opening depreciation	-23	-68
Closing right-of-use assets	0	116
Depreciation for the year	-88	-71
Closing accumulated depreciation	-111	-23
Booked value	125	213

Note 18 – Equipment, machinery and computers

	The group		The parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Opening acquisition cost	663	572	0	0
Acquisitions for the year	310	91	0	0
Closing amortised cost	973	663	0	0
Opening depreciation	-348	-122	0	0
Depreciation for the year	-294	-226	0	0
Closing accumulated depreciation	-642	-348	0	0
Closing carrying amount	331	315	0	0



Note 19 – Shares in group companies

	The parent company	
	2023-12-31	2022-12-31
Opening acquisition cost	448,430	417,152
Shareholder contributions	25,800	31,000
Formation of Terranet Tech GmbH	0	278
Closing acquisition costs	474,230	448,430
Opening write-offs	-391,419	-360,419
Write-offs for the year	-25,800	-31,000
Closing accumulated depreciation	-417,219	-391,419
Closing carrying amount	57,011	57,011

Company, corporate identification number	Registered office	2023-12-31	2022-12-31	2023-12-31	2022-12-31
		Capital share %*	Capital share %*	Booked value	Booked value
Terranet Tech AB (556666-9916)	Lund	100%	100%	56,633	56,633
TerraNet International AB (556759-6662)	Lund	100%	100%	100	100
Terranet Tech GmbH (HRB 787805)	Stuttgart, Germany	100%	100%	278	278
Terranet California Inc.	San José, USA	100%	100%	0	0

* Also share of voting rights.

Terranet has a registered company in the USA in preparation for a planned international expansion. The company in the USA has not yet conducted operations and as of 31 December 2023 had no balance sheet total to report.

Note 20 – Long-term securities

	The group		The parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Opening carrying amount	38,088	32,658	38,975	33,545
Investments for the financial year	0	5,430	0	5,430
Impairments for the financial year	-32 658	0	-33 545	0
Closing carrying amount	5,430	38,088	5,430	38,975

Long-term securities holdings on 31 December 2023 consist of Terranet's investment in the VR/AR technology company holoride. This is a joint investment with Audi, Shell Attractions (game developer) and two actors from Asia. Terranet's investment in holoride's new share issue in April 2021 corresponded to MEUR 3.2. The ownership stake corresponds to 10.4% of the total number of shares and votes. The intention with the investment in holoride was to give the company broader access to large segments of the global automotive industry and open the door to a new business segment for the company's BlincVision technology within Infotainment. After the end of 2023, holoride, not being in a position to fulfil its financial obligations, has filed for insolvency with the

German authorities, and a preliminary insolvency process has been initiated. Terranet's management and board of directors have thus made the assessment that the value of the company's assets in holoride is now small, which is why a write-down of the value has been made by SEK 32,658 thousand in the Group and by SEK 33,545 thousand in the parent company down to SEK 0 thousand.

The investment in 2022 of TSEK 5,430 was attributable to convertible loans issued to Summer Robotics, which were converted to shares in November with an ownership stake corresponding to 1.7% of the total number of shares.

Note 21 – Other receivables

	The group		The parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
VAT receivables	412	569	0	0
Other items	462	545	8	0
Total	874	1,114	8	0

Note 22 – Prepaid expenses and accrued revenue

	The group		The parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Prepaid rents	278	237	0	0
Prepaid licensing fees	825	1,237	0	0
Accrued income	211	0	0	0
Other items	1,178	564	223	206
Total	2,492	2,038	223	206

Note 23 – Cash and cash equivalents

	The group		The parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Bank balances	29,006	26,715	28,268	24,787
Total	29,006	26,715	28,268	24,787

Note 24 – Equity

Share capital and Other contributed capital	Number of ordinary shares	Share capital (TSEK)	Other contributed capital (TSEK)
As of 01 January 2022	314,852,930	3,149	393,100
New issue through exercise of TO 4B	11,436,473	114	5,951
Received option premiums	-	-	1,073
As of 31 December 2022	326,289,403	3,263	400,124
New issue through exercise of TO 5B	8,655,357	87	3,722
Rights issue	293,076,665	2,930	49,823
Directed issue	11,364,435	114	1,932
New issue through exercise of TO 6B	115,760,009	1,157	5,093
Issue expenses, total	0	0	-11,332
As of 31 December 2023	755,145,869	7,551	449,362

As of 31 December 2023, the registered share capital consisted of 755,145,869 ordinary shares with a quotient value of SEK 0.01/share. Of these, 1,084,463 are Class A shares and 754,061,406 Class B shares, all of which are fully paid. No shares are held by the company itself or its subsidiaries.

Warrants

Warrant programme T05 B

Subscription of Class B shares with the support of warrants of series T05 B took place during the period from March 13, 2023 up to and including March 24, 2023. Each warrant of series T05 B entitles the holder to subscribe for one (1) new B-share in the Company. The subscription price per Bshare upon exercise of the warrants of series T05 B was set at SEK 0.44. A total of 8,655,357 warrants of series T05 B were exercised for subscription of 8,655,357 B shares, meaning that approximately 70.2% of the outstanding warrants of series T05 B were exercised for subscription of B shares. Through the exercise of the warrants of series T05 B, Terranet received approximately SEK 3,606 thousand after issue costs. The proceeds from the rights issue were used in their entirety to repay loan debts.

Warrant programme 2022/2025: 1

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

There are a total of 16 people employed in the Company and the group, whereupon the CEO has the option to acquire a maximum of 2,500,000 warrants; other members of the management (max 3 people) may acquire up to 1,250,000 warrants, and other employees (max 12 people) may acquire a maximum of 300,000 warrants each.

The warrants are acquired at market value, which has been calculated by an independent valuation institute at SEK 0.12 per warrant. In the management group, Nihat Küçük, CTO, has fully exercised his warrant rights totalling 1,250,000 warrants. CEO Magnus Andersson has fully exercised his warrant rights totalling 2,500,000 warrants at SEK 0.17. Thomas Falkenberg, CFO, is a consultant and thus not covered by the programme. In addition, 315,000 warrants of series 2022/2025:1 have been acquired by individuals in non-executive positions. The Company has raised a total of TSEK 613 through the programme.

Warrant programme 2022/2025: 2

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

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

Rights issue 2023

The subscription period in the Rights Issue ended on 13 June 2023. The final outcome showed that 40,646,315 units were subscribed for with the support of unit rights, which corresponded to approximately 48.5% of the Rights Issue. Furthermore, the Company received subscription applications to subscribe for 1,044,146 units without unit rights, which corresponded to approximately 1.2% of the Rights Issue. Thus, 41,690,461 units were subscribed for with and without unit rights, corresponding to approximately 49.8% of the Rights Issue. Guarantee commitments of 16,924,872 units were utilized by the Company, corresponding to approximately 20.2% of the Rights Issue. Each unit in the Rights Issue consisted of five (5) new shares of series B, three (3) warrants of series T06 and three (3) warrants of series T07. In total, 58,615,333 units corresponding to 293,076,665 newly issued shares of series B, 175,845,999 warrants of series T06 and 175,845,999 warrants of series T07 were subscribed for. Through the Rights Issue, the Company received SEK 52,754 thousand before issue costs of a total of SEK 10,789 thousand.

Warrant programme TO6 B

Subscription of Class B shares with the support of warrants of series TO6 B took place during the period from November 27, 2023 up to and including December 11, 2023. Each warrant of series TO6 B entitles the holder to subscribe for one (1) new B-share in the Company. The subscription price per B-share upon exercise of the warrants of series TO6 B was set at SEK 0.054. In total, 115,760,009 warrants of series TO6 B were exercised for subscription of 115,760,009 B shares, meaning that approximately 63% of the outstanding warrants of series TO6 B were exercised for subscription of B shares. Through the exercise of the warrants of series TO6 B, Terranet received approximately SEK 5,938 thousand after issue expenses. 50% of the proceeds were used to repay loan debts.

Directed issue of units to guarantors

Several of the guarantors in the latest rights issue, which was completed in June 2023, chose to receive the guarantee compensation in the form of new units. Due to this, the Board of Directors resolved on the remuneration issue, which comprised a total of 2,272,887 new units. Each unit in the Remuneration Issue consisted of five (5) B shares, three (3) warrants of series TO6 and three (3) warrants of series TO7. In total, 11,364,435 B-shares, 6,818,661 warrants of series TO6 and 6,818,661 warrants of series TO7 were issued through the Remuneration Issue. Shares and warrants belonging to this directed issue to guarantors were registered by the Swedish Companies Registration Office on July 10.

Warrant programme TO7 B

The warrants may be exercised for subscription of new shares during the period from and including 20 May 2024 up to and including 3 June 2024. Each warrant of series TO7 B entitles the holder to subscribe for one (1) new B share in the Company. The subscription price for subscription of shares with the support of the warrants of series TO7 B amounts to 70% of the volume-weighted average price of the Company's share during the period from May 2, 2024 to May 16, 2024, but not less than the share's quota value (currently SEK 0.01) and not more than SEK 0.27.

Directed issue of units

On January 12, 2024, the company announced that the Board of Directors had resolved to carry out a directed issue of units of approximately SEK 10 million to a number of investors who had been contacted in advance, inclu-

ding existing shareholders. A total of 71,428,569 units were issued, consisting of two (2) shares of series B and one (1) warrant of series TO8. The subscription price per unit amounted to SEK 0.14, corresponding to SEK 0.07 per share. The subscription price in the directed share issue was determined after negotiations with the subscribers and corresponded to a discount of approximately 9.23% in relation to the volume-weighted average price of the Company's share on Nasdaq First North Premier Growth Market during the period 27 December 2023 up to and including 10 January 2024 and is considered by the board of directors to be in accordance with market conditions. The directed share issue was resolved in two stages. The first part was resolved on the basis of the authorization granted by the Annual General Meeting on 10 May 2023, corresponding to approximately SEK 7.75 million (the "first share issue"). The second part was resolved by the Board of Directors, subject to the subsequent approval of the Annual General Meeting, corresponding to approximately SEK 2.25 million. (the "Second Issue"). The right to subscribe for units in the second issue belongs to the shareholder Maida Vale Capital AB (a company partly controlled by board member Anders Blom). The second issue was approved on January 31 by the Extraordinary General Meeting.

Warrant programme TO8 B

The warrants that the company has transferred free of charge to all shareholders in the Company, in order to partially compensate the shareholders for the dilution that arose through the directed issue, can be exercised for subscription of new shares during the period from and including 18 November 2024 up to and including 29 November 2024. Each warrant of series TO8 B entitles the holder to subscribe for one (1) new B-share in the Company. The subscription price for subscription of shares with the support of the warrants of series TO8 B amounts to SEK 0.14.

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	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Other liabilities	15,538	32,428	15,538	32,428
Total	15,538	32,428	15,538	32,428

In May, a refinancing of the loan of SEK 35,000 thousand (nominal amount) that was raised for the financing of the investment in holoride GmbH in 2021 was refinanced. Amortization of the loan was made in the amount of SEK 19,479 thousand during the year. The liability at the end of the reporting period amounts to SEK 16,245 thousand

(excluding accrued set-up fees). Future amortization will be made in connection with receipt of proceeds from warrant series TO7 B, where 50% of the proceeds from the warrant series will be used for amortization. The loan matures on 30 June 2024.



Note 26 – Reconciliation of liabilities arising from financing activities

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

	Convertible loans	Lease liabilities	Other loans payable	Total
Opening balance 2022	0	1,972	34,954	36,926
Items affecting cash flow				
Assumption of loans	0	0	0	0
Repaid loans	0	-593	-6,065	-6,658
Other non-cash items				
Leasing agreement entered		2,843		2,843
Terminated leasing agreements		-182		-182
Accrued interest			2,170	2,170
Discount effect	0	0	1,369	1,369
As of 31 December 2022	0	4,040	32,428	36,468
Items affecting cash flow				
Assumption of loans	6,318	0	0	6,318
Repaid loans	0	-848	-19,479	-20,327
Other non-cash items				
Leasing agreement entered		164		164
Terminated leasing agreements		0		0
Accrued interest	98		1,128	1,226
Discount effect	0	0	1,461	1,461
As of 31 December 2023	6,416	3,356	15,538	25,310

Note 27 – Other liabilities

	The group		The parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Deferral of payment of social security contributions	6,318	0	0	0
Other items	911	514	0	0
Total	7,229	514	0	0

Note 28 – Accrued expenses and prepaid income

	The group		The parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Accrued salaries and vacation pay	3,401	1,569	0	0
Accrued social costs	214	134	0	0
Accrued special payroll tax	315	390	0	0
Other items	209	755	107	30
Total	4,139	2,848	107	30

Note 29 – Deposit collateral and contingent liabilities

	The group		The parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Deposit collateral	None	None	None	None
Contingent liabilities	None	None	None	None

Note 30 – Transactions with related parties

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

Purchase of services

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

	The group		The parent company	
	2023	2022	2023	2022
Prevas Development AB	808	622	0	0
Management without employee status	1,974	1,594	0	0
Total	2,782	2,216	0	0

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

There are no liabilities or receivables attributable to purchases or sales to related parties, nor are there any outstanding loans.

Remuneration to senior executives

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

Note 31 – Events after closing day

- At the beginning of January 2023, CEO Magnus Andersson and CTO Pierre Ekwall visited CES in Las Vegas where they processed and made new valuable contacts in an automotive industry, which, together with the ADAS segment, has a prominent presence at the event.
- On 10 January 2024, the company announced that the Nomination Committee had proposed Mats Fägerhag as the new Deputy Board member.
- On January 12, 2024, Terranet convened an Extraordinary General Meeting to elect Mats Fägerhag as a new member of the Board of Directors. Furthermore, it was announced that the Board of Directors had resolved on a directed issue of units and transfer of warrants free of charge to the company's shareholders. The directed share issue amounted to approximately SEK 10 million and a subscription price corresponding to SEK 0.07 per share.
- On January 19, 2024, the company provided an update in connection with the recently announced share issue and that the company plans to accelerate the work with business and partnership development in 2024 in order to bring BlincVision to the market.
- On January 25, 2024, Terranet announced that the record date for transfer of warrants free of charge to existing shareholders had been set to February 2, 2024.
- On 31 January 2024, an Extraordinary General Meeting was held at which it was resolved to elect Mats Fägerhag as a new member of the Board of Directors. Furthermore, the Extraordinary General Meeting resolved on a directed share issue to Maida Vale Capital AB amounting to SEK 2.25 million.

- On February 5, 2024, Terranet announced the opening of a new office at Lindholmen in Gothenburg, known as one of Sweden's most dynamic innovation hubs, especially in the automotive industry, offering a unique environment where technology development, research and business opportunities meet.
- On February 19, 2024, it was announced that the first day of trading of warrants of series TO8 had been set to February 20, 2024.
- On February 20, 2024, the company invited to the presentation of the year-end report on February 22, 2024.
- On February 22, 2024, the company published its year-end report for 2023. On the same day, a webcast was held where CEO Magnus Andersson and CTO Pierre Ekwall answered questions about the development of the business during the fourth quarter of 2023.
- On February 29, 2024, the company communicated an update on the planned prototype tests in labs during the first quarter.
- On April 4, the company announced that it had completed the prototype demo tests during the first quarter in accordance with the previously communicated plan for the development work.
- On April 22, the company announced that holoride GmbH, in which Terranet owns 10.4%, has filed for insolvency with German authorities and that this will entail a revaluation of Terranet's holding in holoride. The company further announced that Terranet's annual report for 2023 will be published on April 30, instead of April 24 as previously communicated.

Note 32 – Dividends and appropriation of profits

No dividend was paid in 2022 and 2023.

At the Annual General Meeting on May 21st 2024, no dividend will be proposed.

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

Share premium reserve	449,362,475
Profit/loss carried forward	-314,995,339
Profit/loss for the year	-66,723,595
	67,643,542
The Board proposes that carried forward	67,643,542

Note 33 – Approval of financial reports

The annual report and consolidated financial statements have been approved for release by the Board of Directors on 30 April 2024. 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 21 May 2024.

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 30 April 2024

Torgny Hellström
Board Chair

Anders Blom
Board Member

Göran Janson
Board Member

Magnus Edman
Board Member

Nils Wollny
Board Member

Tarek Shoeb
Board Member

Mats Fägerhag
Board Member

Magnus Andersson
CEO

Our audit report has been submitted on
Ernst & Young Aktiebolag

Martin Henriksson
Authorized Auditor



AUDITOR'S REPORT

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Terranet AB (publ) for the year 2023. The annual accounts and consolidated accounts of the company are included on pages 29-81 in this document.

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 2023 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 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards), 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 income statement and statement of financial position for 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.

Material uncertainty regarding the going concern assumption

We would like to draw attention to the information provided in the Board of Directors' Report on page 35 under the section Financing and liquidity risk, which states that the Group's continued operations are dependent on new financing to ensure continued operations. Should the measures that the Board of Directors plans to implement not be implemented, there is a significant uncertainty regarding the company's ability to continue as a going concern. Our opinion is not modified in this regard.

Other information

The audit of the annual accounts for the year 2022 has been performed by another auditor who submitted an auditor's report dated 17 April 2023 with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-28. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 intend 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 skepticism 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 (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

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

Malmö as our digital signing
Ernst & Young AB

Martin Henriksson
Authorized Public Accountant



Safety at the blink of an eye

www.terranel.se Mobilvägen 10, 223 62 Lund Sweden