

**ANNUAL REPORT
AND CONSOLIDATED FINANCIAL
STATEMENT FOR TerraNet
HOLDING AB (publ) 2020**

Safety at the blink of an eye

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TerraNet develops fast, intelligent software for advanced driver-assisted systems (ADAS) and autonomous vehicles

About TerraNet

TerraNet develops software for radio-based solutions and three-dimensional image analysis for advanced driver assistance systems and autonomous vehicles (ADAS and AV).

Following in Sweden's rich tradition of innovative safety solutions for the automotive industry, TerraNet are pioneers in ADAS and AV technologies. From the company's headquarters in Lund, Sweden and development sites in Kyiv, Ukraine and Stuttgart, Germany, TerraNet's breakthrough safety technology VoxelFlow™ is the next big innovation to come from Sweden. VoxelFlow is an innovative, patented software for advanced driver assistance systems and autonomous vehicles that is able to categorise and interpret data on a vehicle's surroundings in the blink of an eye, which will be ready to be offered to customers as a finished product within the next few years. In order to secure contracts with potential customers, TerraNet is currently engaged in development work on our patented software solution, and during the coming year, we will initiate the process of customising solutions for customers whereby TerraNet's software will be adapted and integrated into the customers' products. TerraNet's vision is to become a world leading supplier of software for AD/ADAS systems, positioning and intelligent communication between vehicles. TerraNet Holding AB (publ) is listed on Nasdaq First North Premier Growth Market (Nasdaq: TERRNT-B.ST). For more information, go to www.terranet.se.



Background

TerraNet was founded in 2004 with a vision to develop communication solutions to bridge the gap in access to broadband solutions in developing countries. Several years of intensive research and development culminated in a new gold standard in the field, a standard TerraNet played a pivotal role in developing and upon which the company has based its proprietary software. The Wi-Fi Aware standard, which was adopted by the Wi-Fi Alliance in 2015, was successively launched by mobile and microchip manufacturers in 2017. TerraNet works to develop unique solutions for customers based on this platform, including vehicle manufacturers and suppliers within active safety.

In 2018, the company decided to focus its operations exclusively on ADAS (advanced driver-assistance systems) and autonomous vehicles. The company can now draw on its strong background and expertise in the telecommunications sector to develop software for radio-based positioning for the automotive industry. TerraNet's proprietary technology makes it possible to determine the position of a vehicle with a high degree of precision, both for the absolute position of the vehicle and the position relative to another object.

Over the last two years, TerraNet has turned its focus to establishing collaborations with other players in the industry, including vehicle manufacturers and suppliers of active safety systems, and has refined its strategy to adapt to trends in the industry and the expected time frame for the launch of fully or semi-autonomous vehicles.

In 2020, the company has strengthened its collaboration with inventor and entrepreneur Dirk Smits, who has developed ground-breaking technology for advanced three-dimensional image analysis. This technology, which is called VoxelFlow, can detect and identify objects in a vehicle's surroundings, such as a child running out onto the road, in a matter of milliseconds, TerraNet has an exclusive global license to develop and market VoxelFlow within the automotive industry.



Road safety when you need it most

A message from the CEO

We have high ambitions to transform road safety. First, we aim to launch technology that will redefine the meaning of road safety – on a global scale. Second, we aim to redefine the way the industry uses neural networks, machine learning and artificial intelligence to achieve road safety goals.

Road safety systems used inside and around a vehicle are based on the principle of redundancy and the use of numerous overlapping functions that interact and complement one another. These systems may include a filter in a navigation system that uses accumulated sensor data to identify traffic hazards and incidents, or world-leading sensor technology that allows a vehicle to react in the blink of an eye, such as TerraNet's VoxelFlow technology.

Most accidents occur in heavily trafficked urban environments at relatively low speeds. Existing technologies are not capable of defining an object and responding intelligently at a speed that provides adequate safety. TerraNet's VoxelFlow technology aims to provide a solution to both of these challenges. Faster and smarter.

I am confident the year ahead will be a successful year for TerraNet. The company's operations have already been expanded during the first quarter, with a number of important new recruitments. The 2021 financial year will also see the long-awaited functional and type testing of our patented technology in an actual car – which is, of course, VoxelFlow's natural environment.

TerraNet's VoxelFlow demo at the Mercedes Benz annual accelerator conference Startup Autobahn, which was a digital event this year due to the COVID-19 pandemic, marked an important breakthrough moment for TerraNet.

At the end of 2020, the company's licensing agreement with Voxelflow inventor Dirk Smits was renegotiated, thereby giving the company exclusive rights to market the technology in a way that responds to the demands and trends within the global mobility as a service market. Regulatory requirements that have now been applied to promote fleet electrification in Europe, in turn, pave the way for the rapidly growing autonomous vehicle segment and automated processes. We are closer than ever to the long-anticipated transformation of the automotive industry. As early as next year, mandatory legislation will be introduced in the EU that will result in increased demand for advanced driver assistance systems (ADAS). New regulations are constantly pushing us towards more stringent safety requirements with a higher degree of precision and cutting-edge technology.

Voxelflow is a highly advanced software platform that uses algorithms that rely on data from three-dimensional laser triangulation to determine the position, direction and speed of a moving object. One important application of Voxelflow is in Advanced Driver Assistance Systems (ADAS), robotics automation is another. We also see the potential for other areas of application, for example, within the infotainment industry. One potential area of application is the use of the positioning algorithm and image data to enable the use of multimedia in the vehicle. Looking forward, we see the potential for the technology to not only ensure a safe journey, but also to offer both data processing and entertainment in one and the same vehicle. Voxelflow will be synonymous with both safety and comfort.

This year, we plan to initiate a number of new joint development projects with important actors in the automotive industry.

One of our strengths is the close dialogue we maintain with those working in the industry, which has allowed us to understand at an early stage how multifaceted the technology is and the potential demand. The fact that we have already received an order for a joint development project with Mercedes Benz attests to this. The development project is exploring how Voxelflow-generated data can be reused by a vehicle's map and navigation system.

Our intention is to continue to scale up our development work to further improve performance, increasing resolution and lowering delay by up to one megavoxel by the end of the year (*voxel as a volume measure of the number of pixels in an image sequence).

We are building an ecosystem with our partners that will enable us to secure firmly rooted, rapid development in the years ahead and to ensure that the technology will be ready for use as quickly as possible.

Pär-Olof Johannesson

CEO

Operations

TerraNet was founded in 2004 with the mission to improve communications in desolate environments within developing countries through access to broadband capacity. After years of intensive research and development, TerraNet's strategy has been consolidated around ADAS systems and supporting technology for autonomous vehicles that represents the gold standard in the field. The Wi-Fi Aware standard, which was adopted by the Wi-Fi Alliance in 2015, was successively launched by mobile and microchip manufacturers in 2017. TerraNet works to develop unique solutions for customers based on this platform, including vehicle manufacturers and suppliers within active safety systems.

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Business concept and strategy

TerraNet's business concept centres around the development of software for vehicle manufacturers, subcontractors and other players in the transport as a service sector in order to secure licensing revenues. TerraNet's advanced driver assistance technology can be incorporated in a variety of types of vehicles, such as passenger cars, trucks, buses, motorcycles and electric scooters, but can also be used in other types of intelligent transport systems, in settings such as mines, warehouses and amusement parks. The company also offers consulting and system integration services in the areas of positioning and active safety.

TerraNet's business strategy can be divided into four areas:

1 Own product development.

The company's own product development aims to develop finished products that will generate future licensing revenues for the company. TerraNet strives to engage in product development in collaboration with other partners in the industry, which is also considered a factor that strengthens the company's position in the market. The company's own product development does not generate direct income for the company.

2 Consulting and system integration projects.

Through the company's engagement in customer projects in advanced driver assistance and collision warning systems, TerraNet provides consulting and system integration services, thereby generating direct revenues for the company and strengthening TerraNet's expertise and market position.

3 Joint product development.

By working with our customers to develop products in collaboration, where the rights to the technology produced are shared between TerraNet and the customer, the company can generate both direct consulting revenues and future licensing revenues.

4 Product sales.

TerraNet's software is sold as a product to customers. In addition to licensing revenue, product sales can generate revenue through customer-specific adaptations as well as service and upgrades.

Ongoing development and delivery projects

During the 2020 financial year, TerraNet continued its ongoing development projects with players in the industry and academic institutions. Due to the COVID-19 pandemic, a couple of projects that were in the start-up phase were put on hold.

Of these, notable projects include:

- A Vinnova-funded project in collaboration with Volvo Cars, Volvo Trucks and the Faculty of Engineering (LTH) at Lund University, which aims to improve positioning through the use of radio signals. The main technologies used in the project are 4G/5G, Massive MIMO (multiple input, multiple output), SLAM (simultaneous localization and mapping) and machine learning.
- The first project put on hold in 2020 is a project that aims to create a solution for vehicle-to-vehicle communication for the customer Haldex, the leading global vehicle component supplier in smart braking systems.
- The second of these projects aims to develop an active safety system for amusement parks rides for the customer Disney. This project is being carried out in collaboration with Afry (formerly ÅF) and was also put on hold in 2020 due to COVID-19, as amusement parks across the globe were closed.
- In October, an MoU was also announced with Mercedes-Benz regarding the company's VoxelFlow technology.

The company's VoxelFlow technology has been developed further this year, from processing one thousand voxels per second to processing almost 250,000 voxels per second. By the end of the year, the goal is for VoxelFlow to be able to process over one million voxels per second. The company now plans to move the technology out of the laboratory environment and into a car environment within the next six months. There are a number of application areas for VoxelFlow, and as we continue to develop this breakthrough technology, we have also engaged in strategic dialogue with key players in the mobility and entertainment sector, where we see a number of promising avenues for growth.

Research & Development

Development of active vehicle safety software

TerraNet continues to conduct research and development work through its engagement in projects with customers and partners. The company primarily works to develop technology to improve active safety systems that assist the driver and support vehicle to vehicle communication in order to increase safety and avoid collisions.

ADAS (advanced driver assistance systems) is one of the steps towards fully autonomous vehicles and includes features such as automatic navigation systems, automatic steering systems, automatic braking systems, rain sensors, automatic speed control, etc. Many of the technologies described above are largely available in vehicles today, and we expect to see rapid development continue in this segment.

R&D focus areas:

- Three-dimensional image analysis for the detection and classification of objects in a vehicle's surroundings
- Radio-based (5G) absolute vehicle positioning
- Radio-based (5G) vehicle positioning relative to other vehicles, cyclists, pedestrians or stationary objects

Progress in 2020

VoxelFlow continues to be developed further in collaboration with the inventor of the technology, Dirk Smits, and has been the company's main focus during 2020, a year characterised by the pandemic. As a result of these efforts, VoxelFlow has gone from processing a few thousand voxels per second to processing around 250,000 voxels per second; the next sub-goal is to increase processing speed to around one million voxels per second and introduce the technology into a car environment. The system consists of a laser scanner that illuminates an object and three cameras that detect the reflected laser beam to create a three-dimensional image of the object. This image is used to identify and classify the object, for example, a child running out into the road. This is all done in a matter of just a few milliseconds. The company has demonstrated its technology for vehicle manufacturers and subcontractors in Sweden and Germany and is viewed by actors in the industry as a better alternative to currently available sensor technologies.

Intellectual property rights

During the 2020 financial year, the company continued its work to develop technologies and apply for patents in a number of areas. This work always includes patent applications for the global market, which means that the company can apply for patents on a number of markets. At the start of 2021, a new agreement was reached with the inventor of VoxelFlow, Dirk Smits, regarding a number of important basic patents for VoxelFlow, where the new agreement will provide significantly better margins for TerraNet in the sale of completed systems in the future. We continue to work to expand our patent portfolio with new applications for VoxelFlow and 5G positioning.

VoxelFlow equips a vehicle with lightning-fast sensor technology so that the vehicle can accurately visualise its surroundings and respond accordingly.

– Within three milliseconds, with laser technology, three cameras and high-sensitivity 3D scanning, VoxelFlow responds ten times faster than any ADAS system available on the market today and adapts to the conditions in a vehicle's surroundings.

Smart, fast and precise – in real time.

How the technology works:

Three sensor cameras and a laser scanner are mounted on a vehicle.

An ultra-high resolution laser continuously scans the vehicle's surroundings with lightning-fast voxel speed. The cameras track the tip of the laser beam and detect objects within a 40-metre radius with almost no delay (in microseconds).

The vehicle gets the information and reacts within three milliseconds, which can be compared to a response time of 300 milliseconds in systems using traditional ADAS technology. For example, if a car is travelling at 70km/h, the car will react within 6 centimetres.

In a car using traditional ADAS technology, the car would travel 5.94 meters further before responding. And if you are driving the car yourself without ADAS technology, you would travel another 13 metres before perceiving the hazard and applying the brakes.



The Board of Directors



**GÖRAN JANSON BORN 1956.
BOARD CHAIR SINCE 2020.**

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

Göran brings 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.

Holdings in the company: 367,500 B shares.



**MICHEL ROIG BORN 1976.
BOARD MEMBER SINCE 2019.**

Michel Roig has a Master of science in electrical engineering from the Faculty of Engineering (LTH) at Lund University and is Senior VP Business Line Payments & Access at Fingerprint Cards. Michel brings experience from business development and sales from several innovation companies in mobile telephony and other consumer technology.

Michel has experience in both larger companies, such as Ericsson, and has had an especially prominent role in Fingerprint Cards AB, a smaller company that is a pioneer in biometrics and identification technology.

Michel Roig has previously served as Sales Director for Smartcards at Fingerprint Cards AB, Senior Director of Fingerprint Cards AB, Vice President & General Manager of Aava Mobile Oy UK & Nordics, and Vice President & Head of Sales and Marketing at TerraNet.

Holdings in the company: 62,500 B shares.



**CHRISTIAN RASMUSSON BORN 1963.
BOARD MEMBER SINCE 2020.**

Christian Rasmusson has Master of laws degree from Lund University and is a member of the Swedish Bar Association. He is the owner of Öresund Advokat, which he founded in 2012. Christian primarily provides legal assistance to owner-managed businesses with links to the Öresund region.

Christian is primarily active in the construction and real estate sectors, but also assists clients in trade, manufacturing and other business areas. He has played an active role in a number of business transactions, including transfers and capital raising efforts. Christian's extensive network provides clients with access to new contacts, which helps ensure his clients' success and growth. Christian serves in a number of board assignments, several as board chair, and is especially passionate about his role in the Hockey Allsvenskan hockey league.

Holdings in the company: 0



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

Karolina Bjurehed works in information sciences and studied at the University of Borås and Gothenburg University. Karolina has over 15 years of experience in IT, business and innovation in the automotive industry and the telecommunications industry. She has an extensive global network within the automotive industry and has worked actively on the global level for many years.

Karolina works as a startup mentor and is actively engaged in several startup accelerators around the world. Karolina also runs her own company, which offers horse breeding and boarding services. She has previously held positions that include a variety of roles in IT and Digital at Volvo Cars, but she has also served as Product Owner Web and Mobile at Ericsson in Borås and Project Manager Web and Mobile at the University of Borås. Carolina is currently Head of Investment Relations at Volvo Cars Tech Fund.

Holdings in the company: 0



**ARNE HANSSON BORN 1961.
BOARD MEMBER SINCE 2020.**

Arne Hansson has a Master of science in engineering from Lund University with a specialisation in Strategy & Control Systems. Arne has over twenty years of experience on the international level, serving in roles for companies including Trelleborg AB, Mars Inc., Ericsson and Sony Ericsson, where he has held a variety of leading roles, such as National Sales Director, VP & Regional Head of Operations APAC, CFO and Global Head of Sourcing.

For the past ten years, Arne has been committed to entrepreneurship, innovation and business development, having founded his own companies and working for many years as a business development consultant. For the past two years, Arne has been the CEO of Ideon Open AB, where he leads a group of innovation specialists who work with clients such as Alfa Laval and Stora Enso.

Holdings in the company: 0



**LARS NOVAK BORN 1965.
BOARD MEMBER SINCE 2019.**

Lars Novak has a Master of science degree in computer and information science from the Faculty of Engineering (LTH) at Lund University.

Lars is currently the Development Manager at Sinch, a company that develops mobile messaging software that is also the world's largest supplier of mobile transaction networks.

Lars brings extensive experience from the biggest names in the mobile industry, Sony Mobile and Sony Ericsson, where he has held a wide variety of roles over the past 20 years.

Holdings in the company: 62,500 B shares.

Senior management



PÄR-OLOF JOHANNESSEN BORN 1968. CEO SINCE 2009.

Pär-Olof Johannesson has a background in the natural sciences and a bachelor's degree in law from Lund University. He has a strong background as an entrepreneur, with over 20 years of experience serving in leading positions in the telecommunications industry in both established corporate groups and startups.

Pär-Olof's previous positions have included co-ownership in the venture capital firm Mankato Investments, business area manager at Flextronics and sales manager at ABB, project manager at Ericsson Radio Systems in Beijing, attaché at the Swedish Ministry for Foreign Affairs and research assistant at the Swedish Defence Research Agency. Pär-Olof served as a board member at TerraNet from 2018-2020.

Holdings in the company: 394,818 Class B shares and 394,818 warrants.



JOHAN WÅNGBLAD BORN 1965. CFO SINCE 2020.

Johan Wångblad has worked for Volvo Cars for 35 years, 25 of those years in various leading finance and accounting positions where he worked in R&D, competitor mapping, set cost targets for SPA architecture, set up factories and initiated collaborations with other companies.

For the past five years, Johan has also played an active role in the area of innovation at Volvo Cars, including a collaboration with the accelerator Drive in Tel Aviv and the collaboration platform MobilityXLab in Gothenburg. He joins TerraNet after serving in his most recent position as Head of Operations at Volvo Car Technology Fund AB. Johan has a Bachelor of science in business and economics from the Gothenburg School of Economics.

Holdings in the company: 27,500 B shares.



DIRK SMITS BORN 1956. INNOVATOR SINCE 2018.

Dirk Smits is a veteran of Silicon Valley who has founded or served as an advisor to a number of technology intensive startups.

Dirk also has a background at Samsung Electronics, where he most recently served as Vice President, Open Innovation. He holds 40 patents in areas including laser scanning technology, three-dimensional motion detection, face recognition, biometrics and user interfaces.

Holdings in the company: 0



**CHRISTIAN LARSSON BORN 1964.
SENIOR VICE PRESIDENT
PRODUCT MANAGEMENT SINCE 2020.**

Christian Larsson has a Master of science in mechanical engineering from Chalmers University of Technology. Christian has been actively working in vehicle safety, advanced driver assistance and autonomous vehicles since the early 2000s.

His previous roles include EU Senior Manager at DENSO corporation; Driving Assist & Safety Engineering; Market Area Manager-Regional Manager at ÅF Technology AB, Embedded Gothenburg; ADAS senior manager at NextEV Co. Ltd., Electric/Electronics – Vehicle Engineering; System Manager-AD team leader at China Euro Vehicle Technology AB, Safety Electronics & Functions; and General Manager at Sentient Sweden AB.

Holdings in the company: 0



**MICHAELA BERGLUND BORN 1987.
VP MARKETING SINCE 2020.**

Michaela Berglund is an entrepreneur with an educational background in economics and marketing at Uppsala University. She has worked in marketing and communications for almost 15 years for a broad range of industries and companies, primarily in the Nordic region but also on the global level.

Over the last few years, Michaela has primarily worked in executive roles and with communication in the financial services sector.

Holdings in the company: 0



**SIMON MORRIS BORN 1962.
VP BUSINESS DEVELOPMENT SINCE 2020.**

Simon has a master's degree in electrical engineering from the Royal Military College of Canada.

He is also a member of Professional Engineers of Ontario. He has been awarded the Canadian Forces' Decoration and was selected as an E&Y Entrepreneur of the Year finalist in 2014.

Simon has over 25 years of experience in senior positions in start-ups in the technology sector. For the past ten years, Simon has been a member of teams that have worked to develop innovative image and data processing solutions, primarily for the automotive industry.

Holdings in the company: 0

Shares

General information

The company listed its B share on Nasdaq First North Premier on 30 May 2017.

The company's B shares are traded on Nasdaq First North Premier Growth Market. The stock symbol is TERRNT B and the ISIN code B share: SE009806045

Any future dividends will be based on the company's profitability, future development, acquisition opportunities and financial position.

In connection with this, a new share issue was made, which raised SEK 100.1 million for the company before issue costs. This new issue was heavily oversubscribed. On 31 December 2020, the total market value was SEK 50.3 million. Share capital amounted to SEK 2,170,063 and is divided into 3,025,356 Class A shares and 213,980,907 Class B shares. Each share has a quotient value of SEK 0.01.

The share price at the close of the year was SEK 1.07 per share, compared with a share price of SEK 1.06 per share at the beginning of the year. The number of shareholders at the end of the year was 8,430, with the ten largest shareholders holding 38.15% of all shares.

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. Similar to previous years, no dividend will be paid for the year. Any future dividends will be based on the company's profitability, future development, acquisition opportunities and financial position.

Share capital development

See Note 21 for more information on share capital and significant events during 2020.



Ownership structure

10 Largest owners as of 26 February 2021

Shareholder(s)	Number of shares	Class A shares	Class B shares	Share of capital %	Share of votes %
Maida Vale Capital AB	34,901,757		34,901,757	16.08%	15.86%
Försäkrings AB, Avanza Pension	15,950,412		15,950,412	7.35%	7.25%
Knutsson Holdings AB	7,933,328		7,933,328	3.66%	3.61%
Fredrik Olsson	6,250,000		6,250,000	2.88%	2.84%
Oliver Aleksov	4,117,394		4,117,394	1.90%	1.87%
Maths Hultbom	2,050,000		2,050,000	0.94%	0.93%
Percy Nilsson	2,018,622		2,018,622	0.93%	0.92%
Banque Pictet & Cie	1,861,604		1,861,604	0.86%	0.85%
Eminova Fondkommission	1,684,937	1,684,937		0.78%	0.77%
Ålandsbanken	1,648,896		1,648,896	0.76%	0.75%
Other shareholders	138,589,313	1,340,419	137,248,894	63.86%	64.36%
TOTAL	217,006,263	3,025,356	213,980,907	100.00%	100.00%

Warrants

TerraNet has three outstanding option programmes.

Warrant program – 2019

A warrant program of a maximum of 2,000,000 warrants was approved by the Extraordinary General Meeting on 18 December 2019. Each warrant entitles the holder to subscribe to one new B share in the company at a subscription price of SEK 1.62 per share during the period from 10 January 2022 to 10 February 2022, or the date that immediately precedes these dates as follows from the terms of the warrants. The premium for the warrant shall correspond to the option's market value at the time of subscription, which shall be calculated according to Black & Scholes' pricing model or another accepted pricing model.

Warrant Program 2020:2 TO2B

The subscription of B shares through warrants of series 2020:2 occurred from 08 March 2021 to 19 March 2021. Each warrant of series 2020:1 entitled the holder to the subscription of one (1) new B share in the company against cash payment corresponding to 70 percent of the volume-weighted average price of the company's share on Nasdaq First North Premier Growth Market between 22 February 2021 to 05 March 2021, which gave a maximum value of SEK 0.80 per B share. The outcome of the warrant series was 94.9%, and the company was thus able to raise an additional SEK 38.3 million before issue costs.

Warrant Program 2020:3 TO3B

The subscription of B shares through warrants of series 2020:3 will occur from 23 August 2021 to 3 September 2021. Each warrant of series 2020:3 entitles the holder to the subscription of one (1) new B share in the company against cash payment corresponding to 70 percent of the volume-weighted average price of the company's share on Nasdaq First North Premier Growth Market between 09 August 2021 to 20 August 2021, however, no less than the value corresponding to the quotient value for TerraNet's share during the subscription period and a maximum of SEK 0.80 per B share. In the event of full exercise of all warrants of series 2020:3, the company can expect to raise a maximum of an additional MSEK 40.4.



Annual report and consolidated financial statement for TerraNet Holding AB (publ)

The Board of Directors and the CEO of TerraNet Holding AB (publ), having corporation identification number 55670-72128, with its registered office in Lund, hereby submit the annual report and consolidated accounts for the financial year 01/01/2020–31/12/2020.

Report of the Directors

Ownership and group structure

TerraNet Holding AB is the parent company in the TerraNet Group and owns 100% of the subsidiaries TerraNet AB and TerraNet International AB. TerraNet also has a company registered in the USA. The company in the USA has not yet conducted operations and as of 31 December 2020 had no balance sheet total to report. The company in India was liquidated in 2020.

Operating activities within the Group are conducted in TerraNet AB. TerraNet AB has its headquarters in Forskningsbyn Ideon in Lund with an established presence in Kiev and Silicon Valley. The Indian company was liquidated in 2020, and the operations in Asia in general were scaled back due to COVID-19 and the company's focus on developing its VoxelFlow technology.

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

Operations

TerraNet develops software for advanced driver-assisted systems (ADAS) and autonomous vehicles. TerraNet's proprietary system is called VoxelFlow and will be ready for customers within the next few years. In order to secure contracts, TerraNet is currently engaged in work to develop base software, and during this financial year, will begin work on behalf of its customers to adapt TerraNet's software to the customers' products. The company is also currently engaged in research with 5G positioning technology. TerraNet's vision is to become a world leading supplier of software for AD/ADAS systems, positioning and intelligent communication between vehicles.

Significant events during the year

During the 2020 financial year, TerraNet conducted a much-needed review of a number of parts of the company. This provided us with the opportunity to get the new technology some exposure, with participation at CES in Las Vegas in January. This led to an opportunity for collaboration with Mercedes-Benz, which culminated in an MoU in October. This new collaboration opened the door for TerraNet to participate in the Start-Up Autobahn in Stuttgart in February 2021. From a technical standpoint, the development of VoxelFlow during the year moved forward, with efforts to identify the best available hardware in the form of event cameras and laser scanners and to increase the speed of the technology.

During Q4, the company's agreement with Gerhard Dirk Smits regarding VoxelFlow was renegotiated, which significantly strengthens TerraNet's position regarding the rights to this technology and its long-term value. In short, TerraNet now has exclusive rights to the license, which is global, refers to "Automotive and Transportation Vehicles" and is not limited in time. The company has now negotiated a level of compensation payable to Smits, which when commercialised amounts to low single-digit royalties.

Financial year 2020 also saw an injection of capital, with a preferential rights issue in combination with a warrant series programme, which provides capital that is more long-term in nature. At the end of 2020, TerraNet thus had its best ever cash position and better financial stability than it has had in many years.

Several new Board members were elected at the AGM in May. TerraNet has a new main owner as of July. A new Board Chair, Göran Janson, was appointed at the Extraordinary General Meeting in September. At the end of the year, two new members also joined the senior management team, with Michaela Berglund stepping in as CMO at TerraNet and Johan Wångblad becoming the CFO.

Looking at the big picture, 2020 was the year that TerraNet started building up from its strong foundation, with new long-term capital, a new board, a new board chair and new members of the senior management team.

The background image shows a road at night with white dashed lines and arrows. Two bright blue light trails are visible in the foreground, suggesting motion or a specific technology being demonstrated.

Comments on operations, results and position

Comments on operations, results and position

Results

The Group's revenue for 2020 amounted to SEK 847 thousand (824) and consisted of revenue from co-financed customer development and grants from Vinnova. Total operating costs, including depreciation and write-offs, amounted to SEK 35,533 thousand (46,704) for the year. Total staff costs amounted to SEK 11,853 thousand (16,555) after considering the capitalisation of internally generated development costs. Other external costs amounted to SEK 20,544 thousand (20,469).

The operating profit/loss is affected by the depreciation of development projects and patents amounting to SEK 762 thousand (7,372). The depreciations relate to patents and capitalised costs relating to development in areas that are no longer included in the company's strategy. Profit/loss before and after tax amounted to SEK -34,893 thousand (-46,676), which was in line with the management team's and the Board's expectations.

Financial position

The Group's assets amounted to SEK 60,792 thousand (26,354), divided into intangible assets of SEK 12,308 thousand (10,045), right-of-use assets of SEK 2,362 thousand (2,466), cash and cash equivalents of SEK 44,495 thousand (11 569), as well as other current assets amounting to SEK 1,627 thousand (2,274). During the financial year, SEK 3,024 thousand (3,686) was capitalised in ongoing development projects and SEK 188 thousand (596) was capitalised in patents.

The Group's long-term liabilities amounted to SEK 1,742 thousand (7,209). On 31 December, the long-term liabilities consisted entirely of lease liabilities. The convertible loan taken the previous year is reported at the end of the year as a current liability as it matured in full in January 2021. The convertible loan, including interest, has been repaid in full as of 15 January 2021 at a total amount of SEK 7,335 thousand. Other current liabilities amounted to SEK 8,981 thousand (7,842) and consist of short-term lease liabilities amounting to SEK 612 thousand (1,124), 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 2020 amounted to SEK 44,495 thousand (11,569). Cash flow from operating activities for the year amounted to SEK -30,387 thousand (-35,171), which is a result of cost saving measures. Cash flow from investing activities amounted to SEK -3,212 thousand (-4,282) and related to investment in development projects and patents.

The total cash flow from financing activities amounted to SEK 66,525 thousand (39,791). The distribution of cash flow from financing activities can be found in the consolidated cash flow statement. During the financial year, the Parent Company decided to raise SEK 30,100 thousand (35,743) in the form of shareholders' contributions to TerraNet AB.

Equity

The company's equity, which is attributable to the parent company's shareholders, amounted to SEK 43,913 thousand (11,303) on 31 December 2020 and to SEK 92,296 thousand (57,250) for the parent company. During the financial year, the number of shares increased by a total of 166,503,610. The distribution of the share increase is reported in Note 21. Equity per share amounted to SEK 0.20 (0.22) as of 31 December.

TerraNet's technology

TerraNet is in the process of developing its own VoxelFlow software solution, with patented algorithms for triangulating event sensor-based information that is incorporated into the technology for advanced driver assistance systems (ADAS) and autonomous vehicles (autonomous driving, AD).

TerraNet is also engaged in active research into precision 5G communication technology that enables positioning between vehicles, vehicles and pedestrians, or vehicles and infrastructure with accuracy down to the centimetre, which also features low power consumption, low latency and high data bandwidth.

Significant risks and uncertainties**Product and technology development**

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

Complex technical development and competition

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

Furthermore, there is also a risk that the company's competitors will be better able to adapt their products in response to market trends or make more accurate assumptions about the development of technologies in the market.

The potential for error in the company's finished product

In the near future, TerraNet's products and components may be integrated into a number of applications and products. In the event that any of these applications or products are improperly designed from a technical standpoint or if the company's own products do not perform as promised, the company may be obligated to participate in or implement action programmes or otherwise respond to shortcomings under various

guarantees. This has the potential to result in significant costs for the company and could negatively impact the company's reputation. As a result, the company would risk losing existing and potential customers, which could have a negative impact on TerraNet's reputation, operations, financial position and/or earnings.

Partners

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

Financing and liquidity risk

TerraNet is currently at a stage of development where revenue does not cover costs. The company currently has a negative cash flow and is expected to continue to have a negative cash flow during the 2021 financial year. The overall market situation and financial climate are important at each individual capitalisation opportunity, and there is a risk that the company will not be able to raise additional capital under acceptable terms when the need arises. TerraNet strives to manage this risk through sound liquidity planning and foresight in its capital raising activities.

Financial year 2020 also saw an injection of capital, with a preferential rights issue in combination with a warrant series programme, which provides capital that is more long-term in nature. At the end of 2020, TerraNet thus had its best ever cash position and better financial stability than it has had in many years. Considering the current business plan and the company's planned investments, the existing working capital, with the addition of the contribution from the warrants that came in this October, is deemed to be sufficient for more than 12 months.

Employees

On 31 December 2020, TerraNet had 10 FTEs and 6 consultants. All employees in the Group have their employment contracts through TerraNet AB. Employees reported here include both hired resource consultants within software development and administration/sales as well as directly employed personnel. All members of the management team and employees within TerraNet engage in regular performance review dialogues, which include the follow-up of set goals and a review of the employee's individual development plan.

The parent company

The parent company is a holding company and is not involved in operations. Information about financing during the 2020 financial year is given above.

Expected future development

TerraNet expects to increase its pace of technology development in the next few years in order to be able to jointly launch products with its partners, targeted to end customers, 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	319,728,708
Profit/loss carried forward	-197,150,924
Year's profit/loss	-32,451,999
	90,125,785

The Board of Directors proposes that
the profits be carried forward

90,125,785

90,125,785

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 expressed in thousands of Swedish kronor (SEK thousand) unless otherwise stated.

CONSOLIDATED INCOME STATEMENT

Totals in SEK thousand	Note	31/12/2020	31/12/2019
Other operating revenue	6	847	824
Work in progress for own account	14	3,024	3,686
Operating expenses			
Other external expenses	7,8,9	-20,544	-20,469
Payroll expenses	10	-11,853	-16,555
Depreciation and write-offs of tangible and intangible fixed assets	14,15,16	-3,136	-9,680
Other operating costs	9	0	0
Operating profit/loss		-31,662	-42,194
Financial items			
Financial income		381	20
Financial expenses	11	-3,612	-4,502
		-3,231	-4,482
Profit/loss before tax		-34,893	-46,676
Tax on profit/loss for year	12	0	0
Profit/loss for the year attributable to the parent company's shareholders		-34,893	-46,676
Profit/loss per share in SEK			
	13		
Before dilution		-0.27	-1.67
After dilution		-0.27	-1.67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Totals in SEK thousand	Note	31/12/2020	31/12/2019
Annual profit/loss		-34,893	-46,676
Other comprehensive income			
Items reversed in the income statement			
Translation differences		4	0
Total of other comprehensive income, net after taxes		4	0
Total profit attributable to parent company's shareholders		-34,889	-46,676

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Totals in SEK thousand	Note	31/12/2020	31/12/2019
ASSETS			
Fixed assets			
Intangible Assets			
Capitalised development costs	14	10,262	7,438
Patents	15	2,046	2,607
Property, plant and equipment			
Right of use assets	16	2,362	2,466
Total fixed assets		14,670	12,511
Current assets			
Accounts receivables	18	0	0
Other receivables	18	448	581
Current tax assets		449	469
Prepaid expenses and accrued revenue	19	730	1,224
Cash and cash equivalents	20	44,495	11,569
		46,122	13,843
TOTAL ASSETS		60,792	26,354

EQUITY AND LIABILITIES

Equity		31/12/2020	31/12/2019
Share capital	21	2,170	50,503
Other capital contribution	21	319,729	293,287
Translation reserve		0	-4
Profit/loss carried forward		-243,097	-285,807
Comprehensive income for the year		-34,889	-46,676
Equity attributable to the parent company's shareholders		43,913	11,303
Long-term liabilities			
Convertible loans	22	0	5,662
Lease liabilities		1,742	1,547
		1,742	7,209
Current liabilities			
Convertible loans	22	6,156	0
Lease liabilities		612	1,124
Accounts payable		2,103	2,787
Current tax liabilities		0	0
Liabilities to shareholders		0	0
Other liabilities		2,116	410
Accrued expenses and prepaid revenue	24	4,150	3,521
		15,137	7,842
TOTAL EQUITY AND LIABILITIES		60,792	26,354

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

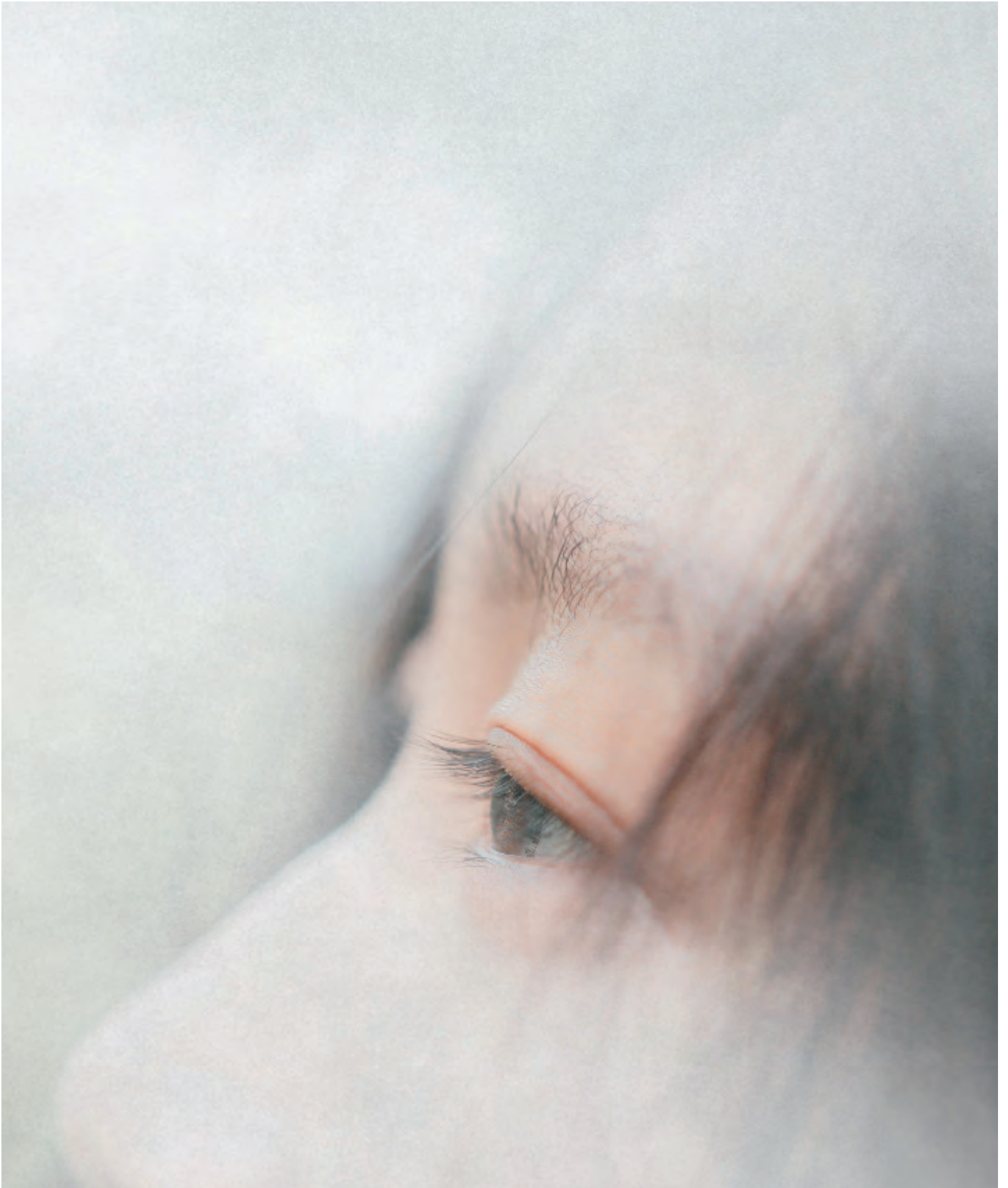
Attributable to the parent company's shareholders

Totals in SEK thousand

	Share capital	Translation reserve	Other capital contribution	Profit/loss carried forward including profit/loss for the year	Total equity
Equity on 1 January 2021	24,213	-4	284,403	-28,5807	22,805
Profit/loss for the year				-46,676	-46,676
Other comprehensive income		0		0	0
Comprehensive income for the year		0		-46,676	-46,676
Other Changes in equity					
Issue of convertible liabilities			922		922
New share issue through debt conversion	224		623		847
New share issue	26,066		15,640		41,706
Issue costs			-8,301		-8,301
Received option premiums			0		0
Equity on 31 December 2019	50,503	-4	293,287	-332,483	11,303
Equity on 1 January 2020					
Equity on 1 January 2020	50,503	-4	293,287	-332,483	11,303
Annual profit/loss				-34,893	-34,893
Other comprehensive income		4			4
Comprehensive income for the year		4		-34,893	-34,889
Other Changes in equity					
Reduction of share capital	-89,390			89,390	0
New cash issue	40,877		32,072		72,949
New share issue through debt conversion/offset	180		8,674		8,854
Issue costs			-14,304		-14,304
Equity on 31 December 2020	2,170	0	319,729	-277,986	43,913

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK thousand	Note	2020	2019
Cash flow from operations			
Operating profit/loss		-31,662	-42,194
Adjustments for items not included in the cash flow:			
Depreciation and write-offs	14,15,16	3,136	9,680
Other non-cash items		0	0
Interest received		30	20
Interest paid		-2,472	-3,785
Paid income tax		0	0
Cash flow from operations before changes in working capital		-30,968	-36,279
Changes in working capital			
Changes in operating receivables		647	1,325
Change in operating liabilities		-66	-217
Cash flow from operations		-30,387	-35,171
Investing activities			
Capitalisation of development costs	14	-3,024	-3,686
Patent costs	15	-188	-596
Acquisition of tangible assets		0	0
Cash flow from investing activities		-3,212	-4,282
Financing activities			
	23		
New share issue		72,949	41,705
Issue costs		-7,108	-8,301
Convertible loans		1,900	8,198
Loans taken		10,000	15,620
Repaid convertible loans		-245	-1,000
Repaid loans		-10,000	-15,620
Amortisation of lease liabilities		-971	-811
Received option premiums		0	0
Cash flow from financing activities		66,525	39,791
Cash flow for the year		32,926	338
Cash and cash equivalents on 1 January		11,569	11,231
Cash and cash equivalents on 31 December	20	44,495	11,569





PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousand	Note	2020	2019
Other operating revenue	6	0	0
Operating expenses			
Other external expenses	7.8	-2,265	-2,371
Operating profit/loss		-2,265	-2,371
Profit/loss from financial items			
Depreciation of shares in group companies	17	-27,071	-62,112
Interest revenue and similar profit and loss items		29	20
Interest expenses and similar profit and loss items	11	-3,145	-3,888
		-30,187	-65,980
Profit/loss before tax		-32,452	-68,351
Tax on profit/loss for year	12	0	0
Profit/loss for the year		-32,452	-68,351

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

COMPREHENSIVE INCOME			
Amounts in SEK thousand	Note	2020	2019
Profit/loss for the year		-32,452	-68,351
Other comprehensive income		0	0
Comprehensive income for the year		-32,452	-68,351

PARENT COMPANY BALANCE SHEET

Amounts in SEK thousand	Note	31/12/2020	31/12/2019
ASSETS			
Fixed assets			
Financial assets			
Shares in group companies	17	56,733	53,703
		56,733	53,703
Total fixed assets		56,733	53,703
Current assets			
Short-term receivables			
Due from group companies		30	0
Prepaid expenses and accrued revenue	19	204	145
		234	145
Cash on hand	20	42,766	10,064
Total current assets		43,000	10,209
TOTAL ASSETS		99,733	63,912

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousand	Note	31/12/2020	31/12/2019
Equity			
Restricted equity			
Share capital	21	2,170	50,503
		2,170	50,503
Non-restricted equity			
Share premium reserve		319,729	293,287
Profit/loss carried forward		-197,151	-218,189
Annual profit/loss		-32,452	-68,351
		-68,351	6,747
Total equity		92,296	57,250
Long-term liabilities			
Convertible loans	22	0	5,662
		0	5,662
Current liabilities			
Convertible loans	22	6,156	0
Accounts payable		11	335
Liabilities to group companies		94	94
Accrued expenses and prepaid revenue	24	1,176	571
		7,437	1,000
TOTAL EQUITY AND LIABILITIES		99,733	63,912

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousand

	Restricted equity		Non-restricted equity		Total equity capital
	Share capital	Share premium reserve	Profit/loss carried forward	Profit/loss for the year	
Equity on 1 January 2019	24,213	284,403	8,995	-227,184	90,427
Appropriation of profit/loss for previous year			-227,184	227,184	0
Profit/loss for the year				-68,351	-68,351
Other comprehensive income			0	0	0
Comprehensive income for the year			0	-68,351	-68,351
Other Changes in equity					
Issue of convertible liabilities		922			922
New share issue	224	623			847
New share issue through debt conversion/offset	26,066	15,640			41,706
Issue costs		-8,301			-8,301
Equity on 31 December 2019	50,503	293,287	-218,189	-68,351	57,250
Equity on 1 January 2020	50,503	293,287	-218,189	-68,351	57,250
Appropriation of profit/loss for previous year			-68,351	68,351	0
Profit/loss for the year				-32,452	-32,452
Other comprehensive income			0	0	0
Comprehensive income for the year			0	-32,452	-32,452
Other Changes in equity					
Reduction of share capital	-89,390		89,390		0
New cash issue	40,877	32,072			72,949
New share issue through debt conversion/offset	180	8,674			8,854
Issue costs		-14,304			-14,304
Rounding differences		0	-1		-1
Equity on 31 December 2020	2,170	319,729	-197,151	-32,452	92,296

PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK thousand	Note	2020	2019
Cash flow from operations			
Operating profit/loss		-2,265	-2,371
Adjustments for items not included in the cash flow:			
Other non-cash items		0	0
Interest received		29	20
Interest paid		-2,005	-3,170
Cash flow from operations before changes in working capital		-4,241	-5,521
Changes in working capital			
Changes in operating receivables		-88	-70
Change in operating liabilities		-365	379
Cash flow from operations		-4,694	-5,212
Investing activities			
Paid shareholder contributions	17	-30,100	-35,743
Cash flow from investing activities		-30,100	-35,743
Financing activities			
	23		
New share issue		72,949	41,705
Issue costs		-7,108	-8,301
Convertible loans		1,900	8,198
Loans taken		10,000	15,620
Repaid convertible loans		-245	-1,000
Repaid loans		-10,000	-15,620
Amortisation of lease liabilities			
Cash flow from financing activities		67,496	40,602
Cash flow for the year		32,702	-353
Cash and cash equivalents on January 1		10,064	10,417
Cash and cash equivalents on December 31	20	42,766	10,064





NOTE

Note 1 General information

TerraNet Holding 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 63 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 AB (556666-9916). The parent company does not conduct its own operations. The currently dormant company TerraNet International AB (556759-6662) is also a part of the Group.

TerraNet has also registered companies in the USA and in India in preparation for a planned international expansion. The company in the USA has not yet conducted operations and as of 31 December 2020 had no balance sheet total to report. The company in India was liquidated in 2020.

Note 2 Significant accounting principles

The consolidated financial statements for TerraNet Holding AB (publ.) have been established in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU 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 2020 had no significant impact on the Group's financial reports for the financial year.

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

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

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

New and amended standards and interpretations that have been issued but enter into force in financial years beginning after 1 January 2020 have not yet been applied by the Group. It is the assessment of the senior management team that when these changes are applied, they will not have a significant effect on the Group's financial statements.

Consolidated financial statement

The consolidated financial statements include the parent company TerraNet Holding 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 compensation 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 – the Group as lessee

TerraNet recognises its lease agreements in accordance with IFRS 16, which means that essentially all lease agreements are reported in the Statement of Financial Position. Upon conclusion of a lease agreement, the current value of the lease liability

is calculated, which determines the value of the right of use asset that is recognised.

When discounting the lease liability for rental premises, the company's marginal borrowing rate of 10% has been applied. For vehicles, the rate implicit in the agreement has been used as the discount rate. For right of use assets, the term of each respective agreement has been used to determine the depreciation period applied.

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

Foreign currency

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

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

Remuneration to employees

Short-term remuneration to employees

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

Pensions

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

Share-based payments

The Group has no share-based payments.

Taxes

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

Current tax

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

Deferred tax

Deferred tax is reported on temporary differences between the carrying amount of assets and liabilities in the financial statements and the tax value used for calculating taxable profit/loss. Deferred tax is reported according to the so-called balance sheet method. Deferred tax liabilities are recognised in principle for all taxable temporary differences, and deferred tax assets are recognised in principle for all deductible temporary differences to the extent that it is likely that the amounts can be utilised against future taxable surpluses.

Deferred tax liabilities and tax assets are not recognised if the temporary difference is attributable to goodwill or if it arises as a consequence of a transaction which constitutes the first recognition of an asset or liability (which is not a business acquisition) and which, at the date of the transaction, neither affects the recognised or the taxable result. Deferred tax is calculated using the tax rates that are expected to apply for the period when the asset is realised or the tax liability is settled based on the tax rates (and tax laws) that have been decided or announced on closing day. Deferred tax assets and tax liabilities are offset as they relate to income taxes charged by the same authority and when the Group intends to settle the tax at a net amount.

Current and deferred tax for the period

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

Tangible fixed assets

Computers and equipment are reported at acquisition cost less cumulative 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 continuously during the term of the agreement. 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

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 reported 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;
- technical, financial and other resources are available to complete the development of the asset and use or sell the intangible asset; and
- 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 an obligation 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 an obligation and a contractual obligation arises to pay, even if the invoice has not yet been received.

Accounts payables are recognised when an invoice has been received. A financial asset is removed from the statement of financial position once the entitlements in the agreement are realised, mature or the company loses control over them.

The same applies to part of a financial asset. A financial liability is removed from the statement of financial position once the obligation in the agreement is fulfilled or otherwise terminated. The same applies for 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 recognised at accumulated acquisition cost. This business model is categorised as "hold to collect", which equates to valuation at accumulated acquisition cost. Financial assets are classified as follows:

Financial assets

- Accumulated acquisition cost
- Fair value via other comprehensive income
- Fair value via the income statement

The Group does not hold any financial assets valued at fair value.

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

Financial liabilities are classified as described below:

Financial liabilities

- Accumulated acquisition cost
- Fair value via the income statement

The Group has no liabilities valued at fair value.

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

Accumulated acquisition 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 accumulated acquisition cost. Due to the fact that bank funds are payable on demand, accumulated acquisition 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 accumulated acquisition 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.

Issued convertible debentures

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

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

Lease liabilities

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

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

Derivative instruments

The Group does not hold any derivative instruments.

Appropriations

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 2019 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.

Subsidiary

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 once they enter into force.

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 Significant 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 as of closing day, 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 Group's capitalised development expenditure consists in part of the base technology for proximal connectivity and mesh technology, and partly in software to enable the use of TerraNet's technology in its customer's applications. The evaluation of impairment needs during the year has resulted in an impairment of previously discontinued development in technology areas that are no longer included in the Group's investments. The assessment is that there is great potential in what remains of capitalised development expenditure for future licensing revenues and cash flows based on the Group's product development.

The carrying amount of capitalised costs amounts to SEK 10,262 thousand (7,438).

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 346,740 thousand (311,271).

Important assessments when applying the Group's accounting principles

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

Liquidity and financing

The Group's financial reports have been prepared in accordance with the going concern principle. The company currently has a negative cash flow from operating activities, and after the outcome of warrants of series 2020:2 and 2020:3 in 2021 and considering the current business plan and the company's planned investments, the existing working capital is deemed to be sufficient for more than 12 months.

Internally generated intangible assets

The Group's accounting principles with regard to the capitalisation of internally generated intangible assets is described in Note 2 above. When applying this accounting principle, 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.

	2020		2019	
	Operating income	Operating costs	Operating income	Operating costs
USD	18%	21%	0%	16%
EUR	0%	5%	0%	2%
GBP	38%	0%	66%	0%
SEK	44%	74%	34%	82%
	100%	100%	100%	100%

As shown in the table above, the Group's transaction exposure primarily consists of USD and GBP. A 5% increase in the value of USD would have an effect on profit/loss after tax of approximately SEK -367 thousand (-378) and a 5% increase in the value of GBP would have a positive effect on profit/loss after tax of approximately SEK 16 thousand (24).

The Group had liabilities in foreign currency amounting to USD 33 thousand (18) and EUR 27 thousand (23) as of closing day.

Interest rate risks

Interest rate risk refers to the risk that fair value or future cash flows will fluctuate due to changes in market interest rates. The Group's convertible loans have a fixed interest rate. With the application of IFRS 16, the interest on lease liabilities, which relate 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. During 2019 and 2020, the Group also financed its operations by issuing convertible loans and through bridge financing for a limited period.

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 and the parent company's financial liabilities, excluding derivatives, is presented in the tables below. The amounts in these tables are not discounted values and also include interest payments where relevant, which means that these amounts cannot be reconciled with the amounts reported in the balance sheets. The Group's contractual and undiscounted interest payments and repayments of financial liabilities are shown in the table below. Amounts in foreign currency have been translated to SEK at the closing day rate. Liabilities are included in the period when repayment can be claimed at the earliest.

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

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

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

31/12/2019	Within 3 months	3-12 months	1-2 years	3-5 years	Over 5 years	Total
Convertible loans	491	0	6,844	0	0	7,335
Lease liabilities	364	1,230	1,850	0	0	3,444
Accounts payable	2,787	0	0	0	0	2,787
Other current liabilities	1,043	0	0	0	0	1,043
Total	4,685	1,230	8,694	0	0	14,609

Credit and counterparty risk

Credit risk refers to the risk that the counterparty in a transaction causes the Group a loss by not fulfilling its contractual obligations. The Group's exposure to credit risk can primarily be attributed to accounts receivables and cash and cash equivalents. No credit losses have occurred in 2019 and 2020.

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.

	31/12/2020	31/12/2019
Accounts receivables	0	0
Other current receivables	448	581
Cash and cash equivalents	44,495	11,569
Maximum exposure to credit risk	44,943	12,150

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

	31/12/2020	31/12/2019
Financial assets		
Other receivables	448	581
Cash and cash equivalents	44,495	11,569
Total financial assets	44,943	12,150
Financial liabilities		
Lease liabilities	2,354	2,671
Convertible loans	6,156	5,662
Accounts payable	2,103	2,787
Other financial liabilities	2,275	1,043
Total financial liabilities	12,888	12,163

All financial liabilities are valued at amortised cost.

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

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.

	Group		Parent company	
	2020	2019	2020	2019
Other operating revenue				
Revenue from development cooperation	481	547	0	0
Grants from Vinnova	344	277	0	0
Other revenue	22	0	0	0
Total	847	824	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		Fixed assets	
	2020	2019	2020	2019
Sweden	0	0	14,670	12,511
USA	155	0	0	0
UK	326	547	0	0
	481	547	14,670	12,511

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

Information on intra-group purchases and sales

	The parent company	
	2020	2019
Purchases	0.0%	0.0%
Sales	0.0%	0.0%

Note 7 Other external costs

	Group		Parent company	
	2020	2019	2020	2019
Cost of premises	484	304	0	0
Consumable equipment, software and consumable material	859	547	0	0
Sales and marketing costs	3,340	6,583	75	161
Extra hired staff	10,442	8,565	0	0
Consulting costs	2,974	2,181	1,955	1,645
Other	2,445	2,289	235	565
Total	20,544	20,469	2,265	2,371

Note 8 Audit fees and expenses

	Group		Parent company	
	2020	2019	2020	2019
Deloitte AB				
Audit assignment	300	270	0	28
Auditing activities beyond the scope of the audit assignment	286	115	0	0
Total	586	385	0	28

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

The Group's estimated marginal loan interest rate for premises of 10% has been applied when discounting the lease liabilities. A maturity analysis of leasing liabilities is presented in Note 4.

Amounts reported in the income statement

Amounts reported in the income statement	Group	
	2020	2019
Depreciation of right of use assets	-1,004	-1,018
Impairment of right of use assets	-1,183	0
Interest costs for lease liabilities	-463	-614
Interest income for lease liabilities	351	0
Costs attributable to short-term lease agreements	0	0
Costs attributable to lease agreements of low value	-9	-9
Revenue attributable to subletting right of use assets	0	0
Total	-2,308	-1,641

On 31 December 2020, the Group has obligations attributable to short-term lease agreements of SEK 16 (9) thousand.

Cash flow

Cash flow	Group	
	2020	2019
Amortisation of lease liabilities	-971	-811
Interest costs lease liabilities	-463	-614
Short-term lease agreements and leasing agreements with low value	-9	-9
Total cash flow	-1,443	-1,434

See Note 16 for a specification of right of use assets. The leasing period for the Group's rental premises amounts to 5 years and expires on 30 April 2022. The lease can be extended at the end of the lease period at what the Group considers to be a market rate. Lease payments increase annually according to the CPI and do not include any variable parts.

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

	2020		2019	
	Number of employees	Of which are male	Number of employees	Of which are male
Average number of employees				
The parent company				
Sweden	0	0	0	0
Total in the parent company	0	0	0	0
Subsidiary				
Sweden	10	8	13	10
Total in subsidiaries	10	8	13	10
Total in the Group	10	8	13	10

Distribution of senior executives on closing day	Group		The parent company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Women:				
Board members	1	0	1	0
Other members of senior management incl. CEO	1	1	0	0
Men:				
Board members	5	5	5	5
Other members of senior management incl. CEO	3	3	3	3
Total	10	9	9	8

Salaries, other remuneration, etc.	2020		2019	
	Salaries and other compensation	Soc costs (of which pension costs)	Salaries and other compensation	Soc costs (of which pension costs)
Parent Company	0	0	0	0
		(0)		(0)
Subsidiary	7,669	2,510	13,056	3,703
		(796)		(1,011)
Total for Group	7,669	2,510	13,056	3,703
		(796)		(1,011)

Salaries and remuneration distributed between board members etc. and employees	31/12/2020		31/12/2019	
	Board and CEO (of which bonuses and similar)	Other employees	Board and CEO (of which bonuses and similar)	Other employees
The parent company	0	0	0	0
	(-)		(-)	
Subsidiary	2,076	5,593	2,364	10,692
	0		0	0
Total for Group	2,076	5,593	2,364	10,692

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

Pensions

The retirement age for the CEO is 65 years. The CEO has no pension agreement with the company; pension is included in the gross salary. For other senior executives, the retirement age is 65 years. The company pays pension premiums according to its current pension policy. The amount of the premiums corresponds to the ITP1 plan for occupational pensions. The Group's total cost for defined contribution pension plans amounts to SEK 796 thousand (1,011).

The parent company's total cost for defined contribution pension plans amounts to SEK 0 thousand (0).

Remuneration to senior executives

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

2019	Base salary/ Fees	Variable remuneration	Other benefits	Pension costs	Total
Anders Rantén, Board Member, Board Chair for part of the year	56	0	0	0	56
Conny Larsson, Board Member	161	0	0	0	161
Lars Novak, Board member	176	0	0	0	176
Michel Roig, Board member	176	0	0	0	176
Peter Janevik, Board member	162	0	0	0	162
Pär-Olof Johannesson, CEO	1,633	0	0	0	1,633
Other senior executives (3)	5,451	0	0	165	5,616
Total	7,815	0	0	165	7,980

Severance pay

There are no agreements on severance pay. The Board can dismiss the CEO with 6 months' notice. The CEO can terminate employment with 3 months' notice. During the notice period, the CEO shall continue to perform the duties associated with the position, unless otherwise indicated. The CEO retains the same salary during the notice period.

Warrant series programme

The Board and other senior executives do not hold any options in the company. The programme is described in Note 21.

Note 11 Financial costs

	Group		Parent company	
	2020	2019	2020	2019
Interest costs	3,149	3,688	3,145	3,688
Interest costs, lease liabilities	463	614	0	0
Other financial assets	0	200	0	200
Total financial costs	3,612	4,502	3,145	3,888

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

Not 12 Tax

	Group		Parent company	
	2020	2019	2020	2019
Current tax on profit/loss for the year	0	0	0	0
Deferred tax	0	0	0	0
Total reported tax	0	0	0	0

Income tax in Sweden is calculated at 21.4% (21.4%) on the taxable profit/loss for the year. Below is a reconciliation between reported profit and loss and the year's reported tax:

Reconciliation of the reported tax for the year

	2020	2019	2020	2019
Profit/loss before tax	-34,893	-46,676	-32,452	-68,351
Total reported tax for the year				
Tax calculated according to Swedish tax rate of 21.4% (21.4%)	7,467	9,989	6,945	14,627
Tax effect of non-deductible write-offs	0	0	-5,793	-13,292
Tax effects of other non-deductible costs	-36	-82	0	-8
Tax effect of non-taxable income	63	0	0	0
Tax effect of tax loss carryforwards for which deferred tax assets are not reported	-7,494	-9,907	-1,152	-1,327
Total reported tax for the year	0	0	0	0

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

The Group's accumulated unutilised tax loss carryforwards amounted to SEK 346,740 thousand (311,721) as of 31 December 2020. There is no maturity date that limits the utilisation of the tax loss carryforwards. However, no deferred tax asset attributable to the tax losses is reported, as there is nothing to suggest that sufficient taxable surpluses will be generated.

Note 13 Earnings per share

Undiluted EPS

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

	Group	
	2020	2019
Profit/loss for the year attributable to the parent company's shareholders	-34,893	-46,676
Weighted average number of ordinary shares before dilution, number of shares	128,172,645	28,032,165
Undiluted EPS, SEK	-0.27	-1.67

Diluted EPS

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

	Group	
	2020	2019
Profit/loss for the year attributable to the parent company's shareholders	-34,893	-46,676
Weighted average number of ordinary shares before dilution, number of shares	128,172,645	28,032,165
Effect of potential ordinary shares with regard to options	0	0
Weighted average number of ordinary shares after dilution, number of shares	128,172,645	28,032,165
Diluted EPS in SEK	-0.27	-1.67

For information on changes in the number of outstanding shares, see Note 21 Equity.

Note 14 Capitalised development expenditure

	Group	
	31/12/2020	31/12/ 2019
Opening acquisition cost	47,724	44,038
Capitalised costs for the year	3,024	3,686
Closing accumulated acquisition cost	50,748	47,724
Opening depreciation	-3,643	-2,566
Depreciation for the year	-43	-1,077
Closing accumulated Depreciations	-3,686	-3,643
Opening write-offs	-36,644	-29,675
Write-offs for the year	-157	-6,969
Closing accumulated write-offs	-36,801	-36,644
Closing carrying amount	10,262	7,438

The capitalised development costs 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 consists in part of the base technology for proximal connectivity and mesh technology, and partly in software to enable the use of TerraNet's technology in its customer's applications in the development and use of user applications.

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

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

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

When assessing the need for impairment, an estimate of the value in use is made for the technology or for the products to which capitalised development expenditure refer. The value in use is determined based on the estimated future cash flows that the technology is expected to generate. In cases where the carrying amount exceeds the value in use, an impairment is made. Impairment testing of capitalised development costs for the year showed that previously completed development work is no longer expected to contribute to future cash flows for the Group, as these projects are no longer included in the Group's business focus areas. Thus, the requirements for capitalising these costs are not met and an impairment has been made amounting to SEK 157 thousand (6,969).

Note 15 Patents

	Group	
	31/12/2020	31/12/2019
Opening acquisition cost	6,575	5,979
Acquisitions for the year	188	596
Closing accumulated acquisition cost	6,763	6,575
Opening depreciation	-1,262	-1,049
Depreciation for the year	-144	-213
Closing accumulated depreciations	-1,406	-1,262
Opening write-offs	-2,706	-2,303
Write-offs for the year	-605	-403
Closing accumulated write-offs	-3,311	-2,706
Closing carrying amount	2,046	2,607

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

In conjunction with this year's impairment testing of capitalised development expenditure, impairment needs of SEK 605 thousand (403) were identified, which relate to capitalised patent costs attributable to development projects that are no longer included in the Group's business focus areas. (27) 31

Note 16 Right of use assets**Buildings**

Acquisition cost	31/12/2020	31/12/2019
Opening acquisition costs	3,253	3,253
Additional right of use assets	2,083	0
Closing right of use assets	-3,135	0
Closing cumulative acquisition cost	2,201	3,253
Accumulated depreciation		
Opening depreciation	-976	0
Closing right of use assets	1,952	0
Depreciation for the year	-976	-976
Closing accumulated depreciations	0	-976
Booked value	2,201	2,277

Vehicles

Acquisition cost	31/12/2020	31/12/2019
Opening acquisition costs	231	231
Additional right of use assets	0	0
Closing right of use assets	0	0
Closing cumulative acquisition cost	231	231
Accumulated depreciation		
Opening depreciation	-42	0
Depreciation for the year	-28	-42
Closing accumulated depreciations	-70	-42
Booked value	161	189

Note 17 Shares in group companies

	The parent company	
	31/12/2020	31/12/2019
Opening acquisition cost	342,315	306,572
Shareholder contributions	30,100	35,743
Liquidation of TN Communication Systems Ltd	-70	0
Closing acquisition costs	372,345	342,315
Opening write-offs	-288,612	-226,500
Write-offs for the year	-27,000	-62,112
Closing accumulated depreciations	-315,612	-288,612
Closing carrying amount	56,733	53,703

Company, corporate identification number	Registered office	31/12/2020	31/12/2019	31/12/2020	31/12/2019
		Capital share %*	Capital share %*	Booked value	Booked value
TerraNet AB (556666-9916)	Lund	100%	100%	56,633	53,533
TerraNet International AB (556759-6662)	Lund	100%	100%	100	100
TN Communication Systems Ltd	Hyderabad, India	-	98%	-	70
TerraNet California Inc.	San José, USA	100%	100%	0	0

* Also share of voting rights

TerraNet has registered companies in the USA and in India in preparation for a planned international expansion. The company in the USA has not yet conducted operations and as of 31 December 2020 had no balance sheet total to report. The company in India was liquidated in 2020.

Note 18 Other receivables

	Group		The parent company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
VAT receivables	400	546	0	0
Other items	48	35	0	0
Total	448	581	0	0

Note 19 Prepaid expenses and accrued revenue

	Group		The parent company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Prepaid Rents	230	391	0	0
Accrued contributions, Vinnova	0	277	0	0
Other items	500	556	204	145
Total	730	1,224	204	145

Note 20 Cash and cash equivalents

	Group		The parent company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Bank balances	44,495	11,569	42,766	10,064
Total	44,495	11,569	42,766	10,064

Note 21 Equity**Share capital and Other capital contribution**

	Number of ordinary shares	Share capital (SEK thousand)	Other capital contribution (SEK thousand)
As of 1 January 2019	24,212,553	24,213	284,403
Issue of convertible debentures	0	0	894
Conversion of debentures	224,215	224	623
New share issue	26,065,885	26,066	7,367
As of 31 December 2019	50,502,653	50,503	293,287
New issue, July	101,005,306	40,402	-12,519
Reduction of share capital, July		-89,390	
New offset issue, July	17,994,918	180	7,018
New issue through exercise of TO 1B	47,503,386	475	31,943
As of 31 December 2020	217,006,263	2,170	319,729

As of 31 December 2020, the registered share capital consisted of 217,006,263 ordinary shares with a quotient value of SEK 0.01 per share. Of these, 3,025,356 are Class A shares and 213,980,907 Class B shares, all of which are fully paid. No shares are held by the company itself or its subsidiaries.

Warrants

Through the preferential rights Issue, 50,502,653 warrants of series 2020:1 were also issued, which entitle the holder to subscribe to 50,502,653 B shares in the company, 50,502,653 warrants of series 2020:2, which entitle the holder to subscribe to an additional 50,502,653 B shares, and 50,502,653 warrants of series 2020:3, which entitle the holder to subscribe to an additional 50,502,653 B shares. The subscription of B shares through warrants of series 2020:1 occurred from 12 October 2020 to 23 October 2020. Each warrant of series 2020:1 entitled the holder to the subscription of one (1) new B share in the company against cash payment corresponding to 70 percent of the volume-weighted average price of the company's share on Nasdaq First North Premier Growth Market between 28 September 2020 to 9 October 2020, however, no less than the value corresponding to the quota value for TerraNet's share during the subscription period and a maximum of SEK 0.80 per B share. The subscription price was set at SEK 0.72, and a total of 94 percent of the warrants of series 2020:1 were exercised, which raised SEK 32.4 million before transaction costs.

The subscription of B shares through warrants of series 2020:2 occurred from 08 March 2021 to 19 March 2021. Each warrant of series 2020:1 entitled the holder to the subscription of one (1) new B share in the company against cash payment corresponding to 70 percent of the volume-weighted average price of the company's

share on Nasdaq First North Premier Growth Market between 22 February 2021 to 05 March 2021, which gave a maximum value of SEK 0.80 per B share. The outcome of the warrant series was 94.9%, and the company was thus able to raise an additional SEK 38.3 million before issue costs.

The subscription of B shares through warrants of series 2020:3 will occur from 23 August 2021 to 3 September 2021. Each warrant of series 2020:3 entitles the holder to the subscription of one (1) new B share in the company against cash payment corresponding to 70 percent of the volume-weighted average price of the company's share on Nasdaq First North Premier Growth Market between 09 August 2021 to 20 August 2021, however, no less than the value corresponding to the quotient value for TerraNet's share during the subscription period and a maximum of SEK 0.80 per B share. In the event of full exercise of all warrants of series 2020:3, the company can expect to raise a maximum of an additional SEK 40.4 million.

Other capital contribution

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 22 Convertible loans

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

As of 15 January, the nominal amount of the convertible loan (SEK 6,198 thousand) and accrued interest (SEK 1,136 thousand) have been paid in full.

Note 23 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 2019	0	0	0	
Items affecting cash flow				0
Assumption of loans	8,198	0	15,620	23,818
Repaid loans	-1,000	-811	-15,620	-17,431
Other non-cash items				
Implementation of IFRS 16, leasing		3,482		3,482
Discount effect	-536			-536
Conversion to shares	-1,000			-1,000
As of 31 December 2019	5,662	2,671	0	8,333
Items affecting cash flow				
Assumption of loans	1,900	0	10,000	11,900
Repaid loans	-245	-971	-10,000	-11,216
Other non-cash items				
Leasing agreement entered		2,083		2,083
Reclassification of lease liabilities		-1,078		-1,078
Discount effect	494	-351		143
Conversion to shares	-1,655			-1,655
As of 31 December 2020	6,156	2,354	0	8,510

Note 24 Accrued expenses and prepaid income

	Group		Parent company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Accrued vacation pay	1,383	1,056	0	0
Accrued social costs	435	332	0	0
Accrued special payroll tax	353	635	0	0
Accrued interest	1,136	491	1,136	491
Other items	843	1,007	40	80
Total	4,150	3,521	1,176	571

Note 25 Deposit collateral and contingent liabilities

	Group		Parent company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Deposit collateral	None	None	None	None
Contingent liabilities	None	None	None	None

Note 26 Transactions with related parties

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

Purchase of services

In 2019, no purchases were made from board members. Purchases from board members and management during 2020 are detailed below and have been made via invoicing from the companies.

	Group		The parent company	
	2020	2019	2020	2019
Anders Rantén, Board member for part of 2020	118	0	0	0
Claes Lachmann, Board member for part of 2020	83	0	0	0
Management without employment status	2,383	0	0	0
Total	2,584	0	0	0

Board member invoicing is attributable to time spent for consultations for measures to support market and business relationships. Remuneration for management above refers to the company's procurement of services that are usually performed by key people in senior positions. As of the closing day, one (1) such function was purchased. No invoicing from management functions without employee status has occurred during 2019.

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 27 Events after closing day

- On 8 January, TerraNet announced its first order from Daimler for € 31,000.
- On 15 January, the convertible loan signed in January 2019 was paid in full.
- On 9 February, TerraNet announced that it will be presenting at StartUp Autobahn. StartUp Autobahn is an annual event held in Stuttgart and is a collaboration between Plug & Play, Daimler, Porsche and Bosch. The actual event was held on 25 February, and TerraNet was on site to showcase the latest technical advancements in its VoxelFlow technology in collaboration with Mercedes-Benz.
- On 26 February, the year-end report was released and the conversion of TO2B took place 8–19 of March. The final result of this was a 94.9% subscription rate, which is further evidence of our owners' faith in our VoxelFlow technology and TerraNet's operations in general.

Note 28 Dividends and appropriation of profits

No dividend was paid in 2019 and 2020.

At the Annual General Meeting on 29 April 2021, no dividend will be proposed.

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

Share premium reserve	319,728,708
Profit/loss carried forward	-197,150,924
Profit/loss for the year	-32,451,999
The Board proposes that carried forward	90,125,785

Note 29 Approval of financial reports

The annual report and consolidated financial statements have been approved for release by the Board of Directors on 31 March 2021. 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 29 April 2021.

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 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 31 March 2021

Göran Janson
Board Chair

Karolina Bjurehed
Board Member

Michel Roig
Board Member

Lars Novak
Board Member

Christian Rasmusson
Board Member

Arne Hansson
Board Member

Pär-Olof Johannesson
CEO

Our audit report has been
submitted to Deloitte AB

Richard Peters
Authorised auditor



AUDITOR'S REPORT

**To the general meeting of the shareholders of TerraNet Holding 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 Holding AB (publ) for the financial year 2020-01-01 - 2020-12-31.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 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 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

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

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



Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

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

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

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



Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of TerraNet Holding AB (publ) for the financial year 2020-01-01 - 2020-12-31 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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



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

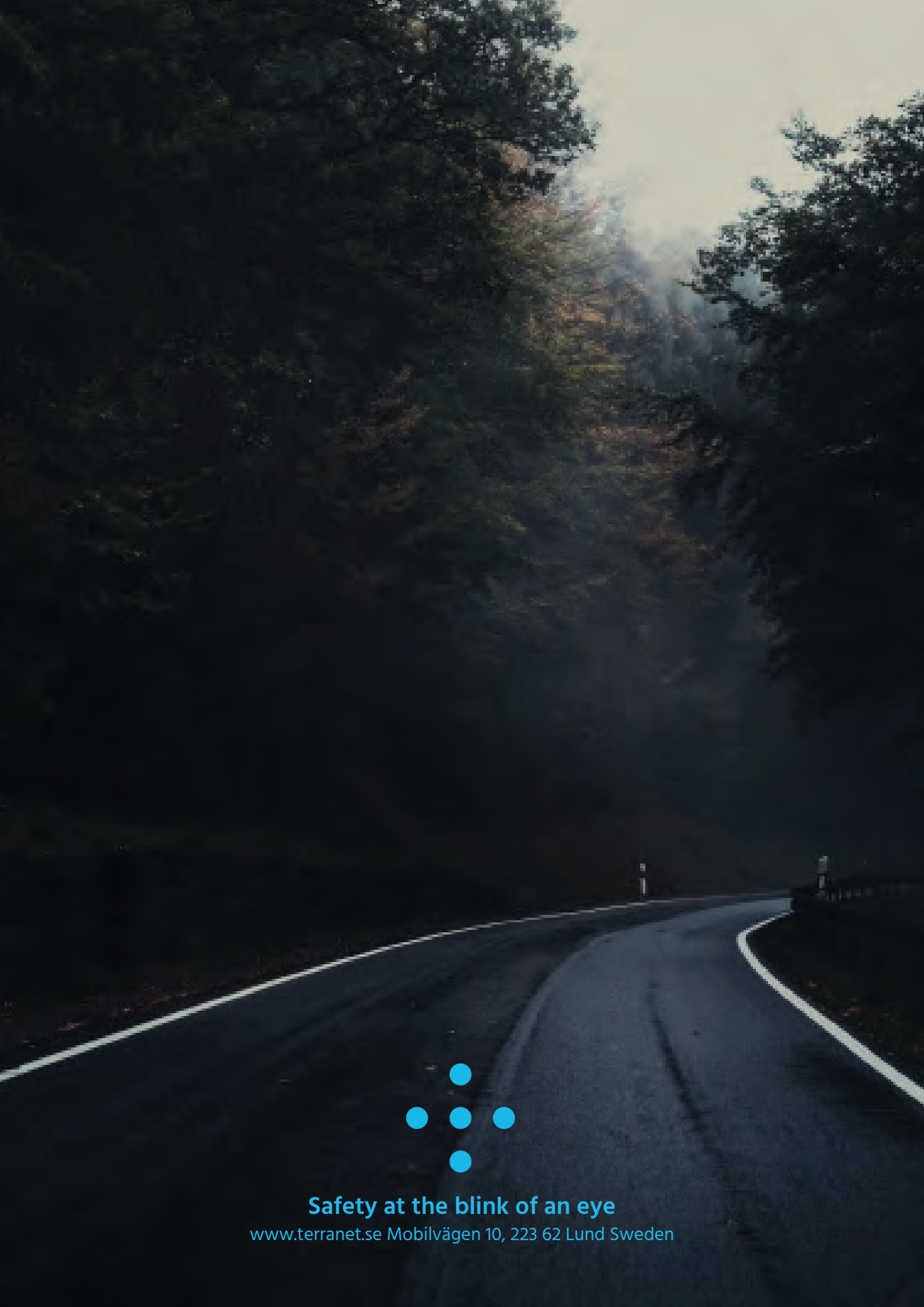
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's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

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

Malmö 8/4 2021
Deloitte AB

Signature on Swedish original

Richard Peters
Authorized Public Accountant



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