

Terranet AB (publ)

Interim report

1 January 2023– 30 September 2023

This is a translation of the original Swedish Terranet interim report for January-September 2023. In the event of any discrepancies between the two versions, the original Swedish version shall apply.

Safety at the blink of an eye

Significant events during the third quarter

- Terranet announced that it will perform demonstrations of BlincVision in a laboratory environment during the first quarter 2024 and on vehicles in a test environment during the second quarter of 2024 and released the company's product development plan for 2024.
- The funds raised after completion of the preferential rights issue in June 2023 have been transferred to Terranet in the beginning of July.

Significant events after the close of the period

- Dan Wahrenberg took over as the new CFO.
- The company and Nihat Küçük agreed on the termination of Nihat's employment as CTO. At the same time, the company announced that the previously established timetable for the development of BlincVision is unchanged.
- Terranet initiated a collaboration with RISE test track and test facility AstaZero outside of Gothenburg in order to develop new ADAS testing methods. The goal is for the methods to be included in or contribute to Euro NCAP's rating methods.

Third quarter, 1 July – 30 September 2023

- Revenue amounted to TSEK 216 (252).
- Operating profit/loss amounted to TSEK -7,925 (-7,119).
- Diluted and undiluted earnings per share amounted to SEK -0.01 (-0.02).

Interim period, 1 January – 30 September 2023

- Revenue amounted to TSEK 629 (438).
- Operating profit/loss amounted to TSEK -26,707 (-21,940).
- Diluted and undiluted earnings per share amounted to SEK -0.07 (-0.07).
- The group's cash and cash equivalents at the close of the period amounted to TSEK 34,179 (26,715 at the start of the financial year).

Comments from the CEO

" When the demonstration in the lab is completed, the prototype will be tested outside the house in the second quarter of 2024."

Our industry is currently in a very exciting stage. Companies like Terranet are well positioned, as major automotive manufacturers and their subcontractors drive the development and demand for advanced sensor systems. The advantage of BlincVision is its speed. In addition to its lightning-fast reaction to events in the vehicle's surroundings, BlincVision is also able to distinguish between objects and people in dense urban environments.

As I mentioned in the last interim report, we believe that government requirements for reaction and response times need to be updated. And now Terranet is taking the first step towards moving this process forward. In order to help increase requirements, we started a collaboration with RISE test track and test facility AstaZero in October. The project will develop new test methods for advanced driver assistance systems (ADAS). Our ultimate goal is for these methods to be included in Euro NCAP's rating methods.

It is also encouraging that we can see clear signs that what we in the industry call ADAS, that is, advanced driver assistance systems, are also appreciated by the end consumer and that they are willing to pay a premium to access these functions.¹⁾ If you consider the steps the industry is taking towards higher standards together with consumer

perception, we are seeing some very positive signs for Terranet.

A strong team is a prerequisite for success. We continue to strengthen our organisation by both broadening and deepening our in-house expert competence. This October, we welcomed Dan Wahrenberg as our new, permanent CFO. Dan has a proven track record from several listed companies. As we previously announced, we are recruiting a new CTO from the automotive industry in order to gear up our product development. The company management team will also be strengthened. We will add a business development manager to help us respond to the rapid pace of change and development in today's automotive industry.



Magnus Andersson

CEO

Lund, 16 November 2023

¹⁾ Roland Berger Automotive Disruption Radar online survey, Edition 13 - 2023

Significant events during the period

Terranet announced that it will perform demonstrations of BlincVision in a laboratory environment during the first quarter and on vehicles in a test environment during the second quarter of 2024.

On 28 September, the company provided new details about upcoming BlincVision demonstrations. The demonstration of BlincVision's functionality is a critical step in the company's ability to sign agreements with vehicle manufacturers or their major subcontractors. The product can then be fine-tuned to achieve economies of scale as we move closer to the production phase.

Transfer of proceeds from new issue

On 3 July, the second portion of the proceeds from the preferential rights issue were posted in Terranet's bank account. Proceeds of TSEK 16,172 before issue costs of TSEK 3,396 were transferred.

Significant events after the close of the period

Dan Wahrenberg took over as the permanent CFO

On 16 October, Dan Wahrenberg took over as the company's new CFO. Dan replaces Thomas Falkenberg, who held the role of interim CFO. Dan has a strong background from several CFO positions at listed companies, including the Anoto Group, LifeAssays and MultiQ and comes most recently from the role as CFO at the Asperiq Group.

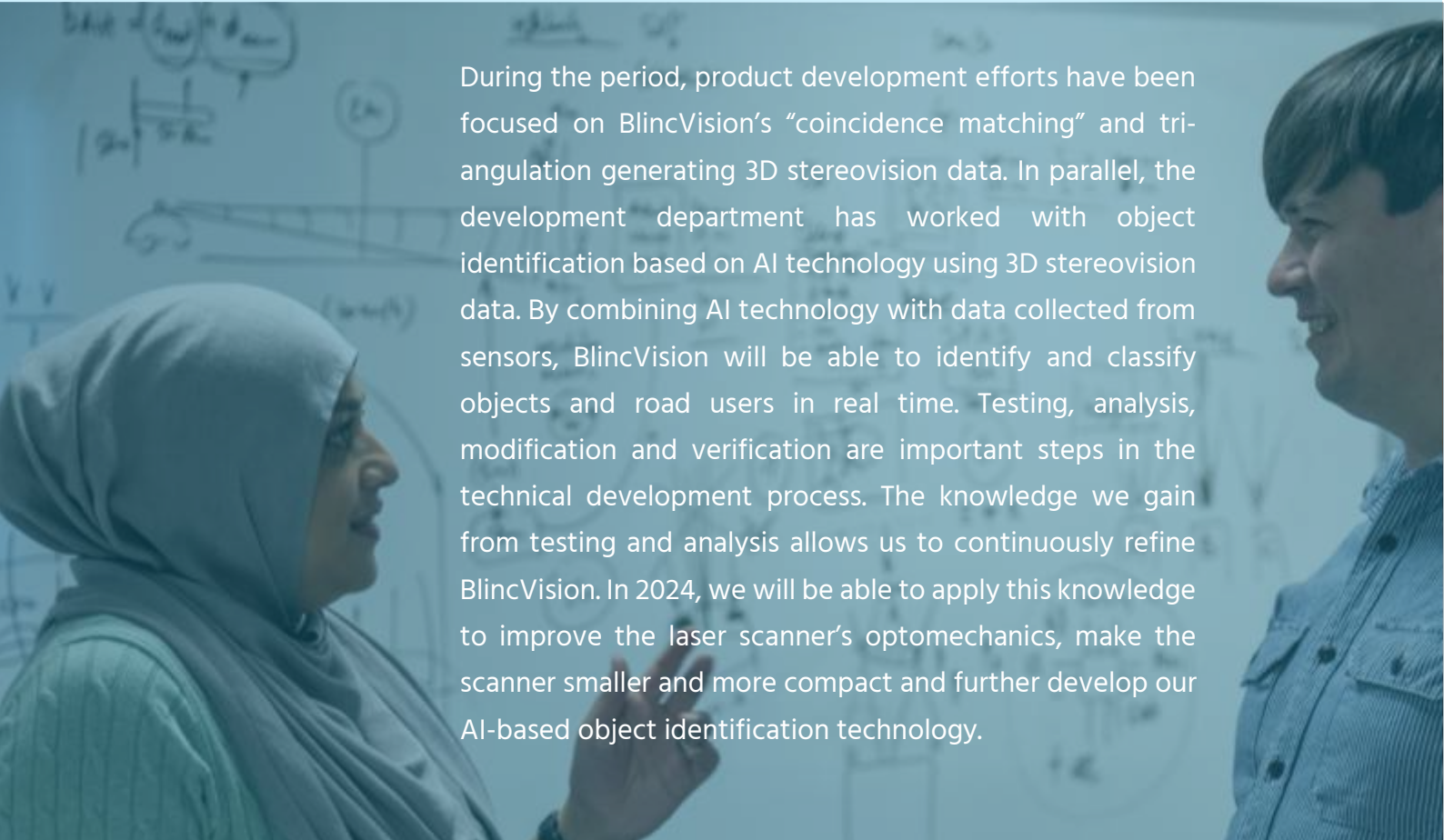
The company and Nihat Küçük reached an agreement on the termination of Nihat's employment as CTO.

On 23 October, Terranet informed the market that the company had reached an agreement with Nihat Küçük on his exit from the CTO post. This move was made to accelerate the development of BlincVision, and the company was able to confirm that it is on track to meet its previously announced timetable. A permanent replacement is expected to be in place shortly and the recruitment will take place from the automotive industry. Until then, the company's development work is being led by the CEO, Magnus Andersson, together with external advisers and the company's Team Lead, who has years of relevant experience from the automotive industry subcontractor Bosch.

Terranet initiated a collaboration with RISE test track and test facility AstaZero in order to develop new ADAS testing methods.

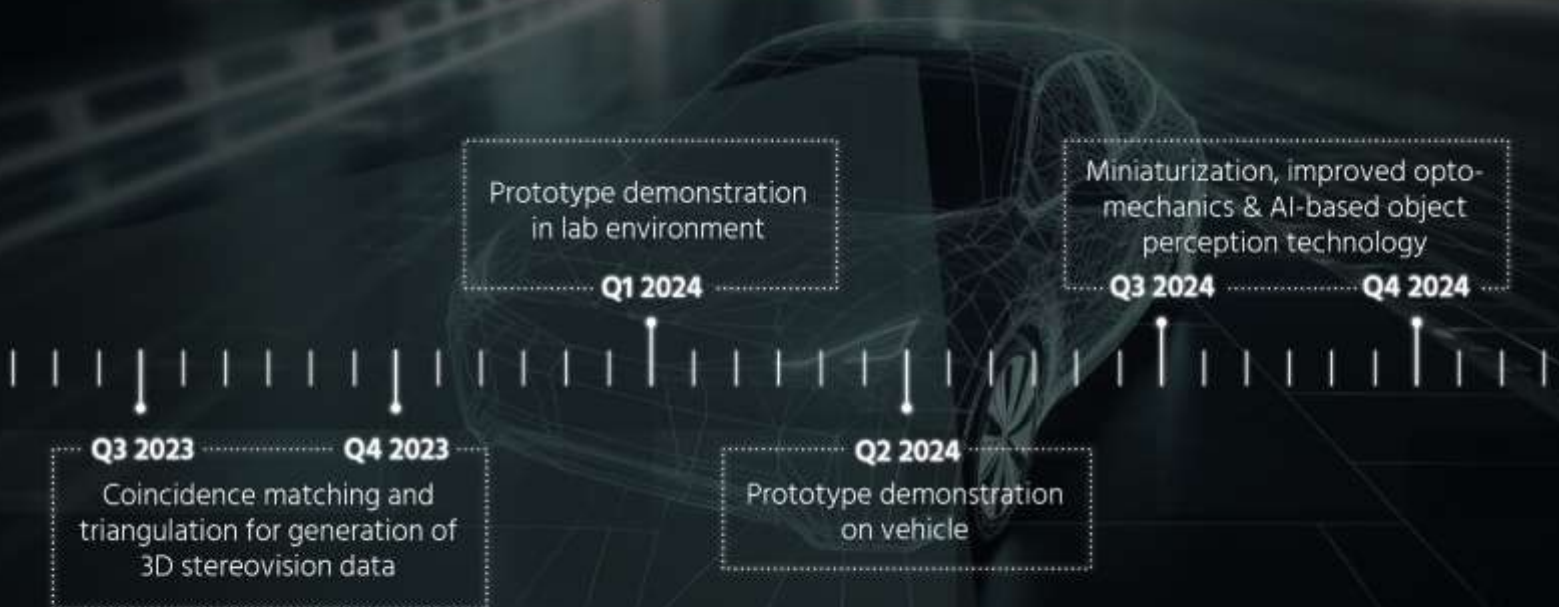
On 30 October, the company announced that a collaboration has been initiated with AstaZero. The purpose of the collaboration is to develop new ADAS testing methods for vulnerable road users in time-critical accident scenarios, where advanced driver assistance systems (ADAS) play a critical role in saving lives. The goal of the new collaboration is for the methods developed by Terranet and AstaZero to be included in or contribute to Euro NCAP's rating methods. Terranet has been awarded an innovation grant of TSEK 190 from Vinnova in order to implement the collaboration. This is another step for Terranet to be at the technological forefront and collaborate with relevant decisionmakers.

BlincVision product development



During the period, product development efforts have been focused on BlincVision’s “coincidence matching” and triangulation generating 3D stereovision data. In parallel, the development department has worked with object identification based on AI technology using 3D stereovision data. By combining AI technology with data collected from sensors, BlincVision will be able to identify and classify objects and road users in real time. Testing, analysis, modification and verification are important steps in the technical development process. The knowledge we gain from testing and analysis allows us to continuously refine BlincVision. In 2024, we will be able to apply this knowledge to improve the laser scanner’s optomechanics, make the scanner smaller and more compact and further develop our AI-based object identification technology.

Product roadmap 2023/2024



The Market for Advanced Driver Assistance Systems

Terranet is an active player within the growing market for ADAS (Advanced Driver Assistance Systems). In 2021, the ADAS market was valued at approximately USD 37.3 billion, with an expected increase to USD 124.3 billion in 2029, corresponding to an annual growth rate of 16.1 percent.¹⁾ Among all segments within the automotive industry, the global ADAS market boasts the third highest projected revenue growth.²⁾

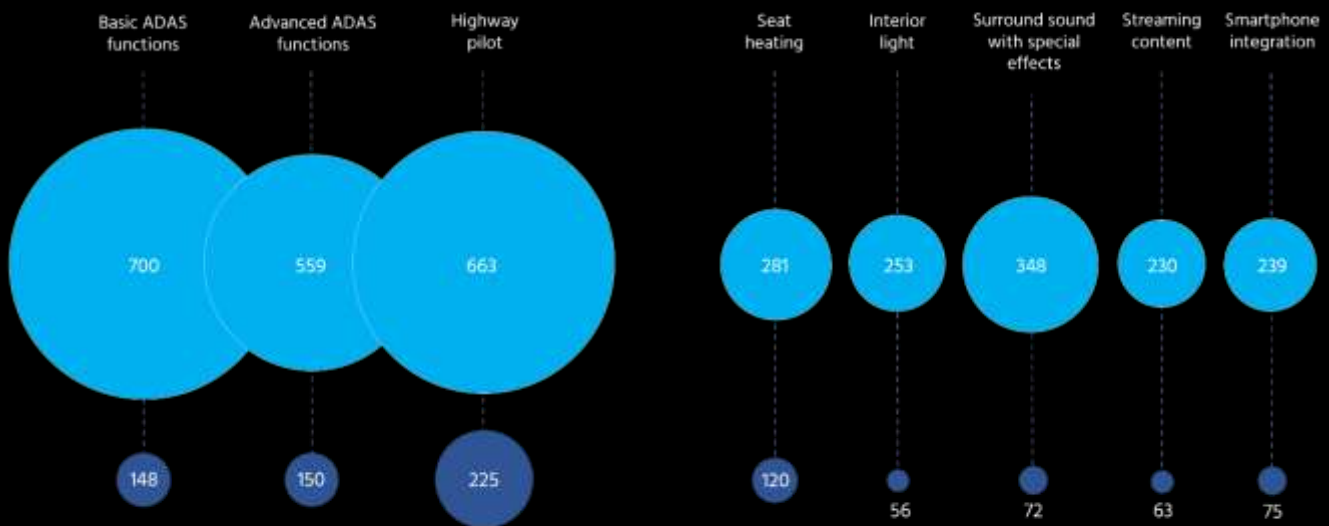
A recently published survey conducted by the global management consulting firm Roland Berger shows that ADAS features are the highest valued by the end consumers, and consumers are much more willing to pay a premium to access ADAS features in their vehicle than many other features (see figure in image below).³⁾

Given the potential in the market and the changes to the regulatory framework, which will impose higher requirements for future ADAS systems, Terranet is very well positioned to make an impact on the industry.

1) www.fortunebusinessinsights.com/industry-reports/adas-market-101897
 2) www2.deloitte.com/us/en/pages/manufacturing/articles/global-automotive-supplier-study.html
 3) Roland Berger Automotive Disruption Radar online survey, Edition 13 - 2023

Highly valued: Of the range of FoD services, consumers are willing to pay the most for ADAS functions

"What are you willing to pay for the following functions?"



● Average purchase price (EUR) ● Average yearly subscription price (EUR)

Activities

Terranet develops technical solutions for advanced driver assistance systems (ADAS) and autonomous vehicles that make traffic safer for vulnerable road users.

Business concept

Terranet's business concept centres around the development of solutions for advanced driver assistance systems (ADAS) and self-driving vehicles (AV) that it primarily markets to vehicle manufacturers, subcontractors and other actors in transport and mobility as a service, to save lives of vulnerable road users. Terranet offers solutions that respond to the rapidly expanding global market for advanced driver assistance systems. Terranet's business model is based on the sale of the company's solutions through licensing to OEMs (Original Equipment Manufacturers) and Tier1 suppliers, who supply components to OEMs in the automotive industry. In addition to licensing revenue, product sales can generate revenue through customer specific adaptations, as well as service and upgrades.

Operations

The company is currently developing the product BlincVision, an anti-collision system that prevents traffic accidents between vehicles and vulnerable road users. Product development takes place in close partnership with leading players in software and hardware development as well as the automotive industry. BlincVision is based on sensor technology that uses 4-dimensional vision technology to identify objects in traffic. BlincVision is a complete turn-key system consisting of three main components; Laser scanner, ultrafast sensors and AI-based object identification.

Together, they enable an ultrafast identification of an object and enable the vehicle to act to avert dangerous situations involving vulnerable road users. Terranet tests and evaluates different sensor technologies, common to these is that they meet the requirements for ultrafast reaction time and be optimally integrated into BlincVision. In its most advanced form, BlincVision is based on the VoxelFlow technology, which is a patented triangulation methodology with event sensors that Terranet has an exclusive global license to develop for the automotive industry. Existing ADAS technologies on the market are primarily developed to protect car users from colliding with each other, while BlincVision is developed to ensure the safety of all vulnerable road users in urban traffic. BlincVision's speed and accuracy are a great advantage at short distances in traffic. This gives Terranet a unique position in the market as, unlike existing ADAS systems, it has the opportunity to save more lives in urban traffic. The company also develops software algorithms for positioning using 5G technology, as well as for communication between different vehicles and between vehicles and other objects, so-called V2X.

Read more at

www.terranel.se

Terranet AB (publ)

Corp. reg. no. 556707-2128

Mobilvägen 10, 223 62 Lund

Staff

As of 30 September 2023, the number of employees in the group was 14 (13). Temporary staff, full-time consultants and staff on parental leave have been excluded. The company continues to actively recruit new engineers. The company's management team will also be strengthened through the recruitment of a new CTO and a business development manager who will be given a clear commercial assignment to develop and capitalise on the tremendous business opportunities in the market.

Risks and uncertainties

The business risks and risk management for the company and the parent company, as well as the management of financial risks, are described in detail in the annual report for 2022, which was submitted in April 2023. No significant events for Terranet have occurred since that date that would affect or change these descriptions of the group's or parent company's risks and the way these risks are managed.

The analysis of the impact that a transfer of certain patents to another party would have on the company, which the company informed about in previous quarterly reports, has been completed. The company has assessed that the transfer of patents would not affect Terranet's business to a significant extent.

The company thus has a negative cash flow from operating activities and will have a need for future capital injections until positive cash flows are achieved. Through the most recent preferential rights issue, the company has raised sufficient cash to continue as a going concern at

least until the outstanding loan from an external lender falls due for repayment on 30 June 2024. The company is likely to secure additional funding through the outstanding warrant series; from TO6 in the fourth quarter of 2023 and from TO7 in the second quarter of 2024. A prerequisite to continue as a going concern is that the company successfully raises additional capital alternatively refinances outstanding loans. Raising of capital can be done in a variety of ways and the board works continuously to ensure that adequate funding is secured to continue as a going concern. It is the board's assessment that this will be possible to achieve. In the event that the company does not succeed in future capital raising, there may be a significant factor of uncertainty surrounding the company's ability to continue operating.

The parent company

Terranet AB (publ), having corporate identification number 556707-2128, is a limited company registered in Sweden with its registered office in Lund. The company's B shares are listed on Nasdaq First North Premier Growth Market. The address of the main office is Mobilvägen 10, 223 62 Lund.

During the third quarter, the parent company made a shareholder contribution to Terranet Tech AB of TSEK 3,000 (TSEK 23,800 for the entire interim period); a corresponding write-off has been made on the shares in Terranet Tech AB. The write-off does not have an impact on the group's balance sheet or cash flow.

The parent company leads and administrates operations and financing activities and does not conduct any operating activities; reference is

therefore made to information for the group in general.

Accounting principles

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

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

The accounting principles and calculation methods applied are in agreement with those described in the annual report for 2022. New standards and interpretations that entered into force as of 01 January 2023 have not had any significant effect on the group's or parent company's financial reports for the period.

Equity

Warrant programme T05B.

The subscription of B shares through warrants of series T05 occurred from 13 March 2023 to 24 March 2023. Each warrant of series T05 B entitled the holder to the subscription of one (1) new B share in the company. The subscription price per B share upon exercise of warrants in Series T05 B was set at SEK 0.44. In total, 8,655,357 warrants of series T05 B were exercised for the subscription of 8,655,357 B shares, corresponding to the exercise of approximately 70.2 percent of the outstanding warrants of series T05 B. Through the exercise of warrants of series T05 B, Terranet raised approximately TSEK 3,606 before issue costs. The proceeds from the issue were used in their entirety to pay off loan debt.

Warrant programme 2022/2025:1

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

The CEO has the option to acquire a maximum of 2,500,000 warrants; other members of the management (max 3 people) may acquire up to 1,250,000 warrants, and other employees (max 12

people) may acquire a maximum of 300,000 warrants each.

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

Warrant Program 2022/2025:2

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

Excluding Anders Blom, the company's board consists of five members, each of whom is entitled to acquire a maximum of 1,000,000 warrants. The warrants were acquired at market

value, which has been calculated by an independent valuation institute at SEK 0.16 per warrant. Magnus Edman and Göran Janson have exercised 100% of their warrant rights and Karolina Bjurehed has exercised 87.5%. Anders Blom was not eligible for the programme as he is a representative for the shareholder Maida Vale Capital AB, which submitted the proposal to the meeting. In total, the company raised TSEK 460 from the programme in the previous financial year.

Preferential rights issue 2023

The subscription period for the preferential rights issue concluded on 13 June 2023. The final outcome shows that 40,646,315 units were subscribed through unit rights, which corresponds to approximately 48.5 percent of the share issue. Furthermore, the company has received subscription commitments for the subscription of 1,044,146 units from parties who do not hold unit rights, which corresponds to approximately 1.2 percent of the preferential rights issue. In total, 41,690,461 units were subscribed with and without the support of unit rights, corresponding to 49.8 percent of the preferential rights issue. Guarantee commitments of 16,924,872 units were utilised by the company, which corresponds to approximately 20.2 percent of the preferential rights issue. Each unit in the preferential rights issue consisted of five (5) B shares, three (3) warrants of series T06 and three (3) warrants of series T07. In total, 58,615,33 units were subscribed, corresponding to 293,076,665 new B shares, 175,845,999 warrants of series T06 and 175,845,999 warrants of series T07. Through the preferential rights issue, the company raised TSEK 52,754 before issue costs of TSEK 10,789.

Warrant programme T06 B.

The warrants can be exercised for the subscription of new shares from 27 November 2023 to 11 December 2023. Each warrant of series T06 B entitles the holder to the subscription of one (1) new B share in the company. The subscription price for the subscription of shares through the exercise of warrants of series T06 B amounts to 70 percent of the volume-weighted average price for the company's share from 10 November 2023 to 23 November 2023; however no less than the value corresponding to the quotient value for Terranet's share (currently SEK 0.01) and no higher than SEK 0.27.

Warrant programme T07 B.

The warrants can be exercised for the subscription of new shares from 20 May 2024 to 03 June 2024. Each warrant of series T07 B entitles the holder to the subscription of one (1) new B share in the company. The subscription price for the subscription of shares through the exercise of warrants of series T07 B amounts to 70 percent of the volume weighted average price for the company's share from 2 May 2024 to 16 May 2024; however, no less than the value corresponding to the quotient value for Terranet's share (currently SEK 0.01) and no higher than SEK 0.27.

Directed issue of units to guarantors

Several of the guarantors who participated in the most recent preferential rights issue chose to receive compensation in the form of new units. In order to accommodate this, the board decided on a commitment fee issue totalling 2,272,887 new units. Each unit in the commitment fee issue consisted of five (5) B shares, three (3) warrants of

series T06 and three (3) warrants of series T07. In total, 11,364,435 B shares, 6,818,661 warrants of series T06 and 6,818,661 warrants of series T07 were issued through the commitment fee issue. Shares and warrants in the directed issue to guarantors were registered by the Swedish Companies Registration Office on 10 July.

Shares and share capital at the close of the period

	Number of shares	Share capital (TSEK)
At the start of the financial year	326,289,403	3,263
T05 B, March	8,655,357	86
Preferential rights issue, June	293,076,665	2,931
Directed issue, guarantors, July	11,364,435	114
As of 30 September 2023	639,385,860	6,394

Financial overview

Third quarter 1 July 2023 – 30 September 2023

Revenue

Revenue for the quarter amounted to TSEK 216 (252), which consists exclusively of grants from Vinnova.

Operating profit/loss

Capitalised development costs amounted to TSEK 504 (442) and consists entirely of capitalised staff costs. Payroll amounted to TSEK 4,231 (4,359). Other costs amounted to TSEK 3,170 (2,991). Amortisation and depreciations of intangible assets amounted to TSEK 928 (171); the increased depreciation and write downs is attributable to impairment of capitalized development expenditure linked to older projects for which the probability of future positive cash flows is deemed to be lower. Depreciations of tangible fixed assets amounted to TSEK 68 (75), and depreciations of right-of-use assets amounted to TSEK 243 (217). Operating profit/loss for the quarter amounted to TSEK -7,925 (-7,119). The increased loss is due to the impairment of capitalized development expenditure linked to older projects.

Financial costs

Financial costs consist exclusively of interest on the loan TSEK 35,000, which was taken in April 2021 to fund the acquisition of shares in Holride. In May 2023, the loan was refinanced, and in connection with the preferential rights issue, a payment was made; see Further under Cash Flow and Financial position and liquidity. The loan from

Formue Nord amounts to TSEK 17,455 as of 30 September; see further under the headings Cash flow and Financial position and liquidity. Interest costs attributable to right-of-use assets amount to TSEK 82 (95) for the period.

Taxes

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

Profit/loss for the period

Profit/loss for the period amounted to TSEK -8,740 (-7,270). Diluted and undiluted earnings per share amounted to SEK -0.01 (-0.02).

Cash flow

Cash flow from operating activities amounted to TSEK -6,358 (-6,196). Cash flow from investing activities amounted to TSEK -716 (-631), which consists exclusively of capitalisation of development costs and patents, as well as the acquisition of equipment. Cash flow from financing activities amounted to TSEK 18,872 (241). The inflow mostly consists of remaining liquid funds from the preferential rights issue of TSEK 16,172. Issue costs of TSEK 3,396 have been paid. During the period, the company received a payment from the Swedish Tax Agency of TSEK 6,318. The company chose to exercise the option that the Swedish Tax Agency previously offered to apply for a deferment for previously paid social contributions and withholding tax. A deferment has been obtained by agreeing to pay these debts by September 2024 at the latest. The debt to the Swedish Tax Agency is reported as other current liabilities in this report. Interest of 5% per year applies to the debt. The payment from the

Swedish Tax Agency will be used to repay the loan from Formue Nord Fokus A/S, which was refinanced in May and which carries a higher interest rate of 15% per year.

Financial assets

Terranet's financial assets consist of holdings of shares in holoride GmbH (10.4% ownership share) with a book value of SEK 32,658 thousand and Summer Robotics Inc (1.7% ownership share) with a book value of SEK 5,430 thousand. As the company announced on May 12, holoride received a convertible loan of EUR 5 million from a shareholder (not Terranet). In connection with the convertible loan, the lender was given the right to acquire the other shareholders' shares at market price, unless holoride had completed capital raising of EUR 5 million by 1 October. As of the balance sheet date, holoride has not completed its capital raising round and the lender has not yet exercised its option to acquire additional shares in holoride.

Interim period 1 January 2023 – 30 September 2023

Revenue

Revenue for the period amounted to TSEK 629 (438), which consists exclusively of grants from Vinnova.

Operating profit/loss

Capitalised development costs amounted to TSEK 1,852 (2,470) and consists entirely of capitalised staff costs. Capitalisation for the previous financial year includes consulting costs of TSEK 626. Payroll amounted to TSEK 12 431 (13 353); the reduction is

primarily due to the fact that last year, the company incurred salary costs for the former CEO during the notice period. Other costs increased compared to the previous financial year and amounted to TSEK 14,658 (10,562). The increase in costs can be attributed to intensified work to develop BlincVision and marketing costs in connection with the preferential rights issue. Operating profit/loss for the period amounted to TSEK -26,707 (-21,940). Amortisation and depreciations of intangible assets amounted to TSEK 1,042 (283) TSEK, the increased cost depreciation and write downs is attributable to impairment of capitalized development expenditure linked to older projects for which the probability of future positive cash flows is deemed to be lower. The depreciation of fixed assets amounted to TSEK 223 (175) and impairment of right-of-use assets amount to TSEK 696 (462).

Financial costs

Financial costs consist exclusively of interest on the loan TSEK 35,000, which was taken in April 2021 to fund the acquisition of shares in holoride. In May, the loan was refinanced, and in connection with the preferential rights issue, a payment was made; see Further under Cash flow and Financial position and liquidity. The out-standing loan debt payable to Formue Nord amounts to TSEK 17,455 as of 30 September. Interest costs attributable to right-of-use assets amount to TSEK 253 (173) for the period.

Taxes

The group's effective tax amounted to 0 (0)%. The group has a substantial accumulated tax losses carried forward, however, no deferred tax assets are reported with respect to this.

Profit/loss for the period

Profit/loss for the period amounted to TSEK -30,289 (-23,978). Diluted and undiluted earnings per share amounted to SEK -0.07 (-0.07).

Cash flow

Cash flow from operating activities amounted to TSEK -25,688 (-20,721). The increased cash outflow can be attributed to increased activity to develop BlincVision and higher interest payments. Cash flow from investing activities amounted to TSEK -2,366 (-7,777), which consists exclusively of capitalisation of development costs and patents, as well as the acquisition of equipment. The outflow for the previous year included a convertible loan issued to Summer Robotics Inc.; the receivable was converted to shares in the fourth quarter of 2022.

Cash flow from financing activities amounted to TSEK 35,509 (670). The inflow consists primarily of funds raised through the preferential rights issue of TSEK 52,754 (before issue costs of TSEK 8,742), and funds raised through warrant series T05 B of TSEK 3,606 after issue costs. Funds raised from T05 B have been used in their entirety to repay loans. Of the funds received, TSEK 14,199 have been used to repay loans and TSEK 801 for interest payments. Due to a deferment received from the Swedish Tax Agency in September, the company has seen an inflow of liquid funds amounting to TSEK 6,318.

Financial position and liquidity

As of 30 September 2023, total assets amounted to TSEK 96,933 (89,435), equity amounted to TSEK 65,720 (48,382) and the equity/assets ratio amounted to 67.8 (54.1)%. Financial assets amounted to TSEK 38,258 (38,088), of which TSEK 32,658 is linked to the investment in holoride in 2021,

TSEK 5,430 is linked to the investment in shares in Summer Robotics Inc., which was made in the previous financial year, and TSEK 170 is linked to the deposit paid for the rental agreement. The carrying value of the group's interest-bearing liabilities amounts to TSEK 27,355 (36,468). In May, the loan of TSEK 35,000 (nominal amount), which was taken to finance the investment in holoride GmbH in 2021, was refinanced. The loan was repaid in the amount of TSEK 17,805 during the year. The outstanding debt at the end of the reporting period amounts to TSEK 17,455. Future instalments will be paid in connection with funds raised from warrant series TO6 B and TO7 B (50% of the cash from each warrant series), however a maximum of TSEK 8,000 from TO6 B must be used to repay the loans.

The loan falls due for payment on 30 June 2024. Of the interest-bearing liabilities, lease liabilities amount to TSEK 3,582 (4,040). No new leasing contracts have been signed during the period. At the end of the period, the group's cash and cash equivalents amounted to TSEK 34,179 (26,715). The company's cash will last at least until the outstanding loan from an external lender falls due for repayment on 30 June 2024. For risks connected to financing and continued operations, see the section Risks and uncertainties.

Transactions with related parties

Transactions with related parties included purchases from Prevas AB corresponding to TSEK 808 during the financial year. Magnus Edman is a board member in Terranet AB and CEO of Prevas Development AB.

Key figures

(Amounts in TSEK unless otherwise indicated)	2023	2022	2023	2022	2022
	3 months July– September	3 months July– September	9 months January– September	9 months January– September	12 months January– December
Undiluted EPS (SEK)	-0.01	-0.02	-0.07	-0.07	-0.10
Diluted EPS (SEK)	-0.01	-0.02	-0.07	-0.07	-0.10
Number of shares on balance sheet date	639,385,860	326,289,403	639,385,860	326,289,403	326,289,403
Average number of shares	638,274,122	326,289,403	437,001,465	323,117,243	323,939,443
Equity/asset ratio (%)	67.8	58.4	67.8	58.4	54.1
Operating profit/loss	-7,925	-7,119	-26,707	-21,940	-29,371
Profit/loss for the period	-8,740	-7,270	-30,289	-23,978	-32,287

Definitions

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

Summary consolidated income statement

(Amounts in TSEK)	2023	2022	2023	2022	2022
	3 months	3 months	9 months	9 months	12 months
	July– September	July– September	January– September	January– September	January– December
Other operating revenue	216	252	629	438	748
Activated work for own account	504	442	1,852	2,470	3,091
<i>Operating expenses</i>					
Other external expenses	-3,170	-2,991	-14,658	-10,562	-14,237
Staff costs	-4,231	-4,359	-12,431	-13,353	-17,682
Depreciation and write-offs of tangible and intangible fixed assets	-1,239	-463	-1,961	-920	-1,255
Other operating costs	-5	-0	-138	-13	-36
Operating profit/loss	-7,925	-7,119	-26,707	-21,940	-29,371
Financial income	325	810	325	810	891
Financial costs	-1,140	-961	-3,907	-2,848	-3,807
Profit/loss before tax	-8,740	-7,270	-30,289	-23,978	-32,287
Tax on profit/loss for the period	0	0	0	0	0
Profit/loss for the period attributable to the parent company's shareholders	-8,740	-7,270	-30,289	-23,978	-32,287
Earnings per share, SEK					
Undiluted EPS	-0.01	-0.02	-0.07	-0.07	-0.10
Diluted EPS	-0.01	-0.02	-0.07	-0.07	-0.10

Consolidated statement of comprehensive income

(Amounts in TSEK)	2023	2022	2023	2022	2022
	3 months July– September	3 months July– September	9 months January– September	9 months January– September	12 months January– December
Profit/loss for the period	-8,740	-7,270	-30,289	-23,978	-32,287
Other comprehensive income	-13	0	9	0	0
Comprehensive income for the period attributable to the parent company's shareholders	-8,753	- 7,270	-30,280	-23,978	-32,287

Summary consolidated statement of financial position

(Amounts in TSEK)	30/09/2023	31/12/2022	30/09/2022
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalised development costs	16,169	15,140	14,519
Patents and trademarks	2,011	2,155	2,173
<i>Property, plant and equipment</i>			
Right of use assets	3,337	3,870	3,862
Equipment	361	315	368
<i>Financial assets</i>			
Long-term securities	38,088	38,088	32,658
Other long-term receivables	170	0	5,561
Total fixed assets	60,136	59,568	59,141
Current assets			
Other receivables	584	1,114	792
Prepaid expenses and accrued revenue	2,034	2,038	2,220
Cash and cash equivalents	34,179	26,715	34,960
Total current assets	36,797	29,867	37,972
TOTAL ASSETS	96,933	89,435	97,113
EQUITY AND LIABILITIES			
Equity			
Share capital	6,394	3,263	3,263
Other capital contribution	444,610	400,124	400,124
Translation reserve	9	0	0
Profit/loss carried forward	-355,004	-322,718	-322,718
Profit/loss for the period	-30,289	-32,287	-23,978
Equity attributable to the parent company's shareholders	65,720	48,382	56,691
Long-term liabilities			
Lease liabilities	2,645	3,222	3,284
Total long-term liabilities	2,645	3,222	3,284
Current liabilities			
Loans payable	17,455	32,428	31,562
Lease liabilities	937	818	714
Accounts payable	612	1,223	1,036
Other liabilities	6,912	514	682
Accrued expenses and prepaid revenue	2,652	2,848	3,144
Total current liabilities	28,568	37,831	37,138
TOTAL EQUITY AND LIABILITIES	96,933	89,435	97,113

Summary consolidated statement of changes in equity

(Amounts in TSEK)	<i>Attributable to the parent company's shareholders</i>		
	01/01/2023	01/01/2022	01/01/2022
	to	to	to
	30/09/2023	31/12/2022	30/09/2022
Opening balance	48,382	73,531	73,531
Profit/loss for the period	-30,289	-32,287	-23,978
Other comprehensive income	9	0	0
New cash issue	56,562	6,404	6,404
Directed issue to guarantors who opted for Units	2,046	0	0
Received option premiums	0	1,073	1,073
Issue costs	-10,990	-339	-339
Closing balance	65,720	48,382	56,691

Summary consolidated cash flow statement

(Amounts in TSEK)	2023	2022	2023	2022	2022
	3 months	3 months	9 months	9 months	12 months
	July – September	July – September	January – September	January – September	January – December
Operating activities					
Operating profit/loss	-7,925	-7,119	-26,707	-21,940	-29,371
Adjustments for items not included in the cash flow:					
Depreciation and write-offs	1,239	463	1,961	920	1,255
Other non-cash items	103	100	309	306	409
Interest received	0	0	0	0	213
Paid interest and other financial expenses	-103	-95	-1,075	-175	-268
Cash flow from operations before changes in working capital	-6,686	-6,651	-25,512	-20,889	-27,762
Changes in working capital					
Changes in operating receivables	1,055	-154	550	746	503
Change in operating liabilities	-727	609	-726	-578	-857
Cash flow from operations	-6,358	-6,196	-25,688	-20,721	-28,116
Investing activities					
Capitalisation of development costs	-504	-442	-1,852	-2,470	-3,091
Capitalisation of patents and trademarks	-17	-173	-75	-464	-503
Acquisition of tangible assets	-25	-16	-269	-91	-91
Investment in financial assets	0	0	0	-4,752	-4,752
Paid deposit	-170	0	-170	0	0
Cash flow from investing activities	-716	-631	-2,366	-7,777	-8,437
Financing activities					
New share issue	16,172	0	56,562	6,404	6,404
Issue costs	-3,396	0	-8,944	-339	-339
Received option premiums	0	425	0	1,073	1,073
Loans taken	6,318	0	6,318		
Repaid loans	0	0	-17,805	-6,065	-6,065
Amortisation of lease liabilities	-222	-184	-622	-403	-593
Cash flow from financing activities	18,872	241	35,509	670	480
Cash flow for the period	11,798	-6,586	7,455	-27,828	-36,073
Cash and cash equivalents at the start of the period	22,388	41,546	26,715	62,788	62,788
Exchange rate differences in cash and cash equivalents	-7	0	9	0	0
Cash and cash equivalents at the close of the period	34,179	34,960	34,179	34,960	26,715

Summary parent company income statement

(Amounts in TSEK)	2023	2022	2023	2022	2022
	3 months July – September	3 months July – September	9 months January – September	9 months January – September	12 months January – December
Other operating revenue	0	0	0	0	0
<i>Operating expenses</i>					
Other external expenses	-392	-440	-2,400	-1,786	-2,271
Operating profit/loss	-392	-440	-2,400	-1,786	-2,271
Financial income	325	810	325	810	891
Depreciation of shares in group companies	-3,000	-6,000	-23,800	-22,000	-31,000
Financial costs	-1,037	-866	-3,633	-2,673	-3,539
Total financial items	-3,712	-6,056	-27,108	-23,863	-33,648
Profit/loss before tax for the period	-4,104	-6,496	-29,508	-25,649	-35,919
Tax on profit/loss for the period	0	0	0	0	0
Profit/loss for the period	-4,104	-6,496	-29,508	-25,649	-35,919

Summary parent company statement of comprehensive income

(Amounts in TSEK)	2023	2022	2023	2022	2022
	3 months July – September	3 months July – September	9 months January – September	9 months January – September	12 months January – December
Profit/loss for the period	-4,104	-6,496	-29,508	-25,649	-35,919
Other comprehensive income	0	0	0	0	0
Comprehensive income for the period	-4,104	-6,496	-29,508	-25,649	-35,919

Summary parent company balance sheet

(Amounts in TSEK)	30/09/2023	31/12/2022	30/09/2022
ASSETS			
Financial assets			
Shares in group companies	57,011	57,011	56,733
Other long-term securities	38,975	38,975	33,545
Other long-term receivables	0	0	5,561
Total fixed assets	95,986	95,986	95,839
Current assets			
Other receivables	0	0	2
Prepaid expenses and accrued revenue	602	206	283
Cash on hand	27,464	24,787	34,303
Total current assets	28,066	24,993	34,588
TOTAL ASSETS	124,052	120,979	130,427
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	6,394	3,263	3,263
<i>Non-restricted equity</i>			
Share premium reserve	444,610	400,124	400,124
Profit/loss carried forward	-314,995	-279,077	-279,077
Profit/loss for the period	-29,508	-35,919	-25,649
Total equity	106,501	88,391	98,661
Current liabilities			
Loans payable	17,455	32,428	31,562
Accounts payable	2	36	80
Liabilities to group companies	94	94	94
Accrued expenses and prepaid revenue	0	30	30
Total current liabilities	17,551	32,588	31,766
TOTAL EQUITY AND LIABILITIES	124,052	120,979	130,427

This interim report has been reviewed by the company's auditors.

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

Lund 16 November 2023

Torgny Hellström
Board Chair

Anders Blom
Board Member

Göran Janson
Board Member

Magnus Edman
Board Member

Nils Wollny
Board Member

Tareq Shoeb
Board Member

Magnus Andersson
CEO

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL**Review report**

Terranet AB (publ), corporate identity number 556707-2128

To the Board of Directors of Terranet AB (publ)

Introduction

We have reviewed the condensed interim report for Terranet AB (publ) as at September 30, 2023 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Significant uncertainty factors regarding the assumption of going concern

We would like to draw attention to the information provided in the interim report under the section "Risks and uncertainty factors", page 8 where it appears the group's continued operations are dependent on new financing to ensure continued operations. Should the measures that the Board of Directors plans to implement not be able to be implemented, there is a significant uncertainty factor regarding the company's ability to continued operations. Our statement is not modified in this regard.

Malmö, 16 November 2023

Ernst & Young AB

Martin Henriksson
Authorized Public Accountant

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Financial calendar

Year-end report 2023	22 February 2024
Annual report 2023	24 April 2024
Interim report January–March 2024	7 May 2024
AGM 2024	22 May 2024
Interim report January–June 2024	15 August 2024
Interim report January–September 2024	7 November 2024
Year-end report 2024	13 February 2025

This information constitutes the information that Terranet AB (publ) is required to publish under the EU Market Abuse Regulation (MAR). The information was submitted for publication through the agency of the above-named contact person on 16 November at 8.00 am CET.



Safety at the blink of an eye

www.terranel.se

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