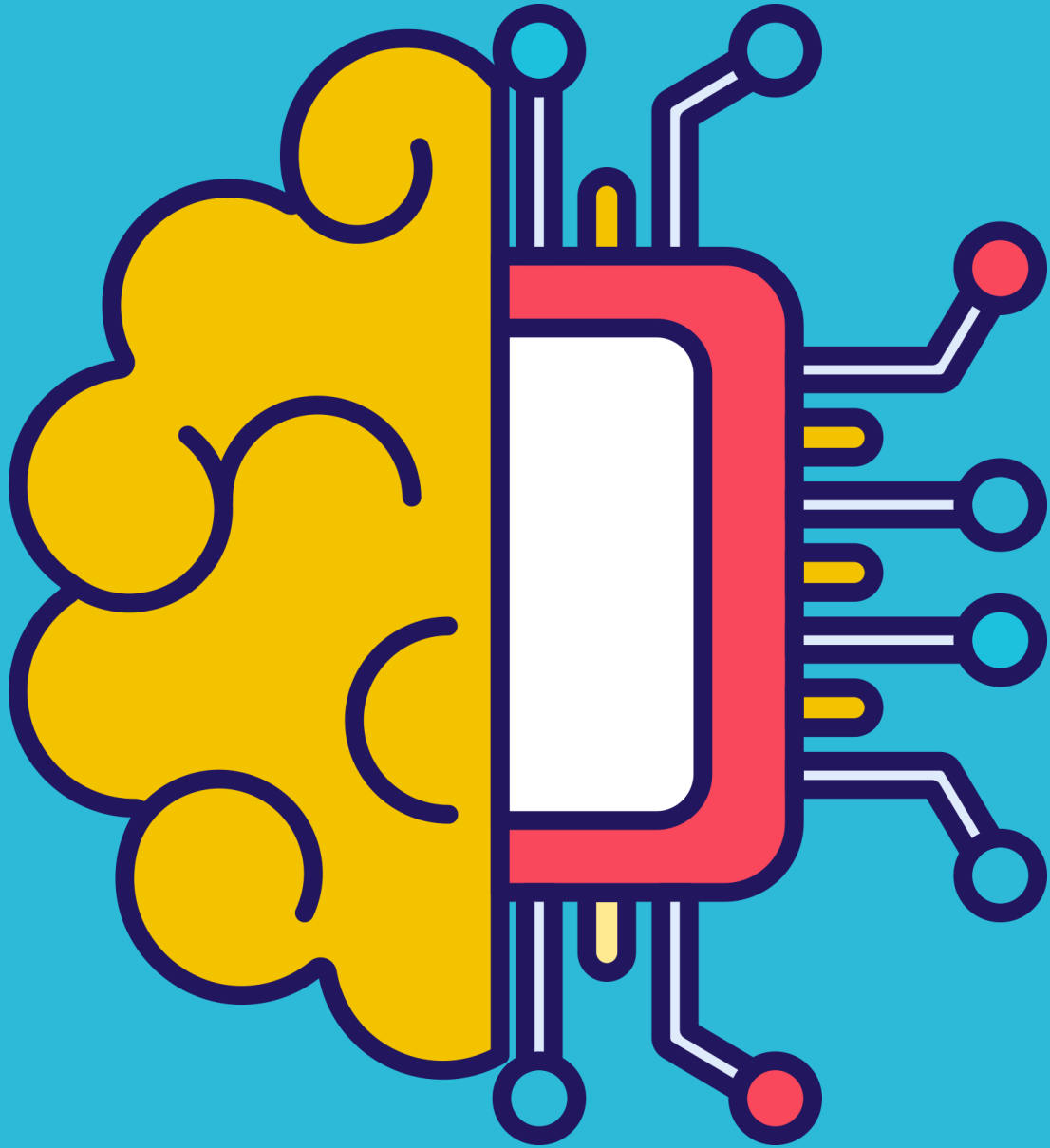


# ARTIFICIAL SOLUTIONS



2020 ANNUAL REPORT



# CONTENTS

- \_01 Artificial Solutions: Making Technology Think
  - \_03 The Year in Numbers
  - \_05 Letter from the CEO
  - \_07 The Conversational AI Market
  - \_08 Our Opportunity
  - \_10 Our Business Strategy
  - \_11 Providing Real Value for Our Customers
  - \_13 Business Continuity & Sustainability
  - \_15 Our Culture & Values
  - \_17 Market Disruptors: 20 Years of Firsts
  - \_19 Our People
  - \_21 Management Team
  - \_25 Board of Directors
  - \_29 Corporate Governance Report
  - \_33 ASAI: The Share
  - \_37 Financial Reports
  - \_78 Auditors' Statement
-





# ARTIFICIAL SOLUTIONS

Making Technology Think



“ Teneo allows businesses to build systems that bridge humans, organizations, and societies. Knowledge, technology, and passion for languages are at the heart of our company.

### CONVERSATIONAL AI FOR THE ENTERPRISE

Artificial Solutions develops and implements software in a sub-branch of the world of Artificial Intelligence called Conversational AI (CAI). CAI is the bi-directional communication between humans and technology in the natural language of the human. The CAI platform we develop is branded Teneo – from the Latin “to understand”.

Teneo allows businesses to build systems that bridge humans, organizations, and societies. Knowledge, technology, and passion for languages are at the heart of our company.

By using our software, organizations can dramatically enhance their interaction with customers and staff, by letting people talk, write and even gesture in their mother tongue and in the channel of their choice.

Artificial Solutions’ Teneo platform now handles 84 languages and dialects, in a way that also accounts for the user’s intent, mode, personality and temper. This may seem like a small accomplishment given that there are almost 7,000 known languages in the world but, with 84 languages, we cover roughly one third of the world’s population. This turns Teneo into the platform with the most extensive language catalogue in the market, as we continue to work on expanding this number further.

### THE VALUE OF CUSTOMER INSIGHT

An individual typically utters about 15,000 words every day. A few of those words normally involves interaction with organizations, shops, various service providers, authorities, etc. By letting people interact with an organization in their own language and the input of their choice (voice, text, gesture) the customer experience is greatly enhanced. Automating conversations with clients, staff, and consumers/citizens also lower costs significantly.

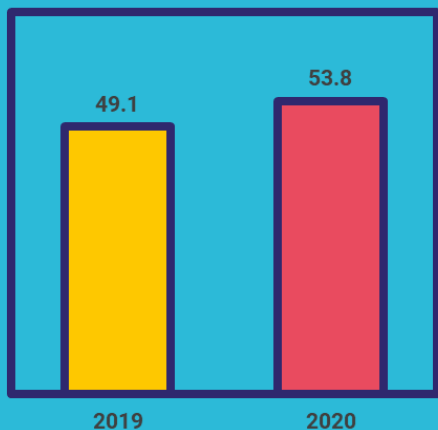
Artificial Solutions launched the world’s first automated virtual assistant in 2001, showing that it indeed was possible to automate conversations. We added more languages to our solutions in 2006 and we introduced the world’s first automated multichannel virtual assistant in 2009. Since then, we have pioneered many “industry firsts”.

Artificial Solutions’ thought leadership is acknowledged by our rooster of clients and by the world’s largest software companies, including Amazon, Apple, Baidu, Google, Microsoft, Nuance, and IBM who all have made forward citations of our pioneering patents, confirming our position as a leading innovator in the conversational AI space.

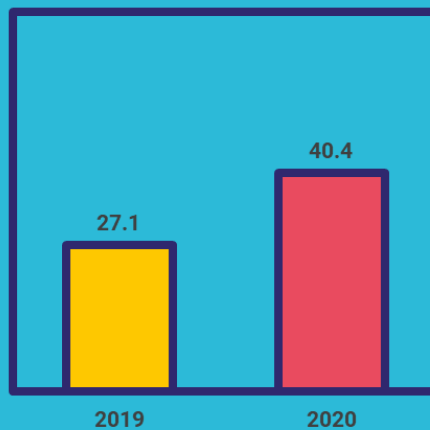
Our technology is modular and open. Clients can build their entire CAI system with Artificial Solutions, getting the best performance and scalability on the market. But Artificial Solutions technology can also enhance clients existing CAI systems, by allowing faster development and deployment with a low-code approach, multi-language support, and superior scalability.



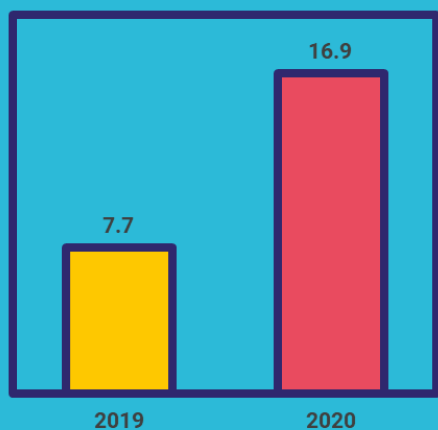
# THE YEAR IN NUMBERS



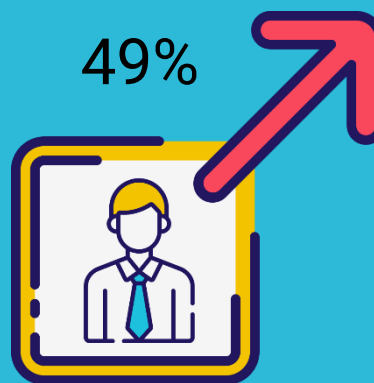
NET SALES (MSEK)



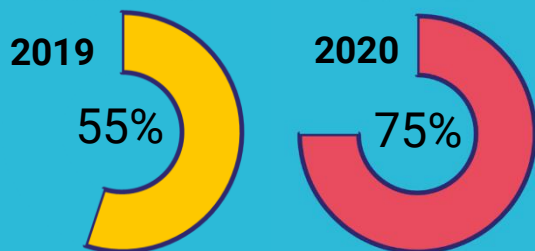
RECURRING REVENUE (MSEK)



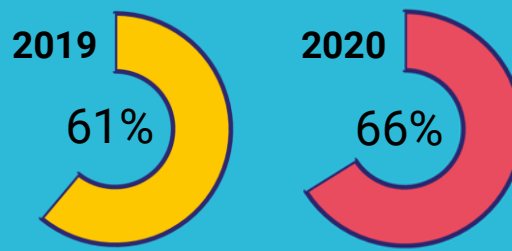
USAGE REVENUE (MSEK)



49% INCREASE OF RECURRING REVENUE



RECURRING REVENUE AS A % OF NET SALES



GROSS MARGIN %





**PER OTTOSSON**  
CEO

# LETTER FROM THE CEO



Dear shareholders, colleagues, customers, and partners:

We are entering a new decade with great hopes and aspirations. 2020 was heavily defined by the COVID-19 pandemic, which led to global social and economic disruption, mass cancellations, postponements of events, worldwide lockdowns, and the largest economic recession since the Great Depression of the 1930s.

I am thankful of how my colleagues, our customers and partners have come together and shown support for each other. This unprecedented situation has provided organizations with the opportunity to harness digital technology to stay resilient and strong in a challenging economic climate.

The market demand for a new business and delivery model changed more rapidly than anticipated accelerated by the pandemic. Customers now require low entry costs and delivery as a service (SaaS).

I started as CEO at the beginning of the fourth quarter 2020 with the mandate from the board to modernize and reposition Artificial Solutions. At the beginning of December 2020, we communicated our transition to a software as a service model (SaaS). The company has shifted away from a combination of licensing, usage revenues and professional services to a pure SaaS model, with the aim to making it easier to enable adoption of Artificial Solutions' Teneo platform, which will increasingly be delivered "as-a-service". The strategic logic of removing the upfront license fee, will increase the lifetime values of our customers and benefit the revenues over time. We anticipate that customer acquisition costs will have a payback time of approximately nine months. The average second year annual recurring revenues (ARR) of customers will be SEK 4.4M for a large customer and SEK 1.2M for a small customer.

By transitioning to a SaaS model, we required less functions and staff, especially in the UK, but also in other countries. We reduced our annualized operating costs from SEK 178M in the first quarter 2020 to SEK 105M in the same quarter 2021 – a reduction of more than 40%. The reduction of the operating costs had a positive impact on cash flow from day one and with full run rate impact from the first quarter 2021.

At the beginning of 2021, Artificial Solutions presented LUIS^Teneo, a SaaS-based development suite and bot engine using Microsoft LUIS. LUIS^Teneo allows enterprises to build, scale and maintain LUIS-based bots with fewer resources improving conversational bot ROI with clear metrics.

Shortly thereafter, we became a co-sell partner to Microsoft and launched Teneo®, our Conversational AI development platform, in the Microsoft Azure Marketplace, an online store providing applications and services for use on Azure. We also added new functionality to our Conversational AI development platform making it the most extensive Conversational AI platform in the market. With our focus on providing only software, we see a great interest from the large System Integrators, like Tech Mahindra that we recently won a customer with, to work with us in the sales process.

In the first quarter 2021, we continued to expand our footprint with existing customers and right after the quarter close, we won two global and industry leading brands as customers. Together with high ratings from research firms Gartner and ISG, we are very confident that our technology platform is poised to help all customers in Europe and the Americas.

Today there is really no advanced Conversational AI platform, except for Teneo®, that is designed to enable the customer to implement, develop and maintain the implementation under leadership of internal resources. With our repositioning and recapitalization finished, our highly experienced and professional team is looking forward to continuing to bring our existing customers and all new customers the best experience in developing and maintaining Conversational AI implementations.

**Per Ottosson**  
**CEO, Artificial Solutions**

“ Global spending on artificial intelligence (AI) is forecast to double over the next four years, growing from \$50.1 billion in 2020 to more than \$110 billion in 2024 ”

Source: IDC: WorldWide Artificial Intelligence Spending Guide 2020.

## The Conversational AI Market

Conversational Artificial Intelligence (AI) is already a commodity – in families’ living rooms, cars, and online shopping experiences. Chatbots, voice assistants, smart speakers, interactive voice recognition systems: all of these are examples of this technology. It is an area that is attracting significant investment given the increased accessibility it offers through enhanced customer experiences.

In the simplest of terms, Conversational AI can be defined as the interaction between humans and machines. It recognizes speech and text, intent, gestures, and various languages to mimic natural language or human conversation. Conversational AI solutions can complete repetitive tasks that humans usually do, saving money and time and freeing up human time to work on higher-level strategic endeavors.

According to Juniper’s research, the introduction of chatbots will save 2.5 billion customer service hours over the coming years. The customer service cost reduction across the retail, banking, and healthcare sectors is estimated to amount to \$11 billion annually by 2023.



## Our Opportunity

The world has seen an accelerated demand of ROI in AI, when organizations build and expand on their conversational AI-strategy. In the upcoming years, AI will be a mainstream investment for companies looking to improve customer experience. According to Gartner, 47% of organizations will leverage chatbots in the next couple of years, while 40% will deploy virtual assistants. This is partly a cost-savings measure, but also a response to increasing customer demands for personalization and immediate resolution to issues. Employing a virtual assistant also helps businesses scale quickly, as these chatbots are cheaper and faster than their human counterparts.

As more and more brands join the race, enterprises are in desperate need of tools like Teneo; a platform that allows businesses to build or reuse bots, scale them to new functions and/or languages – in other words, a sustainable and productive framework for Conversational AI.

Artificial Solutions technology has many of the features that customers seek as they mature in their demand for Conversational AI, our technology is suitable for organizations where teams collaborate to build a solution that can scale to large volumes and many languages. This is typically a second or third generation project for our clients.

During 2020 we focused this technology more towards the developers with features such as in context help and comprehensive documentation. Also as most of the competition in our industry delivers software and services in a “black box” approach we positioned our software to be open and easy to develop on for partners and customers. A platform that in an honest way helps our customers and partners build services to delight their customers.

Other partnerships signed during the year include Vonage (to integrate Teneo® into Vonage’s API Platform), CSG (to build a Conversational Artificial Intelligence (AI) solution based on Teneo) and the expansion of the collaboration with top system integrator, *Babel Sistema de información* for three more years.

Our partner Deloitte brought a new client in the US region (Federal Healthcare) and became a client itself, after choosing Teneo to build an internal virtual assistant to support the HR function in the Netherlands.

Another interesting customer that joined us during 2020, HelloFresh, further shows our appeal across yet another industry vertical.

Hello Fresh chose Teneo to build an intelligent digital assistant that makes it fast and easy for customers to interact with the meal-planning service company. Using a mixture of voice, text or touch, customers can use the assistant to carry out a wide range of tasks such as creating a new account or adding a meal plan. The chatbot can also proactively suggest special offers based on the customer’s preferences.

Teneo® is easy to integrate with our Public Domain Front and Back End Connectors, it runs some of the largest deployments in the world today providing peace of mind to customers that the service is reliable. Utilizing RBAC and version control enables large teams to collaborate on the same solution. It’s a solution that reduces the development and maintenance time with 50% according to a Center of Excellence study by one of the large Accountancy and Advisory firms. This will be in the demand in a growing market with increased focus on Digital Customer Experiences.

According to  
Gartner, 47% of  
organizations will  
leverage chatbots in  
the next couple of  
years, while 40% will  
deploy virtual  
assistants.

Source: Gartner



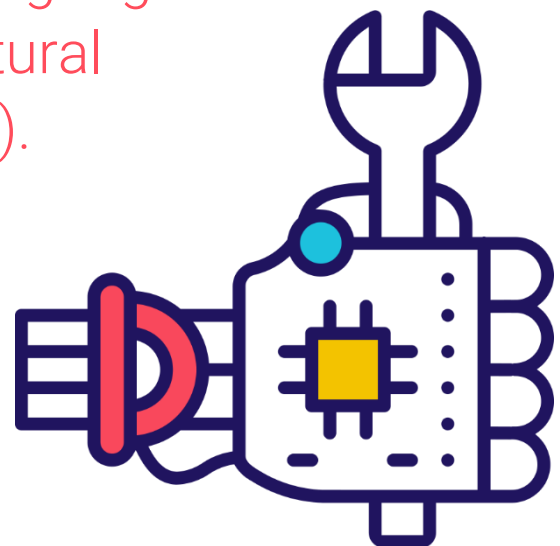
Teneo's highly intuitive and humanlike conversational capabilities allows it to understand a customer's intent, no matter how complex the sentence. Seamless integration into back-end systems and business processes such as RPA (Robotic Process Automation) enables Teneo to deliver the right response every time, from adjusting an order or pausing a service to sending out a replacement meal.

Artificial Solutions features prominently in Analyst Reports, with industry experts commenting very favorably on the strength of our Teneo platform. Ovum positioned Artificial Solutions as a leader in the Ovum Decision Matrix: Selecting an Intelligent Virtual Assistant Solution, 2020–21. The Ovum Decision Matrix highlighted our focus on ROI in AI.

Artificial Solutions boosts the performance of bots and virtual agents from the start, requiring less intervention from humans-in-the-loop. The solution can also capture local language differences in any given language. Artificial Solutions has also, focused on language quick and kick-starts with some 70% of the training already done.

The modular nature of our solution architecture allows customers to plug-in their own machine learning (ML) system if they wish. For example, in Japanese it can be difficult to know when a word ends and another begins (this task is called tokenization), and although Artificial Solutions has a solution for this, there are companies that specialize on developing software for tokenization, which can be plugged into Teneo. Another example is a customer who had invested heavily in distinguishing between "Swiss German" and "German German"; they were able to just plug their solution into Teneo and reuse that investment.

Artificial Solutions has several patents relating to the current and expected future development of the Conversational AI market primarily with regards to natural language processing (NLP) and natural language interaction (NLI).





# Our Business Strategy

## SALES MODEL

We offer a horizontal solution in a marketplace and we address specific industries with our partners' expertise in a specific industry. Within the framework of our new partner program, we have focused on strengthening the relationships with Accenture, Cognizant, CSGI, Deloitte and TechMahindra to deliver our solutions. Our partners are more important than ever as we ourselves do not deliver consulting services, and very valuable to us in our ambition to reach new customers.

## DELIVERY MODEL

In the fourth quarter 2020, we unveiled a new SaaS offering reinventing the entire experience of delivering and building conversational AI solutions. The SaaS model makes it much easier and faster to implement best of breed cloud-based solutions on the award winning Teneo platform.

The new offering sets the foundation for improved usability for clients and partners. The close engagements with clients such as Skoda, Swisscom and an important Nordic food retailer have been instrumental in the new strategy of delivering cloud-based API services much faster.

Through the new model, Artificial Solutions gets much better visibility for future and recurring revenue. Our ambition is to increase the volume of transactions at the same level as the customer's own ambition. Customers want to transfer as many transactions as possible to automated systems, including conversational AI, to streamline their operations and increase quality.

With the SaaS-model, customers and partners will be able to lower the cost to build and maintain Conversational AI- implementations. The solution can also be deployed in half the time versus with current Conversational AI-solutions.

## LUIS^TENE0

Our cloud service is named LUIS^Teneo®, a conversational bot runtime & development environment for Microsoft Azure customers. The SaaS-based development suite allows customers to build, scale and maintain LUIS-based bots with less resources improving conversational bot ROI. Artificial Solutions support Microsoft Azure's clients by making them more productive, much faster in the bot space.

Developers can now build bots with the timesaving, low-maintenance, low cost-of-entry, and scalability that a SaaS model can provide. Our partner network has already experienced an increased speed of development and added capabilities by using LUIS^Teneo.

## PATENTS

In 2020 we filed a new technology patent that enables chatbots of different architectures and capabilities to be rapidly integrated into an ecosystem to work together. The patent details how chatbots and other conversational AI systems can share resources and abilities through a common communication protocol, which ultimately improves the end-user experience. It also includes a methodology for automatically determining a chatbot's suitability to answer the customer query taking into consideration the chatbot's depth of knowledge and its capabilities.

In 2019 a leading independent patent validation firm confirmed the intellectual property valuation has risen to over USD 152M, up from USD 96.5M in 2016. The valuation considers how the scope and influence of the company's intellectual property has expanded and bases its conclusion on the patents overall market opportunity combined with the potential opportunities in the conversational AI market.

# Providing Real Value for Our Customers

## SKODA

**Powered by Teneo, virtual employee Lucy allows Skoda to deliver a superior customer service experience that has had a significant impact on enhancing the customer journey and improving website conversion rates. In a just a few short months since Lucy was launched Skoda has seen a 400% increase in website conversions from customers using the car configurator to booking a test drive online.**

Developed in just a few months, Lucy has transformed the Skoda online experience. Customers can chat with Lucy during their web visit and share information such as what they will be using the car for or what their budget is. Lucy takes all the data the customer provides and recommends the most appropriate choice of car from Skoda's eight models. She can even include a comparison based on personal preferences.

From this point, Lucy can lead the customer into the car configurator to help specify the details, including upselling of additional warranties and service agreements.

Finally, Lucy can schedule a test drive at the nearest dealer, based on actual availability of a car like the one the customer has just configured.

Thanks to Teneo's topic switching ability, the customer can at any time interrupt the conversation and, for example, go back to chatting about advice regarding what car to choose, or see what options might be available on a different budget.

Lucy's chatty, humanlike conversational style, combined with her ability to add real value to the interaction with personalized, relevant, and consistent responses, allows Skoda to build a closer relationship with its customers. This measure of trust gives customers the confidence to hand over their contact details and arrange a test drive, which lowers Skoda's operational costs and provides dealerships with a source of highly qualified leads.





## SWISSCOM

**Following a partnership agreement with Artificial Solutions, Swisscom launched its Swisscom Box in early 2019, complete with a multi-lingual voice assistant powered by Teneo. The voice assistant enables customers to control various Swisscom TV functions including switching channels, searching for content, or launching a Spotify playlist, as well as controlling smart home devices integrated via the Swisscom Home app, such as a networked light source.**

Having chosen Teneo's platform for their conversational AI, Swisscom have already deployed it for three key initiatives:

### USING CONVERSATIONAL AI TO DELIVER A PERSONALIZED ENTERTAINMENT EXPERIENCE

As an answer to new technology and trends, Swisscom set out to take its successful TV service to the next level by launching its TV-Box with a voice-assistant. Swisscom made the most of Teneo's easy usability to build a solution from scratch in six months that supported all four key languages, without having any training data available. The TV-box for Swisscom TV has evolved into a voice assistant that enables voice interactions with their customers for uses including personalizing television programming, music selection and IOT smart-home usage. The new solution offers a greater customer experience and has helped Swisscom retain its TV and broadband customers. In as little as four days, daily requests doubled. Teneo's scalability ensures that sudden and steep increases like these are handled with ease, without requiring any major adjustments.

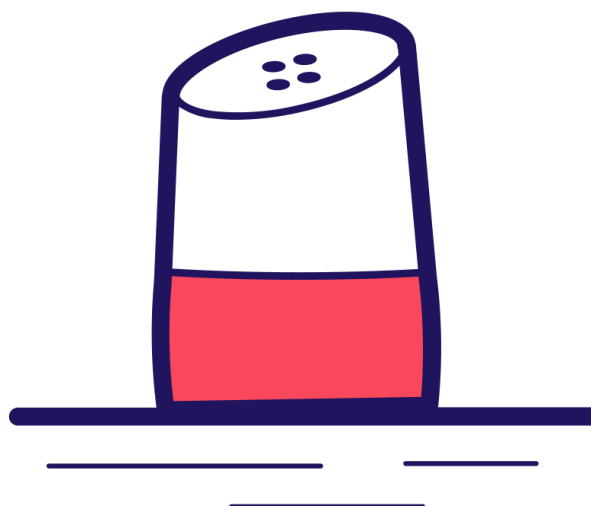
### CONVERSATIONAL IVR: VOICE ASSISTANCE AND CAI FOR NATURAL CUSTOMER INTERACTIONS

It is expected that Teneo will generate large improvements to Swisscom's customer care. With several million calls a year, the company wants to provide an optimal customer experience and increase cost efficiency to their call center. The new voice enabled IVR (currently in pilot stage) transcribes what customers request and takes the most appropriate action based on conversational AI. This will allow customers to interact more naturally with the provider, speeding up their response and enabling them to choose to resolve their queries through a self-service manner.

### NEO CHATBOT – IMPROVING DIALOGUE FLOWS AND OPTIMIZING TEXT AND CHAT ON MULTIPLE CHANNELS

With a similar focus on optimizing customer care, Swisscom is using text and chat technology on their new Neo chatbot, which covers all incoming messages on SMS, WhatsApp Business and Apple Business Chat. The Neo chatbot is recent but ambitious. Swisscom wants to offer the best customer experience for chatbots on the market and has set a target of over 1million interactions with their customers per year. Eventually, the chatbot will expand to cover all chat-requests on Swisscom's website and their app as well.

Already, Teneo has helped the Neo chatbot extensively. Completed dialogue flows have improved by 25%, and resolution rates for automated flows are 40% higher than previously







# Our Commitment to a Sustainable Future

Over the past year, we have set ambitious climate goals and outlined plans to achieve them. We believe that we have the responsibility to respond to environmental, social, and corporate governance issues that guarantee sustainability. This includes embarking on climate action, social inclusiveness, health, and wellbeing and much more.

From establishing our business model to a SaaS development featuring on the cloud, to adopting a purely digital, remote-friendly work environment, we have made steps to commit to a sustainable future.

In their [2030 Agenda for Sustainable Development](#), the UN defined 17 primary goals within their “plan of action for people, planet and prosperity.” Within these goals, seven points are directly connected to and supported by remote work opportunities and our new cloud-based model.

## ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING

Ensuring a healthy work-life balance is a key aspect of working from home. While many employees miss social interaction, a majority support the opportunity of implementing hybrid remote work capabilities and flexibility. Our employees can benefit from being able to care for family, as well as the time and money saved commuting to the workplace. This time can be spent promoting well-being, such as family time, more sleep, and personal activities.

Additionally, Europeans spend 90 minutes a day on average on their daily commute. With over 1.3 million deaths a year worldwide because of road traffic accidents, remote work is safer for employees too.

## GENDER EQUALITY

While it may not seem so apparent at first, remote work has created a common field for parents to share responsibilities within a household and overcome traditional obstacles. While more must be done to ensure that more leadership roles are held by women, female leaders are proving to be highly efficient when running remote teams which is a significant step in closing the gap.

## CLEAN ENERGY AND GREATER RESPONSIBILITY

Our employees can manage how much energy they consume, having control of light usage and consumption, leaving computers running and control room temperatures or the use of AC according to their own personal comfort and needs. The same applies to the use of office material and waste. As a remote company that has quickly embraced turning fully digital, there is less need for printing or photocopying.

There are even greater savings in transport energy. Remote work has cut the emission of greenhouse gases. With teams working remotely, there has been an increase in virtual meetings and a reduction in business flights and in-person reunions that will perdure beyond the Covid-19 pandemic, saving energy and resources.

## ECONOMIC GROWTH AND A DECENT WORK ENVIRONMENT

Remote work allows employees to access their job space without having to fret about traffic congestion. Reducing delays and ensuring that employees can be on time at their workplaces contributes to an enterprise’s economic growth. Importantly, we tend to employee demands for remote-work capabilities and ensure that their needs are met to work efficiently from home, increasing productivity and reducing workplace costs.



## FOSTERING INNOVATION AND SUSTAINABLE TECHNOLOGY

Innovation is part of our DNA, and within that, we have contributed to building a more sustainable and energy-efficient business model. By focusing on a cloud-based SaaS business model, and our LUIS^Teneo bot development environment and engine delivered on Microsoft's cloud-based Azure, our customers can reduce their CO2 emissions.

Studies have indicated that cloud computing can play a key role in reducing the use of energy globally. Research shows that the growth of cloud computing will decrease energy usage in the world's data centres by 2020, resulting in a 28% reduction in greenhouse gas emissions.

Another study by Accenture for Microsoft found that Microsoft's cloud-based operations reduced carbon emissions by an average of 90% for small operations and up to 60% for large operations.

## SUSTAINABLE CITIES AND COMMUNITIES

Remote work has delivered better access to safe and affordable housing. With employees usually steering away from rural areas into big cities for their jobs, this has increased the cost of real estate in urban areas, making it more difficult for young families to break into the market. Working from home provides families with the opportunity for people to find appropriate housing outside key cities and to promote wealth development in rural areas. With more capital being spread in regional towns and areas, there will be stronger demands for developments, facilities, and leisure within the community.

## CLIMATE ACTION

Summarizing some of the key benefits from the steps we have implemented over the past year, our employees will make fewer vehicle trips to the workplace, reduce greenhouse gases and oil use as well as carbon savings by avoiding commutes and costs in office spaces, in addition to the savings in energy usage that arise from implementing a cloud-based, digital-first model. We will also help our customers move from server-based deployments to containerized cloud deployments which will lead on average to an 82% reduction in CO2 from the compute platforms of our clients.



# Our Culture

Artificial Solutions' vision is to Make Technology Think. Our mission is to achieve ubiquitous deployment of the Teneo platform in the enterprise sector.

## WE ARE A PEOPLE-CENTRIC BUSINESS

Artificial Solutions is a software company, and as one, we only really have one asset: people. Our employees are the team that is Making Technology Think.

Our people are extremely intelligent and talented individuals that have already done some of the most amazing things in the space.

We want to continue to invest in programs that improve their lives so they can continue to help Artificial Solutions disrupt the CAI market.

The world is at an inflection point, and digital technology will be key to defining what comes next.

Over the next decade, technology spending as a percentage of gross domestic product is projected to double.

We are well positioned to, not only participate in that growth but, drive it by expanding our impact and building software that connects people and create an inclusive world without barriers.

## COMPROMISED WITH EQUALITY & DIVERSITY

Artificial Solutions is a truly international company with offices spreading across three continents and employees from 19 different nationalities and cultures. Furthermore, the company is committed with diversity and 'Women In Tech' and has managed to achieve a ratio of 32% women. As we continue to grow as a business, we keep our promise to continue to push for diversity internally, across departments and functions. By valuing equality, diversity, and integrity our people are at the core of our organisation.

## PROMOTE A HEALTHY WORK-LIFE BALANCE

Artificial Solutions offers remote working and a flexible work schedule, so employees can organize their time and work around their lives. By trusting our employees to have control over their schedules, we empower them to have become more efficient. Additionally, the company offers different employees benefits such as flexible salary retribution, paid sick leave and access to education programs.





# Our Values

## CREATIVITY & INNOVATION

As a company we encourage our people to look creatively at opportunities and problems alike and encourage a culture where trying novel things at the right time is praised.

We move in a market that changes very quickly so keeping ourselves thinking outside the box gives us the edge to continue pioneering.

## AGILE EXPERTISE

Artificial Solutions counts with years of experience in the market that translate into great expertise. Still our business size and the type of software we develop require we keep a high degree of organisational agility to allow us to react successfully to the emergence of new competitors, the development of new industry-changing technologies, or sudden shifts in overall market conditions.

## TEAMWORK

As a small innovative company in a world of big corporates we achieve more working as a smart team than we ever will independently.

Inside our company peer-to-peer networking and team building is encouraged and the best solutions are usually found when we work together.

## CUSTOMER CENTRIC

There is a great opportunity in the CAI market that translate into potential of huge growth for our business. With this as our focus, we understand that our success is dependent on our customers' success. Hence, being customer obsessed has become part of our culture too. Our team will always strive for excellence and go the extra mile to support our customers and contribute to their success.



### **WE IMPLEMENTED VIRTUAL ASSISTANTS BACK**

By the beginning of the year 2001 we implemented Virtual Agents to help users navigate websites in many verticals; these systems use the conversations to request all needed information from users, fill different type of forms, send requests, purchase items, and much more.

### **WE WON THE LOEBNER AWARD**

Back when the term chatbot was unknown to most people, and the term NLP (Natural Language Processing) was mainly used by universities and in academia, Artificial Solutions already had a technology that allowed our customers to build chatbots that were great at small talk through SMS or web chat.

2001

2006

2008

### **WE LAUNCHED THE WORLD'S FIRST MULTILINGUAL VIRTUAL ASSISTANT**

Artificial Solutions was first to launch a virtual assistant in 25 different languages, and our technology could understand and reply in multiple languages. In 2006, IKEA chose our company to launch their assistant Anna to help users navigate their website and get information about their products, in 25 different languages.

## 20 Years Disrupting the Market and Shaping the Future of Conversational AI.

Our thought leadership is acknowledged by our roster of clients and by the world's largest software companies, including Amazon, Apple, Baidu, Google, Microsoft, Nuance, and IBM who all have made forward citations of our pioneering patents, confirming our position as a leading innovator in the conversational AI space. We're proud of our industry firsts.



**WE PIONEERED VISUAL FLOWS AND INTRODUCED A LOW CODE APPROACH**

With the launch of Teneo Studio and Teneo Engine, Artificial Solutions was first to provide our clients with a highly visual and easy to understand representation of a conversation between a solution and the end-user. While our competitors were doing command and control or simply developing FAQ systems, Teneo's visual flow made it easy to graphically build dialogs with drag and drop flow elements.

**WE DECIDE TO DELIVER THE PLATFORM IN A SOFTWARE AS A SERVICE MODEL**

Enabling customers to deploy quicker, pay as they scale and to leverage the wealth of services in Microsoft Azure Cloud

2009

2018

2019

2020

**WE WERE FIRST IN AUTOMATED MULTICHANNEL CUSTOMER SERVICE**

In 2009 we launched the first system to help automate and enhance multichannel customer service. With our Customer Service Optimization (CSO), customers used a virtual assistant as their main point of contact; after a short conversation the system knew how to help or what task to perform. We proved that CAI could be successfully applied to call centers and integrated with backend systems for complex tasks.

**WE OFFER THE FIRST SUSTAINABLE AND SCALABLE, END TO END, CAI PLATFORM**

Artificial Solutions is the first company to offer a full platform to cover the whole lifecycle of a CAI application. With its modular structure, flexible architecture, and unique global and local languages features, Teneo is the only CAI platform that enables enterprises to reuse large sections of AI assets from one build to the next. We introduced a Hybrid model, combining Machine Learning and Linguistic Approach for development.

# Our People

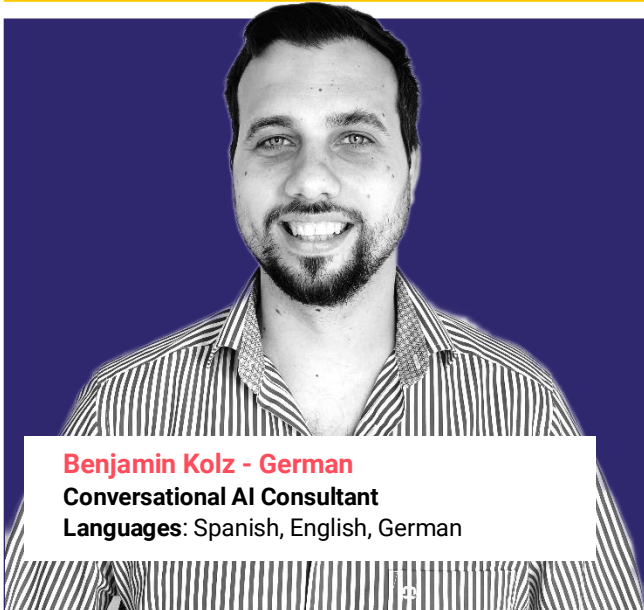
At Artificial Solutions, our people are our most valuable asset, central to our business success and ability to deliver on our vision, goals, and strategic priorities. As part of a hardworking and dedicated team, here is what some of our colleagues have to say about the company, our products, and their contribution to our overall success.

## WHAT IS THE BEST STRENGTH OF OUR PRODUCT AND TECHNOLOGY?

Over the last 10 years, many customers, partners, linguists, and developers, from inside and outside Artificial Solutions, have provided invaluable feedback that has taken the platform to where it is today. Teneo is just intuitive and transparent, allowing for any kind of customization at any level. Furthermore, its out-of-the-box dialog resources and its Hybrid approach to intent recognition (relying both on ML and Linguistic rules) make it unbeatable from both a development and performance standpoint.



**CARMEN DEL SOLAR - Spain**  
**Conversational AI Engineer**  
**Languages:** Spanish, English, Catalan, Dutch



**Benjamin Kolz - German**  
**Conversational AI Consultant**  
**Languages:** Spanish, English, German

## WHAT'S THE BIGGEST CHALLENGE YOU FACE AT YOUR JOB?

Understanding the vision and goals of our clients and partners, so we can help them succeed. It is challenging but also a lot of fun!

You get to see many different types of projects using cutting-edge technology and meet many nice people during that journey. This is exciting as I envision that Conversational AI will be everywhere around us at some (not too distant) point of time in the future.

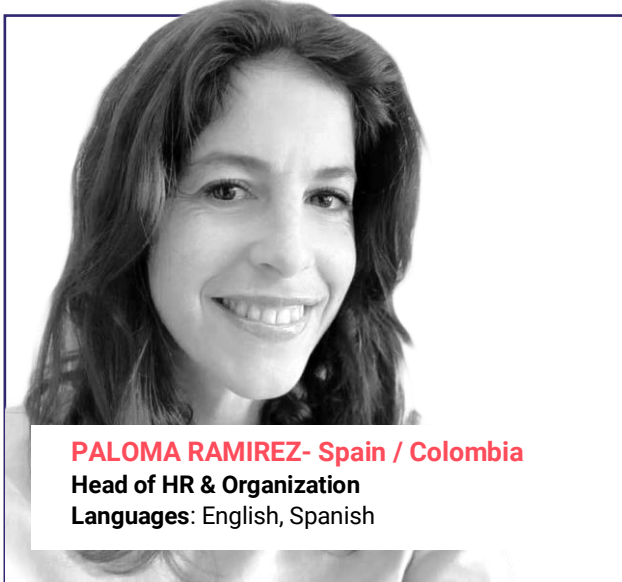


**WHAT'S THE BEST THING ABOUT WORKING AT ARTIFICIAL SOLUTIONS?**

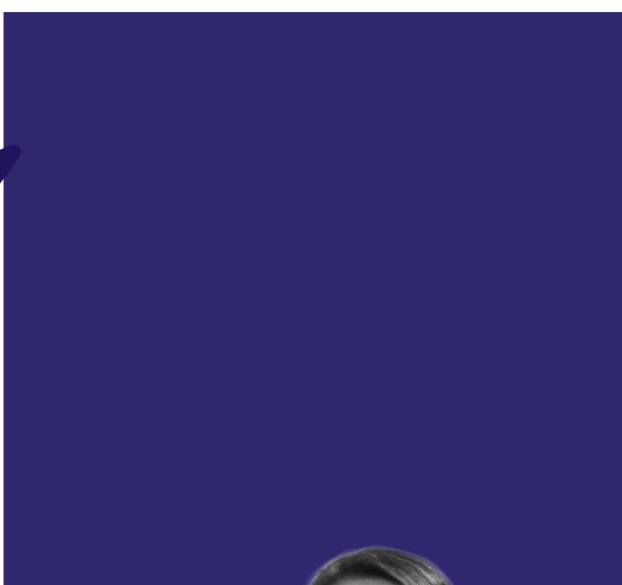
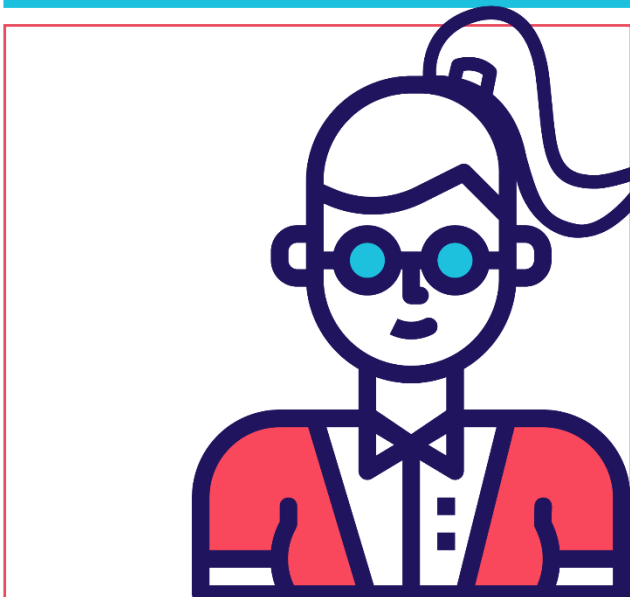
What I like the most, of course, is our people!

We are a company full of very smart and diverse professionals that face incredible challenges every day.

We work as team; we are curious and eager to do our job the best we can. That and the passion we have, make possible to be the leading company in the Conversational AI world.



**PALOMA RAMIREZ- Spain / Colombia**  
**Head of HR & Organization**  
**Languages:** English, Spanish

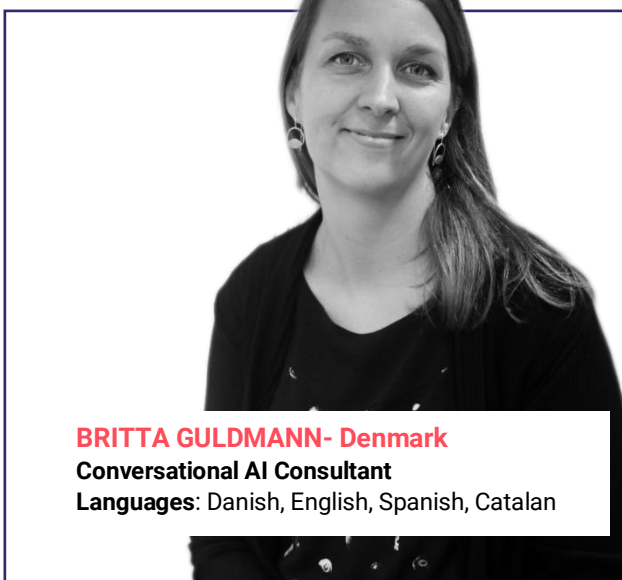


**WHAT DO YOU LIKE ABOUT THE CAI MARKET?**

It never stops evolving! There are always new ideas, new approaches, new possibilities. Not two projects that I have worked on have been the same, and each new project is a chance to learn something new.

**TELL US ABOUT A MEMORABLE MOMENT WHILE WORKING AT ARTIFICIAL SOLUTIONS**

Getting to travel to visit clients has created many moments for me. The delicious codfish, pastis de nata; the hills and the old tram in Lisbon, the history of hot Dallas and the buzzing, foggy and iconic San Francisco.



**BRITTA GULDMANN- Denmark**  
**Conversational AI Consultant**  
**Languages:** Danish, English, Spanish, Catalan



## Management Team

Artificial Solutions has an experienced and committed executive management team. The team's collective industry knowledge and leadership competence safeguards the company to successfully drive Artificial Solutions growth strategy.





**PER OTTOSSON**  
Born 1970. CEO since 2020.

**Education:** Master in Finance at Stockholm School of Economics.

**Experience:** Member of the board of a number of Artificial Solutions subsidiaries. 25 years of experience from senior executive positions within the software/SaaS industry, most recently as Global CRO of IPSoft/Amelia.com.

**Holdings in Artificial Solutions:** 89 833 shares.



**FREDRIK TÖRGREN**  
Born 1976. CFO since 2020.

**Education:** Master of Business Administration, Stockholm School of Economics.

**Experience:** Member of the board of a number of Artificial Solutions subsidiaries. 20 years of experience from senior positions within the technology, M&A, VC and software industries, most recently as Group CFO of PE-backed Inteno Group.

**Holdings in Artificial Solutions:** 70 000 shares, 100,000 warrants 2019/2024 and 60,000 warrants 2020/2025.



**ANDREAS WIEWEG**  
Born 1975. CTO since 2019  
(employed since 2008).

**Education:** University studies in Computer Science & Mathematics, Stockholm University.

**Experience:** Andreas leads Artificial Solutions' product strategy, design and development for the company's next generation natural language interaction platform

**Holdings in Artificial Solutions:** 49 440 shares, 54,580 warrants 2019/2024 and 77,500 warrants 2020/2025.



**DANIEL ERIKSSON**  
 Born 1976. Chief Innovation / CSO since 2020.

**Education:** Master of Science in Engineering Physics, Royal Institute of Technology. Master in Business and Economics, Stockholm School of Economics.

**Experience:** 15 years Business Development and Technology Leadership experience with the last 7 years in the automation and conversational AI space.

**Holdings in Artificial Solutions:** 40 201 shares.



**FREDRIK BLOMBERG**  
 Born 1990. Head of Sales Operations & Business Intelligence since 2021.

**Education:** Master of Science in Business & Economics, Stockholm University. Studies in Leadership & Strategy, Swedish Defence University.

**Experience:** Sales Operations Executive at IPSoft.

**Holdings in Artificial Solutions:-**



**MARIE ANGSELIUS**  
 Born 1970. Chief Communication & Impact Officer since 2021.

**Education:** Bachelor's degree in Communications, Lund University.

**Experience:** 20+ years of experience from leading communication roles. Most recently as Global Head of Corporate Communication at Amelia an IPSoft company and Founding Partner at Angselius Rönn AB.

**Holdings in Artificial Solutions:** 27 090 shares.

## Board of Directors

According to Artificial Solutions' articles of association, the board of directors shall comprise of three to seven members, elected by the shareholders at a general meeting, with no more than three deputy members. Currently, Artificial Solutions' board of directors comprises six members including the chairman, with one deputy member, appointed for the period until the end of the 2021 annual general meeting.



## INFORMATION ABOUT THE BOARD OF DIRECTORS

The table below sets forth the board members and information of their position, year of election and whether they are independent in relation to the Company and executive management and in relation to major shareholders.

Name	Position	Elected Year	Independent in relation to the Company and the executive management	Independent in relation to major shareholders
Åsa Hedin	Chair	2019	Yes	Yes
Johan Ekessiö	Board member	2019	Yes	Yes
Bodil Eriksson	Board member	2019	Yes	Yes
Johan A. Gustavsson	Board member	2019	Yes	Yes
Fredrik Oweson	Board member	2019	Yes	No
Jan Uddenfeldt	Board member	2019	Yes	Yes

## OTHER INFORMATION ON THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

There are no conflicts of interest or potential conflicts of interest between the obligations of members of the board of directors and executive management of the Company and their private interests and/or other undertakings. As set out above, certain board members and members of the executive management have financial interests in Artificial Solutions through holdings of shares and warrants. All members of the board of directors and the executive management may be contacted at the Company's address, Stureplan 15, 111 45 Stockholm.

# Board of Directors



## JOHAN EKESIÖÖ

**Born 1954. Board member since 2019.**

**Education:** Master of Business Administration, Stockholm School of Economics. Master of Science, MIT Sloan School.

**Experience:** Chairman of the board of MetaForce AB and T&V Holding AB. Board member of Aktiebolaget Svensk Bilprovning and Talentech AS. +30 years experience from leading senior executive positions in the IT industry, including CEO IBM Sweden.

**Holdings in Artificial Solutions:** 77,000 shares, 34,235 warrants 2019/2022 and 22,406 warrants 2020/2025.



## JOHAN A. GUSTAVSSON

**Born 1963. Board member since 2019. Board assignments in Artificial Solutions since 2001. Co-founder of Artificial Solutions.**

**Education:** Master of Science, Stockholm School of Economics.

**Experience:** Chairman of Aros Bostadsutveckling AB and Vencom Group Holding BV, as well as board memberships related to these assignments. Earlier experiences include Chairman of Hop Lun International Ltd. and Naturkompaniet AB.

**Holdings in Artificial Solutions:** 1,285,449 shares, privately and through companies. 34,235 warrants 2019/2022 and 22,406 warrants 2020/2025.



## ÅSA HEDIN

**Born 1962. Chairman of the board since 2019. Board member since 2019.**

**Education:** Master of Science in Biophysics, University of Minnesota.

**Experience:** Chair of Tobii Dynavox AB. Board member of C-rad AB, Nolato AB, Cellavision AB, Biotage AB, Tobii AB, Industrifonden and E. Öhman J:or Fonder AB. +30 years in leading positions in international med tech and tech companies among others as CEO of Elekta Instrument AB and business unit EVP of Elekta Neuroscience.

**Holdings in Artificial Solutions:** 49,996 shares, 58,688 warrants 2019/2022 and 37,343 warrants 2020/2025.



### **BODIL ERIKSSON**

**Born 1963. Board member since 2019.**

**Education:** University studies, Uppsala University and RMI-Berghs.

**Experience:** Chairman of the board of Sunfleet Carsharing AB. CEO of Volvo Car Mobility AB. Bodil Eriksson is the CEO of Volvo Car Mobility. Extensive experience from senior positions in consumer and service companies such as Axfood, Apoteket Hjärtat and SCA.

**Holdings in Artificial Solutions:** 34 235 warrants 2019/2022.



### **JAN UDDENFELDT**

**Born 1950. Board member since 2019 (within the group since 2015).**

**Education:** Technology doctor in Teletransmission theory, Royal Institute of Technology. Master of Science in Electrical Engineering, Royal Institute of Technology.

**Experience:** +40 years executive experience in hi tech industry including Senior VP Technology, LM Ericsson and Senior VP Technology, Sony Mobile Communications, Currently Board member of Kaloom, Inc., Nanosys Inc. and advisor to multiple Silicon Valley startups.

**Holdings in Artificial Solutions:** 10 246 shares. 34 235 warrants 2019/2022 and 22 406 warrants 2020/2025.



### **FREDRIK OWESON**

**Born 1968. Board member since 2019 (in Artificial Solutions Holding since 2008). Co-founder and partner of Scope Capital.**

**Education:** Master of Business Administration, Stockholm School of Economics.

**Experience:** Board member of Scope Capital SA, Scope Capital Advisory SA, Swedish BRA Holding AB and Woffel SA.

**Holdings in Artificial Solutions:** 22 406 Warrants 2020/2025.



# Corporate Governance Report

Sound corporate governance, risk management and internal control are key elements to the success of a business and are crucial when it comes to maintaining the trust of the company's stakeholders. The purpose of corporate governance is to ensure that the company is managed in a way that is as efficient as possible for its shareholders



Artificial Solutions' corporate body is the Annual General Meeting, the board of directors, the CEO and the auditor. The Annual General Meeting (AGM) is to be held no later than six months after the conclusion of the financial year. The shareholders appoint the board of directors along with an auditor at the AGM. The board of directors appoints the CEO. The auditor reviews the annual report as well as the administration by the board of directors and the CEO. The duties of the Nomination Committee are determined at the AGM, and consist primarily of proposing board directors, the Chairman of the Board and the auditor for election at the AGM. Artificial Solutions is listed on First North Market at NASDAQ Stockholm, which does not constitute a regulated market. The company is not therefore compelled to comply with the Code.

## SHAREHOLDERS

Information about Artificial Solutions' shares and shareholders can be found on pages 33–36.

## ANNUAL GENERAL MEETING

The AGM is Artificial Solutions' highest decision-making body and the forum where the rights of shareholders are exercised. Resolutions are passed at the AGM concerning proposals from the nomination committee, the board of directors and the shareholders, as well as any other resolutions pertaining to the relevant articles of association or law. These include resolutions on:

- (i) the adoption of the income statement and balance sheets,
- (ii) the allocation of the company's profit or loss,
- (iii) granting discharge from liability for the board directors and the CEO, and
- (iv) the election of the board of directors and the auditor and their fees.

The company's articles of association state that the board of directors at the company must have a minimum of three and a maximum of seven members and a maximum of three deputies.

Artificial Solutions AGMs are held in the municipality of Stockholm every calendar year before the end of June. In addition to the AGM, extraordinary general meetings may be convened. According to the Articles of Association, a notice convening an AGM shall be made by announcement in Post- och Inrikes Tidningar and by keeping the notice available on the Company's website. At the same time, it shall be announced in Svenska Dagbladet that a notice convening the AGM has been issued.



## NOMINATION COMMITTEE

The AGM annually sets the principles for determining how the Nomination Committee is appointed.

The latest resolution of the AGM states that the current Nomination Committee has been appointed based on the following principles for establishment of nomination committee and instruction for the nomination committee:

### PRINCIPLES FOR ESTABLISHMENT OF NOMINATION COMMITTEE

The AGM appoints a nomination committee. The nomination committee shall consist of the chairman of the board of directors as well as three members elected by the three largest shareholders or groups of owners in terms of voting rights (herewith referred to both direct registered shareholders and nominee registered shareholders) of the company, according to Euroclear Sweden AB's transcript of the share register as of 30 September. The majority of the members of the nomination committee shall be independent in relation to the company. The CEO or management may not be part of the nomination committee. At least one of the members of the nomination committee shall be independent in relation to the largest shareholder of the company in terms of voting rights or group of shareholders who cooperates on the company's management.

Information about the names of the members of the nomination committee and which owner they represent shall be stated on the company's website. If owners, who are represented in the nomination committee, no longer belong to the three largest shareholders after the announcement, their member shall make their place available and such shareholders belonging to the three largest shareholders shall instead be offered a place in the company's nomination committee. However, there is no need to consider minor changes. If a member leaves the nomination committee before its work is completed and if the nomination committee considers that there is a need to replace this member, the nomination committee shall appoint a new member according to the principles above but based on Euroclear Sweden AB's transcript of the share register as soon as possible after the member had left the nomination committee. Owners who have appointed a member of the nomination committee have the right to dismiss such a member and appoint a new member. Amendments in the composition of the nomination committee must be immediately announced.

## 10 INSTRUCTION FOR THE NOMINATION COMMITTEE

The nomination committee is to prepare proposals of resolutions regarding the following matters to the AGM:

- (i) Election of chairman of the AGM,
- (ii) Determination of the number of directors and deputy directors,
- (iii) Determination of remuneration and other fees to the board of directors, distinguishing between the chairman of the board and other directors,
- (iv) Determination of remuneration to auditors,
- (v) Election of directors and chairman of the board,
- (vi) Election of auditors, and
- (vii) Resolution on principles for establishment of the nomination committee and instruction for the nomination committee prior to the 2021 AGM. No remuneration is made to the nomination committee. The company shall however be responsible for reasonable costs for the execution of the tasks of the nomination committee.

### MEMBERS OF THE NOMINATION COMMITTEE FOR THE 2020 AGM INCLUDED:

- Andreas Ossmark, appointed by Scope
- Bengt Kileus, appointed by AFA Försäkring
- Henrik Söderberg, appointed by C Worldwide
- Åsa Hedin, Chair of the board of directors.

The composition of the Nomination Committee for the 2021 AGM is the same as for 2020.



## BOARD OF DIRECTORS

The board of directors assumes ultimate responsibility for Artificial Solutions' organization and administration. The members of the Board of Directors as well as information on dependencies and a presentation of the members of the Board of Directors can be found in the section Board of Directors. The Board of Directors currently has six members, including two women and four men. The board of directors has one deputy. The work of the board of directors is governed by the Companies Act, the Articles of Association and the rules of procedure adopted by Artificial Solutions' board of directors. The company's rules of procedure specify, among other things, the allocation of responsibilities between the board of directors and the CEO.

At the meetings of the board of directors, the board discusses the company's future development, strategy, quarterly reports, budget, financing and conducts the customary follow-up procedures of the strategic and operational activities of the company.

The board of directors also evaluates Artificial Solutions' financial reporting each year and sets requirements on its content and layout to safeguard a high level of quality. The company's auditor attends the meeting each year where the annual financial statements are approved. The company's CEO Per Ottosson is an adjunct and attends the board of directors' meetings along with the company's CFO Fredrik Törgren, who also serves as secretary at the board of directors' meetings. All resolutions voted on by the board of directors are based on detailed decision data and are passed following discussions led by the Chair of the board. The work of the board of directors is evaluated annually under the direction of the Chair of the board. The results of the evaluation are presented to the board of directors and then discussed with the aim of optimising the board of directors' work. The work of the Chair of the board is evaluated in her absence. The conclusions from the evaluations and discussions are communicated to the Nomination Committee.

## THE BOARD OF DIRECTORS' COMMITTEES

The board of directors has appointed an Audit Committee and a Remuneration Committee tasked with dealing with audit and remuneration issues prior to any resolutions to be addressed by the board of directors.

## AUDIT COMMITTEE

The Audit Committee consists of Fredrik Oweson (chairman) and Åsa Hedin. The Audit Committee assumes a supervisory role with respect to the company's risk management, governance and controls in addition to financial reporting. The Committee has held a total of six meetings in 2020. The auditor reports their observations to the Audit Committee on a regular basis.

## REMUNERATION COMMITTEE

The Remuneration Committee deals with issues concerning the principles behind remuneration and other terms of employment for the CEO and company management. The committee evaluates ongoing remuneration schemes for company management and observes and evaluates the application of the guidelines for remuneration resolved on at the AGM. The Remuneration Committee consists of Johan Ekesiöö (chairman) and Johan Gustavsson. The Remuneration Committee held a total of six meetings in 2020.

## CEO

The CEO is responsible for Artificial Solutions' operational activities complying with the adopted strategy and the instructions of the board of directors. The CEO regularly reports to the board of directors pertaining to the development of business operations.

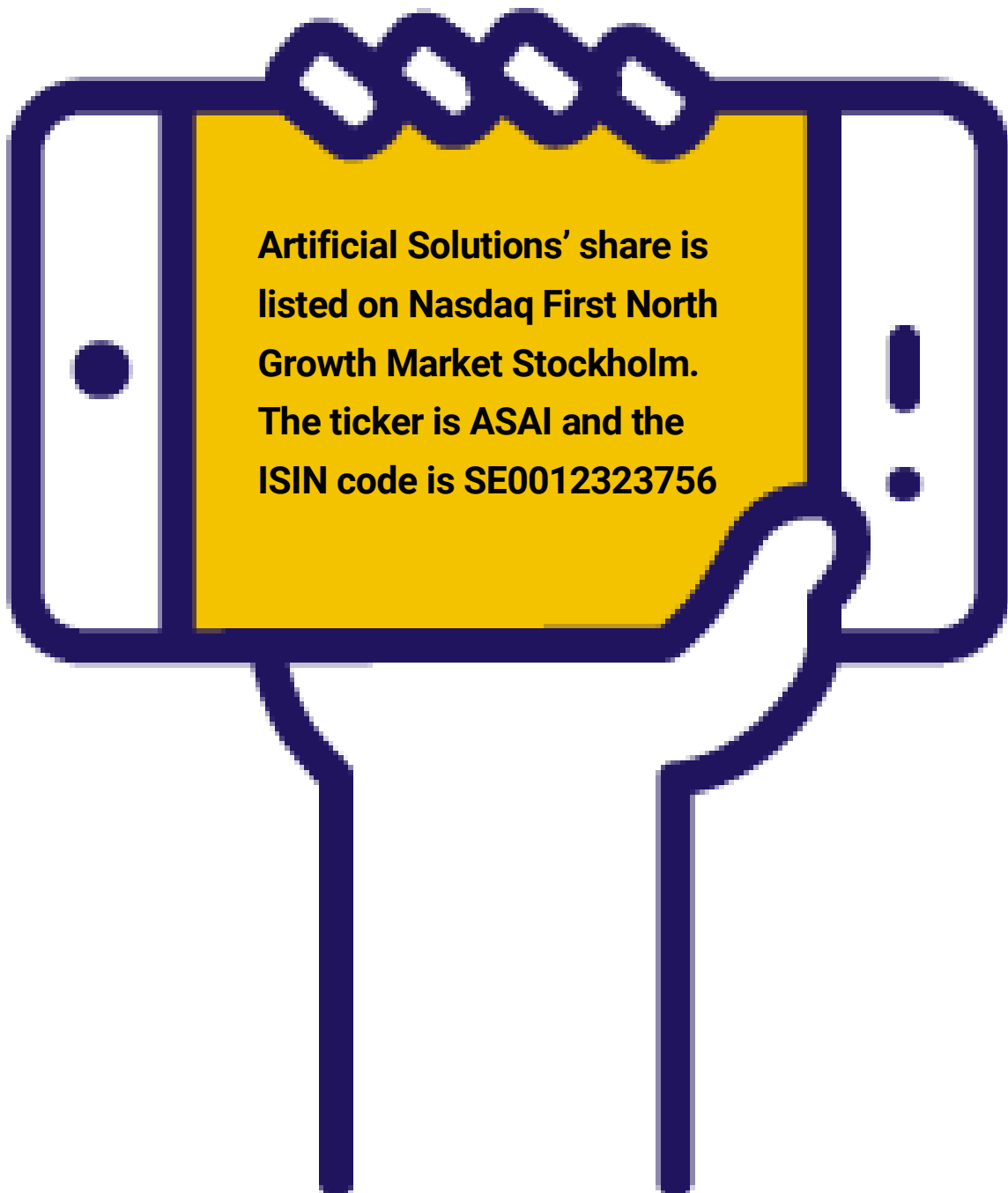
## AUDITOR

The auditor reviews the annual report, the accounts, and the administration by the board of directors and the CEO and reports to the AGM.

The AGM on June 17, 2020, resolved to re-elect the registered accounting firm Grant Thornton Sweden AB as auditor for the period until the end of the next annual general meeting. It was noted that Grant Thornton Sweden AB intends to appoint the authorized auditor Carl-Johan Regell as auditor in charge

# ASAI

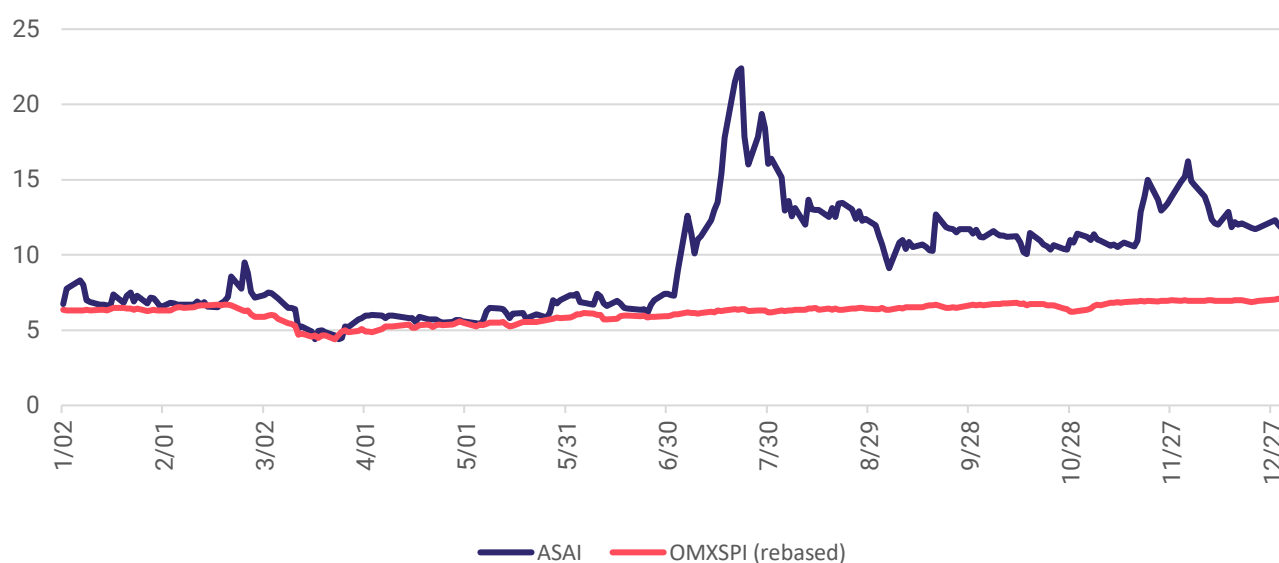
## THE SHARE





# SSME:ASAI

## SHARE PRICE DEVELOPMENT JAN 1 - DEC 31, 2020 (SEK)



Follow the current share price performance, go to [www.investors.artificial-solutions.com/the-share](http://www.investors.artificial-solutions.com/the-share).

## TURNOVER AND SHARE PRICE PERFORMANCE

Total turnover in 2020 was 39 118 322 shares (1 863 084 shares) with a total value of SEK 483.5M (30.1). The average daily turnover amounted to 155,231 shares (7,482), corresponding to a daily value of SEK 1.9M (0.1). At the end of the year the share price was 11.75 SEK (6.24), representing a total market capitalization for Artificial Solutions of SEK 571M (154). The highest paid price during the year was 22.4 SEK (July 22) and the lowest price was SEK 4.4 (March 24).

## SHARE CAPITAL

On December 31, 2020 Artificial Solutions' share capital amounted to 87,417,923 SEK (44,479,198). The number of shares amounted to 48,565,512 (24,710,665), whereof none were owned by the company. The quota (par) value per share was 1.80 SEK. Each share entitles the holder to one vote. All shares carry equal rights to dividend and to the company's assets. Artificial Solutions does not own any of its own shares and has not owned any of its own shares during the 2020 financial year.

OUTSTANDING SHARES	31-DEC 2020	31-DEC 2019
Number of shares at the end of the period	48,565,512	24,710,665
Average number of shares before dilution	42,642,124	19,506,456
Average number of shares after dilution	44,641,965	20,329,744



LARGEST SHAREHOLDERS DECEMBER 31, 2020	SHARES	%
Scope	16,789,406	34.6%
AFA Insurance	2,555,000	5.3%
SEB-Stiftelsen	2,200,000	4.5%
C WorldWide Asset Management	1,341,000	2.8%
Johan A. Gustavsson	1,264,315	2.6%
Ulf Johansson	1,180,000	2.4%
Nice & Green	923,393	1.9%
Avanza Pension	751,393	1.5%
John Brehmer	749,201	1.5%
Sven Härgestam	710,000	1.5%
<b>Total top 10</b>	<b>28,463,708</b>	<b>58.6%</b>
<b>Others</b>	<b>20,101,804</b>	<b>41.4%</b>
<b>Total</b>	<b>48,565,512</b>	<b>100.0%</b>

## OWNERSHIP STRUCTURE

As of December 31, 2020, the company had a total of 4,052 (3,918) shareholders. The total share capital was owned to 47.9 percent by Swedish and foreign institutions, to 2.8 percent by the company's management and board of directors. At the end of the period, 74.8 percent (74.1) and 25.3 percent (25.9) of the total share capital was owned by Swedish and foreign shareholders, respectively.

## DIVIDEND POLICY

Artificial Solutions has a long-term ambition to pay dividend to the shareholders. Artificial Solutions will prioritize growth over the next few years and generated profits will be set aside for business development. Therefore, no dividend distribution is planned in the near future. Dividend distribution can be considered when the company's earnings and financial position permits.

## INCENTIVE PROGRAMS

There are three existing incentive programs. None of the three warrants programs have been exercised by the warrant holders on December 31, 2020. The most recent Incentive Program - the 2020/2025 Incentive Program - was approved at the Annual General Meeting held in June 2020.

Outstanding warrants per program and strike price:

PROGRAMS	NUMBER OF WARRANTS	STRIKE PRICE (SEK)
2019/2022	195,628	49.30
2019/2024	978,135	32.87
2020/2025:1	769,280	17.70
2020/2025:2	149,372	17.70

## INCENTIVE PROGRAM 2019/2022:

At the Annual General Meeting of Artificial Solutions held on February 28, 2019, it was resolved to introduce a long-term incentive program in the form of a warrant program to Artificial Solutions' board members. A total of 195,628 warrants were issued, the subscription price is 49.30 SEK and the premium paid for the warrants was 4.58 SEK per warrant. The warrants can be exercised during the period from February 1, 2022 until June 15, 2022.



## INCENTIVE PROGRAM 2019/2024:

At the Annual General Meeting of Artificial Solutions held on February 28, 2019, it was resolved to introduce a long-term incentive program in the form of a warrant program to Artificial Solutions' senior executives and other key personnel. A total of 978,135 warrants were issued, the subscription price is 32.87 SEK and the premium paid for the warrants was 11.26 SEK per warrant for employees in Sweden and employees outside Sweden received the warrants without consideration. The warrants can be exercised during the period from February 1, 2024 until June 15, 2024.

## INCENTIVE PROGRAM 2020/2025:

At the AGM of Artificial Solutions held on June 17, 2020, the resolution taken was to issue a maximum of 769,280 warrants of series 2020/2025:1 for senior executives and other key personnel and a maximum of 149,372 warrants of series 2020/2025:2 to board members. The subscription price is 17.70 SEK and the premium paid for the warrants was 2.36 SEK per warrant for employees in Sweden and for board members, and employees outside Sweden received the warrants without consideration. The warrants can be exercised during the period from June 1, 2025 until October 15, 2025.

## INVESTOR RELATIONS

Artificial Solutions' goal is for the share to be valued based on relevant, correct, and current information. This involves a clear financial communication strategy, reliable information, and regular contacts with various stakeholders in the financial markets. Contacts with the financial markets take place through presentations of quarterly reports and meetings with analysts, investors and the media at various events, seminars, and during visits to Artificial Solutions offices. Interested parties can download presentation materials and listen to audio recordings from presentations of quarterly reports on Artificial Solutions website.

## SHAREHOLDER CONTACTS

Per Ottosson, CEO and Fredrik Törngren, CFO at Artificial Solutions. Artificial Solutions has an explicit target to keep an ongoing dialog with the media and the capital market.

## ANALYSTS

### Redeye Equity Research

Forbes Goldman

[forbes.goldman@redeye.se](mailto:forbes.goldman@redeye.se)

### Hardman Research

Milan Radia

[mr@hardmanandco.com](mailto:mr@hardmanandco.com)

Financial information regarding Artificial Solutions is available to download from:

<https://www.investors.artificial-solutions.com/>.

This includes financial reports, press releases and other corporate presentations. The company's press releases are distributed via Cision and are also available on the company's investor website.

Management can be reached at:

Phone: +46 8 663 54 50

E-mail: [ir@artificial-solutions.com](mailto:ir@artificial-solutions.com)





# FINANCIAL REPORTS



# Directors Report

## DIRECTORS REPORT

The board of directors and the CEO of Artificial Solutions International AB (publ), org. no. 556840-2076, with registered office in Stureplan 15, 111 45 Stockholm, hereby submits the annual accounts and the consolidated account for the financial year 2020 (Jan-Dec). The annual report has been prepared in Swedish Krona (SEK) with all figures stated in SEK thousand, unless otherwise stated.

## GROUP STRUCTURE

Artificial Solutions International AB (publ) is the Parent company in a Group with one wholly-controlled subsidiary: Artificial Solutions Holding ASH AB, org no. 556734-1556, which in turn has one wholly owned subsidiary: Artificial Solutions B.V., org no. 34162309. The seven wholly-owned operating subsidiaries in Sweden, the Netherlands, Spain, Germany, Italy, the UK and the US are controlled by Artificial Solutions B.V. In 2020, Artificial Solutions simplified the group structure and sold its Singaporean subsidiary and voluntarily liquidated the French subsidiary. During 2021, the UK subsidiary is in the process of being voluntarily liquidated as there is no operations in the unit any longer.

Artificial Solutions is listed on Nasdaq First North Growth Market in Stockholm with ticker name ASAI.

## OPERATIONS

Artificial Solutions® is the leading specialist in Conversational AI. Artificial Solutions' advanced CAI Teneo®, allows business users and developers to create sophisticated, highly intelligent applications that run across 84 languages and dialects, multiple platforms and channels in record time. The ability to analyse and make use of the enormous quantities of conversational data is fully integrated within Teneo, delivering unprecedented levels of data insight that reveal what customers are truly thinking.

Artificial Solutions' CAI technology makes it easy to implement a wide range of natural language applications such as virtual assistants, conversational bots, speech-based conversational UIs for smart devices and more. It is already used daily by millions of people across hundreds of private and public sector deployments worldwide.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR 2020

### COVID-19

As a business Artificial Solutions, just as any businesses, was taken by surprise by the Covid-19 breakout in the first quarter of 2020. In March 2020, all the offices were officially closed and during the year the company staff has worked remotely. In addition, the company decided to preserve its cash resources due to the uncertainty and potential impact of Covid-19. During the year until October 2020, the company utilized different furlough schemes, deferred staff salaries and other various government support schemes available in the geographies in which Artificial Solutions operate.

### NEW CEO IN THE FOURTH QUARTER 2020

Effective from November 2, 2020, Per Ottosson is the new CEO of Artificial Solutions. The new CEO brings extensive management and sales experience from the software industry and particularly from the Conversational AI industry. Most recently, Per Ottosson comes from Amelia (IPsoft), a company in the space of Conversational AI and a competitor of Artificial Solutions.

### INTRODUCTION OF NEW SAAS BUSINESS AND DELIVERY MODEL

In December 2020, the company announced the introduction of the strategy to move the operations to selling Artificial Solutions technology in a new SaaS business and delivery model. There will be a gradual transition to the new SaaS business and delivery model and the primary focus for the company is on selling the technology in the SaaS model to new customers.

As a consequence of the introduction of the new SaaS business and delivery model, Artificial Solutions will not continue to report order intake and order backlog as key ratios. Under the new SaaS business and delivery model, there will be a focus on recurring revenues from 1 and 2 below and acquisition of new customers.



The new SaaS business and delivery model also means that revenues will be recognized as the benefits are consumed. So, the revenue recognition will happen close to the actual usage/consumption of the product/services going forward. This is applicable for all revenue types highlighted below in items 1 to 4.

The revenue streams in the new SaaS business and delivery model are:

1. Subscription revenues from **Teneo Studio** – based on number of users.
2. API calls generated in **Teneo Engine** – based on number of API calls.
3. **Teneo Data** – analytics platform to review users' conversations and enhance the conversational AI solutions. Revenues based on ingested data.
4. **Expert Services** – mainly Training services and select professional services.

The subscription revenues in 1. above are to some extent linked to what the company has reported as License revenue. API call revenues in 2. are to some extent linked to what the company has reported as Usage revenues but going forward will be directly linked to the actual usage. The Teneo Data revenues in 3. are based on ingested data. Expert services revenues in 4. are based on fees for training sessions and any other expert services is based on daily rates. Further information about the implications of the new SaaS business and delivery model on revenue recognition is described in the interim report for the first quarter 2021.

## COMMERCIAL DEVELOPMENT

Net sales 2020 amounted to SEK 53.8M (49.1), equivalent to an increase of 9% compared to last year. The recurring revenues (Usage, License and Support) for the full year 2020 amounted to SEK 40.4M (27.1), equivalent to 75% (55) of total net sales and an increase of 49% compared to last year. The high and increasing percentage of recurring revenues of total net sales provides stability and visibility and the foundation in our transitioning to the SaaS model. Our existing customers using our Teneo platform are highly important for us in our continued journey as a software company.

During the year, the company successfully signed new customer agreements with Hello Fresh, the international meal planning company, and Loomis amongst others, and extended a number of existing customer contracts. One of our existing customers, a Nordic food retailer, showed its appreciation of the Artificial Solutions Teneo platform by agreeing to extend its commitment to Teneo. Skoda, part

of Global automotive manufacturer Volkswagen Group, experienced the strong value of using Conversational AI during the COVID-19 shutdown and upgraded and extended its commitment with Teneo.

Late in December 2020, SelectQuote, an US based insurance broker, signed the first customer contract based on the new SaaS business and delivery model – a great achievement following a few weeks from the initial strategy decision made by the board of directors.

## PRODUCT DEVELOPMENT ESSENTIAL FOR THE FUTURE

During the financial year 2020, the company has continued its focus to be leading the Conversational AI market by further improving the Teneo platform that gives customers and partners the possibility to deploy Conversational AI applications with significant volumes. This is only possible with extensive investments in product development. Artificial Solutions has its own dedicated organization for product research and development, with highly experienced software engineers and computational linguists specializing in natural language developments. Artificial Solutions operates three research and a development centers located in Sweden, Spain, and Germany. It is also responsible for the company's patents that protect its technology platform. Patents range from the Teneo Platform through the training data and automation of building Conversational AI solutions to the Hybrid approach used within the Teneo platform.

## NEW BUSINESS AND DELIVERY MODEL AND INITIATED COST REDUCTIONS

In connection with the introduction of the new strategy centred on the SaaS business and delivery model, measures were taken to adopt organisation to new business model and make it fit for profitable growth. The measures taken were to reduce headcount, reduce other operating expenses, simplify the operating structure and make the operations fit to the SaaS business model. Reduction of headcount and costs were made across all operating units and the intention was to increase span of control and also focus investments into product development and front-end functions. In the quarterly reporting 2021, the executed activities highlighted a reduction of operating expenses excluding depreciation and amortization of close to 41 percent.



## FINANCING ACTIVITIES TO SUPPORT CONTINUED GROWTH

To finance and support the continued growth of our scalable technology, the parent company raised new capital from existing and new shareholders, extended credit facilities and secured financing from a convertible note agreement during 2020. In the first quarter 2020, Artificial Solutions completed a fully subscribed rights issue of SEK 120.5M. In the second quarter 2020, Artificial Solutions completed a directed share issue of SEK 26.9 M.

In the fourth quarter 2020, the company also secured extension of its credit facilities to March 2023. Credit facilities of SEK 117.4M were extended from March 31, 2021 to March 31, 2023 and the creditors were granted warrants entitling them to subscribe for 1,562,500 new shares in Artificial Solutions before March 31, 2023, at a strike price of SEK 32 per share.

In May 2020, Artificial Solutions also agreed upon a 12-month extension of the SEK 52M bond previously due for repayment on 5 June 2020. Repayment of the bond will now be due on 5 June 2021. Additionally, the terms of the bond are amended such that in the event the bond is redeemed on or prior to 31 December 2020, they will be redeemed at an amount per bond equal to 100 per cent of the nominal amount, but if the bond are redeemed in 2021 there will be a monthly step-up in the redemption amount up until the final maturity date on which the bond will be redeemed at an amount per bond equal to 110 per cent of the nominal amount. All other terms remain the same. The group has discussions with the bond holders and the intention is to extend and refinance the bond.

On October 4, 2020, the parent company entered into a convertible note agreement with Nice & Green S.A. ("N&G"). The funding is provided by N&G, a Swiss company specialized in financing solutions tailored for listed growth companies.

According to the convertible note agreement, N&G undertakes to subscribe for convertible notes with an aggregate nominal value of up to SEK 60M, in tranches of up to SEK 10M per month for the two initial months and thereafter in tranches of a maximum SEK 5M per month. Artificial Solutions has committed to utilize SEK 20M of the commitment, with the option to utilize up to an additional SEK 40M. Following utilization of the initial SEK 20M, Artificial Solutions can decide if, and when, the remaining tranches will be drawn.

Artificial Solutions' board of directors resolved on October 4, 2020, to utilize the first tranche of SEK 10M.

Each tranche of convertible notes will have a maturity of 12 months, zero interest and be unsecured and non-transferable. The convertible notes can be converted into shares with a 7 percent discount in relation to the market price of Artificial Solutions' share price at the time of conversion, according to a defined schedule. Artificial Solutions has the right to instead redeem the convertibles in cash upon payment of a fee corresponding to 3 percent of the nominal amount. The amounts that N&G is entitled to convert to shares during any given month is restricted in order to restrict dilution and avoid the creation of an over-supply of shares.

New shares issued upon conversion will have the same rights as other ordinary shares and will be admitted to trading on Nasdaq First North Growth Market. The number of new shares issued in connection with the conversion of convertible notes will be announced by Artificial Solution on the company's webpage in the Investors section.

On December 31, 2020, the parent company had utilized SEK 25M of the convertible note agreement.

As outlined in the section Significant events after 2020, the company on May 6, 2021 announced a directed new share issue, which was approved by the EGM on May 24, providing the company with 120 MSEK in cash, excluding transaction costs. With this capital contribution, the company's financing need for at least the coming 12 months is secured.

## SIGNIFICANT EVENTS AFTER 2020

### INCREASED COMMITMENT FROM EXISTING CUSTOMERS AND NEW BUSINESS MODEL ATTRACTING NEW CUSTOMERS

Existing customers from the financing sector (Banco BPM, Widiba and Monte dei Paschi) have extended their commitment to Teneo Platform during the first quarter 2021.

Artificial Solutions was recognized and selected by Microsoft as Microsoft Co-Sell Partner.

ISG, a renowned technology research and advisory firm, presented Artificial Solutions as a Leader in its Intelligent Automation – Solutions and Services for Conversational AI report. Artificial Solutions signs SaaS deal with initial annum subscription revenue value of SEK 0.7M with large multinational US Tech company in April 2021.



On April 30, 2021, Artificial Solutions announced a three-year contract with Telefónica Deutschland / O2, one of the leading integrated telecommunications providers in Germany, for the German market. Artificial Solutions will provide its cloud-based integrated development environment for Microsoft LUIS' customers, LUIS^Teneo.

The leading analyst firm in the IT industry, Gartner, highlighted Artificial Solutions as a Practical Innovator for Conversational AI and Microsoft as Disrupter.

## RECRUITING ACTIVITIES TO SUPPORT NEW BUSINESS MODEL

Daniel Eriksson appointed as Chief Innovation & Customer Success Officer from January 2021.

Marie Angselius Schönbeck was appointed as Chief Communication and Impact Officer in April, 2021.

Also, a number of key recruitments within front-end and sales organization with long experience from driving successful SaaS sales to support the new business and delivery model have been appointed and will continue to join the company.

## PRODUCT DEVELOPMENT

In January 2021, the company received cash payment of SEK 7.3M from the Spanish Tax Authority following completed R&D review of R&D investments carried out in 2018.

In the first quarter 2021, Artificial Solutions was informed by the Spanish tax authorities that the 2019 R&D review had been successful, and the Group expects to receive cash payment of SEK 6.1M in the first quarter of 2022. The tax repayment is a subsidy provided to companies such as Artificial Solutions with a high degree of technological know-how. Following successful reporting companies receive cash payment back.

The Group has expanded the Teneo Platform to cover 84 languages spoken natively by 3 billion people. Artificial Solutions thereby now has the most extensive Conversational AI language solution in the market, covering close to 40% of the world's population.

On 3 May 2020, the Group entered into an agreement and utilized SEK 2.6M of Pay-check Protection Program forgivable loans. The loan was held on the balance sheet as short-term loan pending confirmation of forgiveness as per 2020-12-31. The confirmation should be received before the end of June 2021.

## DIRECTED NEW ISSUE CONTRIBUTING 120 MSEK TO THE COMPANY

On May 6, 2021, the company announced a directed new share issue, approved by an extraordinary general meeting held on 24 May 2021, of 14,117,647 shares at a subscription price of 8.50 SEK per share. The directed new share issue will provide the company with 120 MSEK in cash, excluding transaction costs.

## FUTURE DEVELOPMENTS, RISKS AND UNCERTAINTIES

Following the decision in December 2020 to change the company's business and delivery model into a SaaS model, the company's organizational structure has also changed, and the revenue model will continue to change as an effect. A SaaS revenue model is more based on a pay as you go (OPEX model) principle rather than significant upfront capex investments in license fees, usage fees etc (CAPEX model). This change also meant simplifying and changing the operating model with less staff and operating units and reduction of our operating costs.

Artificial Solutions experienced growth in 2020 and with the taken measures with the new business and delivery model and reduced operating expenses when entering 2021, it is the board of directors' expectation that Artificial Solutions is well placed for again accelerating sales and thereby reducing the current negative cash flow from operations.

The company operations were impacted by the Covid-19 pandemic, evidenced from the fact that in 2020 the company received and used various furlough and governmental support schemes to counter the Group's cash impact and from a relatively mild sales development. Still, even if the board of directors believe the biggest impact from Covid-19 has past, the board of directors will continue to monitor the impact of the crisis and any further new waves of outbreaks.

It is Artificial Solutions' board of directors assessment that the existing working capital, the possibility to obtain access to cash and equivalents to perform its payment obligations as they fall due, is sufficient to meet current cash requirements.



Artificial Solutions International AB expects to grow its net sales in line with market expectations for the Conversational AI market. The Group expects to continue to develop existing partner and customer relationships and sign and add new customers on the new SaaS business and delivery model. Another key priority is to make sure to continue to develop the Teneo Platform to ensure it remains ahead of the market and its competition.

**Macroeconomics:** Artificial Solutions conducts its business in several markets around the world. For this reason, Artificial Solutions is affected by general economic, financial, and political conditions on an international level.

**Technology:** Artificial Solutions relies on its technology systems and infrastructure in providing its services and solutions to its customers. It relies on that technology remaining in a leading position in the Conversational AI market. There is a risk that the Group's business could be interrupted by any damage to or the failure of the Group's technology or failure to continue to develop the Group's technology.

**Customers:** The product offering that Artificial Solutions provides to its customers is inherently complex and may contain errors. Whilst it is considered unlikely to occur, this could impact market acceptance of the Group's solutions.

The new SaaS business and delivery model is being implemented and is from that perspective unproven even if the Group has won significant contracts in the beginning of 2021.

**Markets:** The conversational AI market is fragmented and highly competitive. Some of Artificial Solutions' competitors have greater name recognition and significantly greater resources and thus may be able to respond more quickly and effectively to new or changing customer demands.

The Group depends on its ability to adapt to the rapidly changing market by improving the features and reliability of its Teneo Platform, and by successfully bringing new features to market meet customer demands often against competitors with significantly greater resources available.

**Intellectual Property:** Artificial Solutions is dependent on protecting its intellectual property rights. However, the steps Artificial Solutions takes to protect these rights may prevent copying, developing or reverse engineering the Group's solutions and the Group may be required to spend significant resources to continue to monitor and protect those rights. As such the Group may not be able to prevent third parties from infringing upon or misappropriating Artificial Solutions' intellectual property.

**People:** as a small software Group, Artificial Solutions is dependent on executives and key personnel with a detailed knowledge of the Group and the industry. Identifying and recruiting qualified personnel and training them requires significant time, expense and attention. In a highly competitive market, there is also a risk that Artificial Solutions may not be able to retain or hire such personnel to the extent necessary. Artificial Solutions' business may also be adversely affected.

## OWNERSHIP

The Parent Company is Artificial Solutions International AB (publ), company listed in Nasdaq First North Growth Market under the ticker ASAI. During 2020, there has been no major changes among the largest shareholders.

Number of outstanding shares on December 31, 2020 was 48,565,512, an increase from 24,710,665 on December 31, 2019.

The company became a listed company through a reverse take-over transaction in January 2019. On 28 January 2019, Artificial Solutions (previously Indentive AB, a company listed in Nasdaq First North Growth Market) entered into an agreement to acquire all shares and warrants in Artificial Solutions Holding by an issue in kind. On March 5, 2019, the reverse takeover of Artificial Solutions Holding ASH AB by Indentive AB was completed. Immediately following the acquisition, Indentive AB changed its name to Artificial Solutions International AB (publ) and was listed on NASDAQ First North with its first day of trading on 12th March 2019.

As such for comparison purposes, the Parent Company excludes all Indentive Värdepapper transactions.



There is a minority interest on the group of a shareholder with an ownership of 0.06%. At 31 December 2020 that minority interest has not been resolved. As per materiality, the company has not disclosed that minority interest on the Financial Statements below.

At the AGM of Artificial Solutions held on June 17, 2020, the resolution taken was to issue a maximum of 769,280 warrants of series 2020/2025:1 for senior executives and other key personnel and a maximum of 149,372 warrants of series 2020/2025:2 to board members. The subscription price is SEK 17.70 and the premium paid for the warrants was SEK 2.36 per warrant for employees in Sweden and for board members, and employees outside Sweden received the warrants without consideration. The warrants can be exercised during the period from June 1, 2025 until October 15, 2025.

## COMMENTARY TO FINANCIAL STATEMENTS

### INCOME STATEMENT

Net sales 2020 amounted to SEK 53.8M (49.1), equivalent to an increase of 9% compared to the same period last year. More importantly, the recurring revenues (Usage, License and Support) for the full year 2020 amounted to SEK 40.4M (27.1), equivalent 2020 to 75% (55) of total net sales and an increase of 49% compared with the same period last year. The high and increasing percentage of recurring revenues of total net sales provides stability and visibility and the foundation in our transitioning to the SaaS model.

Personnel costs for 2020 amounted to SEK 115.8M (117.8), a decrease of 1% over the same period last year. Headcount has decreased from 113 at the end of December 2019 to 63 on December 31, 2020. The reduction in headcount is due to the organizational adjustment carried out by the Group at the end of the fourth quarter 2020.

In terms of personnel costs, there is a reduction of SEK 13.8M year over year due to employees being furloughed during six months, and the organizational adjustment in December 2020 resulting in the workforce reduction. This decrease in costs is, however, almost in full offset by the one-off provisions of expenses for the organizational adjustment. From May 2020 until October 2020 the Group has taken the benefit of various government support programs for furloughed employees. Government furlough support of SEK 4.1M received and expected tax credit for 2019 R&D of SEK 6.2M have been booked as other income in the profit and loss statement.

Depreciation and amortisation for the full year 2020 amounted to SEK 12.1M (11.6). Capitalized R&D for the full year 2020 amounted to SEK 9.7M (12.0).

Operating expenses for the full year amounted to SEK 171.7M (214.5). Measures to adjust the organization were decided in December 2020, following the decision to introduce a new business model and delivery model. As part of the organizational adjustment the number of headcounts reduced from 111 end of the third quarter 2020 to 63 headcounts end of the fourth quarter 2020. Almost all legal units, with and without employees, were affected. In combination with making employees redundant, cost reductions have been achieved by simplifying the legal structure, increasing span of control, reducing IT costs related to headcounts and reduction of premises costs among others.

Due to the value of accumulated tax losses carried forward in the Group, there is almost no tax payable in relation to 2019 or 2020. Net financial items for 2020 amounted to SEK -56.4M (-35.8) for the full year. Of this, SEK -3.3M are losses without cash impact due to the restructuring of the Group, SEK -28.3M are interests and other related costs coming from third party loans, and the rest is mainly unrealized exchange rate expenses.



## BALANCE SHEET

Artificial Solutions has its own dedicated organization for product research and development, with highly experienced software engineers and computational linguists specializing in natural language developments. The activities are focused on continuing improvements to the Teneo Platform. A total of SEK 9.7M (12.0) was invested in capitalized development expenses during the year and the total capitalized development expenses in the balance sheet amounted to SEK 28.8M (31.7).

The Group's tangible consists of equipment, furniture and fittings and amounted to SEK 1.3M (1.8).

The current assets consist of current receivables that combined amounted to SEK 22.5M (31.8).

The cash & bank position amounted to SEK 20.1M (4.4).

Equity at the end of the year amounted to SEK -172.7 M (-190.4).

Interest-bearing liabilities at the end of the year amounted to SEK 186.1M (222.9). The existing credit facilities are described further earlier in the section Directors' Report.

Current liabilities amounted to SEK 63.5M (42.8) at the end of 2020.

## CASH FLOW STATEMENT

Cash flow from operating activities for 2020 amounted to SEK -75.9M (-143.4). The lower use of cash in 2020 versus 2019 relates mainly to the non-recurring costs of the Reverse Takeover incurred in 2019 and the impact of savings of operating expenses as a result of the Covid-19 pandemic. The measures taken to reduce the Group's operating costs in the fourth quarter 2020 have had a positive impact on the Group's cash outflow in the first quarter 2021.

In order to finance the negative cash flow from operating activities during the full year 2020, the parent company has issued new shares through a rights issue, a directed issue and the conversion of convertible notes. The company has issued shares for a total purchase price of SEK 157.3M (145.9 net of transaction costs) through two share issues, both received during the first half of the year, and the conversion of shares from the convertible note, during fourth quarter of 2020. The directed share issue executed in May 2021 happened after the period for the annual report and strengthened the liquidity with SEK 120M excluding transaction costs. This is further outlined for in the Directors' Report section.

The Group's cash & bank position on 31 December 2020 amounted to SEK 20.1M (4.4). On 31 December 2020, the parent company also had unutilized convertible notes of up to SEK 35M which the company itself can decide to use or not. In addition, in January 2021, the Group received cash payment of SEK 7.3M from the Spanish Tax Authority following completed R&D review of R&D investments.





## FINANCIAL OVERVIEW

The following are the developments in the Group during the last four years.

KEY FIGURES KSEK	2020	2019	2018	2017
Net sales	53,761	49,139	44,933	47,931
Operating profit	-97,836	-145,977	-118,751	-90,505
Profit after financial items	-154,224	-181,749	-146,132	-104,973
Total intangible assets	29,773	31,738	29,430	38,129
Total assets	76,954	75,288	106,494	64,450
Total equity	-172,729	-190,364	-86,423	-74,087
Earnings per share before dilution (SEK) <sup>(*)</sup>	-3.2	-7.4	<i>n/a</i>	<i>n/a</i>
Earnings per share after dilution (SEK)	-3.0	-7.0	<i>n/a</i>	<i>n/a</i>
Solidity	-224%	-253%	-81%	-115%
Average no. of employees	94	106	105	100

KPIs KSEK	2020	2019	2018	2017
Recurring Revenue	40,382	27,071	25,087	24,666
Recurring Revenue %	75%	55%	56%	51%
Usage Revenue	16,926	7,660	5,333	6,466
Usage Revenue %	31%	16%	12%	13%
Gross Margin %	66%	61%	45%	52%
Adjusted EBITDA	-78,322	-112,779	-100,284	-77,101

<sup>(\*)</sup> The Company does not report earnings per share figures as per 2017 and 2018. Artificial Solutions' share is listed on Nasdaq First North Growth Market Stockholm under the symbol "ASAI".



## PROPOSAL FOR THE TREATMENT OF THE UNAPPROPRIATED EARNINGS

### The Group

The Group's non-restricted equity amounts to SEK-260,147k of which SEK-154,448k are loss for the current year.

### The Parent Company

The following are available for appropriation at the annual general meeting:

	2020
Share premium reserve	1,206,065
Other equity including result for the period	-838,184
Result for the year	-25,650
	<b>342,230</b>
<hr/>	
The board proposes that the following be carried forward	342,230
	<b>342,230</b>

Please refer to the following income statements, balance sheets, change in equity, cash flow statements and additional information regarding the parent company's and the Group's losses and financial position in general. All amounts are in thousand Swedish Krona (SEK) unless otherwise indicated.



## CONSOLIDATED INCOME STATEMENT

KSEK	Note	1 JAN 2020 – 31 DEC 2020	1 JAN 2019 – 31 DEC 2019
<b>Operating income, etc.</b>			
Net sales	3	53,761	49,139
Capitalized amount for own accounts	12	9,716	12,032
Other operating income	3	10,388	7,349
<b>Total operating income</b>		<b>73,865</b>	<b>68,519</b>
<b>Operating expenses</b>			
Other external costs	4, 5, 6	-43,778	-62,743
Personnel costs	7	-115,794	-117,766
Depreciation and amortization on fixed assets	12, 13	-12,124	-11,634
Other operating expenses	8	-5	-22,354
<b>Operating profit</b>		<b>-97,836</b>	<b>-145,977</b>
<b>Result from financial items</b>			
Interest income and similar items	9	10,681	11,394
Interest expenses and similar items	10	-67,069	-47,166
<b>Profit after financial items</b>		<b>-154,224</b>	<b>-181,748</b>
Tax on profit for the year		-223	-
<b>NET PROFIT FOR THE YEAR</b>		<b>-154,448</b>	<b>-181,749</b>



## CONSOLIDATED BALANCE SHEET

KSEK	Note	31 DEC 2020	31 DEC 2019
<b>ASSETS</b>			
<i>Fixed assets</i>			
<b>Intangible assets</b>			
Capitalized expenditure for development of content	12	29,773	31,738
<b>Total intangible assets</b>		<b>29,773</b>	<b>31,738</b>
<b>Tangible assets</b>			
Equipment, furniture, and fittings	13	1,254	1,822
<b>Total tangible assets</b>		<b>1,254</b>	<b>1,822</b>
<b>Total fixed assets</b>		<b>31,027</b>	<b>33,560</b>
Other non-current receivables		3,331	5,444
<b>Total non-current assets</b>		<b>34,358</b>	<b>39,004</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Tax receivable		13,189	12,750
Accounts receivable		1,747	8,078
Other receivables		1,472	2,501
Prepaid expenses and accrued income	16	6,125	8,517
<b>Total current receivables</b>		<b>22,534</b>	<b>31,847</b>
<b>Cash and bank balances</b>		<b>20,063</b>	<b>4,437</b>
<b>Total current assets</b>		<b>42,597</b>	<b>36,284</b>
<b>TOTAL ASSETS</b>		<b>76,954</b>	<b>75,288</b>



## CONSOLIDATED BALANCE SHEET

KSEK	Note	31 DEC 2020	31 DEC 2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	17		
Share capital		87,418	44,479
Share premium reserve		1,206,066	1,103,083
Other equity including result of the year		-1,466,213	-1,337,925
<b>Total equity</b>		<b>-172,729</b>	<b>-190,364</b>
<b>Long-term liabilities</b>			
Liabilities to other lenders	18	115,736	12,083
<b>Total Long-term liabilities</b>		<b>115,736</b>	<b>12,083</b>
<b>Current liabilities</b>			
Liabilities to other lenders	18	70,449	210,819
Accounts payable – trade		5,141	6,060
Income tax liability		19	106
Other liabilities		6,711	3,735
Accrued expenses and deferred income	19	51,627	32,849
<b>Total current liabilities</b>		<b>133,948</b>	<b>253,569</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>76,954</b>	<b>75,288</b>



## CONSOLIDATED CHANGE IN EQUITY

KSEK	SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	OTHER EQUITY INCLUDING RESULT FOR THE YEAR	TOTAL EQUITY
<b>Amount brought forward</b>	<b>44,479</b>	<b>1,103,083</b>	<b>-1,337,925</b>	<b>-190,364</b>
New share issue	42,939	114,401	-	157,340
Warrant premiums	-	-	2,534	2,534
Transaction costs	-	-11,418	-	-11,418
Result for the year	-	-	-154,448	-154,448
Translation difference	-	-	23,627	23,627
<b>Balance carried forward</b>	<b>87,418</b>	<b>1,206,065</b>	<b>-1,466,212</b>	<b>-172,729</b>



## GROUP CONSOLIDATED CASH FLOW STATEMENT

KSEK	Note	1 JAN 2020 - 31 DEC 2020	1 JAN 2019 - 31 DEC 2019
<b>Operating Activities</b>			
Operating loss		-97,836	-145,977
Depreciation / amortization on assets		12,124	11,634
Adjustments for items excluded from cash flow statement	22	-10,856	12,856
<b>Total operating activities</b>		<b>-96,568</b>	<b>-121,487</b>
Interest paid and received		-17,431	-10,385
Taxation paid and received		5,346	3,704
<b>Cash flow from operating activities before changes in working capital</b>		<b>-108,652</b>	<b>-128,167</b>
Cash flow from changes in working capital		32,751	-15,214
<b>Cash flow from operating activities</b>		<b>-75,901</b>	<b>-143,381</b>
<b>Investing activities</b>			
Payments to acquire tangible fixed assets		-161	-1,011
Payments to acquire intangible fixed assets		-10,282	-12,634
<b>Cash flow from investing activities</b>		<b>-10,443</b>	<b>-13,646</b>
<b>Financing activities</b>			
New share issue		118,629	65,684
Cost of new share issue		-11,418	-8,397
Change in loans	18	-5,931	57,377
Other changes in financing activities		690	-
<b>Cash flow from financing activities</b>		<b>101,969</b>	<b>114,664</b>
Net change in cash and cash equivalents		15,626	-42,363
Cash and cash equivalents beginning of the year		4,437	46,800
<b>Cash and cash equivalents end of the year</b>		<b>20,063</b>	<b>4,437</b>



## PARENT COMPANY INCOME STATEMENT

KSEK	Note	1 JAN 2020 – 31 DEC 2020	1 JAN 2019 – 31 DEC 2019
<b>Operating income, etc.</b>			
Net sales	3	2,405	2,421
Other operating income	3	739	551
<b>Total operating income</b>		<b>3,145</b>	<b>2,972</b>
<b>Operating expenses</b>			
Other external costs	4, 5, 6	-17,763	-21,028
Personnel costs	7	-9	-
<b>Operating profit</b>		<b>-14,627</b>	<b>-18,055</b>
<b>Result from financial items</b>			
Interest income and similar items	9	7,048	2,409
Interest expenses and similar items	10	-17,856	-18,132
Result from shares in group companies	11	-	-840,550
<b>Loss after financial items</b>		<b>-25,436</b>	<b>-874,328</b>
<b>Result before tax</b>		<b>-25,436</b>	<b>-874,328</b>
Tax on result for the year		-215	-
<b>RESULT FOR THE YEAR</b>		<b>-25,650</b>	<b>-874,328</b>





## PARENT COMPANY BALANCE SHEET

KSEK	Note	31 DEC 2020	31 DEC 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Financial assets</b>			
Participations in Group companies	14	281,690	281,000
Receivables from Group companies	15	179,415	103,635
<b>Total Financial assets</b>		<b>461,105</b>	<b>384,635</b>
<b>Total non-current assets</b>		<b>461,105</b>	<b>384,635</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Other receivables		666	1,074
Account receivables – trade		-	697
Prepaid expenses and accrued income	16	522	3,938
<b>Total current receivables</b>		<b>1,188</b>	<b>5,708</b>
<b>Cash and bank balances</b>		<b>7,435</b>	<b>728</b>
<b>Total current assets</b>		<b>8,623</b>	<b>6,436</b>
<b>TOTAL ASSETS</b>		<b>469,729</b>	<b>391,071</b>



## PARENT COMPANY BALANCE SHEET

KSEK	Note	31 DEC 2020	31 DEC 2019
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
<b>Restricted equity</b>			
Share capital	17	87,418	44,479
<b>Total restricted equity</b>		<b>87,418</b>	<b>44,479</b>
<b>Non-restricted equity</b>			
Share premium reserve	17	1,206,065	1,103,083
Other equity		-838,184	35,120
Result for the year		-25,650	-874,328
<b>Total non-restricted equity</b>		<b>342,230</b>	<b>263,875</b>
<b>Total equity</b>		<b>429,648</b>	<b>308,354</b>
<i>Long-term liabilities</i>			
Liabilities to other lenders	18	13,231	1,200
<b>Total Long-term liabilities</b>		<b>13,231</b>	<b>1,200</b>
<i>Current liabilities</i>			
Liabilities to other lenders	18	17,636	73,830
Accounts payable – trade		3,014	3,071
Liabilities to Group companies		2,987	2,834
Other liabilities		570	149
Accrued expenses and deferred income	19	2,642	1,634
<b>Total current liabilities</b>		<b>26,849</b>	<b>81,518</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>469,729</b>	<b>391,071</b>



## PARENT COMPANY CHANGE IN EQUITY

KSEK	SHARE CAPITAL	PREMIUM RESERVE	NON-RESTRICTED RESERVE	PROFIT / LOSS FOR THE YEAR	TOTAL EQUITY
<b>Amount brought forward</b>	<b>44,479</b>	<b>1,103,083</b>	<b>35,120</b>	<b>-874,328</b>	<b>308,354</b>
Transmission of previous year's	-	-	-874,328	874,328	-
New share issue	42,939	114,401	-	-	157,340
Warrant premiums	-	-	1,024	-	1,024
Transaction costs	-	-11,418	-	-	-11,418
Result for the year	-	-	-	-25,650	-25,650
<b>Balance carried forward</b>	<b>87,418</b>	<b>1,206,065</b>	<b>-838,184</b>	<b>-25,650</b>	<b>429,648</b>



## PARENT CASH FLOW STATEMENT

KSEK	Note	JAN 2020 - 31 DEC 2020	JAN 2019 - 31 DEC 2019
<b>Operating Activities</b>			
Operating loss		-14,627	-18,055
Depreciation / amortization on assets		-	-
Adjustments for items excluded from cash flow statement	22	619	-
<b>Total operating activities</b>		<b>-14,008</b>	<b>-18,055</b>
Interest paid and received		-1,795	-2,751
Taxation paid and received		-215	-
<b>Cash flow from operating activities before changes in working capital</b>		<b>-16,019</b>	<b>-20,806</b>
Cash flow from changes in working capital		-78,554	-87,782
<b>Cash flow from operating activities</b>		<b>-94,573</b>	<b>-108,588</b>
<b>Cash flow from investing activities</b>			
		-	-
<b>Financing activities</b>			
New share issue		118,629	65,684
Cost of new share issue		-11,418	-8,397
Change in loans	18	-5,931	52,029
<b>Cash flow from financing activities</b>		<b>101,279</b>	<b>109,316</b>
<b>Net change in cash and cash equivalents</b>		<b>6,707</b>	<b>728</b>
Cash and cash equivalents beginning of the year		728	-
<b>Cash and cash equivalents end of the year</b>		<b>7,435</b>	<b>728</b>



## NOTES AND DISCLOSURES

### NOTE 1. ACCOUNTING PRINCIPLES

#### General information

The annual report and the consolidated accounts are in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1 Annual Reporting and Consolidated reports (K3).

The Parent company applies the same accounting principles as the Group, if not otherwise indicated. The accounting principles remain unchanged as compared to previous year.

#### Consolidated accounts

The consolidated financial statements, formed by the parent company and all subsidiaries, cover all the operations until 31 December 2020. Subsidiaries are all companies in which the Group has the power to govern the financial and operating policies as well as to obtain benefits. The Group achieves and exercises control by holding the majority of votes. All subsidiaries reporting date is the 31st of December and apply the parent company's valuation principles.

The consolidated financial statements are presented in Swedish Krona which is also the parent company's reporting currency.

The results of the subsidiaries acquired or disposed during the year are recognized from the date of acquisition to the date of the disposal, as appropriate. All the amounts recognized in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the Group's accounting policies.

The Group applies the acquisition method of accounting for business combinations, which means that the carrying value of the parent company's shares in Group companies are eliminated by offset against the subsidiary's equity at acquisition. Intra-group transactions and balance sheet items are eliminated in their entirety upon consolidation, including unrealized gains and losses between the Group companies. In cases where unrealized losses on intra-group assets are reversed upon consolidation, the impairment needs of the underlying asset are also assessed from a group perspective.

#### Translation of foreign subsidiaries' income statements and balance sheets

The Swedish Krona is the reporting currency of the Group as well as for the parent company. The current method is utilized to translate foreign subsidiaries' income statements and balance sheets. All assets and liabilities in the subsidiaries' balance sheets are thereby calculated using the closing day rate, and all items on the income statement at the average annual exchange rate. Exchange rate differences arising from translation of foreign operations are reported in equity.

#### Valuation principle

Assets, provisions, and liabilities are valued at cost unless otherwise noted below.

### Profit and Loss

#### Translation and transaction

Sales and purchases in foreign currencies are recorded at the transaction date's spot rate. Any losses or gains (transaction differences) that arises on payment is recorded in the income statement. Outstanding receivables and liabilities in foreign currencies at the balance sheet date are translated to the balance sheet date and translation differences are accounted for in the income statement.

#### Revenue recognition

Term licenses for the use of the Teneo platform. This license gives the customer access to the Teneo Platform and allows the customer to build and then optionally host their solution. It is possible for the customer to host multiple solutions, multiple languages or multiple platforms on a single license. Typically, the Licenses are signed for a term of two to three years and the Group's experience is that the solutions become embedded in the customers business and as a result more than 80 per cent of licenses are renewed when they come to the end of their term. License Fees are due and payable annually in advance. Whilst customers will generally contract for a two- or three-year agreement, they will tend to only accept an invoice annually in advance. Revenues from Term Licenses are recognized ratably over the life of the agreement.



### Support and maintenance

As with all enterprise grade software solutions, Artificial Solutions provides support and maintenance. This forms a compulsory element of the Teneo Term License and covers the cost of maintaining and supporting the Teneo platform itself. For revenue recognition purposes, Artificial Solutions identify 17 per cent of the Term license fee as relating to Support and Maintenance. Whilst the customers Term license is current, they are entitled to receive any bugs or fixes applied to the Teneo Platform Software as well as being entitled to access and install the latest release of the software. Support and Maintenance covers the Teneo platform only and not the solution or use case that is built upon the platform. In the event the customer wants their solution maintained, then this is generally covered by a professional services agreement. Along with the Term License, Support and Maintenance is generally contracted for a two- or three-year term and invoiced annually with revenue recognized ratably over the life of the agreement.

### Usage Fees

Based upon the actual usage of the platform by the end-user customer. Usage can be measured in many ways and is generally related to the business value obtained by the end user; usage fees therefore form a key element of the Business Model. The more functional the solution, the more use cases addressed, the more languages covered by the solution and the more channels supported for the user to access the Conversational AI solution, then the higher the usage and hence the more revenue to Artificial Solutions.

Usage is based upon actual numbers of interactions, sessions, connected devices, etc., as agreed with the customer as the basis for charging. For example, in a customer service implementation, the usage fee may be linked to the number of service calls successfully handled by the automated assistant. In a quick-serve restaurant, it may be the number of orders handled by the voice assistant.

Usage may be invoiced either on a “pay as you go” basis whereby each month or quarter the Group count the amount of Usage, apply the applicable rate, and invoice the customer accordingly. Alternatively, Artificial Solutions also encourage its customers to buy usage in blocks in advance. The price list is designed to offer a discount for these advance purchases, such discounts increasing as volumes grow. Usage revenues are recognized on an “as delivered” basis.

### Hosting

Although Teneo can be operated by the end user on their own servers, several customers’ requests that Artificial Solutions operate their solution. In these cases, Artificial Solutions operates in the “cloud” via Amazon Web Services or equivalent with reserved instances to minimize costs. The customer is charged operating fees annually in advance and income is reported on a straight-line basis over the term of the agreement.

### Professional Sservices

There are a number of different consultancy services provided to support the building of Teneo-based Conversational AI solutions: (i) Conversational AI development – the creation of a knowledge base on the Teneo platform to support different use cases or solutions; (ii) The integration of the platform into the customer’s existing architecture and integrations to other systems; (iii) Project Management to manage the overall project and coordinate various resources; and (iv) Data Scientists to review and analyze unstructured conversational data. All these activities are based solely on the Teneo platform. Due to the intuitive nature of the platform, these services may be delivered by Artificial Solutions, by an Artificial Solutions Partner or by the customer themselves.

Customers are generally invoiced for professional services on an “as delivered” at the end of each month or quarter depending upon the individual customer agreement. In many cases the customer will commit to taking delivery of a set number of consulting days, for which they will be given a discount to recognize the commitment, however these services are invoiced as delivered.



In order to ensure the availability of the correct level of resource for their project a further group of customers will commit to and pay for blocks of numbers of days of professional services for which they receive a greater discount. The average rate charged by Artificial Solutions does vary by country. Professional Services revenues are recognized on an “as delivered” basis.

#### **Capitalized expenditure for software development**

Artificial Solutions has its own dedicated organization for product research and development, with highly experienced software engineers and computational linguists specializing in natural language developments. Artificial Solutions operates four research and development centers. The centers are in Sweden, Spain, and Germany.

Artificial Solutions’ R&D budget is earmarked primarily for the continuing improvement and enhancement of the Teneo Platform including the next major release of Teneo that includes major new capabilities that will make the technology even more attractive to both the partner channel and Chief Information Officers within large enterprises.

Product Development is also responsible for the Group’s patents that protect its technology platform. Patents range from the core Teneo product, through the training, data and automation of building Conversational AI solutions to the hybrid approach used within the Teneo platform.

Development projects that are of significant value for the Group are accounted for as an intangible asset on the balance sheet. An intangible asset for development is recognized when it is technically feasible to complete the asset for use or sale, the intention is to use or sale the asset, it is likely that it will generate future economic benefits and the expenditure attributable to the asset can be measured reliably. The assets are measured at fully loaded cost of the developers less any subsequent depreciations and impairment. The assets are tested for impairment annually. The assets are impaired if their carried value exceeds the recoverable amount, which is the higher of value in use and fair value less cost to sell. Any research cost or any development cost that do not meet the criteria of future economic benefit, remains in the profit and loss account as an expense of its own nature.

#### **Remuneration to Employees**

Short-term benefits in the company consist of salaries, social security contributions, paid holidays, paid sick leave, medical care, etc. Short-term benefits are reported as costs and debts, which are statutory or voluntary obligations to pay compensation.

The company’s pension plans for which pension premiums are paid are reported as a defined contribution, which means that the fees and costs are provided for the income statement. Unpaid contributions are reported as a liability. This also means that the company does not have any further obligation towards the employees following payment of the pension premium.

#### **Termination benefits**

Compensation in the event of redundancies, including the compensation of the company in the near future financial benefits, are reported only as a liability and cost when the company has legal obligations, or the employee has been put on garden leave. Compensation in the event of termination is reported only when the company has the details of the termination and does not have any realistic possibility of canceling the plan.

#### **Interest Revenue**

Interest income is recognized as it is earned. Interest income is calculated on the basis of the underlying asset’s return according to the effective interest method.

#### **Taxation**

Taxation consists of current and deferred taxation. Current taxation is income tax that is to be paid or received related to the financial period. Deferred tax refers to temporary timing differences in tax assets and liabilities that will be paid in the future. There are no substantial deferred tax liabilities and tax receivables.

Deferred tax receivables are recognized only to the extent that they are expected to be recovered within foreseeable future. No deferred tax receivables have been accounted for. The Parent Company and the Group have chosen not to capitalize deferred tax on tax losses.



## Balance Sheet

### Fixed assets

Tangible and intangible fixed assets are initially recognized at cost and subsequently at cost less depreciation and impairment. These assets are amortized over their useful lives which has been assessed as follows:

Capitalized expenditure for software development	5 years
Other intangible assets	5 years
Equipment, furniture, and fitting	5 years

A fixed asset is removed from the balance sheet in the event of scrapping or divestment or when no future economic benefits are expected from the use, scrapping or disposal of the asset.

### Financial assets

Shares in subsidiaries are measured at cost, less any subsequent impairment. Holding in subsidiaries are tested annually for impairment.

Financial assets removed from the balance sheet when the obligations have been settled or otherwise discontinued.

### Financial Instruments

Financial instruments that are reported in the balance sheet include accounts receivable and other receivables, investments, accounts payable, and loan liabilities.

The financial debt is removed from the balance sheet when the obligations have been settled or otherwise discontinued.

Accounts receivable and other Receivables are accounted for at the amount expected to be received.

Investments are initially recognized at cost and subsequently at cost less impairment.

Loan liabilities and accounts payables are initially reported at acquisition value after deduction of transaction costs.

## Cash Flow

### Cash Flow Analysis

The cash flow statement has been prepared using the indirect method whereby adjustments have been made for transactions that have not resulted in payments.

Cash and cash equivalents, in addition to cash and bank balances, are classified as Group account and short-term liquid investments that can easily be converted into a known amount and which are exposed to a negligible amount risk of value fluctuation.





## NOTE 2. ESTIMATES AND JUDGMENTS

The preparation of these financial statements and the application of accounting policies, has been based on assessments, estimates and assumptions that are reasonable at the time the assessments are made. These estimates are based on historical experience and various other factors that are reasonable under the circumstances. The results of these are used to assess the carrying values of assets and liabilities, which are not otherwise apparent from other sources. The actual outcome may differ from these estimates. Estimates and assumptions are reviewed regularly.

Management has assessed the application of accounting principles and identified sources of uncertainty in estimates, principally related to the value of Intangible assets and the future revenue streams likely to be generated by sales of licenses and professional services. In arriving at these assessments Management has carefully assessed several potential transformational agreements under negotiation, independent valuations of the Group patent portfolio, as well as transactions involving similar companies. The nature and timing of these agreements remains subject to uncertainty.

The forecasts of future cash flows are based on Management's best estimates of future revenues and expenses. Several assumptions and estimates have significant impact on these calculations and include parameters like macroeconomic assumptions, market growth, available technology, business volumes, margins, and cost effectiveness. Changes to any of these or other key parameters can influence the forecasted cash flows and the Group's ability to support the book value of shares held in subsidiaries. Under current market conditions no such adverse changes are anticipated but may do so in subsequent periods.

The management considers that sufficient funds will be available to support the ongoing development of the solutions and the continuing sales cycles to fund the business.



### NOTE 3. NET SALES PER SOURCE AND OTHER OPERATING INCOME

Net sales broken down by geographical market.

KSEK	THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Europe and rest of the world	37,292	37,624	2,405	2,421
USA	16,469	11,515	-	-
<b>Total Net Sales</b>	<b>53,761</b>	<b>49,139</b>	<b>2,405</b>	<b>2,421</b>
Other operating income	10,388	7,349	739	551

Artificial Solutions Iberia S.L. has received confirmation that its application for a tax credit in respect of R&D in accordance with the Spanish law "Ley del Impuesto de Sociedades, art. 35", had been successful for the work performed in 2019. As such, the Group has recognized as Other Operating Income SEK 6,180k, (SEK 7,030k) which is expected to be received during 2022. Due to the nature of the R&D work undertaken and the requirements necessary for a successful application, no accrual has been made in respect of potential tax refunds for the worked performed in 2020. However, it does remain a possibility that such a claim will succeed.

In 2020, the Group has booked governmental furlough support as other operating income for an amount of SEK 4,143k.

### NOTE 4. LEASING COMMITMENTS

During 2020 the Group's payments due to leasing commitments amounts to SEK 4,207k (SEK 5,753k). There were no payments for leasing commitments in the parent company.

FUTURE MINIMUM LEASE PAYMENTS AMOUNT TO:	THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
- within one year	2,619	3,984	-	-
- later than one year but within five years	3,262	720	-	-
- later than five years	-	-	-	-
<b>Total</b>	<b>5,881</b>	<b>4,705</b>	<b>-</b>	<b>-</b>



## NOTE 5. DISCLOSURE OF AUDIT FEE AND COST REIMBURSEMENTS

KSEK	THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>Grant Thornton</b>				
Audit engagement	654	890	654	631
Tax consultancy	-	183	-	183
Other services	225	1,425	225	-
<b>Others</b>				
Audit engagement	80	24	-	-
<b>Total</b>	<b>959</b>	<b>2,521</b>	<b>879</b>	<b>813</b>

## NOTE 6. TRANSACTION AND RESTRUCTURING COSTS

KSEK	THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Restructuration costs	15,399	-	318	-
Transaction costs	-	6,423	-	7,916
<b>Total</b>	<b>15,399</b>	<b>6,423</b>	<b>318</b>	<b>7,916</b>

Restructuration costs are those costs directly linked to cost reduction measure the Group has carried out in the last quarter of 2020, SEK 15,399k of which SEK 13,236k are considered as personnel costs, and SEK 2,163k are registered as financial items.



## NOTE 7. AVERAGE NUMBER OF EMPLOYEES, SALARIES, OTHER REMUNERATIONS AND SOCIAL SECURITY CHARGES

AVERAGE NO. OF EMPLOYEES	2020		2019	
	AVERAGE NUMBER OF EMPLOYEES	WHEREOF MEN	AVERAGE NUMBER OF EMPLOYEES	WHEREOF MEN
<b>Parent company</b>				
Artificial Solutions International AB	-	-	-	-
<b>Total in parent company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Subsidiaries</b>				
Germany	5	100%	6	94%
Great Britain	21	76%	24	73%
Italy	1	0%	1	0%
Netherlands	4	100%	4	100%
Singapore	-	-	2	100%
Spain	40	62%	40	62%
Sweden	12	66%	17	64%
United States of America	12	37%	12	38%
<b>Total in subsidiaries</b>	<b>94</b>	<b>66%</b>	<b>106</b>	<b>65%</b>

At December 31, 2020, the senior management team is composed of four men.

On December 23, 2020, Artificial Solutions sold fully owned Singaporean subsidiary Artificial Solutions PTE.Ltd.. In connection with the divestment of the entity, Artificial Solutions signed a partner agreement with the entity for the coverage of the Asian market.

Artificial Solutions France SAS, our fully owned French subsidiary, was voluntarily liquidated by year end 2020. The unit has no revenues and no employees and was voluntarily liquidated by year end 2020 to reduce our operating costs.

In Artificial Solutions UK Ltd., our fully owned subsidiary in the UK, the employees were made redundant in December 2020. The company ceased trading and is in the process for voluntary liquidation.

SALARIES, REMUNERATIONS, ETC.	2020		2019	
	SALARIES AND OTHER REMUNERATIONS	SOC. COSTS (OF WHICH PENSIONS)	SALARIES AND OTHER REMUNERATIONS	SOC. COSTS (OF WHICH PENSIONS)
Parent company	-	-	-	-
Subsidiaries	95,931	16,510 (2,319)	94,277	18,723 (3,118)



Out of total personnel costs in 2020 SEK 6,963k (2019 SEK 8,018k) have been capitalized as development expenditure.

SALARIES AND OTHER REMUNERATIONS ALLOCATED BY COUNTRY AND SPLIT BETWEEN MANAGEMENT AND OTHER EMPLOYEES	2020		2019	
	THE MANAGING DIRECTORS AND CEO (OF WHICH BONUS, ETC)	OTHER EMPLOYEES (OF WHICH BONUS, ETC)	THE MANAGING DIRECTORS AND CEO (OF WHICH BONUS, ETC)	OTHER EMPLOYEES (OF WHICH BONUS, ETC)
<b>Parent company</b>				
Sweden	-	-	-	-
<b>Total in parent company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Subsidiaries in Sweden	2,925	7,953	5,446	7,282
<b>Foreign Subsidiaries</b>				
Germany	-	5,767	-	5,388
Great Britain	18,804	17,808	16,896	13,946
Italy	-	1,133	-	1,317
Netherlands	-	3,904	-	3,579
Spain	-	22,053	-	20,812
Singapore	-	-	55	2,810
United States of America	2,059	11,919	2,441	12,973
<b>Total in subsidiaries</b>	<b>23,788</b> <b>(2,749)</b>	<b>70,537</b> <b>(375)</b>	<b>24,837</b> <b>(2,601)</b>	<b>68,108</b> <b>(1,173)</b>

SEK 740k (2019 SEK 507k) of the Swedish subsidiary's pensions costs refers to the CEO and managing directors. SEK 473k (2019 SEK 559k) of the British subsidiary's pensions costs refers to the former CEO and managing directors.

In April 2020, the Group announced that in response to the COVID-19 pandemic that it has taken steps to maximize its cash resources with a range of staff and non-staff cash conserving measures. The Group has received governmental support for furlough in some of the countries where it operates. This has been booked as other operating income (Note 3).

In December 2020, the Group has carried out a number of organizational adjustments, resulting in redundancies in different subsidiaries. The personnel costs derived from the restructuring have been fully provisioned for in 2020.

#### Remuneration to the Chief Executive Officer

NAME	POSITION	SALARIES AND OTHER REMUNERATIONS (OF WHICH BONUS, PENSION ETC...)	
		2020	2019
Lawrence Flynn	CEO until 31st October 2020	6,675	3,288
Per Ottosson	CEO from 1st November 2020	994	-
		7,668 <b>(2,570)</b>	3,288 <b>(885)</b>



## Warrant Program Chief Executive Officer, SMT and Other Employees (\*)

POSITION	TOTAL LIABILITY LINKED TO OUTSTANDING OPTION PROGRAMS (OF WHICH PERSONNEL COST)	
	2020	2019
CEO until 31st October 2020	411	411
Other Management team	1,833	1,349
Other Employees	1,746	330
	<b>3,990</b>	<b>2,090</b>
	<b>(1,510)</b>	<b>(1,332)</b>

(\*) For further information about the warrant programs, see section Incentive Programs.

## Remuneration to the members of the board of directors

At the annual general meeting held on 17 June 2020, it was resolved that fees are to be paid for the period until next annual general meeting with the amount of SEK 450,000 to the chairman of the board and SEK 300,000 to each of the other members of the board, except for Fredrik Oweson who has renounced compensation for 2019 and 2020.

The table below sets forth the remunerations to the board members (6 members in 2020, whereof 2 are women):

NAME	Elected Year	Born	POSITION	REMUNERATION	
				2020	2019
Asa Hedin	2019	1962	Chairman of the board	450	375
Bodil Eriksson	2019	1963	Board member	300	250
Jan Uddenfeldt	2019	1950	Board member	300	250
Johan Ekessiö	2019	1954	Board member	300	250
Johan Gustavsson	2019	1963	Board member	300	250
Fredrik Oweson	2019	1968	Board member	-	-
<b>Total</b>				<b>1,650</b>	<b>1,375</b>

## Warrant Program Board Members

POSITION	LIABILITY LINKED TO OUTSTANDING OPTION PROGRAMS (OF WHICH PERSONNEL COST)	
	2020	2019
Board Members	1,196	896
<b>Total</b>	<b>1,196</b>	<b>896</b>
	<b>(-)</b>	<b>(-)</b>



## NOTE 8. OTHER OPERATING EXPENSES

	THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Other operating expenses	5	22,354	-	-
<b>Total</b>	<b>5</b>	<b>22,354</b>	<b>-</b>	<b>-</b>

In 2019, the Group has expensed the full value of negative Goodwill, arising as an effect of the reversed take over, SEK 22,077k as Other Operating expenses (these items are non-recurring and have no cash impact).

## NOTE 9. INTEREST INCOME AND SIMILAR ITEMS

	THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Interest income	417	1,469	4,202	2,111
Exchange rate gains	10,264	9,925	2,846	298
<b>Total</b>	<b>10,681</b>	<b>11,394</b>	<b>7,048</b>	<b>2,409</b>

In the parent company, SEK 3,854k (2019 SEK 1,174k) of interest income and similar income statement items is income from Group companies. SEK 417k (2019 SEK 935k) correspond to interest income from private borrowers.

## NOTE 10. INTEREST EXPENSE AND SIMILAR ITEMS

	THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Interest expenses	37,136	41,950	6,792	16,147
Exchange rate losses	29,934	5,216	11,064	1,985
<b>Total</b>	<b>67,069</b>	<b>47,166</b>	<b>17,856</b>	<b>18,132</b>

SEK 27,217k (2019 SEK 28,619k) of interest expense and similar expense statement items on the Group, refers mainly to expense from private borrowers.



## NOTE 11. RESULT FROM SHARES IN GROUP COMPANIES

	PARENT COMPANY	
	2020	2019
Impairment Accrual	-	840,550

In the parent company, SEK 0k (2019 SEK 840,550k) refers to the impairment of the participation on the group companies.

## NOTE 12. INTANGIBLE FIXED ASSETS

LICENSES & IP RIGHTS	THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<i>Acquisition value b/f</i>	18,531	21,096	-	-
Purchases	1,137	-	-	-
Disposals	-	-2,777	-	-
Exchange rate adjustments	-344	211	-	-
Accumulated acquisition values c/f	19,324	18,531	-	-
<i>Amortization b/f</i>	-18,528	-21,042	-	-
Charge for the year	-218	-30	-	-
Disposals	9	2,755	-	-
Exchange rate adjustments	344	-210	-	-
Accumulated amortization c/f	-18,392	-18,528	-	-
<b>Residual value acc. to plan c/f</b>	<b>932</b>	<b>3</b>	-	-





CAPITALIZED EXPENDITURE FOR DEVELOPMENT	THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<i>Acquisition value b/f</i>	129,139	114,474	-	-
Purchases	9,965	12,634	-	-
Disposals	-821	-	-	-
Exchange rate adjustments	-4,923	2,031	-	-
Accumulated acquisition values c/f	133,361	129,139	-	-
<i>Amortization b/f</i>	-97,405	-85,099	-	-
Charge for the year	-11,237	-10,838	-	-
Disposals	-	23	-	-
Exchange rate adjustments	4,122	-1,492	-	-
Accumulated amortization c/f	-104,520	-97,405	-	-
<b>Residual value acc. to plan c/f</b>	<b>28,841</b>	<b>31,734</b>	-	-

TOTAL INTANGIBLE ASSETS	THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>Net book value intangible assets</b>	<b>29,773</b>	<b>31,738</b>	-	-



## NOTE 13. EQUIPMENT, FURNITURE AND FITTINGS

	THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Acquisition value b/f	6,330	8,098	-	-
Purchases	161	1,011	-	-
Disposals	-25	-2,930	-	-
Exchange rate adjustments	-222	151	-	-
Accumulated acquisition values c/f	6,244	6,330	-	-
Depreciation b/f	-4,508	-6,316	-	-
Depreciation for the year	-670	-766	-	-
Disposals	20	2,677	-	-
Exchange rate adjustments	167	-103	-	-
Accumulated depreciation c/f	-4,990	-4,508	-	-
<b>Net book value carried forward</b>	<b>1,254</b>	<b>1,822</b>	<b>-</b>	<b>-</b>

## NOTE 14. PARTICIPATIONS IN SUBSIDIARIES

THE COMPANY NAME	CORP. ID NO.	DOMICILE	EQUITY	PROFIT/LOSS THIS YEAR
Artificial Solutions B.V.	34162309	Netherlands	-38,991	-21,733
Artificial Solutions (Netherlands) B.V.	52079155	Netherlands	270	-376
Artificial Solutions Scandinavia AB	556256-4657	Sweden	400	-4,115
Artificial Solutions Holding ASH AB	556734-1556	Sweden	72,966	-11,285
Artificial Solutions Iberia SL	B62059068	Spain	439	-51,994
Artificial Solutions Germany GmbH	HRB162917	Germany	353	-3,876
Artificial Solutions UK Limited	06200470	Great Britain	-117,151	-21,390
Artificial Solutions Italia S.R.L.	09663760016	Italy	3,061	768
Artificial Solutions Inc	98-1119596	United States	-47,961	-15,064



THE COMPANY NAME	NO. OF PARTICIPANTS	SHARE OF EQUITY %	BOOK VALUE
Artificial Solutions B.V.	200	100%	
Artificial Solutions (Netherlands) B.V.	18,000	100%	
Artificial Solutions Scandinavia AB	1,000	100%	
Artificial Solutions Holding ASH AB	3,646,109	100%	281,690
Artificial Solutions Iberia SL	500	100%	
Artificial Solutions Germany GmbH	1	100%	
Artificial Solutions UK Limited	1,000	100%	
Artificial Solutions Italia S.R.L.	1	100%	
Artificial Solutions Inc	1,000	100%	
			<b>281,690</b>

In 2020, Artificial Solutions B.V. has made unconditional shareholders contribution of SEK 4,164,235 to Artificial Solutions Germany GmbH, SEK 49,609,579 to Artificial Solutions Iberia SL, and conditional shareholders contribution of SEK 3,963,000 to Artificial Solutions Scandinavia AB.

In 2019, Artificial Solutions B.V. has made unconditional shareholders contribution of SEK 6,153,165 to Artificial Solutions Germany GmbH, SEK 62,137,566 to Artificial Solutions Iberia SL, and conditional shareholders contribution of SEK 5,293,999 to Artificial Solutions Scandinavia AB.

On December 23, 2020, Artificial Solutions sold fully owned Singaporean subsidiary Artificial Solutions PTE.Ltd. for 1 Singaporean dollar.

Artificial Solutions France SAS, a fully owned French subsidiary, was voluntary liquidated on December 31<sup>st</sup> 2020. The liquidation was fully registered in the French Companies House (*Registre du Commerce et des Sociétés*) on February 2<sup>nd</sup> 2021, with effective date December 31<sup>st</sup> 2020.

In Artificial Solutions UK Ltd., our fully owned subsidiary in the UK, the employees were made redundant in December 2020. The company ceased trading and is in the process for voluntary.

See Note 11 for the movement in the impairment of the participation.



## NOTE 15. RECEIVABLES FROM GROUP COMPANIES

	PARENT COMPANY	
	2020	2019
<b>Accumulated acquisition value</b>		
<i>Accumulated cost b/f</i>	103,635	-
Additional receivables	78,650	103,635
<b>Accumulated cost c/f</b>	<b>182,285</b>	<b>103,635</b>
<b>Accumulated impairment losses</b>		
<i>Accumulated write-downs b/f</i>	-	-
Write-downs during the year	2,870	-
<b>Accumulated write downs c/f</b>	<b>2,870</b>	<b>-</b>
<b>Net book value carried forward</b>	<b>179,415</b>	<b>103,635</b>

## NOTE 16. PREPAID EXPENSES AND ACCRUED INCOME

	THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Prepaid rent	403	96	-	-
Prepaid Insurance	758	713	-	-
Prepaid Licenses	512	746	65	19
Accrued Interest	-	1,200	301	559
Accrued Income	2,761	994	-	-
Prepaid media space	-	3,298	-	3,298
Other items	1,691	1,470	156	63
<b>Total</b>	<b>6,125</b>	<b>8,517</b>	<b>522</b>	<b>3,938</b>



## NOTE 17. CHANGE IN EQUITY

### Proposal for the treatment of the unappropriated earnings

#### The Group

The Group's non-restricted equity amounts to SEK -260,147k of which SEK -154,448k are losses for the current year.

#### The Parent Company

The following are available for appropriation at the annual general meeting:

	2020
Share premium reserve	1,206,065
Other equity including result for the period	-838,184
Result for the year	-25,650
<b>Total</b>	<b>342,230</b>
The board proposes that the following be carried forward	342,230
<b>Total</b>	<b>342,230</b>

Artificial Solutions' share capital amounted to SEK 87,417,922 distributed across 48,565,512 shares. The shares are denominated in SEK and each share has a quota value of SEK 1.80. All shares have been fully paid and are freely transferable.

## NOTE 18. BORROWINGS

	THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>Long-term liabilities</b>				
Liabilities to other lenders	115,736	12,083	13,231	1,200
<b>Total</b>	<b>115,736</b>	<b>12,083</b>	<b>13,231</b>	<b>1,200</b>
<b>Current liabilities</b>				
Liabilities to other lenders	70,449	210,089	17,636	73,830
<b>Total</b>	<b>70,449</b>	<b>210,839</b>	<b>17,636</b>	<b>73,830</b>
<b>Grand total interest-bearing liabilities</b>	<b>186,184</b>	<b>222,902</b>	<b>30,867</b>	<b>75,030</b>

The Group has outstanding current debt with related parties, see Note 21.

#### Maturity

Long-term liabilities maturity date is between one to five years after the balance sheet date.



## NOTE 19. ACCRUED EXPENSES AND DEFERRED INCOME

	THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Accrued compensations incl. social charges	34,253	15,280	285	124
Accrued board fees	250	-	250	-
Deferred income	10,020	12,269	792	1,007
Other items	7,105	5,300	1,316	504
<b>Total</b>	<b>51,627</b>	<b>32,849</b>	<b>2,642</b>	<b>1,634</b>

## NOTE 20. PLEDGED ASSETS AND WARRANTS

PLEGDED ASSETS	THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Cash and cash equivalent	2,500	2,500	-	-
Chattel mortgages	57,498	63,524	9,600	9,600
<b>Total</b>	<b>59,998</b>	<b>66,024</b>	<b>9,600</b>	<b>9,600</b>

### Contingent liabilities

Artificial Solutions has not been part to any governmental, legal or arbitration proceedings (including proceedings which are pending or threatened of which Artificial Solutions is aware might occur) during the past twelve months, which may have or have had in the recent past, significant effects on Artificial Solutions' financial position or profitability.



## NOTE 21. RELATED PARTIES

Related parties are those individuals and entities who can exercise a controlling or significant influence over the group. The owners, subsidiaries and associates, senior management and the board of directors have been identified as related parties to the group. The following transactions were carried out with related parties.

	SALES		PURCHASES	
	2020	2019	2020	2019
Management shareholders	192	90	3,260	2,963

Sales and purchases of services and goods between related parties are negotiated based on the arm-length principle. See also note 7 for disclosure about key management compensation.

On 30 April 2020, Artificial Solutions entered into a lease agreement with Vencom Property Partners AB (wherein Johan A. Gustavsson is chairman of the board). The lease agreement runs for two years, and the rental amounts to SEK 1.5 M per year.

The group also purchases consulting services from ASH&Partner AB, a company controlled by Åsa Hedin, Chair of the board of directors, at a rate of 30,000 SEK per month, and consulting services from JUTechnology LLC, a company controlled by board member Jan Uddenfeldt, at a rate of 21,660 SEK per month.

The Group has the following outstanding balances with related parties as of year-end.

	RECEIVABLES		LIABILITIES	
	2020	2019	2020	2019
Management shareholders	-	4,476	884	38,565

Due to the restructuring carried out in December 2020, the 2019 receivable balance of 4,476 KSEK is not considered a related party anymore.



## NOTE 22. ADJUSTMENTS FOR ITEMS EXCLUDED FROM CASH FLOW STATEMENT, ETC

	THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Translation differences	-747	-5,886	621	-
Tax Credit (R&D)	-6,095	-7,319	-	-
Distributed to Shareholders	-	-21,770	-	-
Issue of shares in kind	-	44,452	-	-
Other	-4,014	3,379	-2	-
<b>Total</b>	<b>-10,856</b>	<b>12,856</b>	<b>619</b>	<b>-</b>

## NOTE 23. SIGNIFICANT EVENTS AFTER THE PERIOD

On April 28, 2021, the shareholders resolved to voluntary wind-up Artificial Solutions UK Ltd. The subsidiary had ceased trading at the end of 2020.

On May 6, 2021, the company announced a directed new share issue, which was approved by an extraordinary general meeting on 24 May 2021 of 14,117,647 shares at a subscription price of 8.50 SEK per share. The directed new share issue will provide the company with SEK 120M in cash, excluding transaction costs.

On June 5, 2021, Artificial Solutions has a SEK 52M bond that will be due. The group has discussions with the bondholders and the intention is to extend and refinance the bond.





STOCKHOLM, MAY 27, 2021

**Per Ottosson**

Managing Director

**Åsa Hedin**

Chair of the Board

**Bodil Eriksson**

Board Member

**Johan A. Gustavsson**

Board Member

**Johan Ekesiöö**

Board Member

**Fredrik Oweson**

Board Member

**Jan Uddenfeldt**

Board Member

Our auditor's report was submitted on May 28, 2021.

**Grant Thornton Sweden AB**

**Carl Johan Regell**

Auditor



# Auditors Report

To the general meeting of the shareholders of Artificial Solutions International AB (publ)

Corporate identity number 556840-2076

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### Opinions

We have audited the annual accounts and consolidated accounts of Artificial Solutions International AB (publ) for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 37-77 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with 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.

### Other Information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are

responsible for the other information. The other information comprises report pages 1-36 and 81-83 (but does not include the annual accounts, consolidated accounts and our auditor's report thereon).

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

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

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

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act. 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 Artificial Solutions International AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

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

### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section. We



are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

## Responsibilities of the Board of Directors and the Managing Director

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

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

## Auditor's responsibility

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

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

Association.

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional 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.

Stockholm May 28<sup>th</sup> 2021

**Grant Thornton Sweden AB**

**Carl-Johan Regell**

Authorized Public Accountant



# Definitions

FINANCIAL MEASURES	DESCRIPTION
<b>Net Sales</b>	Reported net sales.
<b>Recurring Revenue</b>	Combined amount of revenue derived from Usage, License and Support revenues.
<b>Recurring Revenue as %</b>	Is calculated as the total recurring revenue in the period as a percent of total net sales in the period.
<b>Usage Revenue</b>	The amount of revenue derived solely from the usage of the Teneo Platform.
<b>Usage Revenue as %</b>	Is calculated as the total usage revenue in the period as a percent of total net sales in the period.
<b>Gross Margin</b>	Is calculated by applying the cost of product delivered; for professional services the cost is taken as the average fully loaded cost of days invoiced to the customer.
<b>Gross Margin, %</b>	Is calculated as the total Gross Margin expressed as a per cent of total revenue in the period.
<b>Adjusted EBITDA</b>	Earnings before interest, tax, depreciation, and amortization adjusted for the one-off costs of the Reverse Takeover in March 2019 and for the one-off restructuring costs.
<b>Solidity</b>	Adjusted equity as a percentage of total assets.
<b>Average number of shares before dilution</b>	Average number of shares during the period.
<b>Average number of shares after dilution</b>	Average number of shares during the period including number of shares at full dilution.
<b>Average number of employees</b>	Calculated on a full-time equivalent employee basis.
<b>Earnings per share before dilution</b>	Result for the year divided by the number of shares at the end of the period.
<b>Earnings per share after dilution</b>	Result for the year divided by the number of shares at full dilution at the end of the period.



## REFERENCES

1. IDC - Worldwide Spending on Cognitive and Artificial Intelligence Systems Forecast to Reach \$77.6 Billion in 2022, According to New IDC Spending Guide  
[www.idc.com/getdoc.jsp?containerId=prUS44291818](http://www.idc.com/getdoc.jsp?containerId=prUS44291818) .
2. MarketsandMarket - Conversational AI Market - Global Forecast to 2024. [www.marketsandmarkets.com/Market-Reports/conversational-aimarket-49043506.html](http://www.marketsandmarkets.com/Market-Reports/conversational-aimarket-49043506.html).
3. Gartner Newsroom: Gartner Predicts 25 Per cent of Digital Workers Will Use Virtual Employee Assistants Daily by 2021  
<https://www.gartner.com/en/newsroom/press-releases/2019-01-09-gartner-predicts-25-percent-of-digital-workers-will-u>
4. Gartner Newsroom: Gartner Says 25 Per cent of Customer Service Operations Will Use Virtual Customer Assistants by 2020 [www.gartner.com/en/newsroom/press-releases/2018-02-19-gartner-says-25-percentof-customer-service-operations-will-use-virtual-customer-assistantsby-2020](http://www.gartner.com/en/newsroom/press-releases/2018-02-19-gartner-says-25-percentof-customer-service-operations-will-use-virtual-customer-assistantsby-2020)
5. Gartner: 4 Trends in Gartner Hype Cycle for Customer Service and Customer Engagement  
[www.gartner.com/smarterwithgartner/4-trendsgartner-hype-cycle-customer-service-customer-engagement/](http://www.gartner.com/smarterwithgartner/4-trendsgartner-hype-cycle-customer-service-customer-engagement/)

Artificial Solutions® is the leading specialist in Conversational AI. We enable communication with applications, websites, and devices in everyday, humanlike natural language via voice, text, touch, or gesture input.

Artificial Solutions' advanced conversational AI Teneo®, allows business users and developers to create sophisticated, highly intelligent applications that run across 38 languages and dialects, multiple platforms, and channels in record time. The ability to analyse and make use of the enormous quantities of conversational data is fully integrated within Teneo, delivering unprecedented levels of data insight that reveal what customers are truly thinking.

Artificial Solutions' conversational AI technology makes it easy to implement a wide range of natural language applications such as virtual assistants, conversational bots, speech-based conversational UIs for smart devices and more. It is already used daily by millions of people across hundreds of private and public sector deployments worldwide. For more Information, please visit [www.artificial-solutions.com](http://www.artificial-solutions.com)

