
ANNUAL ACCOUNTS

and

CONSOLIDATED ACCOUNTS

2017-01-01 to 2017-12-31

	Page
The annual accounts and consolidated accounts include:	
The management report	1-4
Income statement, the group	5
Balance sheet, the group	6-7
Cash flow statement, the group	8
Income statement, parent company	9
Balance sheet, parent company	10-11
Cash flow statement, parent company	12
Additional information (notes)	13-23
Signatures	23

ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS OF ARTIFICIAL SOLUTIONS HOLDING ASH AB

The board and the managing director of Artificial Solutions Holding ASH AB hereby submits the annual accounts and the consolidated account for the financial year 2017-01-01 to 2017-12-31

All amounts in the annual report and consolidated accounts are reported in Euro.

MANAGEMENT REPORT

Scope and type of operations:

Artificial Solutions is the leading specialist in Natural Language Interaction (NLI), a form of Artificial Intelligence that allows people to talk to applications and electronic devices in free-format, natural language, using speech, text, touch or gesture.

The company's multi-award winning software development and conversational analytics platform, Teneo, enables sophisticated natural language applications to be created in record time without the need for specialist linguistic skills.

Already used in the deployment of numerous natural language projects, Artificial Solutions enjoys the full backing of its stakeholders as it continues to invest in ground breaking research and development for Teneo. At the cutting edge of artificial intelligence, this disruptive technology enables clients to better connect and understand their customers, differentiate their business, drive new revenues and reduce costs.

Significant events during the financial year

In June 2017 the existing loan agreement with a credit institution was renegotiated. The term of the loan was extended to 1st March of 2019, and the capital value was increased to EUR 6.9m

In June 2017 a new loan was negotiated with a credit institution, principal amounts to EUR 1,600,000.

During September and November 2017, different bridged loans were received. Principal amounts to EUR 2,350,000.

During 2017 the Company registered:

- 60,665 Preference Shares of series C, which were approved in AGM 2nd of June of 2016.
- 120,255 Preference Shares of series C, which were approved in EGM 2nd of November of 2016.
- 61,664 Preference Shares of series M, which were approved in EGM 8th of February of 2017.

In November 2017, the company approved the issuance of 202,532 preference shares of series D at a price of 39.50 euros per share. At the time of signing this annual report, there is a principle agreement on investments of a total of EUR 7.5 million in D series preference shares with adjusted terms that are expected to be completed before end of June 2018. Further negotiations are ongoing with existing lenders and lending providers to convert loans to equity on similar terms.

The Board continues in discussions with other investors and expects further investments during 2018. As such the Board considers that the funds already invested as well as the additional funds available will be sufficient to finance the business until such time as the Company reaches Cash flow positivity. However, when the Annual Report has been submitted, there is no binding agreement for the continued financing, whereby the Board assesses that there is significant doubt about continued operation

Future developments, risks and uncertainties:

Through its operations, the Group is exposed to a range of operational and financial risks. The Group has sales and purchases in currencies other than its functional currency. This exposes the Group to transaction and translation differences as the sales and purchases are recognized at spot rate, which may have changed at the subsequent settlement. Also, the Group has net investments in foreign subsidiaries which also expose it to translation differences upon consolidation. The Group's objective is to achieve long-term, stable, financing that provides an appropriate gearing at a reasonable cost, as well as sufficient funding for the Group to finance its operations and investment requirements. The long term financing requirements are reviewed regularly and management ascertains that appropriate credit lines and other sources of funding are available. Regular cash flow analyses are prepared to plan short-term liquidity requirements.

The Group's sales exposes it to credit risks as losses are incurred if the customers cannot pay. So far, the Group's credit losses have been minimal.

The Board believes that the current cash flow forecast is reliable and based on reasonable predictions of the future business outcomes. The Group's target customers are major global corporations. The nature of individual sales agreements with these customers are expected to be very substantial but the forecasting as to quantum and timing of such agreements is difficult to predict with certainty.

The Board further considers that in the event additional funding may be required to support longer than predicted sales cycles that such funds would be available to the Company.

Research and Development

In 2017 the main focus of R&D has been to use big data technologies to connect the collected conversational log data to Teneo Studio to provide bot developers with a unique functionality, which Teneo is first on the market to offer, to follow how their bots behave both functionally and statistically from the development environment. In addition, the Teneo Platform has been extended with even more machine learning and the company has taken forward a novel hybrid approach to Natural Language Understanding that has been patented and that will be incorporated into the platform during 2018. R&D activities relating to the development of products with demonstrable future value are capitalized; all other expenses are accounted for in the period in which they are incurred. Based on this for 2017, EUR 863k (EUR 629K in 2016) of internally developed software was capitalized as an intangible asset. Internally developed R&D is calculated based on the fully-loaded cost of the man hours spent developing applications, reusable knowledge and methodology which can be considered to be of future value. Group policy is that, considering market the company operates in and the return on the investment expected, developed assets have a Useful Economic Life of 5 years. See Note 7.

Use of financial instruments.

The Zero Coupon Deep Discount Bond issued in December 2012, with maturity date in June 2015, remains outstanding pending agreement from the bondholder with regards to method of repayment. The face value of the bond, is EUR 165k. The company has accrued EUR 50k interest for the period since the maturity date.

In June 2017 the existing loan agreement with a credit institution was renegotiated. The term of the loan was extended to 1st March of 2019, and the capital value was increased to EUR 5,6m, "Senior Loan".

In June 2017 a new loan agreement with a credit institution was signed. The capital value is EUR 1,6m. The interest rate 12% annual. The last repayment date is June 2019. This loan is subordinated to the existing "Senior Loan"

In September 2017 three bridge loans were received. Total capital value EUR1,5m. The repayment factor is 1.2 on capital value. This loan is subordinated to the "Senior Loan".

In November 2017 two bridge loans were received. Total capital value EUR0,85m. The repayment factor is 1.2 on capital value. This loan is subordinated to the "Senior Loan".

Ownership

At 31 December 2017 the Company's share capital was owned by various private companies, equity firms, a company held by the Group Senior Managers and other individuals. The percentage of ownership on the Group as at 31 december 2017 is as follows:

Shareholder	Total Shares	Ownership
Scope Growth II L.P.	932,026	30%
Scope Growth III L.P.	682,833	22%
Various shareholders ownership below 10%	1,476,987	48%
Total	<u>3,091,846</u>	<u>100%</u>

Sales, profit/loss and financial position

The Group

	2017	2016	2015	2014
	EUR '000	EUR '000	EUR '000	EUR '000
Net sales	4,951	3,620	2,879	3,631
Operating loss	-9,435	-8,389	-7,986	-6,751
Loss after financial items	-10,927	-10,171	-8,621	-8,499
Total intangible assets	3,873	5,561	7,198	8,632
Total assets	6,547	8,958	9,013	10,449
Total equity	-7,526	-1,807	-4,487	-1,500
Solidity	-115%	-20%	-50%	-14%
Average no. of employees	102	86	76	85

Proposal for the treatment of the unappropriated earnings**The Group**

The Group's non-restricted equity amounts to EUR -10,618k of which EUR -10,927k are loss for the current year.

The parent company

The following are available for appropriation at the annual general meeting

	2017
Share premium reserve	62,775,660
Loss carried forward	-26,286,336
Result for the year	-17,045,914

	19,443,410

The board and the managing director proposes that

the following be carried forward	19,443,410

	19,443,410

Change in Equity

The Group	Share capital	Restricted reserves	Sum shared capital
Amount brought forward	2,849,262	-	2,849,262
New registration of shares	242,584	-	242,584
Balance carried forward	3,091,846	-	3,091,846

The Group	Non-restricted reserves	Net profit/ loss for the year	Sum non restricted capital	Total equity
Amount brought forward	-4,656,420	-	-4,656,420	-1,807,158
New issue of shares	4,648,135	-	4,648,135	4,890,719
Translation differences	317,261	-	317,261	317,261
Net loss for the year	-	-10,927,078	-10,927,078	-10,927,078
Balance carried forward	308,977	-10,927,078	-10,618,102	-7,526,256

Parent company	Share capital	Restricted reserves	Sum restricted capital
Amount brought forward	2,849,262	-	2,849,262
New registration of shares	242,584	-	242,584
Balance carried forward	3,091,846	-	3,091,846

Parent company	Non-restricted reserve	Net profit/ loss for the year	Sum non restricted capital	Total equity
Amount brought forward	58,127,525	-26,286,336	-	34,690,451
New registration of shares	4,648,135	-	-	4,890,719
Net profit for the year	-	-	-17,045,914	-17,045,914
Balance carried forward	62,775,660	-26,286,336	-17,045,914	22,535,256

Please refer to the following income statements, balance sheets, 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 Euros (EUR) unless otherwise indicated.

**CONSOLIDATED
INCOME STATEMENT
EUR**

	<u>Note</u>	1/1/2017 12/31/2017	1/1/2016 12/31/2016
Operating income, etc.			
Net sales	1	4,950,518	3,620,442
Capitalize amount for own accounts	4	871,718	635,823
Other operating income	1	1,234,417	901,468
		-----	-----
		7,056,653	5,157,733
Operating expenses			
Other external costs	2, 3	-4,278,158	-3,378,667
Personnel costs	4	-9,572,166	-7,873,074
Depreciation and amortisation on fixed assets	7, 8	-2,641,364	-2,293,198
Other operating expenses		-325	-2,248
		-----	-----
Operating loss		-9,435,360	-8,389,455
Result from financial investments			
Interest income and similar items	5	448,895	277,549
Interest expenses and similar items	6	-1,940,614	-2,058,959
		-----	-----
Loss after financial items		-10,927,078	-10,170,865
Tax on profit for the year		-	-3,463
		-----	-----
NET LOSS FOR THE YEAR		-10,927,078	-10,174,328
		=====	=====

**CONSOLIDATED
BALANCE SHEET
EUR**
Note**12/31/2017****12/31/2016****ASSETS****Fixed assets****Intangible assets**

7

Capitalized expenditure for

licences software and content development

3,106,584

3,479,932

Goodwill

766,770

2,081,233

3,873,354-----
5,561,164**Tangible assets**

Equipment, furniture and fittings

8

226,964

239,789

226,964-----
239,789**Total fixed assets**

4,100,319

5,800,953

Other non-current receivables

517,305

379,844

Total non current assets

4,617,624

6,180,798

Current assets**Current receivables**

Accounts receivable - trade

398,853

733,538

Tax receivable

369,309

515,378

Other receivables

88,112

109,232

Prepaid expenses and accrued income

11

582,578

608,518

1,438,852-----
1,966,667**Cash and bank balances**

490,838

810,415

Total current assets

1,929,691

2,777,082

TOTAL ASSETS-----
6,547,314

8,957,880

**CONSOLIDATED
BALANCE SHEET
EUR**

	<u>Note</u>	12/31/2017	12/31/2016
EQUITY AND LIABILITIES	12		
Equity			
Share capital		3,091,846	2,849,262
Share premium reserve		62,775,660	58,127,525
Other equity including result for the year		-73,393,762	-62,783,945
		-----	-----
Total equity		-7,526,256	-1,807,158
Long-term liabilities			
Liabilities to other lenders	13	2,537,419	4,715,231
		-----	-----
<i>Total Long-term liabilities</i>		2,537,419	4,715,231
Current liabilities			
Liabilities to other lenders	13	7,776,290	2,609,171
Accounts payable - trade		395,245	166,695
Income tax liability		5,314	11,020
Other liabilities		240,646	183,113
Accrued expenses and deferred income	14	3,118,657	3,079,809
		-----	-----
<i>Total current liabilities</i>		11,536,151	6,049,808
TOTAL EQUITY AND LIABILITIES		6,547,314	8,957,880
		-----	-----

CONSOLIDATED CASH FLOW STATEMENT EUR	Note	1/1/2017 12/31/2017	1/1/2016 12/31/2016
Operating activities			
Operating loss		-9,435,360	-8,389,455
Depreciation/amortisation on assets		2,641,364	2,293,198
Adjustments for items excluded from cash flow statement	18	320,310	1,035,549
		<u>-6,473,686</u>	<u>-5,060,707</u>
Interest received		363,046	208,127
Interest paid		-887,636	-878,728
Taxation paid and received		140,363	-513,297
		<u>-6,857,913</u>	<u>-6,244,605</u>
Cash flow from operating activities before changes in working capital			
Cash flow from changes in working capital			
(Increase)/Decrease in receivables		358,686	66,269
Increase/(Decrease) in liabilities		359,947	-434,981
		<u>-6,139,280</u>	<u>-6,613,316</u>
Investing activities			
Payments to acquire tangible fixed assets	8	-62,785	-111,875
Payments to acquire intangible fixed assets	7	-881,923	-639,643
		<u>-944,707</u>	<u>-751,518</u>
Cash flow from investing activities			
Financing activities			
New share issue	12	3,833,197	8,266,500
Cost of new share issue	12	-186,943	-178,753
New emission of shares non registered	13	-	1,244,465
Change in loans	13	3,118,155	-1,303,561
		<u>6,764,409</u>	<u>8,028,651</u>
Cash flow from financing activities			
Net change in cash and cash equivalents		-319,578	663,817
Cash and cash equivalents beginning of the year		810,415	146,599
Cash and cash equivalents end of the year		<u>490,837</u>	<u>810,415</u>

PARENT COMPANY INCOME STATEMENT EUR	Note	1/1/2017 12/31/2017	1/1/2016 12/31/2016
Operating income, etc.			
Other operating income	1	885,575	133,666
		-----	-----
		885,575	133,666
Operating expenses			
Other external costs	2, 3	-17,952,107	-517,171
		-----	-----
Operating loss		-17,066,532	-383,505
Result from financial investments			
Interest income and similar items	5	1,292,673	837,711
Interest expenses and similar items	6	-1,272,055	-841,494
		-----	-----
Loss after financial items		-17,045,914	-387,288
		-----	-----
<i>Result before tax</i>		<i>-17,045,914</i>	<i>-387,288</i>
Tax on result for the year		-	-
		-----	-----
NET RESULT FOR THE YEAR		-17,045,914	-387,288
		-----	-----

**PARENT COMPANY
BALANCE SHEET
EUR**

Note

12/31/2017

12/31/2016

ASSETS

Fixed assets

Financial assets

Participations in Group companies	9	16,506,262	16,506,262
Receivables from Group companies	10	17,506,024	26,354,306
		-----	-----
		34,012,285	42,860,568
Total fixed assets		34,012,285	42,860,568

Current assets

Current receivables

Prepaid expenses and accrued income	11	286,444	375,639
		-----	-----
		286,444	375,639

Cash and bank balances

		104,197	255,205
Total current assets		390,641	630,844

TOTAL ASSETS

34,402,926

43,491,412

**PARENT COMPANY
BALANCE SHEET
EUR**

	<u>Note</u>	12/31/2017	12/31/2016
EQUITY AND LIABILITIES	12		
Equity			
Restricted equity			
Share capital	10	3,091,846	2,849,262
		-----	-----
		3,091,846	2,849,262
Non-restricted equity			
Share premium reserve		62,775,660	58,127,525
Loss carried forward		-26,286,336	-25,899,048
Result for the year		-17,045,914	-387,288
		-----	-----
		19,443,410	31,841,189
Total equity		22,535,256	34,690,451
Long-term liabilities			
Liabilities to other lenders	13	2,537,419	4,715,231
		-----	-----
<i>Total Long-term liabilities</i>		2,537,419	4,715,231
Current liabilities			
Liabilities to other lenders	13	7,776,290	2,609,171
Accounts payable - trade		40,057	11,020
Liabilities to Group companies		1,406,892	1,394,619
Accrued expenses and deferred income	14	107,013	70,922
		-----	-----
<i>Total current liabilities</i>		9,330,252	4,085,731
TOTAL EQUITY AND LIABILITIES		34,402,926	43,491,412
		-----	-----

PARENT COMPANY
CASH FLOW STATEMENT
EUR

	<u>Note</u>	1/1/2017 12/31/2017	1/1/2016 12/31/2016
Operating activities			
Operating loss		-17,066,532	-383,505
Adjustments for items excluded from cash flow statement	18	17,504,000	130,000
		437,468	-253,505
Interest received		6,008	8,910
Interest paid		-449,350	-626,307
Cash flow from operating activities before changes in working capital		-5,875	-870,902
Cash flow from changes in working capital			
Increase/(Decrease) in receivables		-7,223,382	-6,919,132
(Increase)/Decrease in liabilities		313,840	-33,253
Cash flow from operating activities		-6,915,418	-7,823,287
Financing activities			
New share issue	12	3,833,197	8,266,500
Cost of new share issue		-186,943	-178,753
New emission of shares non registered		-	1,244,465
Change in loans	13	3,118,155	-1,303,561
Cash flow from financing activities		6,764,409	8,028,651
Net change in cash and cash equivalents		-151,009	205,364
Cash and cash equivalents beginning of the year		255,205	49,842
Cash and cash equivalents end of the year		104,197	255,205

NOTES AND DISCLOSURES

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.

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 considered to be reasonable at the time the assessments are made. These estimates are based on historical experience and various other factors that are considered to be 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 assessed carefully a number of 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. A number of 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 have an effect on the forecasted cash flows and the company's ability to support the book value of goodwill and/or 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.

Consolidated accounts

The consolidated financial statements, formed by the parent company and all subsidiaries, cover all the operations until 31 December 2017. 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 Euros 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.

Translation of foreign subsidiaries' income statements and balance sheets

The Euro 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.

Valuation principle

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

Fixed assets

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

Goodwill	10 years
Capitalized expenditure for software development	5 years
Other intangible assets	5 years
Equipment, furniture and fittings	5 years

Management believes that the useful economic life for goodwill of ten years is the most appropriate due to the nature of the market where the Group operates in.

Financial assets

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

Goodwill

The yearly goodwill impairment test has been performed. The starting point for the analysis is the estimated future cash flows for the next five fiscal years. The current forecast for the next two years is used as a basis. Significant assumptions applied include the growth in net sales, operating margin, and investment and capital requirements. In order to extrapolate the cash flows outside the first three years, a growth rate is applied. The weighted average cost of capital used to discount the cash flows reflects the anticipated risk associated with the business plan and the Groups actual cost of borrowing. No impairment requirement were identified from the impairment test.

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

Receivables

Receivables are accounted for at the amount expected to be received.

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 day rate and translation differences are accounted for in the income statement.

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 recognised only to the extent that they are expected to be recovered within foreseeable future. No deferred tax receivables have been accounted for.

Capitalized expenditure for software development

Development projects that are considered to be of significant value for the company 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, 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 cost 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.

Revenue recognition

Revenues related to software licenses, hosting and support are being recognized on a linear basis over the life of the contract. Professional Services revenue is recognized the later of; as delivered, or ratably over the life of the agreement depending on the nature of the agreement with the customer.

Definition of key figures

Equity ratio = Adjusted equity as a percentage of total assets.

Notes**Note 1 - Net sales per source and other operating income**

	The Group		Parent company	
	2017	2016	2017	2016
Mainly Europe	3,130,168	1,871,360	-	-
USA	1,820,350	1,749,082	-	-
Total Net Sales	4,950,518	3,620,442	-	-
Other operating income	1,234,417	901,468	885,575	133,666

Artificial Solutions Iberia 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 fiscal year 2016. The company will request for the tax refund of €364k, which the company expects to receive during 2018.

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 fiscal year 2017, however it does remain a possibility that such a claim will succeed.

During 2017, the Group has transferred the titularity on one of its trademarks to a third external party in USA. The transaction value is EUR 884k

Note 2 - Leasing commitments

During 2017 the Group's payments due to leasing commitments amounts to EUR 451K (2016 EUR 327K).

There were no payments for leasing commitments in the parent company.

	The Group		Parent company	
	2017	2016	2017	2016
Future minimum lease payments amount to:				
- within one year	154,261	126,274	-	-
- later then one year but within five years	23,138	1,889	-	-
- later then five year	-	-	-	-
Total	177,399	128,163	-	-

Note 3 - Disclosure of audit fee and cost reimbursements

	The Group		Parent company	
	2017	2016	2017	2016
Grant Thornton				
Audit engagement	67,096	66,615	8,180	-
Tax consultancy	-	-	-	-
Other services	1,000	-	-	-
Others				
Audit engagement	2,000	2,000	-	-
Audit work in addition to audit engagement	-	22,329	-	4,978
Total	70,096	90,944	8,180	4,978

Note 4 - Average number of employees, salaries, other remunerations and social security charges

Average no. Of employees	2017		2016	
	No. of employees	Whereof men	No. of employees	Whereof men
Parent company				
Artificial Solutions Holding ASH AB	-	-	-	-
Total in parent company	-	-	-	-
Subsidiaries				
Sweden	11	73%	15	67%
Germany	5	80%	4	95%
Spain	42	51%	35	53%
Italy	1	0%	1	0%
Great Britain	27	73%	22	71%
Netherlands	5	100%	4	100%
United States of America	11	34%	5	52%
Total in subsidiaries	102	72%	86	63%
GROUP TOTAL	102	72%	86	63%

Salaries, remunerations, etc...	2017		2016	
	Salaries and other remunerations	Soc. costs (of which pensions)	Salaries and other remunerations	Soc. costs (of which pensions)
Parent company	-	-	-	-
Subsidiaries	7,481,300	1,613,482 (498,309)	6,136,985	1,330,565 (414,307)
Group total	7,481,300	1,613,482 (498,309)	6,136,985	1,330,565 (414,307)

Out of total personnel costs in 2017 EUR 585k (2016 EUR 447k) have been capitalized as development expenditure.

Salaries and other remunerations allocated by country and split between board members & management and other employees.	2017		2016	
	The board and managing director (of which bonus, etc...)	Other employees (of which bonus, etc...)	The board and managing director (of which bonus, etc...)	Other employees (of which bonus, etc...)
Parent company				
Artificial Solutions Holding ASH AB	-	-	-	-
Total in parent company	-	-	-	-
Subsidiaries in Sweden	272,369	423,114	239,700	637,969
Foreign Subsidiaries				
Spain	-	1,849,802	-	1,395,209
Germany	-	453,526	-	283,066
Great Britain	1,191,969	1,505,921	1,160,303	1,316,321
France	-	-	-	-
Netherlands	-	365,612	-	257,889
United States of America	-	1,282,824	-	715,018
Italy	-	136,162	-	131,510
Total in subsidiaries	1,464,338	6,016,962	1,400,003	4,736,982
	24,702	(-13,326)	137,487	139,685
Group Total	1,464,338	6,016,962	1,400,003	4,736,982
	24,702	(-13,326)	137,487	139,685

EUR 38k (2016 EUR 42k) of the Swedish subsidiary's pensions costs refers to the board and managing director. EUR 47k (2016 EUR 31k) of the British subsidiary's pensions costs refers to the board and managing director.

No severance pay has been agreed with the managing director. The senior management team is composed by nine men.

Note 5 - Interest Income and similar items

	The Group		Parent company	
	2017	2016	2017	2016
Interest income	6,976	32,374	1 286 665	828,805
Exchange rate gains	441,920	245,175	6 008	8,906
Total	448,895	277,549	1,292,673	837,711

EUR 1,287k (2016 EUR 828k) of interest income and similar income statement items is income from Group companies.

Note 6 - Interest Expense and similar items

	The Group		Parent company	
	2017	2016	2017	2016
Interest expenses	1,225,998	799,612	1 255 076	822,511
Exchange rate losses	714,615	1,259,348	16 978	18,983
Total	1,940,614	2,058,959	1,272,055	841,494

EUR 31k (2016 EUR 28k) of interest expense and similar expense statement items is expense from Group companies. EUR 1,198k (2016 EUR 755k) of interest expense and similar expense statement items is mainly expense from private borrowers.

Note 7 - Intangible fixed assets

	The Group	
Licenses & IP rights	2017	2016
Acquisition value b/f	2,102,656	2,099,214
Purchases	6,230	3,814
Disposals	-	-
Exchange rate adjustments	-279	-373
Accumulated acquisition values c/f	2,108,606	2,102,656
Amortisation b/f	-1,935,130	-1,925,292
Charge for the year	-5,138	-10,116
Disposals	-	-
Exchange rate adjustments	279	278
Accumulated amortisation c/f	-1,939,988	-1,935,130
Residual value acc. to plan c/f	168,618	167,526

	The Group	
Capitalized expenditure for development	2017	2016
Acquisition value b/f	9,055,481	8,419,558
Purchases	875,692	635,923
Disposals	-	-
Accumulated acquisition values c/f	9,931,173	9,055,481
Amortisation b/f	-5,743,075	-4,847,694
Charge for the year	-1,250,133	-895,380
Disposals	-	-
Accumulated amortisation c/f	-6,993,207	-5,743,075
Residual value acc. to plan c/f	2,937,966	3,312,406

	The Group	
Goodwill	2017	2016
Acquisition value b/f	13,144,627	13,274,627
Purchases	-	-
Disposals	-	-130,000
Accumulated acquisition values c/f	13,144,627	13,144,627
Amortisation b/f	-11,063,394	-9,822,598
Charge for the year	-1,314,463	-1,323,129
Disposals	-	82,333
Accumulated amortisation c/f	-12,377,857	-11,063,394
Residual value acc. to plan c/f	766,770	2,081,233
Net book value intangible assets	3,873,354	5,561,165

The acquisition of Artificial Solutions BV in 2008 and the calculation of goodwill was based on the following components:

Purchase consideration:

- Cash payment	1,500,000
- Value of issued shares	11,361,111
Total purchase consideration	12,861,111
Fair value of net liabilities acquired	283,516
Goodwill	13,144,627

Note 8 - Equipment, furniture and fittings

	The Group		Parent company	
	2017	2016	2017	2016
Acquisition value b/f	566,589	517,082	-	-
Purchases	62,785	111,781	-	-
Disposals	-19,664	-29,963	-	-
Exchange rate adjustments	-12,917	-32,311	-	-
Accumulated acquisition values c/f	596,792	566,589	-	-
Depreciation b/f	-326,801	-308,214	-	-
Depreciation for the year	-71,632	-64,571	-	-
Disposals	18,737	27,710	-	-
Exchange rate adjustments	9,868	18,275	-	-
Accumulated depreciation c/f	-369,828	-326,801	-	-
Net book value carried forward	226,964	239,788	-	-

Note 9 - Participations in subsidiaries

The company's name	Corp. ID No.	Domicile	Equity	Profit/-loss this year
Artificial Solutions B.V.	34162309	Netherlands	-747,497	-957,508
Artificial Solutions (Netherlands) B.V.	52079155	Netherlands	19,373	-2,532
Artificial Solutions Scandinavia AB	556256-4657	Sweden	41,546	-222,100
Artificial Solutions Iberia SL	B62059068	Spain	402,726	-5,675,225
Artificial Solutions Germany GmbH	HRB162917	Germany	35,070	-428,000
Artificial Solutions France SAS	499228955RCS	France	-836,482	-13,410
Artificial Solutions UK Limited	06200470	Great Britain	-7,036,405	-1,393,849
Artificial Solutions Italia S.R.L.	09663760016	Italy	148,470	66,535
Artificial Solutions Inc	98-1119596	United States	-1,330,738	-1,531,597

Company's name	No. of partici-	Share of equity %	Book value
Artificial Solutions B.V.	200	100%	16,506,262
Artificial Solutions (Netherlands) B.V.	18,000	100%	
Artificial Solutions Scandinavia AB	1,000	100%	
Artificial Solutions Iberia SL	500	100%	
Artificial Solutions Germany GmbH	1	100%	
Artificial Solutions France SAS	3,700	100%	
Artificial Solutions UK Limited	1,000	100%	
Artificial Solutions Italia S.R.L.	1	100%	
Artificial Solutions Inc	1,000	100%	
			16,506,262

In 2017, Artificial Solutions B.V. has made shareholders contribution of EUR 428,000 to Artificial Solutions Germany GmbH, EUR 6,067,500 to Artificial Solutions Iberia SL, and EUR 193,625 to Artificial Solutions Scandinavia AB.

In 2016, Artificial Solutions Holding ASH AB has made shareholders contribution of EUR 336,000 to Artificial Solutions B.V.. Artificial Solutions B.V. has made shareholders contribution of EUR 296,327 to Artificial Solutions Scandinavia AB, EUR 5,880,000 to Artificial Solutions Iberia SL, and EUR 445,000 to Artificial Solutions Germany GmbH.

Note 10 - Receivables from Group companies

	Parent company	
	2017	2016
Accumulated acquisition value		
Accumulated cost b/f	51,693,239	44,431,665
Additional receivables	8,655,717	7,277,561
Settlement of receivables	-	-15,987
Accumulated cost c/f	60,348,957	51,693,239
<i>Accumulated impairment losses</i>		
Accumulated write-downs b/f	-25,338,933	-25,338,933
Write-downs during the year	-17,504,000	-
Accumulated write downs c/f	-42,842,933	-25,338,933
Net book value carried forward	17,506,024	26,354,306

The Board has considered the value of Inter-company Loans. Whilst the Board remains confident that all balances will be repaid, the estimated value of future cash flows could vary very considerably depending upon the assumptions used. The Board has therefore decided to adopt a conservative approach in recording the value of these assets and made a provision for writing down Inter Company Loans as at 31 December 2017 to 17 504 000€ (0€ in 2016).

Note 11 - Prepaid expenses and accrued income

	The Group		Parent company	
	2017	2016	2017	2016
Prepaid rent	15,660	28,623	-	-
Accrued interests	285,441	367,701	285,441	367,701
Other items	281,477	212,194	999	7,938
Total	582,578	608,518	286,440	375,639

Note 12 - Change in equity**Proposal for the treatment of the unappropriated earnings****The Group**

The Group's non-restricted equity amounts to EUR -10,618k of which EUR -10,927k are loss for the current year.

The parent company

The following are available for appropriation at the annual general meeting

	2017
Share premium reserve	62,775,660
Loss carried forward	-26,286,336
Result for the year	-17,045,914

	19,443,410

The board and the managing director proposes that

the following be carried forward	19,443,410

	19,443,410

The Group	Share capital	Restricted reserves	Sum share capital
Amount brought forward	2,849,262	-	2,849,262
New issue of shares	242,584	-	242,584
Balance carried forward	3,091,846	-	3,091,846

The Group	Non-restricted reserves	Net profit/ loss for the year	Sum non restricted capital	Total equity
Amount brought forward	-4,656,420	-	-4,656,420	-1,807,158
New issue of shares	4,648,135	-	4,648,135	4,890,719
Translation differences	317,261	-	317,261	317,261
Net loss for the year	-	-10,927,078	-10,927,078	-10,927,078
Balance carried forward	308,977	-10,927,078	-10,618,102	-7,526,256

Parent company	Share capital	Restricted reserves	Sum restricted capital
Amount brought forward	2,849,262	-	2,849,262
New issue of shares	242,584	-	242,584
Balance carried forward	3,091,846	-	3,091,846

Parent company	Non-restricted reserve	Loss carried forward	Net profit/ loss for the year	Total equity
Amount brought forward	58,127,525	-26,286,336	-	34,690,451
New issue of shares	4,648,135	-	-	4,890,719
Net result for the year	-	-	-17,045,914	-17,045,914
Balance carried forward	62,775,660	-26,286,336	-17,045,914	22,535,256

Share Capital formed by 3,091,846 shares with a quota value of EUR 1, of which 111,283 are Common Shares and 2,980,563 are Preference Shares.

Note 13 - Borrowings

	The Group		Parent company	
	2017	2016	2017	2016
Long-term liabilities				
Liabilities to other lenders	2,537,419	4,715,231	2,537,419	4,715,231
Total	2,537,419	4,715,231	2,537,419	4,715,231
Current Liabilities				
Liabilities to other lenders	7,776,290	2,609,171	7,776,290	2,609,171
Total	7,776,290	2,609,171	7,776,290	2,609,171
Grand total interest bearing liabilities	10,313,708	7,324,401	10,313,708	7,324,401

Maturity

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

Note 14 - Accrued expenses and deferred income

	The Group		Parent company	
	2017	2016	2017	2016
Accrued compensations incl. social charges	1,272,417	1,339,084	-	-
Deferred income	1,362,901	1,284,113	-	-
Other items	483,339	456,612	107,013	70,922
Total	3,118,657	3,079,809	107,013	70,922

Note 15 - Pledged assets and Warrants

Pledged Assets	The Group		Parent company	
	2017	2016	2017	2016
Cash and cash equivalents	253,968	261,713	253,968	261,713
Chattel mortgages	4,882,568	5,511,550	2,486,101	2,828,556
Total	5,136,536	5,773,263	2,740,069	3,090,269

The assets pledged are in respect of security for Loans provided to Artificial Solutions ASH AB Group.

On 17th of July 2017 the company issued 17,778 warrants subscribed by a financial entity. During the period of 2017-2027 each entitles the right to subscribe one new Preference C share at the price of 27 Euro per share or in case of new shares issued which rank with more seniority than C shares, warrant holder shall be entitled to subscribe for shares of the same class of preference shares as issued in the Share issue, at a subscription price corresponding to the subscription price for Preference Share in the Share issue, however, not lower than 1 Euro per share.

On 24th of June of 2015, the company issued 23,007 warrants subscribed by a financial entity. During the period of 2015-2025 each warrant entitles the right to subscribe one new Preference C share at the price of 40 Euro per share or in case of new shares issued which rank with more seniority than C shares, warrant holder shall be entitled to subscribe for shares of the same class of preference shares as issued in the Share issue, at a subscription price corresponding to the subscription price for Preference Share in the Share issue, however, not lower than 1 Euro per share. On 29th of June of 2016 it was agreed to change the subscription price for the warrants issued on 24th June of 2015 to 24 Euro per share, and issue additional 10,831 warrants on the same terms of the previous warrants.

On 29th February 2012 the company registered 32,520 Warrants of which 16,261 have been subscribed by two financial entities. During the period of 2012-2022 each warrant entitles the right to subscribe one new Preference B share at the price of 18 Euro per share or in case of new shares issued which rank with more seniority than B shares, warrant holder shall be entitled to subscribe for shares of the same class of preference shares as issued in the Share issue, at a subscription price corresponding to the subscription price for Preference Share in the Share issue, however, not lower than 1 Euro per share. If all warrants are exercised the number of shares will increase by 32,520 and the equity contribution will be 585,360 EUR

Contingent liabilities	The Group		Parent company	
	2017	2016	2017	2016
Contingent liabilities	None	None	None	None

Note 16 - 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	
	2017	2016	2017	2016
Management shareholders	-	-	85,093	105,891

The company reported as purchases to related parties in 2016 annual report EUR 55k, whereas the correct figure that should have been reported is EUR 105K.

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

	Receivables		Liabilities	
	2017	2016	2017	2016
Management shareholders(*)	394,346	294,840	18,592	11,555

Sales of services and goods between related parties are negotiated based on the arms-length principle. See also note 4 for disclosure about key management compensation.

Note 17 - Post balance sheet date transactions and events

In February 2018, the company received two new bridge loans from private lenders. Principal amount EUR 3,700,000.

All the bridge loans lent to the company, the ones existing at the end of 2017 as well as those received in February 2018, remain unpaid at the date of preparation of this statements.

At EGM 11th of May 2018, the company voted:

- To change the Company from Private to Public Company
- To issue a maximum of 1M of new Preference Shares of the class D

The company has entered into an agreement the Investment Bank ABG Sundal Collier with a view to making an Initial Public Offering of its shares.

Note 18 - Adjustments for items excluded from cash flow statement, etc.

	The Group		Parent company	
	2017	2016	2017	2016
Translation differences	317,261	1,003,498	-	-
Companies liquidation	-	47,667	-	130,000
Impairment of intercompany transactions	-	-	17,504,000	-
Other items	3,049	-15,615	-	-
	320,310	1,035,549	17 504 000	130 000

STOCKHOLM 2018-

Lawrence Flynn
Managing Director

Johan A Gustafsson
Board Member

Sofia von Scheele
Board Member

Fredrik Oweson
Chairman

William Cornei Weiss
Board Member

Our auditor's report was submitted on 2018- -
Grant Thornton Sweden AB

Carl Johan Regell
Auditor