

QUARTERLY REPORT JANUARY TO SEPTEMBER 2020

MOMENTUM INCREASES ACROSS KEY METRICS: ORDER INTAKE GROWS 57%

JULY TO SEPTEMBER 2020

- Order intake amounted to 9.6 MSEK (6.1)
- Order backlog amounted to 39.7 MSEK (46.9)
- Net sales amounted to 13.3 MSEK (12.8)
- Gross margin amounted to 71% (62)
- Usage Revenue as % of sales increased to 33% (21)
- Adjusted EBITDA amounted to -17.9 MSEK (-26.9)
- Earnings per share amounted to -0.7 SEK (-1.7)

JANUARY TO SEPTEMBER 2020

- Order intake amounted to 35.6 MSEK (45.7)
- Order backlog amounted to 39.7 MSEK (46.9)
- Net sales amounted to 44.1 MSEK (38.1)
- Gross margin increased to 67% (58)
- Usage Revenue as % of sales increased to 32% (19)
- Adjusted EBITDA amounted to -62.8 MSEK (-82.2)
- Earnings per share amounted to -2.2 SEK (-5.8)

EVENTS DURING THE QUARTER

- ICA, Sweden's leading grocery retailer, extended commitment to Teneo Platform
- Skoda, part of Global automotive manufacturer Volkswagen Group, extended commitment to Teneo Platform
- New Partnerships with Automation Anywhere (RPA software) and Talkdesk (CallCenter)
- Appoints Per Ottosson as New CEO to join 2nd November
- Appoints Fredrik Törngren as CFO who started on 7th September

EVENTS AFTER THE QUARTER

- New Partnership with QualityArc (a leading Australian AI Consulting firm)
- Entered into a convertible note financing agreement of up to 60 MSEK
- Extension of credit facilities of 117 MSEK from March 31, 2021 to March 31, 2023
- Issuance of 1,562,500 warrants with a strike price of 32 SEK per share to creditors as part of credit extension
- Furlough ends - All employees will return to working full time from 1st November

KEY FIGURES (For definitions please see page 18)

MSEK	JUL-SEP 2020	JUL-SEP 2019	JAN-SEP 2020	JAN-SEP 2019	FULL YEAR 2019
Order intake	9.6	6.1	35.6	45.7	62.7
Order backlog	39.7	46.9	39.7	46.9	49.9
Net sales	13.3	12.8	44.1	38.1	49.1
Gross margin %	71%	62%	67%	58%	61%
Adjusted EBITDA	-17.9	-26.9	-62.8	-82.2	-112.8
Partner revenue %	75%	43%	57%	42%	45%
Earnings per share, SEK	-0.7	-1.7	-2.2	-5.8	-7.4
Cashflow from operations	-28.3	-27.6	-57.5	-112.2	-144.4

CEO STATEMENT



Lawrence Flynn
CEO

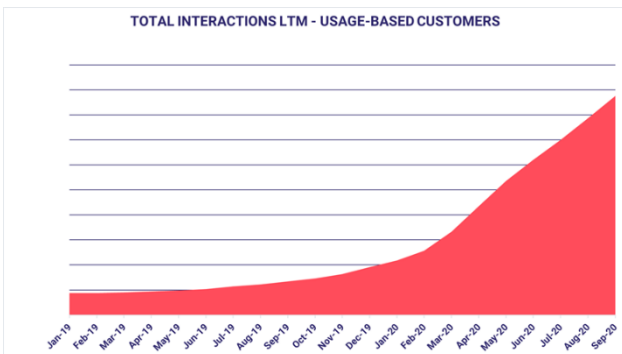
I am pleased to report that the third quarter again demonstrates the robust nature of our Business Model with continuing improvements across almost all of our key metrics.

Sales Increasing

Despite Q3 traditionally being one of the company’s quieter quarters, affected by the summer season, order intake, the value of contractual commitments from our customers, increased an excellent 57% to 9.6 MSEK (6.1 MSEK) in the quarter. This level of growth is significantly ahead of analyst growth expectations for the sector.

I am particularly pleased that two key customers have further increased their commitment to the Teneo platform. ICA, Sweden’s leading grocery retailer, having successfully achieved its pilot project targets, has committed to roll out the solution fully across its organisation, with further publicly facing and usage driving use cases. Also, Skoda, part of Global automotive manufacturer Volkswagen Group, experienced the strong value of using Conversational AI during the COVID-19 shutdown and as a direct result have upgraded to an Enterprise level agreement.

Usage, the amount of revenue derived from the use of the Teneo Platform, is another key metric for our business. I am pleased to report that usage has now increased to account for 33% of sales in the third quarter of 2020, up from 21% for the same period last year.



This has been achieved due to an astonishing 700% increase in the actual usage of the platform over the last twelve months. Further, the high-margin nature of usage-based sales has in turn helped drive gross margin up to 71% for the third quarter 2020 compared to 62% for the same period last year.

The steps taken in the second quarter 2020 to manage costs and cash through the appropriate use of regional furlough schemes and salary deferrals, continued throughout the third quarter 2020 with continued significant reduction. The measures taken to manage costs related to personnel improved the EBIT in the third quarter of 2020 by 3.5 MSEK and provided cash savings of 5.4 MSEK. For the first nine months 2020 to date the EBIT improved by 5.3 MSEK and the cash savings amounted to 11.5 MSEK.

After a period of reduced work capacity, the workforce is returning from furlough on 1st November and will be at full strength meaning that the company is better equipped to capture its opportunities. However, with many of our customers and prospects continuing to operate remotely, we are experiencing some delays in the decision-making processes within these companies, but as evidenced in the increased Order Intake, we are closing agreements.

New Partners

Partners remain a key strategic focus for our business, helping introduce us to new clients and providing resources to implement Teneo-based solutions. Our goal is to focus on building strong relationships with key partners, rather than simply adding partners to a generic partner program. I am therefore pleased to report that during the quarter we continued to expand our Partner base with several new Partnership agreements that we believe will support our growth strategy in the mid-term. In the Robotic Process Automation (RPA) sector, we signed an agreement with Automation Anywhere, meaning we now have partnership agreements with the top three RPA providers, namely UI Path, Blue Prism and Automation Anywhere. Further, as we look to deepen our expertise in contact centres, we have new partnerships with Talkdesk, a leading provider of Call Centre solutions and QualityArc, a leading Australian AI focused consulting firm. These new partners are looking to leverage the benefits of the Teneo Platform to improve efficiencies for their customers.

Also, in the quarter, we were pleased to announce that our Partner, Deloitte, had deployed an intelligent chatbot developed for a US Federal Healthcare department using the Teneo platform, just one of a number of projects currently live

within our now extensive Partner ecosystem.

The continued enhancements to Teneo Developers, a resource for partners and developers to self-learn and build experience around Teneo, has been key in helping us on-board new partners and accelerate the transfer of knowledge throughout our partner base. We have now more than 800 third party consultants engaged in learning the benefits and use of the Teneo platform.

Strong Business Model

This encouraging performance continues to confirm the strength of our business model, underpinned by our focus on sales of high margin licenses and usage supported by our world leading Partner channel.

I was therefore encouraged to see this view supported by leading industry analyst IDC, in a recent profile of Artificial Solutions, in which they commented:

“Artificial Solutions was early into the market for conversational interface technology and did well in establishing its position. This market is expanding rapidly because of the rising trend for customer services automation, fuelled further by COVID-19-related lockdowns, which increased online behaviour.”

Funding

Since the end of the third quarter 2020, we have entered into a convertible note agreement with Nice & Green S.A. (“N&G”) whereby N&G undertakes to subscribe for convertible notes of up to 60 MSEK. The company has only committed to utilize 20 MSEK of the commitment, with the option to utilize up to an additional 40 MSEK. Following utilization of the initial 20 MSEK, the company can decide if and when the remaining tranches will be drawn. The agreement provides Artificial Solutions access to flexible financing at a reasonable cost under current market conditions and the company maintains flexibility to use other forms of financing and at the same time can focus on continued growth post COVID-19.

We have also extended our current credit facilities of 117.4 MSEK from March 31, 2021 to March 31, 2023. In addition, warrants were issued to the creditors, granting them the right to subscribe for 1,562,500 of new shares in Artificial Solutions before March 31, 2023, at a strike price of 32 SEK per share. This provides us with financing stability over a longer tenure, whilst the potential dilution for shareholders are mild with a

strike price of the warrants of 32 SEK per share. If the warrants are fully exercised, we will be contributed 50 MSEK in new funding.

Guidance

As I will be handing over to Per Ottosson as new CEO on November 2nd it is not appropriate for me to specifically comment on forward looking guidance. Nevertheless, since before the COVID-19 outbreak, the company has provided guidance on order intake, usage revenues, gross margin and operating cash flow. Currently we are on track with the guidance on almost all metrics, for instance, in the third quarter 2020, we have achieved the gross margin objective for 2020 of greater than 70% for the first time. Our previous guidance has been to reach a positive operating cash flow from operations by the end of 2020. The board of directors’ current assessment however is that the pandemic will have an impact on the timing of completion of individual customer agreements, therefore current estimates indicate the timing to be during the first half of 2021. Our general view is that our business is seeing through the COVID-19 crisis very well, where the current situation is in fact driving additional demand for our conversational AI-solutions.

Summary

So, in summary, the third quarter 2020 has delivered strong order intake and revenue as well as improved EBITDA despite the quieter summer months and the ongoing challenges of the COVID-19 pandemic. We have continued to build on the numbers of strategic Partners taking the Teneo Platform to their customers and the numbers of trained consultants has reached record levels. Our strong position in the market continues to be endorsed by external analysts, and importantly, we have successfully put in place funding to support the continuing growth of the business. The Company continues to be well positioned to take advantage of its leading position in a growing market.



Lawrence Flynn, CEO



THE CONVERSATIONAL AI MARKET

Conversational AI is a form of artificial intelligence (AI), which allows people to communicate with applications, websites and devices in everyday, humanlike, natural language via voice, text, touch or gesture input. There are three primary use cases for enterprise Conversational AI: customers, employees and devices.

Artificial Solutions supports these use cases through its award-winning software, Teneo, which is an engaging and intuitive way for users to interact with technology.

Fundamental to the success and impact of Conversational AI is the application's ability to capture and interpret conversational data to uncover 'the single voice of the customer', ultimately revealing what customers actually think.

According to International Data Corporation (IDC) Worldwide Semi-annual Cognitive Artificial Intelligence Systems Spending Guide, the spending on cognitive and AI systems will reach USD 77.6 billion in 2022, which is more than three times the USD 24 billion forecast for 2018. The compound annual growth rate (CAGR) for 2017-2022 forecast period is estimated to 37.3%. Software is expected to be both the largest and fastest growing technology category throughout the forecast, representing about 40% of all AI spending with a five-year CAGR of 43.1%. Two areas of focus for these investments are conversational AI applications and deep learning and machine learning applications.

Published market analyst predictions for market growth vary with a conservative outlook provided by Markets&Markets, who estimates that the global conversational AI market size will grow from USD 4.2 billion in 2019, to USD 15.7 billion by 2024, at a CAGR of 30.2% during 2019-2024. The major growth drivers for the market include the increasing demand for AI-powered customer support services, omni-channel deployment and reduced chatbot development cost.

According to Research and Markets, the virtual assistant market will grow at a CAGR of 38.8% between 2017 and 2023.

The use of Conversational AI driven virtual assistants is growing both in the workplace and to support customer-facing service operations. Industry analyst Gartner predicts that 25% of digital workers will use virtual employee assistants on a daily basis by 2021, which is up from < 2% in 2019. Gartner also believes that by 2020, 25% of customer service and support operations globally will integrate virtual customer assistant technology across engagement channels, up from < 2% in 2017.

References:

- IDC The Worldwide Artificial Intelligence Spending Guide 2019
- Markets&Markets: Conversational AI Market - Global Forecast to 2024. Q2 2019. 49043506
- Markets&Markets: Intelligent Virtual Assistant Market by Product, User Interface, and Geography - Global Forecast to 2023. Q2 2017. SE 5670
- Gartner: Market Guide for Conversational Platforms. 30 July 2019. G00367775

FINANCIAL OVERVIEW GROUP

MSEK	JUL-SEP 2020	JUL-SEP 2019	JAN-SEP 2020	JAN-SEP 2019	FULL YEAR 2019
Net sales	13.3	12.8	44.1	38.1	49.1
Gross margin	8.4	8.0	24.6	21.9	29.8
Gross margin %	71%	62%	67%	58%	61%
EBITDA	-17.9	-26.9	-62.8	-88.6	-119.2
<i>Adjusted EBITDA</i>	-17.9	-26.9	-62.8	-82.2	-112.8
EBIT	-20.7	-29.8	-72.4	-119.8	-146.0
<i>Adjusted EBIT</i>	-20.7	-29.8	-72.4	-91.3	-117.5
Earnings per share, SEK	-0.7	-1.7	-2.2	-5.8	-7.4
Equity ratio	-2.0	-1.8	-2.0	-1.8	-2.5

MEUR	JUL-SEP 2020	JUL-SEP 2019	JAN-SEP 2020	JAN-SEP 2019	FULL YEAR 2019
Net sales	1.3	1.2	4.2	3.6	4.6
Gross margin	0.8	0.8	2.3	2.1	2.8
Gross margin %	71%	62%	67%	57%	61%
EBITDA	-1.7	-2.5	-5.9	-8.4	-11.3
<i>Adjusted EBITDA</i>	-1.7	-2.5	-5.9	-7.8	-10.6
EBIT	-2.0	-2.8	-6.8	-11.4	-15.1
<i>Adjusted EBIT</i>	-2.0	-2.8	-6.8	-8.6	-12.3
Earnings per share, EUR	-0.1	-0.2	-0.2	-0.6	-0.7
Equity ratio	-2.0	-1.8	-2.0	-1.8	-2.5

THE GROUP IN BRIEF

ORDER INTAKE AND ORDER BACKLOG

Order intake remains a key measure to show progress for Artificial Solutions. It measures the total value of contractual commitments made by customers during the quarter.

Order backlog is another key measure and it represents the accumulated value of orders received but which have not yet been delivered.

When analysing Order backlog three key points should be considered:

1. Nature of the backlog - what type of revenue does it represent, i.e. License, Usage or Services?
2. Timing – when will the service be delivered? This is sometimes not precise as it depends on the customers roll out plan and this is subject to change
3. Profitability and Margin - evaluation of the mix of the transactions, where License and Usage have higher profitability than Services.

The value of new order intake received in the third quarter 2020 amounted to 9.6 MSEK (6.1 MSEK), equivalent to a 57 % increase compared to the same period last year.

NET DECREASE IN BACKLOG

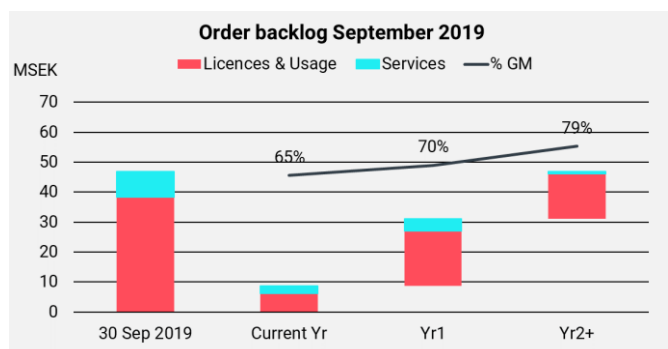
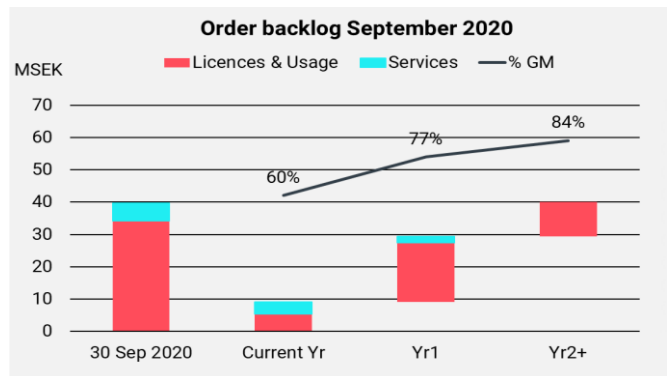
The charts look at the revenue mix of the order backlog and when it is expected that the backlog will be delivered as revenue; it then compares the nature and timing with the same time last year. As summer months are usually slow for new orders, the order intake for the quarter was below the value of revenue delivered, and the value of the order backlog decreased. The order backlog in the third quarter 2020 amounted to 39.7 MSEK (46.9 MSEK), equivalent to a decrease of 15% compared to the same period last year.

MIX IN REVENUE ELEMENTS IMPROVES BACKLOG PROFITABILITY

Another key constituent of backlog is the gross margin of the contracts included in backlog. The line in the charts estimate the gross margin that is locked up in backlog. This shows that over the life of an agreement, once the initial professional service element has been completed, the overall profitability increases as a result of the much higher gross margins applicable to License and Usage revenue.

Note here that the nature of agreements with each of the customers varies in that some will contract for Usage or Services up front, whereas others will commit to the License up front but will buy Usage and Services “as used”. As such, the future revenues to come from existing customers can be significantly beyond that included in Backlog at any stage.

MSEK	SEP 2020	SEP 2019	FULL YEAR 2019
Licences & Usage	28.4	29.6	40.2
Services	7.2	16.1	22.5
Total Order Intake	35.6	45.7	62.7
Licences & Usage	34.3	38.1	40.4
Services	5.4	8.8	9.5
Total Order Backlog	39.7	46.9	49.9



JULY TO SEPTEMBER 2020

Order intake for the third quarter 2020 amounted to 9.6 MSEK (6.1), an increase of 57% over the same period last year. Order intake improved during the third quarter as a number of existing customers renewed and increased their commitment to the Teneo platform. Net sales amounted to 13.3 MSEK (12.8), equivalent to an increase of 4% compared to the same period last year. More importantly the Usage revenues amounted to 4.4 MSEK (2.7), equivalent to an increase of 63% compared to the same period last year and accordingly Usage revenues accounted to 33% (21) of total net sales. As a result of net sales exceeding the value of new orders, the value of backlog declined to 39.7 MSEK (46.9) at the end of September 2020.

Personnel costs in the third quarter 2020 amounted to -24.2 MSEK (-29.0), a decrease of -4.8 MSEK compared to the same period last year. Headcount has increased from 110 at the end of September 2019 to 111 on September 30, 2020. FTEs have decreased from 106 end of September 2019 to 89 at the end of September 2020. This reduction in FTEs reflects the utilisation of various government support in the countries in which we operate. The reduction of -4.8 MSEK is partially due to the decreased cost of a furloughed task force of -2.1 MSEK. The rest is explained by an exceptional cost related to warrants issued in 2019.

Government furlough support of 1.4 MSEK received has been booked as other income.

Depreciation and amortisation in the third quarter 2020 amounted to -2.8 MSEK (-2.6). The increase compared with the same period last year relates to the increased net book value of the Teneo Platform compared to same period previous year 30.6 MSEK (29.3).

Total operating expenses in the third quarter 2020 amounted to -37.6 MSEK (-45.3). This decrease in relation to the same period last year reflects reductions in operations expenses as a result of the Covid-19 pandemic such as reductions in personnel costs, no physical marketing events, no travelling and entertaining and reduced premises and other operating costs.

The measures taken to reduce costs related to personnel improved the EBIT in the third quarter of 2020 by 3.5 MSEK. The operating loss (EBIT) for the third quarter 2020 amounted to -20.7 MSEK (-29.8).

JANUARY TO SEPTEMBER 2020

Order intake for the first nine months 2020 amounted to 35.6 MSEK (45.7), a decrease of 22% compared to the same period last year. Year to date order intake continues to be impacted by the effect of the Covid-19 pandemic where delays seen in the second quarter have not been fully recovered by the end of the third quarter. Net sales for the first nine months 2020 amounted to 44.1 MSEK (38.1), an increase of 16% compared to the same period last year. More importantly the Usage revenues amounted to 14.0 MSEK (7.2), equivalent to an increase of 94% compared to the same period last year and accordingly Usage revenues accounted to 32% (19) of total net sales. As a result of net sales exceeding the value of new orders, the value of backlog declined during the first nine months 2020, the closing value of order backlog at the end of September 2020 amounted to 39.7 MSEK (46.9).

Personnel costs for the first nine months 2020 amounted to -84.2 MSEK (-86.6), a decrease of 3% over the same period last year. Headcount end of September 2020 has increased to 111 (110) and the number of FTE has decreased from 106 end of September 2019 to 89 at the end of September 2020, which reflects our employees having been furloughed during 2020. With effect from May 2020 the Company has taken the benefit of various Government support programs for Furloughed employees.

For the first nine months 2020, 2.0 MSEK of furlough support has been recorded as other revenue and in the US, the company has utilized 2.6 MSEK of Pay-check Protection Program forgivable loans. These loans are currently held on the balance sheet as short-term Loans pending confirmation of forgiveness.

Depreciation and amortisation for the first nine months 2020 amounted to -9.5 MSEK (-8.8). The increase is related to an increased amount of capitalized R&D. Capitalized R&D for the first nine months 2020 amounted to 8.7 MSEK (7.5).

Total operating expenses for the first nine months 2020 amounted to -127.1 MSEK (-165.5). As a direct result of the Covid-19 pandemic the company has taken steps to reduce all non-essential costs which is reflected in this reduction. In 2019, non-recurring costs incurred in relation to the reverse takeover, negatively impacted the operating expenses for the first nine months 2019 with approximately -28.5 MSEK. Excluding these non-recurring costs, the total operating cost for the for the first nine months 2019 amounted to -137.0 MSEK.

The measures taken to reduce costs related to personnel improved the EBIT for the first nine months 2020 by 5.3

MSEK. The operating loss (EBIT) for the first nine months 2020 amounted to -72.4 MSEK (-119.8).

FINANCIAL ITEMS AND TAX

Due to the value of accumulated tax losses carried forward there is no tax payable in relation to 2019 or 2020. Net financial items for the third quarter 2020 amounted to -12.4 MSEK (-12.2) and to -34.0 MSEK (-24.7) for the first nine months 2020. Of this, in the third quarter 2020, -12.0 MSEK (-7.8) are interests and other related cost coming from third party loans, and the rest is mainly unrealized exchange rate expenses. For the first nine months 2020 the interest and other related costs for loans amounted to -25.1 MSEK (-20.7) and the remaining part are mainly unrealized exchange rate expenses.

CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

Cash flow from operating activities for the third quarter 2020 amounted to -28.3 MSEK (-27.6) and to -57.5 MSEK (-112.2) for the first nine months 2020. The reduction in the use of cash in the year 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 costs related to personnel saved 5.4 MSEK for the third quarter 2020 and by 11.5 MSEK for the first nine months 2020.

Tax credit of 7.3 MSEK in respect of R&D confirmed as successful for the fiscal year 2018 which is expected to be repaid to the company in cash during the first semester 2021.

For the first nine months 2020, the company has raised 108.6 MSEK (97.2 net of transaction costs) through two share issues, all received during the first two quarters of the year.

Although the Group has experienced revenue growth, it is not yet cash flow positive and has a number of outstanding loans and bonds. In June 2020, Artificial Solutions has agreed a 12-month extension of the 52 MSEK bonds previously due for repayment on 5 June 2020. Repayment of the bonds will now be due on 5 June 2021.

As also communicated, Artificial Solutions has entered into agreement with existing creditors to extend current credit facilities of 117.4 MSEK due in March 31, 2021 to March 31, 2023.

With the before mentioned steps, it is the board of directors' expectation that the Group cash requirements have been adequately addressed.



OTHER INFORMATION

ACCOUNTING POLICIES

The interim report for the Group and the parent company have been prepared using the accounting policies, formats, etc. as stated by 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.

PARENT COMPANY

The Parent Company is Artificial Solutions International AB formerly, Indentive AB. On 28 January 2019, Artificial Solutions (previously Indentive AB) entered into an agreement to acquire all shares and warrants in Artificial Solutions Holding by an issue in kind (the "Reverse Takeover"). Immediately following the completion of the Reverse Takeover, Artificial Solutions Holding's shareholders held approximately 97.75% of the shares and votes in Artificial Solutions (previously Indentive AB), and the existing shareholders of Indentive AB held approximately 2.25% of the shares and votes in Artificial Solutions (previously Indentive AB). As such for comparison purposes, the Parent Company excludes all Indentive Värdepapper transactions.

For the third quarter 2020 net sales amounted to 0.5 MSEK (1.0) and for the first nine months 2020 to 2.1 MSEK (1.9). This is revenue from a single customer agreement entered into with the Parent Company. For the third quarter 2020 operating expenses amounted to -4.2 MSEK (-3.2) and for the first nine months 2020 to -10.8 MSEK (-15.5). The increase in operating expenses in the third quarter relate to marketing campaigns in Swedish media and the decrease in operating expenses for the first nine months, mainly due to professional fees incurred last year as a result of the Reverse Takeover in 2019.

Net financial items for the third quarter 2020 amounted to -0.7 MSEK (-572.3) of which -0.4 MSEK are due to interest on loans, and the rest mainly due to unrealized currency exchange rate impact. The decrease of costs in respect to the third quarter 2019 comes mainly from an investment write off that took place in the third quarter of 2019.

For the first nine months 2020 net financial items amounted to -1.8 MSEK (-575.2). The company reported in September 2019 Earning Release the write off as an operating expense. Due to assessment received, the company changed the classification to recognize it as financial expense. As per consistency purposes, we are reporting that cost in

September 2019 figures as a financial item.

During the year, the company has issued shares for a total purchase price of 147.3 MSEK (135.9 net of transaction costs) through two rights issues, both received during the first semester of the year.

SIGNIFICANT RISKS AND UNCERTAINTIES

Through its operations, the Group is exposed to a range of operational and financial risks. These risks, including those associated with the current Covid-19 crisis, could have a material adverse effect on Artificial Solutions' operations, financial position and/or results. For further information about risks and uncertainties, see page 2-12 in the Company Description (only available in Swedish), which you can find on www.artificial-solutions.com.

RELATED-PARTY TRANSACTIONS

During the quarter, Artificial Solutions continued a Lease Agreement for its Headquarters office with Vencom Property Partners AB. The terms of the Lease are 1.5 MSEK per annum for a term of 2 years until April 2021. The agreement is considered to be at market rates.

The Group continued a Consulting Services agreement with ASH&Partner AB at a rate of 30,000 SEK per month, and a Consulting Services agreement with JUTechnology LLC at a rate of 21,660 SEK per month.

EMPLOYEES

The headcount end of September 2020 is 111 (110).

The number of full-time equivalent employees in the Group on September 30, 2020 amounted to 89 (106).

EVENTS DURING THE QUARTER

New Partnerships with Automation Anywhere and Talkdesk have been signed.

Existing customers, ICA, Sweden's leading grocery retailer, and Skoda, part of Global automotive manufacturer Volkswagen Group, have extended their commitments to the Teneo Platform.

A new CFO has been appointed, Fredrik Törgren, who joined the company the 7th of September. Also, a new CEO, Per Ottosson, has been appointed. He will be joining the company the 2nd of November.

EVENTS AFTER THE QUARTER

CONVERTIBLE NOTE AGREEMENT

On October 4, 2020, the 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 60 MSEK, in tranches of up to 10 MSEK per month for the two initial months and thereafter in tranches of a maximum 5 MSEK per month. Artificial Solutions has committed to utilize 20 MSEK of the commitment, with the option to utilize up to an additional SEK 40 MSEK. Following utilization of the initial 20 MSEK, 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 10 MSEK.

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. The amount of 20 MSEK that Artificial Solutions has committed to utilize will lead to a dilution of around 4 % based on the share's closing price on October 1, 2020 (SEK 11.15).

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.

EXTENSION OF EXISTING CREDIT FACILITIES AND ISSUANCE OF WARRANTS TO CREDITORS

Artificial Solutions has entered into agreement with existing creditors to extend current credit facilities of 117.4 MSEK from March 31, 2021 to March 31, 2023. In addition, warrants have been issued to the creditors, granting them the right to subscribe for 1,562,500 new shares in Artificial Solutions before March 31, 2023, at a strike price of SEK 32 per share.

The extension is intended to support the company's continued growth.

TRANSFER OF BONDS

On 6 July 2020, Artificial Solutions purchased 6.3 MSEK of Bonds due for repayment on 5 June 2021. On the 27 July 2020, it sold 6.3 MSEK of Bonds due for repayment on 5 June 2021. Artificial Solutions only facilitated for different bondholders to sell and acquire bonds.

NEW PARTNERSHIP AGREEMENT

New Partnership agreement with QualityArc, a leading Australian consulting firm focused on AI, has been signed.

THE COMPANY'S MAJOR SHAREHOLDERS

Artificial Solutions' share is listed on Nasdaq First North Growth Market Stockholm under the symbol "ASAI". Number of shares as of September 30, 2020 was 47,543,663 shares. The largest owner is Scope, which holds 35.3% of the number of shares.

	30 SEP 2020	30 SEP 2019	31 DEC 2019
Number of shares at the end of the period	47,543,663	24,710,665	24,710,665
Average number of shares before dilution	40,869,788	17,771,719	19,506,456
Average number of shares after dilution	42,363,229	18,478,183	20,329,744

SHARE-RELATED INCENTIVE PROGRAM

There are two existing incentive programs ("Incentive Program 2019/2022") and ("Incentive Program 2019/2024").

At the Annual General Meeting held in June 2020, the company approved a third program as described below. With the authorization from the AGM on June 17, 2020, the board of directors decided and carried out the allotment of the warrants to employees and board members on a board meeting after the third quarter 2020.

INCENTIVE PROGRAM 2020/2025

At the AGM of Artificial Solutions on 17 June 2020, it was resolved to introduce a long-term incentive program in the form of a warrant program, Incentive Program 2020/2025. The resolution taken was to issue a maximum of 769,280 warrants of series 2020/2025:1 and a maximum of 149,372 warrants of series 2020/2025:2 to Artificial Solutions Holding ASH AB. It was resolved that Artificial Solutions Holding ASH AB, is to dispose of the warrants in order to fulfil the commitments as follows from Incentive Program 2020/2025:1 and this, transfer the warrants issued to management and other key employees of the company or its subsidiaries. It was further resolved that Artificial Solutions Holding ASH AB, following subscriptions and issue, is to dispose of the warrants in order to fulfil the commitments as follows from Incentive Program 2020/2025:2 and thus, transfer the warrants issued to directors of the company.

AUDIT REVIEW REPORT

This Interim Report has not been reviewed by the company's auditors.

FINANCIAL CALENDAR

- Interim report for the fourth quarter 2020: February 18th, 2021
- Interim report for the first quarter of 2021: May 6th, 2020

Stockholm, October 29, 2020

Lawrence Flynn, CEO

Artificial Solutions financial reports are available at the corporate website, <https://www.investors.artificial-solutions.com/financial-reports>

This information is such that Artificial Solutions International AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at 7:30 a.m. CET on October 29th, 2020.

Artificial Solutions International is listed on Nasdaq First North Growth Market in Stockholm with short name ASAI. Erik Penser Bank is the Company's Certified Adviser (<https://www.penser.se>, tfn +46 (0) 8-463 83 00, e-post certifiedadviser@penser.se).

GROUP FINANCIAL STATEMENTS

GROUP CONSOLIDATED INCOME STATEMENTS

MSEK	JUL-SEP 2020	JUL-SEP 2019	JAN-SEP 2020	JAN-SEP 2019	FULL YEAR 2019
Net Sales	13.3	12.8	44.1	38.1	49.1
Capitalized amount for own accounts	2.2	2.6	8.7	7.5	12
Other operating income	1.4	-	2.0	-	7.3
Total operating income	16.9	15.4	54.7	45.6	68.5
Personnel costs	-24.2	-29.0	-84.2	-86.6	-117.8
Other external costs	-10.6	-13.4	-33.3	-47.8	-62.7
Depreciation and amortization on fixed assets	-2.8	-2.6	-9.5	-8.8	-11.6
Other operating expenses	-0.0	-0.2	-0.0	-22.3	-22.4
Total operating expenses	-37.6	-45.3	-127.1	-165.5	-214.5
Operating loss	-20.7	-29.8	-72.4	-119.8	-146
Net financial items	-12.4	-12.2	-34.0	-24.7	-35.8
Loss after financial items	-33.1	-42.1	-106.4	-144.5	-181.7
Tax on result for the period	-0.0	-	-0.2	-	-
NET RESULT FOR THE PERIOD	-33.1	-42.1	-106.6	-144.5	-181.7

GROUP CONSOLIDATED BALANCE SHEET

MSEK	30 SEP 2020	30 SEP 2019	31 DEC 2019
ASSETS			
Non-current assets			
Capitalised expenditure for licensed software and development	32.1	30.0	31.7
Equipment, furniture and fitting	1.4	1.8	1.8
Other non-current receivables	5.6	5.6	5.4
Total non-current assets	39.2	37.3	39.0
Current assets			
Current receivables	19.4	34.1	31.9
Cash and bank balances	16.5	15.6	4.4
Total current assets	35.9	49.7	36.3
TOTAL ASSETS	75.1	87.0	75.3
EQUITY AND LIABILITIES			
Equity			
Share capital	85.6	44.5	44.5
Share premium reserve	1,197.9	1,103.8	1,103.1
Other equity including result for the period	-1,435.2	-1,301.7	-1,338.0
Total Equity	-151.7	-153.4	-190.4
Non-current liabilities			
Liabilities to other lenders	119.2	2.2	12.1
Total non-current liabilities	119.2	2.2	12.1
Current liabilities			
Liabilities to other lenders	57.4	191.5	210.8
Current liabilities	13.4	17.5	9.9
Accrued expenses and deferred income	36.8	29.3	32.8
Total current liabilities	107.6	238.2	253.6
TOTAL EQUITY AND LIABILITIES	75.1	87.0	75.3

GROUP CONSOLIDATED CASH FLOW STATEMENT

MSEK	JUL-SEP 2020	JUL-SEP 2019	JAN-SEP 2020	JAN-SEP 2019	FULL YEAR 2019
Operating Activities					
Loss after financial items	-33.1	-42.1	-106.4	-144.5	-181.7
Adjustments for items not included in cash Flow	8.7	6.6	48.1	41.9	48.8
Taxation paid and received	-0.1	0	4.9	3.6	3.7
Cash flow from operating activities before changes in working capital	-24.6	-35.5	-53.4	-99.0	-129.2
Cash flow from changes in working capital	-3.8	7.9	-4.2	-13.2	-15.2
Cash flow from operating activities	-28.3	-27.6	-57.5	-112.2	-144.4
Cash flow from investing activities	-2.6	-3	-9.4	-8.1	-13.6
Cash flow from financing activities	-0.4	-3.7	79.0	89.1	115.7
Net change in cash and cash equivalents	-31.4	-34.3	12.0	-31.2	-42.4
Cash and cash equivalents beginning of the period	47.9	50.0	4.4	46.8	46.8
Cash and cash equivalents end of the period	16.5	15.6	16.5	15.6	4.4

GROUP CONSOLIDATED CHANGE IN EQUITY

MSEK	30 SEP 2020	30 SEP 2019	31 DEC 2019
Amount Brought Forward	-190.4	-86.4	-86.4
New Issue of Shares	147.3	84.3	89.1
Warrant premiums	1.4	-	3.0
Transaction costs	-11.4	-	-8.4
Results for the period	-106.6	-144.5	-181.7
Translation difference	8.0	-6.8	-5.9
Amount Carried Forward	-151.7	-153.4	-190.4

KPIs

MSEK	JUL-SEP 2020	JUL-SEP 2019	JAN-SEP 2020	JAN-SEP 2019	FULL YEAR 2019
Order Intake	9.6	6.1	35.6	45.7	62.7
Order Backlog	39.7	46.9	39.7	46.9	49.9
Net Sales	13.3	12.8	44.1	38.1	49.1
Gross Margin	8.4	8.0	24.6	21.9	29.8
Gross Margin %	71%	62%	67%	58%	61%
Adjusted EBITDA	-17.9	-26.9	-62.8	-82.2	-112.8
Usage Revenue	4.4	2.7	14.0	7.2	7.7
Usage Revenue %	33%	21%	32%	19%	16%
Partner Order Intake %	94%	66%	76%	40%	46%
Partner Revenue %	75%	43%	57%	42%	45%

FINANCIAL STATEMENTS PARENT COMPANY

PARENT COMPANY INCOME STATEMENT

MSEK	JUL-SEP 2020	JUL-SEP 2019	JAN-SEP 2020	JAN-SEP 2019	FULL YEAR 2019
Net Sales	0.5	1	2.1	1.9	2.4
Other operating income	-	-	-	-	0.6
Total operating income	0.5	1	2.1	1.9	3.0
Other external costs	-4.2	-3.2	-10.8	-15.5	-21
Other expenses	-	-	-	-	-
Total operating expenses	-4.2	-3.2	-10.8	-15.5	-21
Operating loss	-3.7	-2.2	-8.8	-13.6	-18.1
Net financial items	0.7	-572.3	-1.8	-575.2	-856.3
Loss after financial items	-3.0	-574.5	-10.5	-588.8	-874.3
Tax on result for the period	-	-	-0.2	-	-
NET RESULT FOR THE PERIOD	-3.0	-574.5	-10.8	-588.8	-874.3

PARENT COMPANY BALANCE SHEET

MSEK	30 SEP 2020	30 SEP 2019	31 DEC 2019
ASSETS			
Non-current assets			
Receivable from Group companies	168.6	77.9	103.6
Financial assets	281.0	555.8	281
Total non-current assets	449.6	633.8	384.6
Current assets			
Current receivables	0.7	13.8	5.7
Cash and bank balances	3.0	0.9	0.7
Total current assets	3.7	14.7	6.4
TOTAL ASSETS	453.2	648.4	391.1
EQUITY AND LIABILITIES			
Equity			
Share capital	85.6	44.5	44.5
Share premium reserve	1,197.9	1,103.8	1,103.1
Other equity including result for the period	-850.0	-553.8	-839.2
Total Equity	433.5	594.5	308.4
Non-current Liabilities			
Liabilities to other lenders	13.6	0.3	1.2
Total non-current liabilities	13.6	0.3	1.2
Current liabilities			
Liabilities to other lenders	2.9	45.9	73.8
Current liabilities	0.6	6.0	3.2
Liabilities to Group companies	-	-	2.8
Accrued expenses and deferred income	2.5	1.6	1.6
Total current liabilities	6.1	53.6	81.5
TOTAL EQUITY AND LIABILITIES	453.2	648.4	391.1

PARENT COMPANY CASH FLOW STATEMENT

MSEK	JUL-SEP 2020	JUL-SEP 2019	JAN-SEP 2020	JAN-SEP 2019	FULL YEAR 2019
Operating Activities					
Loss after financial items	-3.0	-574.5	-10.5	-588.8	-874.3
Adjustments for items not included in cash flow	-0.2	570.8	2.5	573.3	853.5
Taxation paid and received	0.0	-	-0.2	-	-
Cash flow from operating activities before changes in working capital	-3.2	-3.7	-8.2	-15.5	-20.8
<i>Cash flow from changes in working capital</i>	-15.3	-16.6	-65.6	-70.7	-86.8
Cash flow from operating activities	-18.5	-20.3	-73.8	-86.2	-107.6
Cash flow from investing activities	0.0	-	0.0	0.0	-
Cash flow from financing activities	-0.5	-3.7	76.1	87.1	108.3
Net change in cash and cash equivalents	-19.0	-24.0	2.3	0.9	0.7
Cash and cash equivalents beginning of the period	22.0	24.9	0.7	-	-
Cash and cash equivalents end of the period	3.0	0.9	3.0	0.9	0.7

PARENT COMPANY CHANGE IN EQUITY

MSEK	30 SEP 2020	30 SEP 2019	31 DEC 2019
Amount Brought Forward	308.4	24.7	24.7
New Issue of Shares	147.3	1,178.8	1,178.1
Transaction Costs	-11.4	-	-
Distributed to shareholders/Indentive Värdepapper	-	-21.8	-21.8
Shareholder contribution	-	1.7	1.7
Results for the period	-10.8	-588.8	-874.3
Amount Carried Forward	433.5	594.5	308.4

DEFINITIONS OF KEY PERFORMANCE INDICATORS NOT DEFINED IN ACCORDANCE WITH BFNAR

FINANCIAL MEASURES	DESCRIPTION
Order Intake	The value of contractually committed orders received from customers in the period.
Order Backlog	The value of contractually committed orders received from customers which have not yet been recognized as revenue.
Usage Revenue	The amount of revenue derived solely from the usage of the Teneo Platform.
Usage Revenue as % Total Revenue	Is calculated as the total usage revenue in the period as a percent of Total Revenue from Operations in the period.
Gross Margin % Revenue	Gross Margin expressed as a per cent of Total Revenue. Gross Margin 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.
Partner % of Order Intake	The value of Order Intake received from Partners as a per cent of the total value of Order Intake in the period.
Partner Revenue %	The value of Revenue recognised from Partners as a per cent of the total value of Revenue in the period.
Net Sales	Revenue derived directly from the delivery of customer projects.
EBITDA	Earnings before interest, tax, depreciation and amortization.
Adjusted EBITDA	Earnings before interest, tax, depreciation and amortization adjusted for the one-off costs of the Reverse Takeover in March 2019
Average number of shares before dilution	Average number of shares during the period.
Average number of shares after dilution	Average number of shares during the period including number of shares at full dilution.

CONFERENCE CALL

The report will be presented by Lawrence Flynn, CEO, and Fredrik Törgren, CFO, at a telephone conference on October 29, 2020 at 10:00 a.m. CET.

To participate in the conference, use any of the following dial-in numbers:

UK (local)	+44 (0) 3333 009266
Sweden (local)	+46 (0) 8 505 583 59
United States (local)	+1 833 526 8347

Please dial in 5–10 minutes ahead in order to complete the short registration process.

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