

QUARTERLY REPORT JULY TO SEPTEMBER 2019

CONTINUED POSITIVE DEVELOPMENT IN ORDER INTAKE AND ORDER BACKLOG - WHILST WORKING TO SECURE A CAPITAL STRUCTURE TO FUEL GROWTH

JULY TO SEPTEMBER 2019

- Order Intake was 6.1 MSEK (3.7) and Order Backlog increased to 46.9 MSEK (23.3)
- Net Sales totalled 12.8 MSEK (9.6)
- Gross Margin increased to 62% (52)
- Adjusted EBITDA was -26.9 MSEK (-20.5)
- Earnings per share -1.7 SEK

EVENTS AFTER THE QUARTER

- The Company has worked to secure additional funding in advance of the earnings announcement but this will require some additional time to close. The intent is to secure a stronger capital structure, aimed at investing in support of continued growth

JANUARY TO SEPTEMBER 2019

- Order Intake increased to 45.7 MSEK (31.5) and Order Backlog to 46.9 MSEK (23.3)
- Net Sales totalled 38.1 MSEK (33.4)
- Gross Margin increased to 58% (51)
- Adjusted EBITDA -82.2 MSEK (-64.9)
- Non-recurring expenses in connection with the reverse takeover in February totalling -28.5 MSEK
- Earnings per share -5.8 SEK

EVENTS DURING THE QUARTER

- Signed three new customers in a number of verticals including United States Government, Automotive and Recruitment
- Increased and extended contractual relationships with several long-standing accounts including a number of existing customers increasing the usage element of the agreement
- Recognized by industry analyst firm Gartner, in their latest Market Guide for Conversational Platforms
- Artificial Solutions' patent is valued at 1,460 MSEK by Oxfirst Ltd, showing an increase of 58%

KEY FIGURES

MSEK	JUL-SEP 2019	JUL-SEP 2018	JAN-SEP 2019	JAN-SEP 2018	FULL YEAR 2018
Order Intake	6.1	3.7	45.7	31.5	55.4
Order Backlog	46.9	23.3	46.9	23.3	35.2
Net Sales	12.8	9.6	38.1	33.4	44.9
Gross Margin %	62%	52%	58%	51%	45%
Adjusted EBITDA	-26.9	-20.5	-82.2	-64.9	-100.3
Partner Revenue %	43%	38%	42%	29%	32%
Earnings per share, SEK	-1.7	n/a	-5.8	n/a	n/a
Cashflow from Operations	-27.6	-29.6	-112.2	-71.6	-122.0

CEO STATEMENT



Lawrence Flynn
CEO

I am pleased to report another strong quarter where many indicators continue to move in the right direction. Order Intake has grown by 65%, Revenue has increased by 33% and Gross margin is up from 52% last year to 62%. Our Order Backlog has nearly doubled since the same period last year and we are now starting to see that our existing customers increase the usage element of their orders with us. The third quarter is traditionally a difficult one, as the vacation period has a negative impact on new business. Hence, set against this challenging climate, we have continued to show significant growth in Order Intake and Revenues. All of this is substantial evidence that the company is well positioned, and on track to prove the profitability of its business model in the medium to long-term. Looking over the full nine-month period, Order Intake has grown by 45% to 45.7 MSEK, and Order Backlog more than doubled to 46.9 MSEK.

STRENGTHENING THE CAPITAL STRUCTURE

The Board and management have, after quarter end, taken further steps to ensure that the financing requirements are adequately addressed through to cash-flow positivity. This means that the company is currently working to strengthen working capital and our financial structure in order to continue to invest in future growth. We also have some loans due until mid-2020, which was reported in the Company Description provided in March. The Board had anticipated securing additional funding in advance of this report however, we now require some additional time to close. The intent is to secure a stronger capital structure, aimed at investing in support of continued growth.

STRONGER CUSTOMER PORTFOLIO

We have some of the strongest brands in the world as our customers and this quarter we added another three, giving a total of ten new customers during the last six months.

Naturally, it takes time for these large multinational enterprises to roll out solutions across the business. Our new customers include a global search and recruitment firm, an additional US Government department and Scania, which is a new brand added to our community of Volkswagen Group companies. We are also experiencing positive signs elsewhere in our business, where existing customers are committing themselves to longer contracts.

Every customer is different, of course, but it is important to understand the scale of the opportunities before us. As I have said, our customers are some of the largest Companies in the world and they all have many use cases to which they can apply the power of the Teneo Platform.

So, whilst initial Order Intake precedes revenue by some time, I believe that a number of these existing customers will be generating significant usage revenues as they roll out to full scale deployments. Another strong indicator is the positive development of our partnership strategy. Revenue from our Partners has increased to 43% (38), driven by recently acquired relationships in the USA, as well as more established ones in Europe.

INCREASED PATENT VALUATION

In September, we announced that the value of our patent portfolio has grown by more than 50% to 152 MUSD (1.46 BSEK) after a valuation by Oxfirst Ltd, a professional firm of patent valuers. The increase in value is driven by many factors, but I am particularly pleased at the substantial increase in the number of forward citations of Artificial Solutions' founding patents in conversational AI technology. Since 2016, many of the largest software companies in the world including Apple, Nuance, Google and IBM have cited Artificial Solutions' pioneering patents, confirming our position as a leading innovator in this field.

It's also very satisfactory to acknowledge that we were recognised in Gartner's latest Market Guide for Conversational Platforms together with some of the biggest and most influential software companies in the world.

INCREASING SPEED TO MARKET

In March, we launched Teneo Developers, which is an environment in which our customers can learn and trial the Teneo technology guided by our senior experts. We have received a growing number of opportunities as a direct result of Teneo Developers.

During the third quarter, we closed one new customer as a direct result of Teneo Developers, and another customer entirely skipped the Request For Proposal process after trialling the Teneo Platform. Since the launch, we have had close to 1,000 partner and customer consultants learning how to build solutions on the Teneo Platform. Additionally, we have considerably increased the language availability of Teneo Developers, now supporting 7 of the platform's 36 languages, with an 8th, Japanese coming in Q4.

SUMMARY

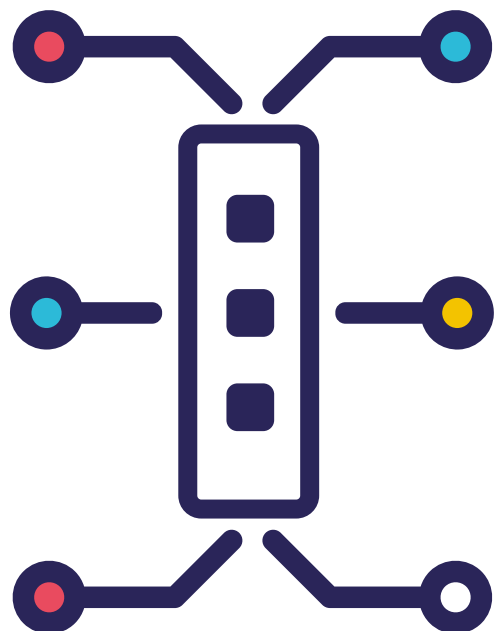
In summary, I continue to be pleased with the progress of the business; we are growing Order Intake and Revenues, we have an increasing number of new and existing customers in the process of building solutions that will generate future usage revenues. We are growing the Teneo universe of knowledge and increasing the use of Teneo Developers to drive new business.



Lawrence Flynn
CEO

Reference:

Company Description can be found at: <https://www.artificial-solutions.com/investor-relations/as-company-description>



THE CONVERSATIONAL AI MARKET

Artificial Solutions is a specialist in enterprise-strength Conversational AI, a form of AI that allows people to communicate with applications, websites and devices in everyday, humanlike natural language via voice, text, touch or gesture input. Its award-winning software, Teneo®, delivers an engaging and intuitive way for users to interact with technology and is set to revolutionize how humans relate to machines.

Artificial Solutions believes that owning the data is one of the key benefits of a conversational application, and through its Teneo platform, organizations can access and analyse this conversational data, using it for delivering real-time, actionable business insight.

Published market analyst predictions for market growth vary with a worst-case outlook provided by MarketsandMarkets stating, the global conversational AI market is set to grow from USD 4.2 billion in 2019 to USD 15.7 billion by 2024, a CAGR of 30.2% during the forecast period (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.

This is driving significant growth in the Virtual Customer Assistant sector, one of the solutions developed using Conversational AI platforms. And thus more optimistically, according to Research and Markets, the Individual Virtual Assistant market will grow at a CAGR of 38.82% between 2017 and 2023.

In any event, as more customers engage through digital channels, Virtual Customer Assistants are being implemented for handling customer requests on websites, mobile apps, consumer messaging apps and social networks. Gartner predicts that by 2021, 15% of all customer service interactions will be handled by AI, an increase of 400% from 2017.

References:

- 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 2019	JUL-SEP 2018	JAN-SEP 2019	JAN-SEP 2018	FULL YEAR 2018
Net Sales	12.8	9.6	38.1	33.4	44.9
Gross Margin	8.0	5.0	21.9	17.1	20.2
Gross Margin %	62%	52%	58%	51%	45%
EBITDA	-26.9	-20.5	-88.6	-64.9	-100.3
<i>Adjusted EBITDA</i>	-26.9	-20.5	-82.2	-64.9	-100.3
Operating loss	-29.8	-25.7	-119.8	-84.8	-118.8
<i>Adjusted Operating loss</i>	-29.8	-25.7	-91.3	-84.8	-118.8
Earnings per share, SEK	-1.7	n/a	-5.8	n/a	n/a
Equity ratio	1.8	0.2	1.8	0.2	0.8

MEUR	JUL-SEP 2019	JUL-SEP 2018	JAN-SEP 2019	JAN-SEP 2018	FULL YEAR 2018
Net Sales	1.2	0.9	3.6	3.3	4.4
Gross Margin	0.8	0.5	2.1	1.7	2.0
Gross Margin %	62%	52%	57%	51%	45%
EBITDA	-2.5	-2.0	-8.4	-6.3	-9.8
<i>Adjusted EBITDA</i>	-2.5	-2.0	-7.8	-6.3	-9.8
Operating loss	-2.8	-2.5	-11.4	-8.3	-11.6
<i>Adjusted Operating loss</i>	-2.8	-2.5	-8.6	-8.3	-11.6
Earnings per share, SEK	-0.2	n/a	-0.6	n/a	n/a
Equity ratio	1.8	0.2	1.8	0.2	0.8

The reporting currency for Artificial Solutions International AB is Swedish Kronor. Prior to the reverse takeover, the reporting currency of Artificial Solutions Holdings ASH AB was Euros. In order to enable comparison numbers are provided in both EUR and SEK. Detailed reports of P&L, Balance Sheet and Cash Flow are provided in SEK only.

Immediately following the reverse takeover Artificial Solutions International AB formerly, Indentive AB the Group distributed its subsidiary Indentive Värdepapper AB as a non-cash dividend to its shareholders. In order to provide comparatives on a like for like basis for the prior year the comparative numbers for the Group are provided for the former holding company Artificial Solutions Holdings ASH AB and do not include any of the Indentive AB operations.

THE GROUP IN BRIEF

ORDER INTAKE AND ORDER BACKLOG

Order intake is 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 orders received but 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.
3. Profitability and Margin - evaluation of the mix of the transitions, where License and Usage have higher profitability than Services.

Longer customer commitment

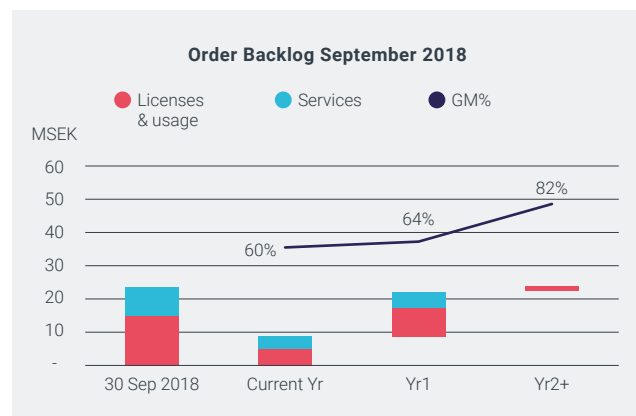
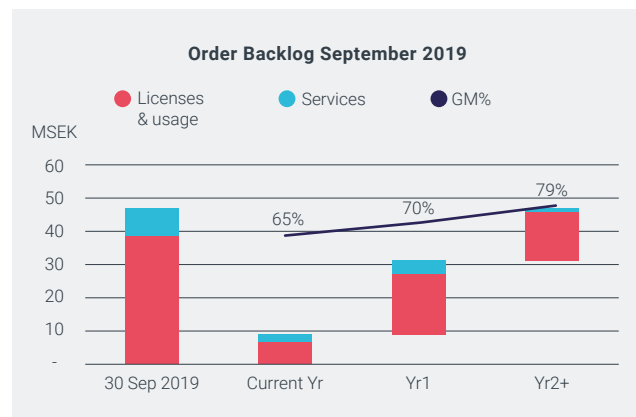
The charts look at the revenue mix of the Order Backlog and when it is expected that the Backlog will be delivered as revenue; it then compares the nature and timing with the same time last year. The overall value of Backlog has increased by 101% year on year. In 2019, Artificial Solutions have signed more long-term commitments with customers with 31% of total Order Backlog expected to be delivered in 2021 and beyond.

This change in pattern demonstrates the increased confidence that the customers have in the Teneo platform and are prepared to sign up for long term commitments.

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.

MSEK	SEP 2019	SEP 2018	FULL YEAR 2018
Licenses & Usage	29.6	17.0	34.7
Services	16.1	14.6	20.7
Total Order Intake	45.7	31.5	55.4
Licenses & Usage	38.1	15.1	26.6
Services	8.8	8.2	8.6
Total Order Backlog	46.9	23.3	35.2



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 is beyond that included in Backlog at any stage.

JULY TO SEPTEMBER 2019

Order Intake totalled 6.1 MSEK (3.7), an increase of 65% over the same period last year and Order Backlog increased to 46.9 MSEK (23.3), an increase of 101%. During the quarter, the company closed three new name accounts across diverse industries as well as renewing and expanding a number of existing agreements. The proportion of Orders taken by the Partners increased to 66% from 55% in the second quarter. Net Sales increased to 12.8 MSEK (9.6) an increase of 33%.

Personnel Costs have increased over the same quarter last year in line with headcount increasing from 104 in September 2018 to 106 at the end of September 2019; as well as the impact of annual salary reviews, and the increased cost of new employees in the USA and Asia Pacific.

Depreciation and Amortisation has decreased to -2.6 MSEK (-5.1) as Goodwill in Artificial Solutions Holdings ASH AB had been written off in full by the 31 December 2018 and as such, there is no charge for amortising Goodwill in 2019.

Operating Expenses increased to -45.3 MSEK (-37.3) with an Operating loss (EBIT) amounted to -29.8 MSEK (-25.7).

JANUARY TO SEPTEMBER 2019

Order Intake for the first nine months totalled 45.7 MSEK compared to 31.5 MSEK for the same period in 2018, an increase of 45%. During the first nine months a number of new name accounts were signed as well as renewals with existing accounts. The term of these agreements is increasing, to reflect the increasing confidence of our customers in the Teneo Platform.

Net Sales for the first nine months of the year has increased 14% over the same period in the previous year, 38.1 MSEK (33.4). Usage revenues have increased by 75% reflecting an increase in the number of customers building out their solutions and investing in Usage packages as the use of their solutions increases.

During the first nine months, Artificial Solutions did incur costs in respect of the reverse takeover of Indentive AB and these have been expensed in full in both the first and second quarters. One-off expenses of -28.5 MSEK, refer to written down Goodwill of -22.1 MSEK and -6.4 MSEK relate to the reverse takeover.

Personnel Costs have increased compared to the first nine months of 2018, from -75.9 MSEK to -86.6 MSEK. This increase is the result of annual salary increases, increase in headcount from 104 in September 2018 to 106 at the end of September 2019 and the increased cost of new employees in the USA and Asia Pacific.

Depreciation and Amortisation has decreased to -8.8 MSEK (-19.8) as Goodwill in Artificial Solutions Holdings ASH AB had been written off in full by the 31 December 2018 and as such there is no charge for amortising Goodwill in 2019.

Operating Expenses for the nine months increased to -165.5 MSEK (-126.4) and Adjusted Operating Expenses increased to -137.0 MSEK (-126.4).

Operating loss (EBIT) amounted to -119.8 MSEK (-84.8) and the adjusted operating loss was -91.3 MSEK (-84.8).

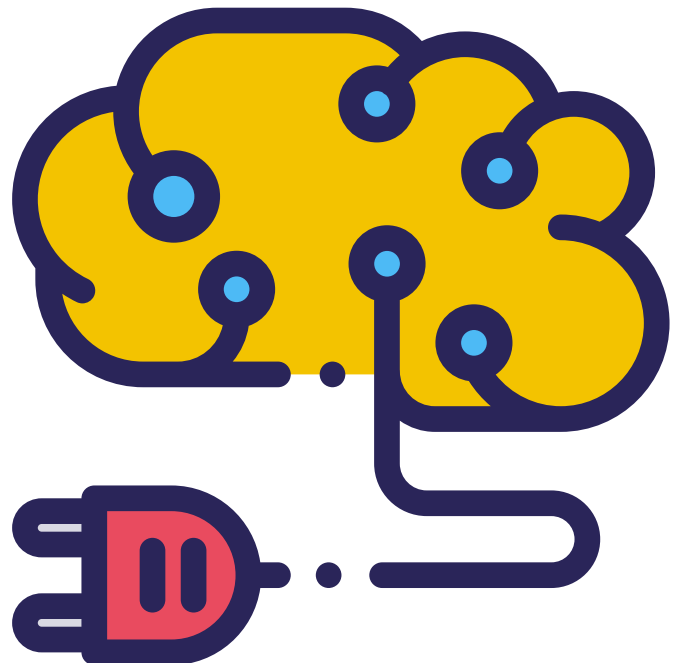
FINANCIAL ITEMS AND TAX

Due to the value of accumulated tax losses there is no tax payable in relation to 2018 or 2019. Net financial items have increased to -12.2 MSEK (-0.3) in the quarter. Of this, -7.8 MSEK are interests from loans and -9.0 MSEK is a provision for an outstanding loan to a third-party; the remainder is unrealised currency expenses. The total net financial items for the first nine months of the year is -24.7 MSEK (-0.3), which is mainly due to the interest on loans.

CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

Cash Flow from operating activities amounted to -27.6 MSEK (-29.6) in the quarter and -112.2 MSEK (-71.6) in the first nine months of the year. The reduction in the use of cash in the quarter relates to increases in financing fees compensated by improved collections. In the first nine months, the increase in the use of cash relates principally to non-recurring costs of the Reverse Takeover.

Although it has experienced strong order intake and revenue growth, the Group is not yet cash flow positive and has a number of Loans and Bonds which are due in 2020. In recognition of the above, the Board and management have made plans and taken steps to ensure the company adequately address the financing requirement until cash flow positive. It is the Boards expectation that the measures taken will adequately address the Groups cash requirements. The Group has facilities available to cover cash requirement until the necessary steps are completed.



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).

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"). The Reverse Takeover was subject to approval by Artificial Solutions' (previously Indentive AB) annual general meeting held on 28 February 2019. Immediately following the completion of the Reverse Takeover, Artificial Solutions Holding's shareholders held approximately 97.75 per cent of the shares and votes in Artificial Solutions (previously Indentive AB), and the current shareholders of held approximately 2.25 per cent of the shares and votes in Artificial Solutions (previously Indentive AB). As such for comparison purposes, the Parent Company excludes all Indentive Värdepapper transactions.

This quarter there was operating income in the Parent Company Artificial Solutions International AB of 1.0 MSEK (3.1); this is revenue from a single customer agreement entered into with the Parent Company. Other external costs in the quarter of -568.2 MSEK (-1.6) and nine months of -580.5 MSEK (-11.2) relate to transaction costs incurred as a result of the reverse takeover. These costs will not be repeated.

As a result of the reverse takeover, Artificial Solutions International AB acquired the investments in the Artificial Solutions group subsidiaries of 1,121.0 MSEK. Following a review of the value the Board has decided to reduce the value of this investment to 556.0 MSEK (9.3), a write down of 565.0 MSEK.

The group has made a provision of 9.0 MSEK against outstanding loans.

Changes in working capital related to intercompany transactions with group companies.

SIGNIFICANT RISKS AND UNCERTAINTIES

Through its operations, the Group is exposed to a range of operational and financial risks. These risks 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 year to date, Artificial Solutions entered into a new Lease Agreement for a new office with Vencom Property Partners AB. The terms of the Lease are 1.5 MSEK per annum for a term of 2 years. The agreement is considered to be at Market rates.

The Group entered into a Consulting Services agreement with ASH&Partner AB for a period of 13 months at a rate of 30,000 SEK per month.

The Group entered into a Consulting Services agreement with JUTechnology LLC for a period of 13 months at a rate of 21,660 SEK per month.

EMPLOYEES

The number of full-time equivalent employees in the Group at 30 September 2019 amounted to 106 (104).

EVENTS DURING THE QUARTER

In the second quarter, Artificial Solutions registered a directed share issue of 2,736,847 shares raising 65.7 MSEK, prior to transaction costs. The transaction was registered in July 2019.

EVENTS AFTER THE QUARTER

The Company has worked to secure additional funding in advance of the earnings announcement but this will require some additional time to close.

The intent is to secure a stronger capital structure, aimed at investing in support of continued growth.

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, 2019 was 24,710,665 shares. The largest owner is Scope, which holds 43.8% of the number of shares.

	30 SEP 2019	30 SEP 2018	31 DEC 2018
Number of shares at the end of the period	24,710,665	14,215,572	14,215,572
Average number of shares before dilution	17,771,719	8,972,296	10,283,115
Average number of shares after dilution	18,478,183	9,743,447	10,536,765

INCENTIVE PROGRAM 2019/2022

At the Annual General Meeting of Artificial Solutions on 28 February 2019, it was resolved to introduce a long-term incentive program in the form of a warrant program, Incentive Program 2019/2022. The incentive program is directed to Artificial Solutions' Board members. Artificial Solutions issued 195,628 warrants to the subsidiary Artificial Solutions Holding ASH AB, which subscribed for all warrants. As of 31 March 2019, Artificial Solutions Holding ASH AB has allocated 195,628 warrants to the board members of the Company for SEK 4.58 per warrant.

The warrants of Serie 2019/2022 give the right to subscribe for one new share in the Company at a subscription price of 150 per cent of SEK 32.87, which corresponds to the volume-weighted average price for the Company's share on Nasdaq First North during the period from 11 March 2019 to 22 March 2019 ("VWAP"). The maximum dilution under Incentive Program 2019/2022 is estimated to amount to a maximum of approximately 0.89 per cent of the total number of shares and votes in Artificial Solutions. The warrants can be exercised during the period from 1 February 2022 until 15 June 2022.

INCENTIVE PROGRAM 2019/2024

At the Annual General Meeting of Artificial Solutions on 28 February 2019, it was resolved to introduce a long-term incentive program in the form of a warrant program, Incentive Program 2019/2024. The incentive program is directed to senior executives and other key personnel. Artificial Solutions issued 978,135 warrants to the subsidiary Artificial Solutions Holding ASH AB, which subscribed for all warrants. As of 31 March 2019, Artificial Solutions Holding ASH AB has allocated 859,720 warrants to employees within the Group for SEK 11.26 per warrant to employees in Sweden and without consideration to employees outside of Sweden.

The warrants of Serie 2019/2024 give the right to subscribe for one new share in the Company at a subscription price of 100 per cent of SEK 32.87, which corresponds to VWAP as defined above. The maximum dilution effect under Incentive Program 2019/2024 is estimated to amount to a maximum of approximately 4.44 per cent of the total number of shares and votes in Artificial Solutions. The warrants can be exercised during the period from 1 February 2024 until 15 June 2024. However, no UK employees received any warrants but instead EMI options giving the right to the same number of shares as the UK employee should have received right to under the Incentive Program 2019/2024, on substantially the same terms and conditions as under Incentive Program 2019/2024.

REVIEW BY AUDITORS

This Interim Report has been reviewed by the company's auditors.

ANNUAL GENERAL MEETING

The 2019 Annual General Meeting of Artificial Solutions International AB (publ) will be held in Stockholm, on 19 May 2020.

FINANCIAL CALENDAR

- Interim report for the fourth quarter 2019: February 27th, 2020
- Interim report for the first quarter of 2020: May 18th, 2020
- Interim report for the second quarter of 2020: July 30th, 2020
- Interim report for the third quarter of 2020: October 29th, 2020
- Interim report for the fourth quarter 2020: February 4th, 2021

Stockholm, 14 November 2019

Lawrence Flynn

CEO

Artificial Solutions financial reports are available at the corporate website, <https://www.artificial-solutions.com/investor-relations/as-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 November 14, 2019.

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 (www.penser.se, tfn +46 (0) 8-463 83 00, e-post certifiedadviser@penser.se).



AUDIT REVIEW REPORT

**ARTIFICIAL SOLUTIONS AB (PUBL), CORP.
REG. NO. 556840-2076**

INTRODUCTION

We have reviewed the accompanying balance sheet of Artificial Solutions International AB as of September 30, 2019 and the related statements of income, changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

UNCERTAINTY FACTOR REGARDING THE ASSUMPTION OF GOING CONCERN

As shown in the consolidated balance sheet, the reported liabilities significantly exceed the reported current assets as of September 30, 2019. Taking into account the company's reported cash flows during the 9-month period 2019 and the account that a large part of the company's loans fall due in 2020, the company is in need of capital contributions to secure continued operation. As stated in the interim report under the heading "cash flow, working capital and financial position", it is the company's and the Board's assessment that there are conditions for continued operation. In this report's submission and our review of the company's liquidity forecast and conditions for future refinancing opportunities, it is our assessment that there is a substantial uncertainty about the possibility of continued operations. Our assessment is based on the fact that we cannot safely determine whether the refinancing will be successful or not.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at September 30, 2019, and of its financial performance and its cash flows for the nine-month period then ended in accordance with the Swedish Annual Accounts Act.

Stockholm on the 14 November 2019

Grant Thornton Sweden AB

Carl-Johan Regell

Authorized Public Accountant

GROUP FINANCIAL STATEMENTS

GROUP CONSOLIDATED INCOME STATEMENTS

MSEK	JUL-SEP 2019	JUL-SEP 2018	JAN-SEP 2019	JAN-SEP 2018	FULL YEAR 2018
Net Sales	12.8	9.6	38.1	33.4	44.9
Capitalized amount for own accounts	2.6	2.1	7.5	8.2	12.2
Other operating income	0.0	-	0.0	-	5.3
Total operating income	15.4	11.7	45.6	41.6	62.4
Personnel costs	-29.0	-22.9	-86.6	-75.9	-105.9
Other external costs	-13.4	-9.3	-47.8	-30.6	-51.5
Depreciation and amortization on fixed assets	-2.6	-5.1	-8.8	-19.8	-23.7
Other operating expenses	-0.2	-0.0	-22.3	-0.0	-0.1
Total operating expenses	-45.3	-37.3	-165.5	-126.4	-181.2
Operating loss	-29.8	-25.7	-119.8	-84.8	-118.8
Net financial items	-12.2	-0.3	-24.7	-0.3	-27.3
Loss after financial items	-42.1	-26.0	-144.5	-85.1	-146.1
Tax on result for the period	-	-	-	-	-
NET RESULT FOR THE PERIOD	-42.1	-26.0	-144.5	-85.1	-146.1

GROUP CONSOLIDATED BALANCE SHEET

MSEK	30 SEP 2019	30 SEP 2018	31 DEC 2018
ASSETS			
Non-current assets			
Capitalised expenditure for licensed software and development	30.0	28.7	29.4
Goodwill	-	-	-
Equipment, furniture and fitting	1.8	1.9	1.8
Other non-current receivables	5.6	5.5	5.5
Total non-current assets	37.3	36.2	36.7
Current assets			
Current receivables	34.1	14.4	23.0
Cash and bank balances	15.6	71.7	46.8
Total current assets	49.7	86.0	69.8
TOTAL ASSETS	87.0	122.2	106.5
EQUITY AND LIABILITIES			
Equity			
Share capital	44.5	37.6	37.4
Share premium reserve	1,103.8	779.0	774.9
Other equity including result for the period	-1,301.7	-842.9	-898.7
Total Equity	-153.4	-26.3	-86.4
Non-current liabilities			
Liabilities to other lenders	2.2	26.2	52.3
Total non-current liabilities	2.2	26.2	52.3
Current liabilities			
Liabilities to other lenders	191.5	90.0	93.7
Current liabilities	17.5	9.1	7.3
Accrued expenses and deferred income	29.3	23.3	39.6
Total current liabilities	238.2	122.4	140.6
TOTAL EQUITY AND LIABILITIES	87.0	122.2	106.5

GROUP CONSOLIDATED CASH FLOW STATEMENT

MSEK	JUL-SEP 2019	JUL-SEP 2018	JAN-SEP 2019	JAN-SEP 2018	FULL YEAR 2018
Operating Activities					
Loss after financial items	-42.1	-26.0	-144.5	-85.1	-146.1
Adjustments for items not included in cash flow	6.6	3.6	45.5	11.1	35.6
Taxation paid and received	-0.0	-0.0	3.6	-0.0	-0.0
Cash flow from operating activities before changes in working capital	-35.5	-22.4	-99.0	-74.0	-110.5
Cash flow from changes in working capital	7.9	-7.3	-13.2	2.4	-11.5
Cash flow from operating activities	-27.6	-29.6	-112.2	-71.6	-122.0
Cash flow from investing activities	-3.0	-2.1	-8.1	-8.5	-13.1
Cash flow from financing activities	-3.7	95.5	89.1	146.8	176.8
Net change in cash and cash equivalents	-34.3	63.7	-31.2	66.6	41.8
Cash and cash equivalents beginning of the period	50.0	7.9	46.8	5.0	5.0
Cash and cash equivalents end of the period	15.6	71.7	15.6	71.7	46.8

GROUP CONSOLIDATED CHANGE IN EQUITY

MSEK	30 SEP 2019	30 SEP 2018	31 DEC 2018
Amount Brought Forward	-86.4	-78.4	-78.4
New Issue of Shares	84.3	136.8	136.8
Translation Differences	-6.8	0.3	1.3
Results for the period	-144.5	-85.1	-146.1
Amount Carried Forward	-153.4	-26.3	-86.4

KPIs

MSEK	JUL-SEP 2019	JUL-SEP 2018	JAN-SEP 2019	JAN-SEP 2018	FULL YEAR 2018
Order Intake	6.1	3.7	45.7	31.5	55.4
Order Backlog	46.9	23.3	46.9	23.3	35.2
Net Sales	12.8	9.6	38.1	33.4	44.9
Gross Margin	8.0	5.0	21.9	17.1	20.2
Gross Margin %	62%	52%	58%	51%	45%
Adjusted EBITDA	-26.9	-20.5	-82.2	-64.9	-100.3
Usage Revenue	2.7	1.1	7.2	4.1	5.3
Usage Revenue %	21%	12%	19%	12%	12%
Partner Order Intake %	66%	77%	40%	27%	50%
Partner Revenue %	43%	38%	42%	29%	32%

FINANCIAL STATEMENTS PARENT COMPANY

PARENT COMPANY INCOME STATEMENT

MSEK	JUL-SEP 2019	JUL-SEP 2018	JAN-SEP 2019	JAN-SEP 2018	FULL YEAR 2018
Net Sales	1.0	2.6	1.9	11.7	13.2
Other operating income	-	0.5	-	4.0	4.2
Total operating income	1.0	3.1	1.9	15.7	17.4
Other external costs	-568.2	-1.6	-580.5	-11.2	-12.6
Other expenses	-	-6.4	-	-22.3	-25.5
Total operating expenses	-568.2	-8.1	-580.5	-33.5	-38.1
Operating loss	-567.2	-5.0	-578.6	-17.8	-20.7
Net financial items	-7.3	-0.1	-10.2	-0.2	-1.3
Loss after financial items	-574.5	-5.1	-588.8	-18.0	-22.0
Tax on result for the period	-	-	-	-	-
NET RESULT FOR THE PERIOD	-574.5	-5.1	-588.8	-18.0	-22.0

PARENT COMPANY BALANCE SHEET

MSEK	30 SEP 2019	30 SEP 2018	31 DEC 2018
ASSETS			
Non-current assets			
Capitalised expenditure	-	22.8	-
Receivable from Group companies	77.9	0.6	-
Financial assets	555.8	8.7	21.8
Total non-current assets	633.8	32.1	21.8
Current assets			
Current receivables	13.8	7.3	8.2
Cash and bank balances	0.9	-	-
Total current assets	14.7	7.3	8.2
TOTAL ASSETS	648.4	39.4	30.0
EQUITY AND LIABILITIES			
Equity			
Share capital	44.5	24.6	2.8
Share premium reserve	1,103.8	58.9	58.9
Other equity including result for the period	-553.8	-57.2	-37.1
Total Equity	594.5	26.3	24.7
Non-current Liabilities			
Liabilities to other lenders	0.3	2.9	0.4
Total non-current liabilities	0.3	2.9	0.4
Current liabilities			
Liabilities to other lenders	45.9	4.8	0.7
Current liabilities	6.0	2.9	2.6
Accrued expenses and deferred income	1.6	2.6	1.7
Total current liabilities	53.6	10.3	4.9
TOTAL EQUITY AND LIABILITIES	648.4	39.4	30.0

PARENT COMPANY CASH FLOW STATEMENT

MSEK	JUL-SEP 2019	JUL-SEP 2018	JAN-SEP 2019	JAN-SEP 2018	FULL YEAR 2018
Operating Activities					
Loss after financial items	-574.5	-5.1	-588.8	-18.0	-22.0
Adjustments for items not included in cash flow	570.8	0.6	573.3	0.9	2.2
Taxation paid and received	-	-	-	-	-
Cash flow from operating activities before changes in working capital	-3.7	-4.5	-15.5	-17.1	-19.8
<i>Cash flow from changes in working capital</i>	<i>-16.6</i>	<i>-2.5</i>	<i>-70.7</i>	<i>-1.8</i>	<i>-0.8</i>
Cash flow from operating activities	-20.3	-7.0	-86.2	-18.9	-20.6
Cash flow from investing activities	-	-0.4	-0.0	-4.4	-4.1
Cash flow from financing activities	-3.7	7.0	87.1	10.6	12.0
Net change in cash and cash equivalents	-24.0	-0.4	0.9	-12.7	-12.7
Cash and cash equivalents beginning of the period	24.9	0.4	-	12.7	12.7
Cash and cash equivalents end of the period	0.9	-	0.9	-	-

PARENT COMPANY CHANGE IN EQUITY

MSEK	30 SEP 2019	30 SEP 2018	31 DEC 2018
Amount Brought Forward	24.7	27.9	27.9
New Issue of Shares	1,178.8	16.4	16.4
Distributed to shareholders/Indentive Värdepapper	-21.8	-	-
Shareholder contribution	1.7	-	2.3
Results for the period	-588.8	-18.0	-22.0
Amount Carried Forward	594.5	26.3	24.7

DEFINITIONS OF KEY PERFORMANCE INDICATORS NOT DEFINED IN ACCORDANCE WITH BFAR

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.
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 Chris Bushnell, CFO, at a telephone conference on 14 November 2019 at 10:00 a.m. CET.

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

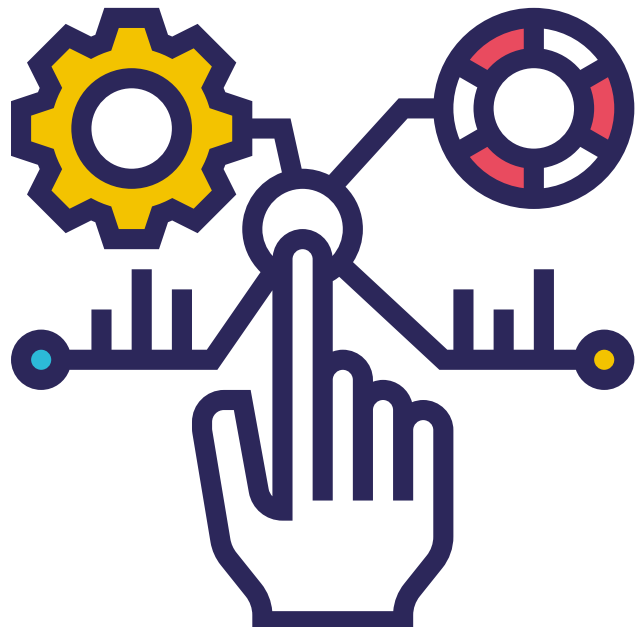
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United States (local) +1 6319131422

Conference ID: 12305025#

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

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