

QUARTERLY REPORT OCTOBER TO DECEMBER 2019

GROWTH PLAN SECURED BY FULLY SUBSCRIBED RIGHTS ISSUE

JANUARY TO DECEMBER 2019

- Order Intake was 62.7 MSEK (55.4) and Order Backlog increased to 49.9 MSEK (35.2)
- Net Sales totalled 49.1 MSEK (44.9)
- Gross Margin increased to 61% (45)
- Usage Revenue increased to 16% (12)
- Adjusted EBITDA was -112.8 MSEK (-100.3)
- Non-recurring expenses in connection with the reverse takeover in February totalling -28.5 MSEK
- Earnings per share -7.40 SEK

OCTOBER TO DECEMBER 2019

- Order Intake was 17.0 MSEK (23.8) and Order Backlog increased to 49.9 MSEK (35.2)
- Net Sales totalled 11.0 MSEK (11.5)
- Gross Margin increased to 55% (27)
- Adjusted EBITDA was -30.6 MSEK (-35.4)
- Earnings per share -1.50 SEK

EVENTS AFTER THE QUARTER

- The Rights Issue resolved by the Board on 12 December 2019 to raise a total of 120 MSEK was fully subscribed with the issue of 18.5 M shares

EVENTS DURING THE QUARTER

- Signed one new customer, a large Scandinavian retailer, adding to the eleven new customers signed earlier in the year
- Major USA Telecoms customer extends Teneo solution to support 11M customers
- Partnership Announced with Blue Prism, a leading Robotic Process Automation provider
- Patent for the Teneo Hybrid Methodology granted bringing the total number of foundational Patents to five

KEY FIGURES

MSEK	OCT-DEC 2019	OCT-DEC 2018	JAN-DEC 2019	JAN-DEC 2018
Order Intake	17.0	23.8	62.7	55.4
Order Backlog	49.9	35.2	49.9	35.2
Net Sales	11.0	11.5	49.1	44.9
Gross Margin %	55%	27%	61%	45%
Adjusted EBITDA	-30.6	-35.4	-112.8	-100.3
Partner Revenue %	54%	40%	45%	32%
Earnings per share, SEK	-1.5	n/a	-7.4	n/a
Cashflow from Operations	-32.4	-50.3	-144.4	-121.9

(For definitions please see page 18)

CEO STATEMENT



Lawrence Flynn
CEO

Perhaps unusually for an earnings' report, I would like to start with an event announced before the end of 2019 but concluded only recently. Of course, I am referring to the 100% fully subscribed, 120 MSEK Rights Issue. I am delighted this has closed with such strong support for the company and I would like to thank existing shareholders and welcome new shareholders to our community. This is a major milestone and sees the company well financially positioned to achieve positive cash flow from operations at the end of 2020, based upon achievement of its business plan and the refinancing of current debt.

Q4 SALES

During the fourth quarter we added another new name account, a very well-known Scandinavian retailer. Although this relationship begins with a full-scale customer pilot for both internal and customer facing use cases, this transaction sees a new and important customer begin their journey with the Teneo Platform, which will ultimately lead to a full-scale rollout and significant usage revenues.

Despite this significant success, we were disappointed to announce in a press release of January 17th, 2020, that one major transaction did not close as expected in December. We are still working closely with this account and expect it to close during early 2020. However, without it, we failed to meet market expectations for Order Intake for the year. Had the transaction closed as planned, the Order Intake achievement for the quarter, and indeed the whole of 2019, would have been in accordance with previous market guidance. We are naturally disappointed but believe this to be a timing issue rather than one of substance and thus, our guidance for 2020 remains unchanged.

Similarly, revenues for the quarter (11.0MSEK) were affected by the delayed closure as we would have been able to enhance this figure meaningfully had the missed transaction closed in time. Order Backlog stands at 49.9 MSEK as of 31st December (up from 46.9 MSEK at the end of the third quarter

and 42% up year-on-year) and perhaps even more importantly, high gross margin Licence and Usage account for more than 80% of this total.

Partners have continued to make a significant contribution in the quarter contributing 63% of the Order Intake number and 54% of the Revenue. This is important as it allows the business to focus on the highest gross margin revenue streams and achieve our end of 2020 goal of 70% Gross Margin. At the end of December, the full year Gross Margin was already 61%, which means that we are well on track.

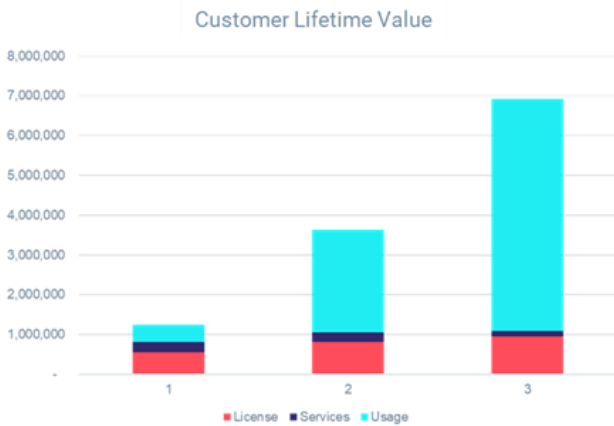
CUSTOMER SUCCESS

A number of key customers – Circle K (initially in 4 countries), Swisscom, Skoda and others, continued to extend the roll out of their solutions in live, public facing implementations and, a large USA based Telecoms company began to roll out its live solution, expanding the solution from supporting 150,000 of its customers to over 11 million customers.

Overall, 2019 was a good business year for Artificial Solutions, and I am especially pleased with the expansion of our Customer and Partner portfolio, adding 12 very large National and Multi-National, new name customer accounts during the year. Like the names mentioned above, as these accounts mature and deploy applications, they underpin future usage fees for the company adding to the 19 customers already deploying live applications on the Teneo Platform.

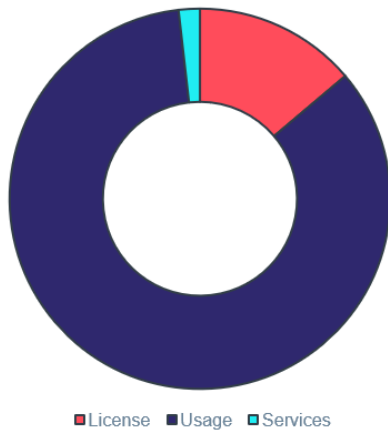
NEW MARKET GUIDANCE ON USAGE – 80%+ OF REVENUES BY END 2022

As part of the communication for the Rights Issue we provided important, new, forward looking guidance on usage fees. The Teneo Platform is built to help major organisations to communicate with very large numbers of customers. When this is done well, the volumes are significant. A key element of our revenue model is to charge our customers on a usage basis, charging per session, per transaction, per connection etc. Our existing customers are very large indeed and over the coming years we expect the revenues to grow rapidly with very high margins as applications are opened to their entire customer base, and as they add new use cases, new languages, new platforms and hence drive more Usage revenue.



As their solutions progress through the initial stages to high volume and live implementations, we expect the volumes to grow and Usage revenues are expected to grow from around 15% of total revenue today to in excess of 80% by 2022. Our largest customers are each capable of delivering Usage revenues of in the region of 60 MSEK or more a year, within two to three years.

Potential Revenue Split: 2022



Usage predicted to deliver 80% of all Teneo revenue in 2022

As previously stated, we have added 12 major customers in 2019 and many of them are just at the beginning of that predicted growth curve. I remain confident that with our existing, contracted Customers and Partners, we will continue to grow the business in line with the guidance.

PARTNERSHIPS REMAIN KEY

I am also delighted to report that we have concluded a new partnership with Blue Prism, a leader in the ultra-high growth Enterprise Robotic Process Automation sector. Adding this

dynamic to our existing blue-chip portfolio of partnerships further allows us to leverage investments made by enterprises in digital transformation, as Teneo powered Conversational AI solutions will be deployed to power Blue Prism robotic processes. This is a win-win for the partnership as both us and Blue Prism derive revenues through usage and the combination of the two technologies increases the usage per customer.

PATENTS

Maintaining thought and technology leadership is important to the company and I am pleased to report yet more evidence to support this as our 5th Patent - Teneo Hybrid Methodology – was granted during the quarter. This further enhances the standing of the company as a leader and innovator and comes in addition to the 1,460 MSEK valuation of the previous 4 patents conducted in Q3 2019.

SUMMARY

Quarter four 2019 had its challenges in terms of getting all the desired deals closed in time but, despite this, we have made excellent progress in 2019 and, supported by the new financial strength facilitated by the Rights Issue, the company is well placed to deliver on its market guidance for 2020 and beyond.

Lawrence Flynn
CEO

Reference:

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



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 MarketsandMarkets, 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 38.82% 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	OCT-DEC 2019	OCT-DEC 2018	JAN-DEC 2019	JAN-DEC 2018
Net Sales	11.0	11.5	49.1	44.9
Gross Margin	6.1	3.1	29.8	20.2
Gross Margin %	55%	27%	61%	45%
EBITDA	-30.6	-35.4	-119.2	-100.3
<i>Adjusted EBITDA</i>	-30.6	-35.4	-112.8	-100.3
Operating loss	-26.1	-34.0	-146.0	-118.8
<i>Adjusted Operating loss</i>	-26.1	-33.9	-117.5	-118.8
Earnings per share, SEK	-1.5	n/a	-7.4	n/a
Equity ratio	-2.5	-0.8	-2.5	-0.8

MEUR	OCT-DEC 2019	OCT-DEC 2018	JAN-DEC 2019	JAN-DEC 2018
Net Sales	1.0	1.1	4.6	4.4
Gross Margin	0.6	0.3	2.8	2.0
Gross Margin %	55%	27%	61%	45%
EBITDA	-2.8	-3.4	-11.3	-9.8
<i>Adjusted EBITDA</i>	-2.8	-3.4	-10.6	-9.8
Operating loss	-2.9	-3.3	-15.1	-11.6
<i>Adjusted Operating loss</i>	-2.9	-3.3	-12.3	-11.6
Earnings per share, EUR	-0.1	n/a	-0.7	n/a
Equity ratio	-2.5	-0.8	-2.5	-0.8

The reporting currency for Artificial Solutions International AB is Swedish Kronor (SEK). Prior to the reverse takeover, the reporting currency of Artificial Solutions Holding ASH AB was Euros (EUR). In order to enable comparison numbers are provided in both SEK and EUR. 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 Holding ASH AB and do not include any of the Indentive AB operations.

THE GROUP IN BRIEF

ORDER INTAKE AND ORDER BACKLOG

Whilst single orders still have a large impact on reported numbers, 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 and although the failure of a single order to close as expected before year-end, trends remain positive when compared to the previous year

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 transactions, 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 42% year on year. In 2019, Artificial Solutions have signed more long-term commitments with customers with 32% of total Order Backlog expected to be delivered in 2021 and beyond.

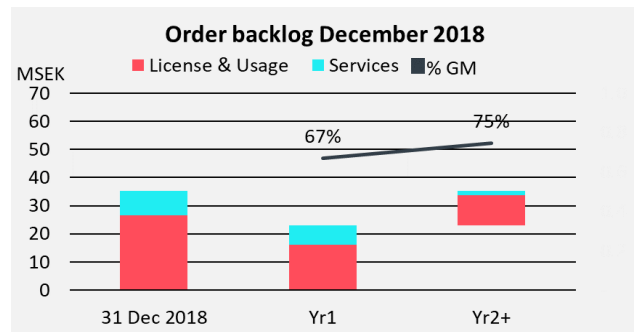
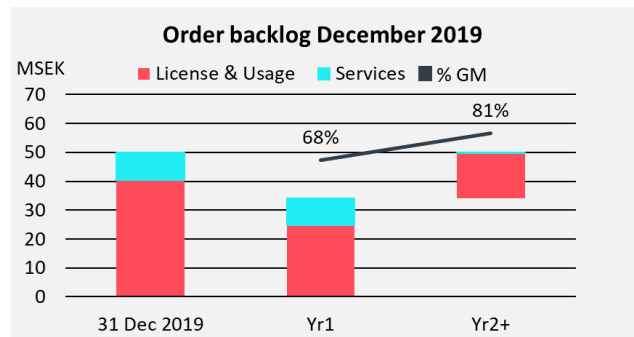
This change in pattern demonstrates the increased confidence that the customers have in the Teneo platform and are prepared to sign up for long term commitments.

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.

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.

MSEK	JAN-DEC 2019	JAN-DEC 2018
Licenses & Usage	40.2	34.7
Services	22.5	20.7
Total Order Intake	62.7	55.4
Licenses & Usage	40.4	26.6
Services	9.5	8.6
Total Order Backlog	49.9	35.2



OCTOBER TO DECEMBER 2019

Order Intake totalled 17.0 MSEK (23.8), a decrease of 29% over the same period last year and Order Backlog increased to 49.9 MSEK (35.2), an increase of 42%. During the quarter, the company closed one new name account, a well-known Scandinavian retailer and renewed and expanded a number of existing agreements. Net Sales totalled 11.0 MSEK (11.5) a decrease of 5%.

Personnel Costs have increased over the same quarter last year in line with headcount increasing from 104 in December 2018 to 113 at the end of December 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 -2.8 MSEK (-3.9) as Goodwill in Artificial Solutions Holding 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 decreased to -49.0 MSEK (-54.8) with an Operating loss (EBIT) amounted to -26.1 MSEK (-34.0).

JANUARY TO DECEMBER 2019

Order Intake for the full year totalled 62.7 MSEK compared to 55.4 MSEK for the same period in 2018, an increase of 13%. During the year 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.

Full year Net Sales has increased 9% over the same period in the previous year, 49.1 MSEK (44.9). Usage revenues have increased by 45% to 7.7 MSEK (5.3) 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 year, Artificial Solutions did incur costs in respect of the reverse takeover of Indentive AB in February 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 full year 2018, from -105.9 MSEK to -117.8 MSEK. This increase is the result of annual salary increases, increase in headcount from 104 in December 2018 to 113 at the end of December 2019 and the increased cost of new employees in the USA and Asia Pacific.

Depreciation and Amortisation has decreased to -11.6 MSEK (-23.7) as Goodwill in Artificial Solutions Holding 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 full year increased to -214.5 MSEK (-181.2) and Adjusted Operating Expenses increased to -186.0 MSEK (-181.2).

Operating loss (EBIT) amounted to -146.0 MSEK (-118.8) and the adjusted operating loss was -117.5 MSEK (-118.8).

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 amounted to -11.1 MSEK (-27.0) in the quarter as a full year interest charge was accounted for in the fourth quarter of 2018 and in 2019 interest has been accounted for quarterly. Of this, -7.9 MSEK are interest from loans and -4.3 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 full year is -35.8 MSEK (-27.4), which is mainly due to the interest on loans -28.6 MSEK (-25.9) and the provision for the outstanding loan -13.3 MSEK (0.0); the remainder is unrealised currency expenses.

CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

Cash Flow from operating activities amounted to -32.4 MSEK (-50.3) in the quarter and -144.4 MSEK (-121.9) in the full year. The reduction in the use of cash in the quarter relates mainly to the decrease in loan interest paid compared to the previous year. In the full year, the increase in the use of operating cash relates principally to non-recurring costs of the Reverse Takeover.

Although the Group has experienced strong order intake and revenue growth it 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 including the recent Right Issue 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).

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"). 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% 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.

As a result of the reverse takeover, Artificial Solutions International AB acquired the investments in the Artificial Solutions group subsidiaries of 1,121.5 MSEK. Following a review of the value the Board has decided to reduce the value of this investment to 281.0 a write down of -274.8 MSEK in the quarter and -840.5 in the year.

This quarter there was operating income in the Parent Company Artificial Solutions International AB of 1.1 MSEK (1.7); this is revenue from a single customer agreement entered into with the Parent Company. Operating expenses in the quarter totalled -5.5 MSEK (-4.6). In the full year, the operating expenses of -21.0 MSEK (-38.1) relate mainly to transaction costs incurred as a result of the reverse takeover. These costs will not be repeated. The write down of 565 MSEK relating to the value of Investment in subsidiaries made in the third quarter and reported as an Operating Expense has been reclassified as a Finance Expense this quarter.

The Board has considered the value of Loans to third parties and due to the uncertainty associated with these Loans, has decided to make a full provision against the collectability of these Loans resulting in a provision of 4.3 MSEK in the Quarter and 13.3 MSEK for the year.

Changes in working capital related to intercompany transactions with group companies. As a part of the Rights Issue, the company has obtained bridge loans amounting to 21.2 MSEK from the principal owner during the quarter.

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 31 December 2019 amounted to 113 (104).

EVENTS DURING THE QUARTER

Artificial Solutions announced a rights issue of up to approximately 120 MSEK with subscription commitments and declarations of intent of 75 MSEK, including an over-allotment option of up to 30 MSEK.

EVENTS AFTER THE QUARTER

On January 17th, 2020 the company adjusted its guidance on one of its reported metrics, Order Intake, for the financial year ending 31st December 2019 and added an additional metric. The amended guidance does not affect Revenue, EBITDA or Cashflow, for which all guidance remains unchanged. Despite strong performance in the second and third quarters 2019, the delay in closing one major contract in the fourth quarter has impacted the full-year Order Intake achievement and the Company now anticipates growth in Order Intake (one of the three financial guidance indicators provided to the market) to be lower than forecasted.

The four financial KPIs that the Company has now provided to the market are the following:

- Order intake on medium and long term shall grow in excess of NLP market
- Gross margin above 70% by the end of 2020
- Positive cash flows from operations by the end of 2020
- Usage revenue will be 80% of total revenue by 2022

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 December 31, 2019 was 24,710,665 shares. The largest owner is Scope, which holds 43.8% of the number of shares.

	31 DEC 2019	31 DEC 2018
Number of shares at the end of the period	24,710,665	14,215,572
Average number of shares before dilution	19,506,456	10,283,115
Average number of shares after dilution	20,329,744	10,536,765

SHARE-RELATED INCENTIVE PROGRAM

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% 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% 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% 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% 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.

AUDIT REVIEW REPORT

This Interim Report has not 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.

The Annual Report for 2019 will be published no later than 28 April 2020.

FINANCIAL CALENDAR

- 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, 27 February 2020

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 February 27, 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 (www.penser.se, tfn +46 (0) 8-463 83 00, e-post certifiedadviser@penser.se).

GROUP FINANCIAL STATEMENTS

GROUP CONSOLIDATED INCOME STATEMENTS

MSEK	OCT-DEC 2019	OCT-DEC 2018	JAN-DEC 2019	JAN-DEC 2018
Net Sales	11.0	11.5	49.1	44.9
Capitalized amount for own accounts	4.5	4.0	12.0	12.2
Other operating income	7.3	5.3	7.3	5.3
Total operating income	22.9	20.8	68.5	62.4
Personnel costs	-31.2	-30.0	-117.8	-105.9
Other external costs	-14.9	-20.9	-62.7	-51.5
Depreciation and amortization on fixed assets	-2.8	-3.9	-11.6	-23.7
Other operating expenses	-	-	-22.4	-
Total operating expenses	-49.0	-54.8	-214.5	-181.2
Operating loss	-26.1	-34.0	-146.0	-118.8
Net financial items	-11.1	-27.0	-35.8	-27.4
Loss after financial items	-37.2	-61.0	-181.7	-146.1
Tax on result for the period	-	-	-	-
NET RESULT FOR THE PERIOD	-37.2	-61.0	-181.7	-146.1

Note that 2018 comparative relates to the ongoing business of Artificial Solutions International AB, formerly Artificial Solutions Holding ASH AB.

GROUP CONSOLIDATED BALANCE SHEET

MSEK	31 DEC 2019	31 DEC 2018
ASSETS		
Non-current assets		
Capitalised expenditure for licensed software and development	31.7	29.4
Goodwill	-	-
Equipment, furniture and fitting	1.8	1.8
Other non-current receivables	5.4	5.5
Total non-current assets	39.0	36.7
Current assets		
Current receivables	31.8	23.0
Cash and bank balances	4.4	46.8
Total current assets	36.3	69.8
TOTAL ASSETS	75.3	106.5
EQUITY AND LIABILITIES		
Equity		
Share capital	44.5	37.4
Share premium reserve	1,103.1	774.9
Other equity including result for the period	-1,337.9	-898.7
Total Equity	-190.4	-86.4
Non-current liabilities		
Liabilities to other lenders	1.8	52.3
Total non-current liabilities	1.8	52.3
Current liabilities		
Liabilities to other lenders	221.1	93.7
Current liabilities	9.9	7.3
Accrued expenses and deferred income	32.8	39.6
Total current liabilities	263.8	140.6
TOTAL EQUITY AND LIABILITIES	75.3	106.5

GROUP CONSOLIDATED CASH FLOW STATEMENT

MSEK	OCT-DEC 2019	OCT-DEC 2018	JAN-DEC 2019	JAN-DEC 2018
Operating Activities				
Loss after financial items	-37.2	-61.0	-181.7	-146.1
Adjustments for items not included in cash flow	6.7	27.6	48.8	35.6
Taxation paid and received	0.1	-	3.7	-
Cash flow from operating activities before changes in working capital	-30.4	-36.4	-129.2	-110.4
Cash flow from changes in working capital	-2.0	-13.9	-15.2	-11.5
Cash flow from operating activities	-32.4	-50.3	-144.4	-121.9
Cash flow from investing activities	-5.3	-4.6	-13.6	-13.1
Cash flow from financing activities	26.5	30.0	115.7	176.8
Net change in cash and cash equivalents	-11.2	-24.9	-42.4	41.8
Cash and cash equivalents beginning of the period	15.6	71.7	46.8	5.0
Cash and cash equivalents end of the period	4.4	46.8	4.4	46.8

GROUP CONSOLIDATED CHANGE IN EQUITY

MSEK	31 DEC 2019	31 DEC 2018
Amount Brought Forward	-86.4	-78.4
New Issue of Shares	83.7	136.8
Translation Differences	-5.9	1.3
Results for the period	-181.7	-146.1
Amount Carried Forward	-190.4	-86.4

KPIs

MSEK	OCT-DEC 2019	OCT-DEC 2018	JAN-DEC 2019	JAN-DEC 2018
Order Intake	17.0	23.8	62.7	55.4
Order Backlog	49.9	35.2	49.9	35.2
Net Sales	11.0	11.5	49.1	44.9
Gross Margin	6.1	3.1	29.8	20.2
Gross Margin %	55%	27%	61%	45%
Adjusted EBITDA	-30.6	-35.4	-112.8	-100.3
Usage Revenue	0.5	1.3	7.7	5.3
Usage Revenue %	4%	11%	16%	12%
Partner Order Intake %	63%	80%	46%	50%
Partner Revenue %	54%	40%	45%	32%

FINANCIAL STATEMENTS PARENT COMPANY

PARENT COMPANY INCOME STATEMENT

MSEK	OCT-DEC 2019	OCT-DEC 2018	JAN-DEC 2019	JAN-DEC 2018
Net Sales	0.5	1.5	2.4	13.2
Other operating income	0.6	0.2	0.6	4.2
Total operating income	1.1	1.7	3.0	17.4
Other external costs	-5.5	-1.4	-21.0	-12.6
Other expenses	-	-3.2	-	-25.5
Total operating expenses	-5.5	-4.6	-21.0	-38.1
Operating loss	-4.4	-2.9	-18.1	-20.7
Net financial items	-281.1	-1.1	-856.3	-1.3
Loss after financial items	-285.5	-3.9	-874.3	-22.0
Tax on result for the period	-	-	-	-
NET RESULT FOR THE PERIOD	-285.5	-3.9	-874.3	-22.0

PARENT COMPANY BALANCE SHEET

MSEK	31 DEC 2019	31 DEC 2018
ASSETS		
Non-current assets		
Capitalised expenditure	-	-
Receivable from Group companies	103.6	-
Financial assets	281.0	21.8
Total non-current assets	384.6	21.8
Current assets		
Current receivables	5.7	8.2
Cash and bank balances	0.7	-
Total current assets	6.4	8.2
TOTAL ASSETS	391.1	30.0
EQUITY AND LIABILITIES		
Equity		
Share capital	44.5	2.8
Share premium reserve	1,103.1	58.9
Other equity including result for the period	-839.2	-37.1
Total Equity	308.4	24.7
Non-current Liabilities		
Liabilities to other lenders	-	0.4
Total non-current liabilities	-	0.4
Current liabilities		
Liabilities to other lenders	75.0	0.7
Current liabilities	6.1	2.6
Accrued expenses and deferred income	1.6	1.7
Total current liabilities	82.7	4.9
TOTAL EQUITY AND LIABILITIES	391.1	30.0

PARENT COMPANY CASH FLOW STATEMENT

MSEK	OCT-DEC 2019	OCT-DEC 2018	JAN-DEC 2019	JAN-DEC 2018
Operating Activities				
Loss after financial items	-285.5	-3.9	-874.3	-22.0
Adjustments for items not included in cash flow	280.2	1.2	853.5	2.2
Taxation paid and received	-	-	-	-
Cash flow from operating activities before changes in working capital	-5.3	-2.7	-20.8	-19.8
Cash flow from changes in working capital	-16.1	1.0	-86.8	-0.8
Cash flow from operating activities	-21.4	-1.8	-107.6	-20.6
Cash flow from investing activities	-	0.4	-	-4.1
Cash flow from financing activities	21.2	1.4	108.3	12.0
Net change in cash and cash equivalents	-0.2	-	0.7	-12.7
Cash and cash equivalents beginning of the period	0.9	-	-	12.7
Cash and cash equivalents end of the period	0.7	-	0.7	-

PARENT COMPANY CHANGE IN EQUITY

MSEK	31 DEC 2019	31 DEC 2018
Amount Brought Forward	24.7	27.9
New Issue of Shares	1,178.1	16.4
Distributed to shareholders/Indentive Värdepapper	-21.8	-
Shareholder contribution	1.7	2.3
Results for the period	-874.3	-22.0
Amount Carried Forward	308.4	24.7

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 Chris Bushnell, CFO, at a telephone conference on 27 February 2020 at 10:00 a.m. CET.

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

UK (local)	+44 3333009261
Sweden (local)	+46 850558356
United States (local)	+1 8335268384

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

CONTACT INFORMATION

Lawrence Flynn, CEO

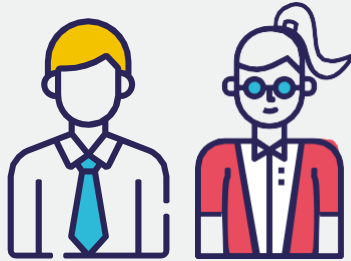
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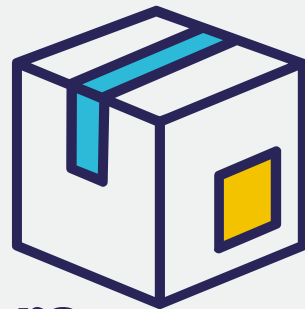
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Artificial Solutions® is the leading specialist in enterprise-strength Conversational AI, a form of Artificial Intelligence that allows people to communicate with applications, websites and devices in everyday, humanlike natural language via voice, text, touch or gesture input.

Designed for the global enterprise, the company's advanced conversational AI platform, Teneo®, allows business users and developers to collaborate on creating sophisticated, highly intelligent applications that run across 36 languages, multiple platforms and channels in record time. The ability to analyse and make use of the enormous quantities of conversational data is fully integrated within Teneo, delivering unprecedented levels of insight that reveal what customers are truly thinking.

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