QUARTERLY REPORT JANUARY TO DECEMBER 2020

STRONG CUSTOMER RESPONSE ON NEW SAAS BUSINESS MODEL

JANUARY TO DECEMBER 2020

- Order intake* was 44.9 MSEK (62.7)
- Order backlog* amounted to 35.2 MSEK (49.9)
- Net Sales amounted to 53.8 MSEK (49.1)
- Recurring Revenue amounted to 40.4 MSEK (27.1)
- Usage Revenue as % of sales increased to 31% (16)
- Gross Margin as % of sales increased to 66 % (61)
- Adjusted EBITDA was -78.0 MSEK (-112.8)
- Earnings per share amounted to -3.2 SEK (-7.4 SEK)

OCTOBER TO DECEMBER 2020

- Order intake* amounted to 9.4 MSEK (17.0)
- Net sales amounted to 9.7 MSEK (11.0)
- Recurring Revenue amounted to 7.6 MSEK (5.9)
- Usage Revenue as % of sales increased to 30% (4)
- Gross margin increased to 65% (55)
- Adjusted EBITDA amounted to -15.1 MSEK (-30.6)
- Earnings per share amounted to -1.0 SEK (-1.5)

EVENTS DURING THE QUARTER

- Per Ottosson joined as new CEO on November 2
- Introduction of a new SaaS business and delivery model
- Measures taken to adopt organisation to new business model and make it fit for profitable growth
- Operating expenses reduced with 40%
- SelectQuote – an US insurance broker – first customer on the new SaaS offering
- HelloFresh extends its engagement with our Teneo platform
- 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

EVENTS AFTER THE QUARTER

- Appointment of Daniel Eriksson as Chief Innovation & Customer Success Officer
- A number of recruitments within sales organization to accelerate the new business and delivery model
- Received 7.3 MSEK in cash tax refund January 2021 for performed R&D work in 2018

KEY FIGURES (For definitions please see page 20 and *for clarification on page 5)

MSEK	OCT–DEC 2020	OCT–DEC 2019	JAN–DEC 2020	JAN–DEC 2019
Order intake*	9.4	17.0	44.9	62.7
Order backlog*	35.2	49.9	35.2	49.9
Net sales	9.7	11.0	53.8	49.1
Recurring revenue	7.6	5.9	40.4	27.1
Usage revenue as % of total sales	30%	4%	31%	16%
Gross margin %	65%	55%	66%	61%
Adjusted EBITDA	-15.1	-30.6	-78.0	-112.8
Earnings per share, SEK	-1.0	-1.5	-3.2	-7.4
Cashflow from operations	-18.6	-32.4	-75.9	-144.4

CEO STATEMENT

Per Ottosson
CEO

My first quarter was a quarter of change for Artificial Solutions. Entering the quarter in October 2020, we had well advanced discussions with many large, interested customers but the discussions did not lead to contracts. It was time for a change. Our technology is one of the best on the market, one of the few that can deliver a complete solution. We also have fantastic customers in the US and Europe. Customers who invest heavily in the Teneo platform and for whom we are very grateful and dependent on in our development. We have a firm belief that Artificial Solutions now is very well positioned to gain market share.

I started as CEO at the beginning of the fourth quarter with the mandate from the board to modernize and vitalize Artificial Solutions commercial and delivery model. The market demand for new business and delivery model had changed more rapidly than anticipated accelerated by the pandemic. Customers require low entry costs and delivery as a service and Artificial Solutions earlier license-based business model didn't capture the customer demand well enough. Today customers also do not want to manage their platform themselves - but instead have it delivered as a service. We decided to accelerate change work to the maximum - a strategy change that should have taken a year, we carried out in a quarter. The changes have been received very well, our customers are delighted by the changes and new customer interactions are taking place each day. We have a firm belief that Artificial Solutions now are well positioned to gain market shares in the coming years.

New Business Model: SaaS

In the beginning of December, we communicated our transition to a SaaS business and delivery model. This model increases sharply in preference among our customer segments as the customer's cost (our revenues) to a greater extent than before is based on customer growth. By transitioning to a SaaS model, new customers experience a decrease in the initial financial hurdle and an easier way to start using our unique technology to enhance their productivity and potential revenue efforts.

As more and more players in the market rely on the SaaS model, a competitive advantage is created as the customer do not commit to any engagement until their business is mature. Through the new model, Artificial Solutions gets much better visibility for future and recurring revenue. Our ambition is to increase the volume of transactions at the same level as the customer's own ambition. Customers want to transfer as many transactions as possible to automated systems, including conversational AI, to streamline their operations and increase quality.

Cloud Delivery Model for the Future

In business-critical applications Microsoft Azure is the leading platform. Microsoft knows large enterprise's needs and situation better than any other provider on the market. Now when we are accelerating into a SaaS delivery, it is natural to select Microsoft Azure. If customers want to build faster conversational AI in their Azure Strategy, by utilizing all the tools available in Azure, Teneo offers a way to build much quicker solutions than any other vendor in the market. A Center of Excellence within of the "Big Four" (i.e., one of the auditor giants) has tested Teneo in Azure and they could conclude that the combination Teneo, Azure & Microsoft LUIS allows organization to build twice as fast, with 50% resources and deliver an unprecedented ROI. We only see benefits and opportunities to follow Microsoft LUIS by offering the 1,700 customers globally who have begun their journey with LUIS to build themselves or to use Teneo®.

Customer Success is Now Professional Services

After 20 years of development and a significant focus on Conversational AI, the Teneo platform offers a broad and deep functionality for building solutions for Conversational AI. Our customers can be found in all industries, e.g., Financial Services, Government, Insurance, Retail, Telecommunications, in US and Europe. Teneo offers a horizontal solution in a market which today mainly is organized by industry and function. Where competitors work in a specific industry and offer industry-specific skills, we can work horizontally. The final use of a customer is controlled by the customer or partner. Our role will be to support the customer or the partner - we do this in a Customer Success model in the same way as most successful SaaS companies do.

LUIS^Teneo®

Our Cloud service is named LUIS^Teneo® (LUIS to the power of Teneo). All the 1,700 organizations that are using MS Azure and MS LUIS can immediately benefit from the benefits Teneo offers to our customers. Other customers will select Azure and LUIS in order to take part of the benefits that the combination of LUIS^Teneo® provides. We have already acquired one customer in this area, SelectQuote. By delivering a development environment, stable operating environment, and the ability to efficiently build on 36 languages and dialects simultaneously, we empower Microsoft Azure and LUIS. All our current fantastic customers have the option of continuing with the old delivery model or transition to LUIS^Teneo. Many of them have already decided to transition to the new model but some will remain in the previous delivery model, which we remain committed to.

Significant Market Potential

We have had a stated goal of reaching a positive cash flow for many years. As this is a priority, it is equally important to analyze the market. The market is growing 20 – 25 % per annum and is today valued to 350 billion SEK (IDC: WorldWide Artificial Intelligence Spending Guide 2020). With our strong technology, our global customers, and the changes we have made we are well positioned to take part in this growth. Cash flow will be steered by the pace of growth we choose.

Our Technology

Teneo is an integrated development environment that enables organizations to build bots while maximizing their resources through rapid development, rapid deployment, increased functionality, and greater scalability. Our offering is the following:

- **Teneo Studio**, a graphical interface for developing conversational AI.
- **Teneo Engine**, an operating environment that improves models for Machine Learning with linguistic rules and knowledge.
- **Teneo Data**, an analysis platform that makes it possible to analyze customers' conversations and improve the AI solution.
- **Teneo Languages**, 30+ domestic language packages that allow you to launch multiple languages in the AI solution faster than with any other technology.

Internal Adjustments and Organizational Development Provide Cost Benefits

A completely new business model requires a radical change in the company's internal organization, structure, and way of working. In the future, our focus will be on development and new sales structure. We are convinced that the changes we have implemented will not only have an effect in the short term through cost savings but will also create an organization which is more fast-moving.

We have sold our APAC Division to our previous VP of APAC, who now will become a partner in the region. We have also simplified our organizational structure by having fewer managers, simplifying internal processes and legal structures in order to reduce our operating costs. We have also formed a partnership with our previous VP of Professional Services, who has hired several of the talented consultants who have left us, in order to support our customers.

Within the framework of our new partner program, we have focused on strengthening the relationships with Cognizant, Deloitte, CSGI, Accenture and TechMahindra to deliver our solutions. Our partners are more important than ever as we ourselves do not deliver consulting services, and very valuable to us in our ambition to reach new customers.

The last few months we have recruited several key staff with long experience from AI and SaaS.

The adaptation of the organization has received a strong positive reception internally. We can already see the effects of our lower cost base and we will get the full effect of the adjustment in Q1 2021. We estimate that our operating expense will be 105 MSEK on an annual basis in Q1 2021. This can be compared with our operating costs in Q1 2020, the only quarter without the impact of furlough support and similar support related to Covid-19, which was approximately 44,4 MSEK, corresponding to an annual number of almost 178 MSEK. The cost reductions enable the company to continue the business financed from operations or increase the investment pace to follow the market.

Technology Multiplying the Power of Conversational AI

Artificial Solutions' solutions enable faster development of advanced solutions for conversational AI, regardless of platform. Solutions based on our technology are also far superior in terms of scalability, number of languages and transaction volumes. It is fantastic to work with the strong and international development team that makes this possible and in the next few years we have a real opportunity to establish ourselves as an accelerator with leading players in conversational AI, including Microsoft.

Our technology can scale from a simple chatbot to handle hundreds of thousands of sessions every day in different languages. This can also be applied horizontally, which opens up an even larger market.

With one of the most technologically advanced platforms on the market, we are very strong in global competition. With a SaaS-based model, we will help our customers become productive and competitive. The team at Artificial Solutions will accelerate the growth that Teneo deserves.

With the major changes carried out, both, me and the rest of the management team believe we have a strong foundation for the future. We can see this in the increased number of customer discussions we are having, and I hope to come back shortly with updates on a number of exciting LUIS^Teneo customer engagements.

Per Ottosson, CEO

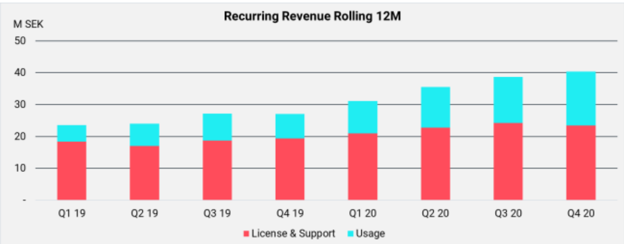
SALES DEVELOPMENT

RECURRING REVENUES KEY IN TRANSITIONING INTO THE SAAS MODEL

Recurring revenues – license and support together with usages revenues – are key for any software company. Despite a challenging year in 2020 in terms of sales to new customers, the recurring revenues have continued to grow.

The recurring revenues (Usage+License+Support) for the fourth quarter 2020 amounted to 7.6 MSEK (5.9), equivalent to 78% (53) of total net sales and an increase of 29% compared with the same period last year.

The recurring revenues (Usage+License+Support) for the full year 2020 amounted to 40.4 MSEK (27.1), equivalent to 75% (55) of total net sales and an increase of 49% compared with the same period last year.



This also highlights the strength in our underlying customers and the customer contracts. Our existing customers and the recurring revenues will be the foundation in Artificial Solutions transitioning into a full-scale SaaS company.

NEW REVENUE MODEL AND FUTURE CHANGES OF KEY RATIOS

With the introduction of the new SaaS business and delivery model, order intake and order backlog will not continue to be key ratios with **start of the first quarter 2021**.

Instead, there will be a focus on recurring revenues from 1 and 2 below and acquisition of new customers. The revenue streams in the new business and delivery model are:

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

The subscription revenues in 1. above are to some extent linked to what the company has reported as License revenue. API call revenues in 2. are to some extent linked to what the company has reported as Usage revenues but going forward will be directly linked to the actual usage. The Teneo Data revenues in 3. are based on ingested data. Expert services revenues in 4. are based on fees for training sessions and any other expert services is based on daily rates.

In the quarterly report for the first quarter 2021, the company will come back with more details on new and relevant key ratios for our new business and delivery model.

ORDER INTAKE AND ORDER BACKLOG

Order intake measures the total value of contractual commitments made by customers during the quarter. Order backlog represents the accumulated value of orders received but which have not yet been delivered. When analysing order backlog three key points should be considered:

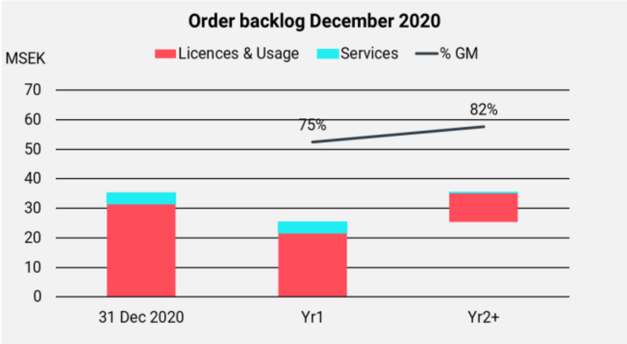
1. Nature of the backlog - what type of revenue does it represent, i.e., License, Usage or Services?
2. Timing – when will the service be delivered? This is sometimes not precise as it depends on the customers roll out plan and this is subject to change.
3. Profitability and Margin - evaluation of the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

The value of new order intake received in the fourth quarter 2020 amounted to 9.4 MSEK (17.0 MSEK), equivalent to a 45 % decrease compared to the same period last year that was exceptional due to long-term commitments, which are still on the backlog.

MSEK	JAN - DEC 2020	JAN - DEC 2019
Licenses & Usage	35.9	40.2
Services	9.0	22.5
Total Order Intake	**44.9**	**62.7**
Licenses & Usage	31.6	40.4
Services	3.7	9.5
Total Order Backlog	**35.2**	**49.9**

BACKLOG DEVELOPMENT

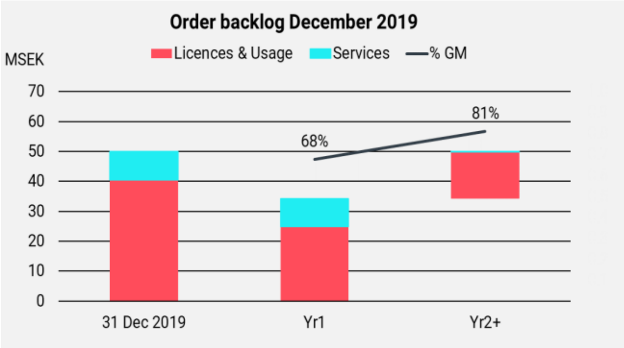
The charts look at the revenue mix of the order backlog and when it is expected that the backlog will be delivered as revenue; it then compares the nature and timing with the same time last year. The order intake for the quarter was below the value of revenue delivered, and the value of the order backlog decreased. The order backlog in the fourth quarter 2020 amounted to 35.2 MSEK (49.9 MSEK), equivalent to a decrease of 29 % compared to the same period last year.



MIX IN REVENUE ELEMENTS IMPROVES BACKLOG PROFITABILITY

Another key constituent of the 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 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.



OCTOBER TO DECEMBER 2020

Order intake for the fourth quarter 2020 amounted to 9.4 MSEK (17.0), a decrease of 45% over the same period last year. The order intake in the fourth quarter 2020 has been impacted by the effect of the Covid-19 pandemic and the changed market environment where customers want more operating expenses investments (SaaS) rather than large capex investments.

Net sales amounted to 9.7 MSEK (11.0), equivalent to a decrease of 12% compared to the same period last year. More importantly, the recurring revenues (Usage+License+Support) for the fourth quarter 2020 amounted to 7.6 MSEK (5.9), equivalent to 78% (53) of total net sales and an increase of 29% compared with the same period last year. The Usage revenues amounted to 3.0 MSEK (0.5), equivalent to an increase of 546% compared to the same period last year and, accordingly, Usage revenues accounted for 30% (4) of total net sales. The increasing percentage of recurring revenues, in particular usage revenues, of total net sales provides stability and visibility and the foundation in our transitioning to the SaaS model.

Personnel costs in the fourth quarter 2020 amounted to -31.9 MSEK (-31.2), an increase of 0.7 MSEK compared to the same period last year. Headcount has decreased from 113 at the end of December 2019 to 63 on December 31, 2020. The reduction in headcount is due to the changed business and delivery model and related organizational adjustment carried out by the company. The increased reported personnel cost in the fourth quarter 2020 compared with the same period last year includes one-off provisions related to organizational changes, including headcount reduction of -13.3 MSEK. This effect is offset by the savings of 12.6 MSEK. The savings with the new organization will be effective in full, from January 2021.

Furlough support of 2.2 MSEK received and tax credit for R&D in 2019 of 6.2 MSEK have been booked as other operating income.

Depreciation and amortisation in the fourth quarter 2020 amounted to -2.6 MSEK (-2.8). Capitalized R&D for the fourth quarter 2020 amounted to 1.0 MSEK (4.5).

Total operating expenses in the fourth quarter 2020 amounted to -44.6 MSEK (-49.0), of which -13.6 MSEK are operating costs directly linked to cost reduction measures the company has carried out in the quarter. These measures to adjust the organization were decided in December 2020, following the decision to introduce a new business model and delivery model. Almost all legal units, with and without employees, were affected. In combination with making employees redundant, cost reductions have been achieved by simplifying the legal structure, increasing span of control, reducing IT costs related to headcounts and reduction of premises costs among others.

Given the major reorganization of the company, the company wants to make a guidance on the annual run rate operating expenses with full effect in the first quarter 2021. The company expects the operating expenses in the first quarter 2021 to correspond to approximately 105 MSEK on annual basis. This can be compared with the operating expenses in the first quarter 2020, the only quarter in 2020 without impact of furlough schemes, government support during the Covid-19 pandemic and similar, of 44.4 MSEK, equivalent to annual operating expenses of around 178 MSEK. The operating expenses reduction in relation to first quarter 2020 will approximately amount to 70 MSEK in the first quarter 2021.

JANUARY TO DECEMBER 2020

Order intake for the full year 2020 totalled to 44.9 MSEK (62.7), a decrease of 28% compared to the same period last year. The order intake in 2020 has been impacted by the effect of the Covid-19 pandemic and the changed market environment where customers want more operating expenses investments (SaaS) rather than capex investments.

Net sales amounted to 53.8 MSEK (49.1), equivalent to an increase of 9% compared to the same period last year. More importantly, the recurring revenues (Usage+License+Support) for the full year 2020 amounted to 40.4 MSEK (27.1), equivalent to 75% (55) of total net sales and an increase of 49% compared with the same period last year. The Usage revenues amounted to 16.9 MSEK (7.7), equivalent to an increase of 121% compared to the same period last year and accordingly Usage revenues accounted for 31% (16) of total net sales. The high and increasing percentage of recurring revenues, in particular Usage revenues, of total net sales provides stability and visibility and the foundation in our transitioning to the SaaS model. Our existing customers using our Teneo platform are highly important for us in our continued journey as a software company.

Personnel costs for 2020 amounted to –116.1 MSEK (-

117.8), a decrease of 1% over the same period last year. Headcount has decreased from 113 at the end of December 2019 to 63 on December 31, 2020. The reduction in headcount is due to the organizational adjustment carried out by the company.

In terms of personnel costs, there is a reduction of -13.8 MSEK year over year due to employees being furloughed during six months and the organizational adjustment in December 2020 resulting in the workforce reduction. This decrease in costs is offset by the one-off provisions of expenses for the organizational adjustment (13.3 MSEK). The full effect of the cost savings will be effective from January 2021.

From May 2020 until October 2020 the company has taken the benefit of various Government support programs for Furloughed employees. Government furlough support of 4.1 MSEK received and expected tax credit for 2019 R&D of 6.2 MSEK have been booked as other income.

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

Operating expenses for the full year amounted to -171.7 MSEK (-214.5) and adjusted operating expenses to -158.1MSEK (208.1). Measures to adjust the organization were decided in December 2020, following the decision to introduce a new business model and delivery model. As part of the organizational adjustment the number of headcounts reduced from 111 end of the third quarter 2020 to 63 headcounts end of the fourth quarter 2020. Almost all legal units, with and without employees, were affected. In combination with making employees redundant, cost reductions have been achieved by simplifying the legal structure, increasing span of control, reducing IT costs related to headcounts and reduction of premises costs among others.

Given the major reorganization of the company, the company wants to make a guidance on the annual run rate operating expenses with full effect in the first quarter 2021. The company expects the operating expenses in the first quarter 2021 to correspond to approximately 105 MSEK on annual basis. This can be compared with the operating expenses in the first quarter 2020, the only quarter in 2020 without impact of furlough schemes, government support during the Covid-19 pandemic and similar, of 44.4 MSEK, equivalent to annual operating expenses of around 178 MSEK. The operating expenses reduction in relation to first quarter 2020 will approximately 70 MSEK in the first quarter 2021.

In 2019, non-recurring costs incurred in relation to the reverse takeover, negatively impacted the operating expenses for the year, with approximately -28.5 MSEK. Excluding these non-recurring costs, the total operating cost for the for the year 2019 amounted to -186.0 MSEK.

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 fourth quarter 2020 amounted to -22.4 MSEK (-11.1) and to -56.4 MSEK (-35.8) for the full year. Of this, in the fourth quarter 2020, -3.3 MSEK are losses without cash impact due to the sale and liquidation of two subsidiaries, -8.3 MSEK are interests and other related costs coming from third party loans, and the rest is mainly unrealized exchange rate expenses.

CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

Cash flow from operating activities for the fourth quarter 2020 amounted to -18.6 MSEK (-32.4) and to -75.9 MSEK (-144.4) for the full year 2020. The lower use of cash in 2020 versus 2019 relates mainly to the non-recurring costs of the Reverse Takeover incurred in 2019 and the impact of savings of operating expenses as a result of the Covid-19 pandemic.

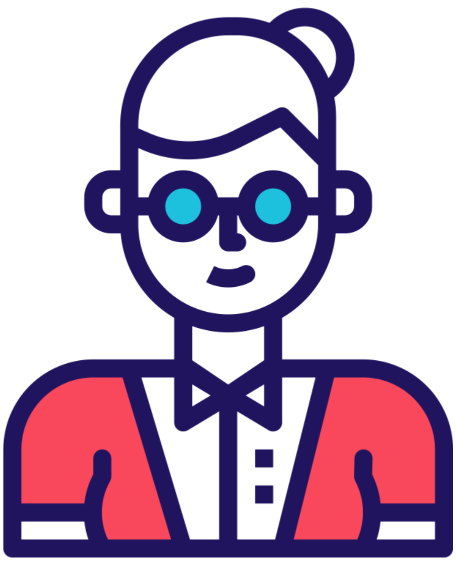
The measures taken to reduce the company's operating costs in the fourth quarter 2020 will have a material positive impact on the company's cash outflow for the full year 2021. The operating expenses are expected to be approximately 105 MSEK on annual basis in the first quarter 2021, equivalent to a decrease of more than 70 MSEK versus reported operating expenses of 44.4 MSEK in the first quarter 2020, equivalent to 178 MSEK on annualized basis. The first quarter 2020 is the only normalized quarter in 2020 due to different furlough, voluntary salary deferral and government support schemes related to the Covid-19 pandemic from May to October 2020.

In order to finance the negative cash flow from operating activities during the full year 2020, the company has issued new shares through a rights issue, a directed issue and the conversion of convertible notes. The company has issued shares for a total purchase price of 157.3 MSEK (145.9 net of transaction costs) through two share issues, both received during the first half of the year, and the conversion of shares from the convertible note, during fourth quarter of 2020.

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

As also communicated in connection with the interim report for the third quarter 2020, 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. On June 5, 2021, Artificial Solutions has a 52 MSEK bond that will be due. The company has discussions with the bondholders and the intention is to extend and refinance the bond.

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 fourth quarter 2020 net sales amounted to 0.3 MSEK (0.5) and for the year 2020 to 2.4 MSEK (2.4). This is revenue from a single customer agreement entered into with the Parent Company. For the fourth quarter 2020 operating expenses amounted to -6.9 MSEK (-5.5), of which 0.3 MSEK are costs directly linked to the organization adjustment. Operating expenses for the full year 2020 amounted to -17.8 MSEK (-21.0). The decrease of costs is mainly related to professional fees incurred 2019 as a result of the Reverse Takeover in 2019, net of an increase in operating expenses relating to marketing campaigns in Swedish media.

Net financial items for the fourth quarter 2020 amounted to -9.0 MSEK (-281.1) of which -8.2 MSEK are due to unrealized currency exchange rate adjustments, and the rest mainly due to interest on loans. In 2019, -274.8 MSEK were booked to write down the value of the investment in subsidiaries.

Net financial items for the full year 2020 amounted to –10.8 MSEK (-856.3), of which 7.0 MSEK are financial income and -17.8 MSEK are financial interest. On the income side, 3.8 MSEK are interest from intercompany loans and the rest are realized exchange adjustments. The expenses are –9.0 MSEK due to unrealized currency exchange rate adjustment and the remaining costs relate to interest costs on loans and a provision for a receivable from a group company. In 2019, -840.5 MSEK were booked to write down the value of the investment in subsidiaries.

During the year, the company has issued shares for a total purchase price of 157.3 MSEK (145.9 net of transaction costs) through two new share issues, both received during the first half of the year, and the conversion of shares from the convertible note, during the fourth quarter 2020.

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 and an earlier termination is under negotiation. The agreement is 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 December 2020 is 63 (113). The number of full-time equivalent employees in the Group on December 31, 2020 amounted to 78 (109).

EVENTS DURING THE QUARTER

ORGANIZATION

Per Ottosson, new CEO, was appointed on November 2, 2020.

CUSTOMERS

SelectQuote, listed US insurance broker, is the first customer signing up for the company's new SaaS offering.

FINANCING

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 also 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.

LEGAL COMPANY CHANGES

On December 9, 2020, the company communicated its decision to simplify its legal structure with fewer operating/non-operating subsidiaries and reducing the headcount to the new SaaS business and delivery and organization. The main objective with these activities is to reduce our operating costs as well as simplifying our operations.

The total cost impact, including provisions, from these legal company changes for concerned units in the fourth quarter 2020 of this restructuring is 31.2 MSEK, of which 10.7 MSEK are reported as operating expenses and 20.5 MSEK as financial costs.

On December 23, 2020, Artificial Solutions sold fully owned Singaporean subsidiary Artificial Solutions PTE.Ltd. to the CEO (VP Sales Asia) for 1 Singaporean dollar. In connection with the divestment of the entity, Artificial Solutions signed a partner agreement with the entity for the coverage of the Asian market. The transaction is not expected to have any revenue impact and positive impact on our operating expenses in 2021.

Artificial Solutions France SAS, our fully owned French subsidiary, was voluntary liquidated by year end 2020. The unit has no revenues and no employees and was voluntarily liquidated by year end 2020 to reduce our operating costs. The transaction is not expected to have any revenue impact and positive impact on our operating expenses in 2021.

In Artificial Solutions UK Ltd., our fully owned subsidiary in the UK, the employees were made redundant in December 2020. The company ceased trading and is in the process for voluntary liquidation as our French subsidiary. The transaction is not expected to have any revenue impact and positive impact on our operating expenses in 2021.

EVENTS AFTER THE QUARTER

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

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

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, 2020 was 48,565,512 shares. The largest owner is Scope, which holds 34.6% of the number of shares.

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

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.

ANNUAL GENERAL MEETING

The 2020 Annual General Meeting (AGM) of Artificial Solutions International AB (publ) will be held in Stockholm, on May 19, 2021. The Annual Report for 2020 will be published no later than three weeks in advance of the AGM 2021.

FINANCIAL CALENDAR

- Interim report for the first quarter of 2021: May 6, 2021
- Interim report for the second quarter of 2021: August 10, 2021
- Interim report for the third quarter of 2021: October 28, 2021

Stockholm, February 18, 2021

Per Ottosson, CEO

Artificial Solutions financial reports are available at the corporate website: 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 07:30 a.m. CET on February 18, 2021.

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).

FINANCIAL OVERVIEW GROUP

MSEK	OCT–DEC 2020	OCT–DEC 2019	JAN–DEC 2020	JAN–DEC 2019
Net sales	9.7	11.0	53.8	49.1
Gross margin	6.3	6.1	35.6	29.8
Gross margin %	65%	55%	66%	61%
EBITDA	-28.7	-30.6	-91.6	-119.2
Adjusted EBITDA	*-15.1*	*-30.6*	*-78.0*	*-112.8*
Operating loss	-25.5	-26.1	-97.8	-146.0
Adjusted Operating loss	*-11.9*	*-26.1*	*-84.2*	*-117.5*
Earnings per share, SEK	-1.0	-1.5	-3.2	-7.4
Equity ratio	-2.2	-2.5	-2.2	-2.5

MEUR	OCT–DEC 2020	OCT–DEC 2019	JAN–DEC 2020	JAN–DEC 2019
Net sales	0.9	1.0	5.1	4.6
Gross margin	0.6	0.6	3.4	2.8
Gross margin %	65%	55%	66%	61%
EBITDA	-2.8	-2.8	-8.7	-11.3
Adjusted EBITDA	*-1.5*	*-2.8*	*-7.4*	*-10.6*
Operating loss	-2.5	-2.9	-9.3	-15.1
Adjusted Operating loss	*-1.1*	*-2.9*	*-8.0*	*-12.3*
Earnings per share, EUR	-0.1	-0.1	-0.3	-0.7
Equity ratio	-2.2	-2.5	-2.2	-2.5

GROUP FINANCIAL STATEMENTS

GROUP CONSOLIDATED INCOME STATEMENTS

MSEK	OCT–DEC 2020	OCT–DEC 2019	JAN–DEC 2020	JAN–DEC 2019
Net Sales	9.7	11.0	53.8	49.1
Capitalized amount for own accounts	1.0	4.5	9.7	12.0
Other operating income	8.4	7.3	10.4	7.3
Total operating income	**19.1**	**22.9**	**73.9**	**68.5**
Personnel costs	-31.9	-31.2	-116.1	-117.8
Other external costs	-10.1	-14.9	-43.5	-62.7
Depreciation and amortization on fixed assets	-2.6	-2.8	-12.1	-11.6
Other operating expenses	-0.0	-	-0.0	-22.4
Total operating expenses	**-44.6**	**-49.0**	**-171.7**	**-214.5**
Operating loss	**-25.5**	**-26.1**	**-97.8**	**-146.0**
Net financial items	-22.4	-11.1	-56.4	-35.8
Loss after financial items	**-47.8**	**-37.2**	**-154.2**	**-181.7**
Tax on result for the period	-	-	-0.2	-
NET RESULT FOR THE PERIOD	**-47.8**	**-37.2**	**-154.4**	**-181.7**

GROUP CONSOLIDATED BALANCE SHEET

MSEK	31 DEC 2020	31 DEC 2019
ASSETS		
Non-current assets		
Capitalized expenditure for licensed software and development	29.8	31.7
Equipment, furniture, and fitting	1.3	1.8
Other non-current receivables	3.3	5.4
Total non-current assets	**34.4**	**39.0**
Current assets		
Current receivables	22.5	31.8
Cash and bank balances	20.1	4.4
Total current assets	**42.6**	**36.3**
TOTAL ASSETS	**77.0**	**75.3**
EQUITY AND LIABILITIES		
Equity		
Share capital	87.4	44.5
Share premium reserve	1,206.1	1,103.1
Other equity including result for the period	-1,466.2	-1,337.9
Total Equity	**-172.7**	**-190.4**
Non-current liabilities		
Liabilities to other lenders	115.7	12.1
Total non-current liabilities	**115.7**	**12.1**
Current liabilities		
Liabilities to other lenders	70.4	210.8
Current liabilities	11.9	9.9
Accrued expenses and deferred income	51.6	32.8
Total current liabilities	**134.0**	**253.6**
TOTAL EQUITY AND LIABILITIES	**77.0**	**75.3**

GROUP CONSOLIDATED CASH FLOW STATEMENT

MSEK	OCT-DEC 2020	OCT - DEC 2019	JAN-DEC 2020	JAN-DEC 2019
Operating Activities				
Loss after financial items	-47.8	-37.2	-154.2	-181.7
Adjustments for items not included in cash flow	10.3	6.7	40.2	48.8
Taxation paid and received	0.4	0.1	5.3	3.7
Cash flow from operating activities before changes in working capital	**-37.1**	**-30.4**	**-108.7**	**-129.2**
Cash flow from changes in working capital	18.5	-2.0	32.8	-15.2
Cash flow from operating activities	**-18.6**	**-32.4**	**-75.9**	**-144.4**
Cash flow from investing activities	-1.4	-5.3	-10.4	-13.6
Cash flow from financing activities	23.6	26.5	102.0	115.7
Net change in cash and cash equivalents	**3.6**	**-11.2**	**15.6**	**-42.4**
Cash and cash equivalents beginning of the period	16.5	15.6	4.4	46.8
Cash and cash equivalents end of the period	**20.1**	**4.4**	**20.1**	**4.4**

GROUP CONSOLIDATED CHANGE IN EQUITY

MSEK	31 DEC 2020	31 DEC 2019
Amount Brought Forward	**-190.4**	**-86.4**
New Issue of Shares	157.3	89.1
Warrant premiums	2.5	3.0
Transaction costs	-11.4	-8.4
Results for the period	-154.4	-181.7
Translation difference	23.7	-5.9
Amount Carried Forward	**-172.7**	**-190.4**

KEY RATIOS

MSEK	OCT-DEC 2020	OCT-DEC 2019	JAN–DEC 2020	JAN–DEC 2019
Order Intake	9.4	17.0	44.9	62.7
Order Backlog	35.2	49.9	35.2	49.9
Net Sales	9.7	11.0	53.8	49.1
Gross Margin	6.3	6.1	35.6	29.8
Gross Margin %	65%	55%	66%	61%
Adjusted EBITDA	-15.1	-30.6	-78.0	-112.8
Recurring Revenue	7.6	5.9	40.4	27.1
Recurring Revenue %	78%	53%	75%	55%
Usage Revenue	3.0	0.5	16.9	7.7
Usage Revenue %	30%	4%	31%	16%
Partner Order Intake %	44%	63%	69%	46%
Partner Revenue %	52%	54%	56%	45%

FINANCIAL STATEMENTS PARENT COMPANY

PARENT COMPANY INCOME STATEMENT

MSEK	OCT-DEC 2020	OCT-DEC 2019	JAN–DEC 2020	JAN–DEC 2019
Net Sales	0.3	0.5	2.4	2.4
Other operating income	0.7	0.6	0.7	0.6
Total operating income	**1.1**	**1.1**	**3.1**	**3.0**
Other external costs	-6.9	-5.5	-17.8	-21.0
Other expenses	-	-	-	-
Total operating expenses	**-6.9**	**-5.5**	**-17.8**	**-21.0**
Operating loss	**-5.9**	**-4.4**	**-14.6**	**-18.1**
Net financial items	-9.0	-281.1	-10.8	-856.3
Loss after financial items	**-14.9**	**-285.5**	**-25.4**	**-874.3**
Tax on result for the period	-	-	-0.2	-
NET RESULT FOR THE PERIOD	**-14.9**	**-285.5**	**-25.7**	**-874.3**

PARENT COMPANY BALANCE SHEET

MSEK	31 DEC 2020	31 DEC 2019
ASSETS		
Non-current assets		
Receivable from Group companies	176.4	103.6
Financial assets	281.7	281.0
Total non-current assets	**458.1**	**384.6**
Current assets		
Current receivables	1.2	5.7
Cash and bank balances	7.4	0.7
Total current assets	**8.6**	**6.4**
TOTAL ASSETS	**466.7**	**391.1**
EQUITY AND LIABILITIES		
Equity		
Share capital	87.4	44.5
Share premium reserve	1,206.1	1,103.1
Other equity including result for the period	-863.9	-839.2
Total Equity	**429.6**	**308.4**
Non-current Liabilities		
Liabilities to other lenders	13.2	-
Total non-current liabilities	**13.2**	**-**
Current liabilities		
Liabilities to other lenders	17.6	75.0
Current liabilities	3.6	6.1
Accrued expenses and deferred income	2.6	1.6
Total current liabilities	**23.9**	**82.7**
TOTAL EQUITY AND LIABILITIES	**466.7**	**391.1**

PARENT COMPANY CASH FLOW STATEMENT

MSEK	OCT-DEC 2020	OCT-DEC 2019	JAN–DEC 2020	JAN–DEC 2019
Operating Activities				
Loss after financial items	-14.9	-285.5	-25.4	-874.3
Adjustments for items not included in cash flow	5.4	280.2	7.3	853.6
Taxation paid and received	-	-	-0.2	-
Cash flow from operating activities before changes in working capital	**-9.5**	**-5.3**	**-18.4**	**-20.8**
Cash flow from changes in working capital	-11.1	16.1	-76.7	-86.8
Cash flow from operating activities	**-20.6**	**-21.4**	**-95.1**	**-107.6**
Cash flow from investing activities	-	-	-	
Cash flow from financing activities	25.0	21.2	101.8	108.3
Net change in cash and cash equivalents	**4.4**	**-0.2**	**6.7**	**0.7**
Cash and cash equivalents beginning of the period	3.0	0.9	0.7	-
Cash and cash equivalents end of the period	**7.4**	**0.7**	**7.4**	**0.7**

PARENT COMPANY CHANGE IN EQUITY

MSEK	31 DEC 2020	31 DEC 2019
Amount Brought Forward	**308.4**	**24.7**
New Issue of Shares	157.3	1,178.1
Transaction Costs	-11.4	-
Distributed to shareholders/Indentive Värdepapper	-	-21.8
Warrants	1.0	1.7
Results for the period	-25.7	-874.3
Amount Carried Forward	**429.6**	**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.
Recurring Revenue	Combined amount of revenue derived from Usage, License and Support revenues.
Recurring Revenue as % Total Revenue	Is calculated as the total recurring 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 Per Ottosson, CEO, and Fredrik Törgren, CFO, at a telephone conference on February 18, 2021 at 10:00 a.m. CET.

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

Sweden (local)	+46 8 505 100 39
Spain (local)	+34 91 769 94 94
UK (local)	+44 203 059 5869
United States (local)	+1 760 294 16 74

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

CONTACT INFORMATION

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Corp. ID no 556256-4657

ABOUT ARTIFICIAL SOLUTIONS

63 employees

6 offices

8 industries

27 partners

Artificial Solutions® is the leading specialist in enterprise-strength Conversational AI, a type of artificial intelligence that enables people to communicate with applications, websites, and internet-connected devices in a human-like manner through voice, text, touch or gesture interaction.

The company's advanced AI platform, Teneo, makes it possible for larger global corporations to collaborate with developers and together create sophisticated and highly intelligent conversational AI applications that runs over 36 languages, on multiple platforms and communication channels. The ability to analyze and benefit from the huge amount of conversation data is completely integrated into Teneo, which allows for unmatched insight into the customers' behaviors.

Artificial Solutions' technology for conversational AI makes it easy to implement a wide spectrum of applications with natural language, such as virtual assistants, chatbots, voice-based conversational interfaces for smart devices, and more.

The technology is already used by millions of people today in hundreds of implementations within both the public and private sector globally.

For more information, please visit:
www.artificial-solutions.com.