

# QUARTERLY REPORT OCTOBER TO DECEMBER 2021

## SAAS BUSINESS GROWING AND FINANCING SECURED

### OCTOBER TO DECEMBER 2021

- Net sales amounted to 9.8 MSEK (9.7)
- Net sales adjusted\*<sup>1</sup> amounted to 10.4 MSEK (10.2)
- Recurring revenues adjusted amounted to 9.4 MSEK (8.1)
- Rolling 12 months recurring revenues adjusted amounted to 36.7 MSEK (33.9)
- Usage revenues adjusted amounted to 4.0 MSEK (3.5)
- Gross margin increased to 72% (65)
- EBITDA adjusted amounted to -16.6 MSEK (-15.5)
- Earnings per share amounted to -0.3 SEK (-1.0)

### JANUARY TO DECEMBER 2021

- Net sales amounted to 38.9 MSEK (53.8)
- Net sales adjusted amounted to 45.3 MSEK (47.3)
- Recurring revenues adjusted amounted to 36.7 MSEK (33.9)
- Usage revenues adjusted amounted to 16.2 MSEK (10.4)
- Gross margin increased to 70% (66)
- EBITDA adjusted amounted to -60.0 MSEK (-78.3)
- Earnings per share amounted to -1.1 SEK (-3.2)

### EVENTS DURING THE QUARTER

- Signed SaaS agreement with GrapeTree, a US healthcare staffing solutions company
- Signed SaaS agreement with SelectQuote, a US online insurance broker
- Signed SaaS agreement with Skoda, a global car manufacturer
- Signed SaaS agreement with Hellofresh, a global meal-planning and delivery company
- Signed SaaS agreement with Scania, a world-leading provider of transport solutions
- Signed agreements with the Italian banks Widiba and BPM
- Successfully closed 250 MSEK in new 5-year credit facility to refinance existing debt and support continued growth
- R&D tax credit for 2020 approved – cash refund of approximately 5 MSEK expected to be received in January 2023

### EVENTS AFTER THE QUARTER

- Announced updated external valuation of Intellectual Property with a value of 1.6 BSEK
- Received 6.4 MSEK in cash tax refund January 2022 for performed R&D work in 2019

### KEY FIGURES (FOR DEFINITIONS PLEASE SEE PAGE 19 \* FOR ADJUSTED REVENUES CLARIFICATION ON PAGES 4-5)

MSEK	OCT-DEC 2021	OCT-DEC 2020	JAN-DEC 2021	JAN-DEC 2020
Net sales adjusted	10.4	10.2	45.3	47.3
Recurring revenues adjusted	9.4	8.1	36.7	33.9
Rolling 12 months recurring revenues adjusted	36.7	33.9	36.7	33.9
Usage revenues adjusted	4.0	3.5	16.2	10.4
Net sales reported	9.8	9.7	38.9	53.8
Gross margin %	72%	65%	70%	66%
Adjusted EBITDA	-16.6	-15.5	-60.0	-78.3
Earnings per share, SEK	-0.3	-1.0	-1.1	-3.2
Cash flow from operating activities	-17.4	-34.9	-38.2	-96.6

<sup>1</sup> \* The company has recalculated its Usage revenues to be aligned with the new SaaS model's "pay as you consume" principles. Please see pages 4-5 for adjusted revenues clarification.

## CEO STATEMENT



**Per Ottosson**  
CEO

Dear shareholders, colleagues, customers and partners:

The fourth quarter of 2021 was the final step in our transformation where we laid the foundation for a sales motion aligned to our SaaS (Software as a Service) model. We renewed with ten customers and signed seven new customers during the year and now see growth in our revenue with 17% (Adjusted Recurring Revenues) and 25% of our revenues comes from our new revenue model. We exit the year with a very strong cash position and on an accelerating growth trajectory, also on a non-adjusted basis.

### Transformation of Sales Last Component

Our transformation as a company is now complete entering 2022 as a SaaS Scaleup. Selling SaaS is a Land and Expand motion and requires a different set-up of our sales organization. Establishing this setup is the task of our Chief Revenue Officer Nicolas Köllerstedt who joined us from Snowflake in the third quarter. Our first sales executives for this model were hired during Q4 and joined us at the start of 2022. We have regionalized sales and have coverage of Central Europe and DACH and are working to buildout the US, Northern Europe, and the UK. We aim to fill the open positions in the first half of 2022. We have formed a dedicated partner organization and our first Inside Sales also started in the quarter.

We will be leveraging the solid partnership we have with Microsoft and through joint partners like CGI and CSGi, we are targeting a focused set of prospects across Europe and the US. We will work directly with the prospects, but our model will be to always fulfil through the channel. This is logical since our partners take our horizontal platform and add vertical knowledge to create a complete solution

for our customers. Of course, the customer always has the right to choose and in some cases our technology will be contracted directly from us. But all services are delivered by our partners.

### Our Customers

Our customers are growing. Considering renewals and new customers, we have signed 17 contracts during 2021 and the customers we enter 2022 with are on a trajectory to increase their usage of our solutions. A large Telco client went live with its solution in record time and exited the year on a rate of 250,000 phone calls per month being received by their Teneo-based solution after starting in May 2021! Our Customer Success organization has proven itself as customer feedback has been overwhelmingly positive in how we support customer and partner teams in their journeys.

### Growth in Sales

What is also very encouraging is the fact that we experience growth in the quarter on our sales metrics. Most importantly, we see that 25% of our revenues in December 2021 were generated by our SaaS customers (in total 8) and the SaaS customers continue to experience growth. We recorded a growth of 17% on non-adjusted total sales (excluding professional services) in Q4 YoY. As we have communicated since the introduction of the SaaS model, our partners are the ones that should generate the professional services revenues and this underlying growth, excluding professional services, is a proof-point that we are executing on our strategy.

For a SaaS company, the recurring revenues are key, and it is therefore satisfying to see that our adjusted recurring revenues in the fourth quarter YoY accounted for 90% of total sales, grew by 17% and by 8% on a rolling twelve-month basis. To summarize, we are executing on our strategy and are experiencing real sales growth. We will continue to focus on growing even faster in 2022.

### Financing

We closed the 5-year loan agreement with Capital Four in December 2021 and thereby secured our long-term financing. This left us with a cash position of more than 110 MSEK to start 2022 with and for enabling us to upscale sales.

## Our Technology

There are many companies in our industry that have been attracted by the market size and high growth rate and the fact that there is no clear market leader. The absolute majority of these have OpenSource technologies that they have integrated into a solution and offer a software plus Professional Service model. This is also how Artificial Solutions started in 2001. But we found two major issues with this approach.

- The first being the Ability to Scale. Without an engine that can take a large load, the ROI will fall short. Today we do 100's of API calls per-minute, millions per-month with several customers. That clearly sets us apart.
- The second is Solution Maintenance. Once the solution has been put in place there will be continuous changes to process and dialogue. This means having an interface that enables a team to collaborate and update rapidly, is key to scaling and producing a great Customer Experience. We understood this when IKEA decided to shut down 'Ask Anna' that we had built together in 2014. At that point we decided to build our next generation software, Teneo. We worked on this for several years and patented this technology in the process.

As a part of our refinancing with Capital Four, we also decided to get an updated estimate on the value of our patented technology. The report from Oxfirst sets that value at 1.6 BSEK. The main reason for this is that our patents are the most frequently cited in other patent applications in the field by the likes of Google, Apple and Amazon, because we were early into this field and our current patent portfolio is protected for more than 10 additional years. Having our own technology separates us from the rest and, as our customers grow their solutions, the market will see the value of this technology versus the also-rans quite clearly.

The Log4J security vulnerability that hit almost all organizations during the end of the year was a great accelerator for customers that are still running our software by themselves. Our SaaS customers were patched within 24 hours with no work on their side at all. We believe this will further increase the interest of our SaaS offering.

## It's 2022

We enter 2022 with a growing customer base of very satisfied clients and with the best technology now available in a pay-as-you-go business model without customers requiring investments in Infrastructure and Operations for our clients. We have aligned our organization to this reality and will be wisely investing the cash we now have to fuel continued revenue growth. We thank you for your confidence and trust. We will continue to work hard to deliver on it.

**Per Ottosson, CEO**



## Sales Development

### NEW REVENUE MODEL AND CHANGES OF KEY RATIOS

In the fourth quarter 2020, we communicated that because of the introduction of the new SaaS business and delivery model, there will be a focus on recurring revenues from 1 and 2 below and acquisition of new customers. Another metric in focus is the % revenues generated from SaaS customers and the % revenues generated from recurring revenues.

The new SaaS business model also implies that revenues are recognized as the services are consumed. So, revenue recognition happens at the actual usage/consumption of the product/services going forward. This is applicable for all revenue types highlighted below in items 1 to 4.

The revenue streams in the new SaaS 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 searchable data.
4. **Expert Services** – mainly Training and professional services.

The subscription revenues in 1. above are to some extent linked to what the company previously 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 searchable data. Expert services revenues in 4. are based on fees for training sessions and any other expert services is based on daily rates.

### PREPARATION OF ADJUSTED REVENUES TO ALIGN TO THE NEW BUSINESS MODEL

To align the old business model and historical reported sales numbers to the new SaaS business model and revenue recognition when using/consuming the services – i.e., apply revenue recognition over the lifetime of a contract or when the benefits are consumed – we have prepared adjusted revenues. The purpose of this preparation is to provide better guidance on our underlying contracts and revenues and to align the old way of recognizing revenues with the new SaaS business model.

The only difference in the revenue recognition relate to recognition of Usage revenues. Previously a committed and invoiced Usage contract by a customer was recognized to 100% at the time of invoicing – regardless of the length of the contract. Applying the new SaaS business model principles would instead mean that such Usage would be recognized as consumed or proportionally over the lifetime of the contract.

Below is a table showing the actual reported quarterly revenue from the fourth quarter 2020 to the fourth quarter 2021 split by License & Support, Usage and Other, and the adjusted revenues for the same types of revenue categories. The delta between actual reported revenues and adjusted revenues can be seen only for the category Usage revenues.

MSEK	OCT-DEC 2020	JAN-MAR 2021	APR-JUN 2021	JUL-SEP 2021	OCT-DEC 2021
License & Support	4.6	4.6	5.0	5.3	5.5
Usage	3.0	1.9	1.3	3.2	3.3
Other	2.1	3.3	1.9	2.4	1.0
<b>Total Net Sales</b>	<b>9.7</b>	<b>9.8</b>	<b>8.2</b>	<b>11.0</b>	<b>9.8</b>
License & Support	4.6	4.6	5.0	5.3	5.5
Usage Adjusted	3.5	4.3	3.8	4.2	4.0
Other	2.1	3.3	1.9	2.4	1.0
<b>Total Net Sales Adjusted</b>	<b>10.2</b>	<b>12.2</b>	<b>10.7</b>	<b>11.9</b>	<b>10.4</b>

The Usage contracts established under the old business model have been restated proportionally over the lifetime of the contract or based on actual usage consumption. This restatement of the adjusted usage revenues is more comparable with the new SaaS business model and harmonize with the revenue recognition principles ahead. When we have renewed all contracts that have been signed before 2021, the reported and adjusted net sales and recurring revenues will be the same and we recognize that the difference is continuously being reduced. This can be seen in the table above when comparing the quarterly numbers quarter by quarter.

## ADJUSTED RECURRING REVENUES KEY IN TRANSITIONING INTO THE SAAS MODEL

Adjusted recurring revenues – license and support together with usage revenues – are key for any software company. As can be seen in the graph below, the adjusted recurring revenues have continued to grow the last 2 years.

The adjusted recurring revenues (Usage, License and Support) for the fourth quarter 2021 amounted to 9.4 MSEK (8.1), equivalent to 90% (79) of adjusted total net sales and an increase of 17% compared with the same period last year. The adjusted usage revenues (Usage) for the fourth quarter 2021 amounted to 4.0 MSEK (3.5), equivalent to 38% (34) of adjusted total net sales and an increase of 14% compared with the same period last year.

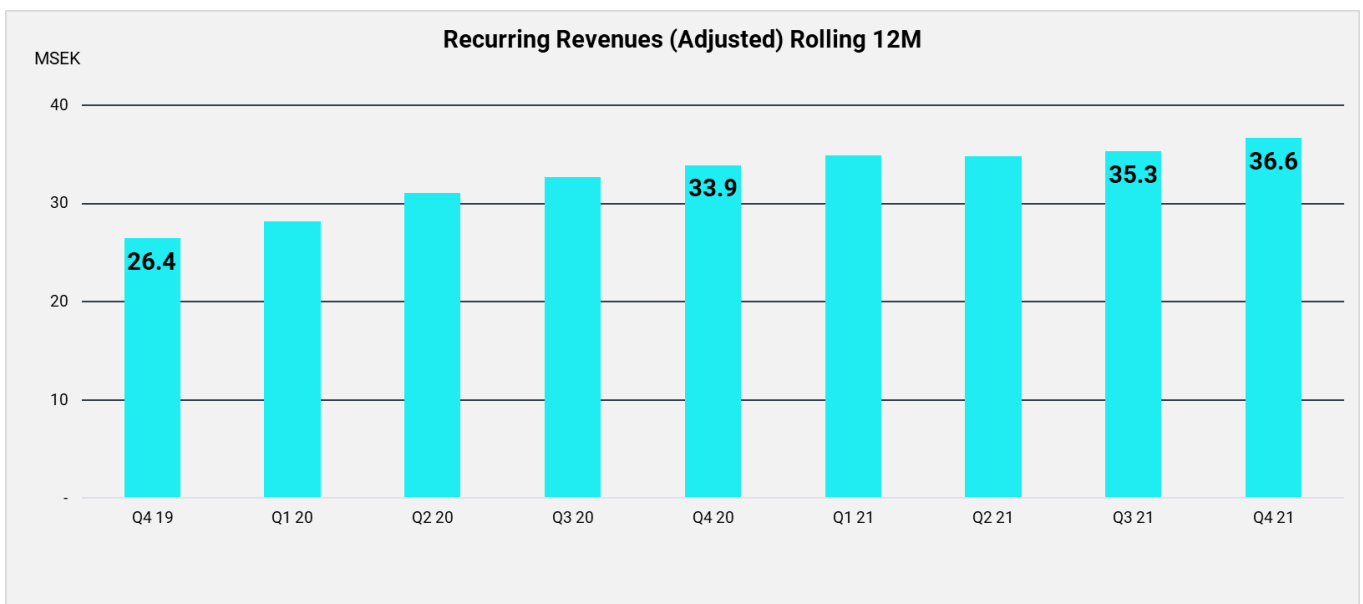
The adjusted recurring revenues (Usage, License and Support) for the year amounted to 36.7 MSEK (33.9), equivalent to 81% (72) of adjusted total net sales and an increase of 8% compared with the same period last year. The adjusted usage revenues (Usage) for the year amounted to 16.2 MSEK (10.4), equivalent to 36% (22) of adjusted total net sales and an increase of 56% compared with the same period last year.

On a rolling 12-month basis the adjusted recurring revenues (Usage, License and Support) in the fourth quarter 2021 amounted to 36.7 MSEK (33.9), equivalent to 81% (72) of total adjusted net sales and an increase of 8% compared with the same period last year. The comparable number for 12 months rolling adjusted recurring revenues amounted to 35.3 MSEK in the third quarter 2021.

On a rolling 12-month basis the adjusted usage revenues (Usage) in December 2021 amounted to 16.2 MSEK (10.4), an increase of 56% compared with the same period last year. The comparable number for 12 months rolling adjusted usage revenues amounted to 15.8 MSEK in the third quarter 2021.

The adjusted recurring revenues highlight the strength in our installed base of customers and the underlying customer contracts. The adjusted recurring revenues is also a good proxy of what is our ARR (annual recurring revenues) from our existing customer contracts (excluding growth in API calls and number of use cases). The impact from signed customer deals on the SaaS business model in 2021 and 2020 are increasing in importance in the fourth quarter 2021. In the December 2021, recurring revenues derived from SaaS customers constituted 25% of total adjusted recurring revenue. This number is expected to grow as we add more customers to the SaaS model and as they are ramping up on API call volumes.

Our existing customers and the adjusted recurring revenues derived from them will be the foundation, together with new customer wins on the new SaaS business model, in Artificial Solutions transitioning into a full-scale SaaS company. Tracking the revenues derived from SaaS in relation to overall revenues is a key metric to follow over time.



## OCTOBER TO DECEMBER 2021

Net sales for the fourth quarter 2021 amounted to 9.8 MSEK (9.7), equivalent to an increase of 1% compared to the same period last year. The recurring revenues (Usage+License+Support) in the fourth quarter 2021 amounted to 8.8 MSEK (7.6), equivalent to 90% (78) of total net sales and an increase of 16% compared with the same period last year. A high percentage of recurring revenues of total net sales provides stability and visibility and the foundation in our full transitioning to the SaaS model. For information related to adjusted recurring revenues for more alignment to the new SaaS principles, please see section Sales Development in this report on pages 4 and 5.

Personnel costs in the fourth quarter 2021 amounted to -17.9 MSEK (-31.9), a decrease of 44% compared to the same period last year. Headcount has decreased from 108 at the end of the fourth quarter 2020 to 64 at the end of the fourth quarter 2021. The reduction in headcount is due to the changed business and delivery model and related organizational adjustment carried out by the company in the fourth quarter of 2020.

Depreciation and amortization in the fourth quarter 2021 amounted to -3.1 MSEK (-2.6). Capitalized R&D for the same period amounted to 3.9 MSEK (1.0).

Total operating expenses, including depreciation and amortization, in the fourth quarter 2021 amounted to -35.1 MSEK (-44.6). The decrease is due to the impact of the cost reduction measures the company carried out in the fourth quarter of 2020. The annual operating expenses run-rate, excluding depreciation and amortization and non-recurring cost items of -2.7 MSEK, in the fourth quarter has decreased from -168.1 MSEK last year to -116.8 MSEK this year. The average monthly operating expenses in the fourth quarter 2021 amounted to -9.7 MSEK.

## JANUARY TO DECEMBER 2021

Net sales for 2021 amounted to 38.9 MSEK (53.8), equivalent to a decrease of 28% compared to the same period last year. The recurring revenues (Usage+License+Support) for the year 2021 amounted to 30.2 MSEK (40.4), equivalent to 78% (75) of total net sales. For information related to adjusted recurring revenues for more alignment to the new SaaS principles, please see section Sales Development in this report on pages 4 and 5.

Other operating income for the year 2021 amounted to 5.4 MSEK (10.4), of which 5.2 MSEK correspond to the expected tax credit for 2020 R&D and 0.1 MSEK correspond to the US Pay-check Protection Program forgivable loans of 2.6 MSEK that the company received last year and has now received forgiveness confirmation of 100% of the loan. Other operating income 2020 included expected tax credit for 2019 R&D of 6.2 MSEK and the remainder was government furlough support related to COVID-19.

Personnel costs for the year 2021 amounted to -70.8 MSEK (-115.8), a decrease of 39% compared to the same period last year. Headcount has decreased from 108 at the end of the year 2020 to 64 at the end of the year 2021.

Depreciation and amortization in the year 2021 amounted to -12.5 MSEK (-12.1). Capitalized R&D for the same period amounted to 11.7 MSEK (9.7). The increase of 2.0 MSEK is due to the increase of the number of hours worked on developing the platform as last year employees were in furlough.

Total operating expenses, including depreciation and amortization, in the period amounted to -126.5 MSEK (-171.7). The decrease is due to the impact of the cost reduction measures the company carried out in the fourth quarter of 2020. The annual operating expenses, excluding depreciation and amortization and non-recurring cost items of -3.9 MSEK, for the year has decreased from -159.6 MSEK last year to -110.2 MSEK this year. The average monthly operating expenses in for the full year 2021 amounted to -9.2 MSEK.

## FINANCIAL ITEMS AND TAX

Due to the value of accumulated tax losses carried forward there is no tax payable in relation to 2020 or 2021. Net financial items for the fourth quarter 2021 amounted to -2.2 MSEK (-22.4).

The interest costs for the fourth quarter 2021 amounted to -4.5 MSEK (-6.5). As a result of the closing of the new 5-year PIK loan credit facility with Capital Four in December 2021, the company has incurred transactional costs linked to the closing of the new financing. Those costs have been capitalized together with the new credit facility and will be recorded monthly as financial costs in addition to actual interest costs for the credit facility itself. In the fourth quarter of 2021 the transactional and interest costs from the PIK loan amounted to -0.6 MSEK. The improved net financial items compared with the same period last year is a result of positive currency exchange rate differences and lower interest paid on borrowings combined with the simplification of the legal structure carried out in December 2020, by voluntary liquidating three subsidiaries, -5.0 MSEK.

Net financial items for the full year 2021 amounted to 1.1 MSEK (-56.4). The interest costs for the full the year 2021 amounted to -28.0 MSEK (-33.4). The improved net financial items compared with the same period last year is a result of the positive currency exchange rate differences and the positive impact of the voluntary UK subsidiary liquidation of 21.4 MSEK.

## CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

Cash flow from operating activities for the fourth quarter 2021 amounted to -17.4 MSEK (-34.9) and to -38.2 MSEK (-96.6) for the full year 2021.

The operational use of cash in the fourth quarter 2021 and for the full year 2021 compared with the same periods 2020 was reduced mainly due to lower cost base. The full year 2021 operating cash flow also includes the item Adjustments for items not included in cash flow that amounted to 19.9 MSEK. This item is mainly the result of the voluntary liquidation of the UK company done in 2020 and that has had an impact in profit and loss statement but without any cash impact.

Cash flow from operating activities after financial items and taxation for the fourth quarter 2021 amounted to -70.0

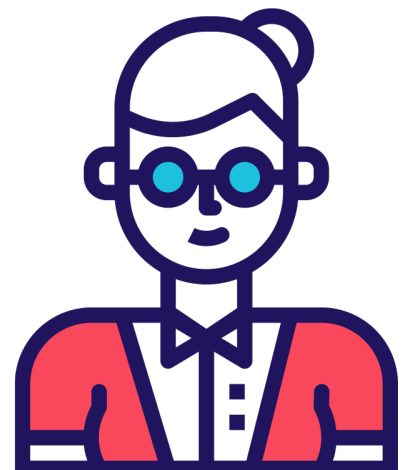
MSEK (-37.1) and to -96.1 MSEK (-108.7) for the full year 2021. The higher use of cash from operating activities after financial items and taxation in the quarter relates mainly to the increase in costs associated to the new credit and other financial costs associated to the debt repayment. This is summarized in the item Interest Paid and Received in the cash flow statements and amounted to -52.7 MSEK (-2.7) for the fourth quarter 2021 and to -65.2 MSEK (-17.4) for the full year 2021. The repaid debt carried capitalized interest, that was repaid at the maturity date, and other related financing fees also impacted cash flow negatively. For the full year 2021 and 2020, the company has received cash payment of 7.3 MSEK and 5.5 MSEK respectively from the Spanish Tax Authority following completed R&D review of R&D investments.

On December 22, 2021, when the new credit facility was closed, the company received 242.4 MSEK (upfront commitment fees deducted) in proceeds. With these funds the company repaid almost all the existing debt and capitalized interest costs and related financing fees as well as financing the negative cash flow from operating activities for the year 2021.

In the second quarter 2021, the company also received 112.5 MSEK (after deduction of transaction costs) from a directed new share issue.

The company's cash & bank position as of year-end 2021 amounted to 112.1 MSEK (20.1). In January 2022, the company also received 6.4 MSEK in tax credit refund, further improving the cash position of the company with the same amount.

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.

In the fourth quarter 2021, net sales amounted to 0.3 MSEK (0.3) and for 2021 year 2.0 MSEK (2.4). This is revenue from a single customer agreement entered into with the Parent Company. For the fourth quarter 2021 operating expenses amounted to -5.4 MSEK (-6.9) and for the full year 2021 -15.6 MSEK (-17.8).

In the fourth quarter 2021, other operating income amounted to 2.6 MSEK (0.7). This is revenue from group companies.

Net financial items for the fourth quarter 2021 amounted to -110.2 MSEK (-9.0) of which 1.4 MSEK (1.2) are due to currency exchange rate adjustments and -1.4 MSEK (-1.6) are interests and similar costs from loans. Following a review of the value of the investment in subsidiaries, the board has decided to reduce it to 283.1MSEK with a write down of -116.0 MSEK in the quarter. The -116.0 MSEK amount is linked to the refinancing closed in the fourth quarter 2021 and the related repayment of a loan previously held in a subsidiary to the parent company. As a consequence of the repayment of this loan, it was decided to write-down the assets with the same amount. 5.8 MSEK (3.9) in financial income are related to interest from intercompany loans and the rest are realized exchange adjustments.

Net financial items for the full year 2021 amounted to -107.4 MSEK (-10.8). The main impact 2021 is related to the write-down of assets of -116.0 MSEK and other items include a reversal of a provision for an intercompany

receivable with 2.9 MSEK and -3.5 MSEK (-3.6) relate to interests and similar costs from loans. Financial income of 5.8 MSEK (3.9) relate to interest from intercompany loans. The rest of the amount are mainly realized exchange adjustments.

### FINANCING

On December 22, 2021, the company announced the closing of a 5-year credit facility of 250 MSEK carrying an interest margin of 9.5% and with PIK (payment in kind) interest, i.e., interest costs will be capitalized and will not result in any cash interest payments during the tenure. The proceeds from the credit facility have been used for refinancing the company's debt and convertible debt.

The company repaid more or less all existing debt, including convertible debt held on the balance sheet on September 30, 2021. Following receipt of the proceeds from the new credit facility and repayment of debt and convertible debt in December 2021, the company had additional proceeds available for supporting the company's continued growth and execution of the new SaaS model strategy. After concluding the repayments of debt, the company cash & bank position amounted to 112.1 MSEK on December 31, 2021. In January 2022, the company received 6.4 MSEK in cash tax refund for performed R&D work in 2019, further strengthening the cash position of the company.

The convertible loan agreement with N&G was also ended with the repayment of the convertible loan in December 2021. Following the closure of the convertible loan agreement with N&G, N&G is solely a shareholder in the company – currently the third largest shareholder.

On May 6, 2021, the company announced a directed new share issue that provided the company with 112.5 MSEK in cash (120.0 MSEK excluding transaction costs). The directed new share issue was oversubscribed and broadened our shareholder base with a number of new reputable shareholders.

### SIGNIFICANT RISKS AND UNCERTAINTIES

Through its operations, the company 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 41-42 in the 2020 Annual report, which you can find on <https://www.investors.artificial-solutions.com>.

## RELATED-PARTY TRANSACTIONS

During the third quarter 2021, Artificial Solutions has terminated part of the lease agreement for its Headquarters office with Vencom Property Partners AB. The terms of the lease are 0.6 MSEK per annum. The final end date without extension for the rest of the agreement is April 2022. The agreement is at market rates.

The company continued a consulting services agreement with ASH&Partners AB at a rate of 30,000 SEK per month. The Consulting Services agreement existing with JUTechnology LLC has discontinued on July 1, 2021.

## EMPLOYEES

The headcount end of December 2021 is 64 (108). The number of full-time equivalent employees in the Group on December 31, 2021, amounted to 63 (78).

## EVENTS DURING THE QUARTER

### ORGANIZATION

During the fourth quarter 2021, the company has continued to grow the organization. Key employees, such as an International Legal Counsel, DevOps and sales executives have been hired.

## CUSTOMERS

The fourth quarter 2021 included a number of new contract signatures with customers.

Artificial Solutions signed a SaaS agreement with GrapeTree, a US healthcare staffing solutions company.

Artificial Solutions signed a SaaS agreement with SelectQuote, an US online insurance broker.

Artificial Solutions has signed a SaaS agreement with Hellofresh, global meal-planning and delivery company.

Artificial Solutions has signed agreements with the Italian banks Widiba and BPM.

Artificial Solutions has signed a SaaS agreement with Scania, a world-leading provider of transport solutions.

Artificial Solutions has signed agreement with Skoda, a global car manufacturer. Skoda is transitioning to be a SaaS customer.

## LEGAL COMPANY CHANGES

Since the fourth quarter 2020, the company has 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.

On of December 31, 2021, the company continued with the decision of simplifying the legal structure by voluntary liquidating one of our two Dutch entities, Artificial Solutions (Netherlands), BV. The unit has no active customers and no employees and was voluntarily liquidated by year end 2021 to reduce our operating costs. The transaction is not expected to have any revenue impact and a positive impact on our operating expenses in 2022.

## TAX CREDIT REFUND

In December 2021, the R&D tax credit for 2020 was approved, which means that the company can expect to receive a cash tax refund of approximately 5 MSEK in January 2023.

## EVENTS AFTER THE QUARTER

### ORGANIZATION

The company will continue recruiting key staff to support the new business and delivery model and our strategy. Main focus is currently to strengthen the sales team to further support our SaaS growth.

### INTELLECTUAL PROPERTY VALUATION

The company has invested significant amounts in R&D and in patenting its unique technology in Natural Language Interaction (NLI) and Natural Language Processing (NLP) technologies in recent years.

On January 17, 2021, the company announced an updated external valuation of its intellectual property performed by OxFirst Ltd. The valuation analysis indicates a value increase from 1.4 BSEK in 2019 to 1.6 BSEK 2021.

The patents are cited by some of the most influential companies in the Conversational AI space, including Apple, Nuance, Google and IBM, confirming Artificial Solutions as a leading innovator in the Conversational AI sector.

A cited citation is also referred to as a forward citation. The company's technology is used by world leading companies to create the best customer experiences possible in a plethora of languages. It powers the largest multilingual Conversational AI-projects in Europe and our clients achieve outstanding customer loyalty scores with higher levels of automation. Artificial Solutions has significantly more forward citations than the average peer in Software (305 vs. 33). Forward citations indicate that newer patents acknowledge the importance of a foundational patent in the space. Our patents cited by Apple, Nuance, Google and IBM are key components within Artificial Solutions platform, Teneo to develop bots and conversational IVR's.

The external intellectual property valuation considers how the scope and influence of Artificial Solutions' intellectual property has expanded and bases its conclusion on the patents overall market opportunity combined with the potential opportunities in the Conversational AI market.

### TAX CREDIT REFUND

In January 2022, the company received cash payment of 6.4 MSEK (7.3) from the Spanish Tax Authority following completed R&D review of R&D investments in 2019.

### 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, 2021, was 65,705,389 shares

	31 DEC 2021	31 DEC 2020
Number of shares at the end of the period	65,705,389	48,565,512
Average number of shares before dilution	58,679,977	42,642,124
Average number of shares after dilution	62,962,070	44,641,965

The 10 largest shareholders on December 31, 2021, are listed below:

Shareholder	Capital %
Scope	16.3%
SEB-Stiftelsen	7.5%
Nice & Green	5.6%
AFA Insurance	5.0%
C WorldWide Asset Management	2.9%
Johan A. Gustavsson	2.8%
Ulf Johansson	2.3%
Theodor Jeansson	1.8%
Nordnet Pension Insurance	1.6%

## SHARE-RELATED INCENTIVE PROGRAM

### INCENTIVE PROGRAMS SUMMARY

There are five existing incentive programs with the following terms:

Programs	Number of warrants	Strike Price (SEK)
2019/2022	195,628	49.30
2019/2024	824,709	32.87
2020/2025:1	229,000	17.70
2020/2025:2	126,966	17.70
2021/2024:1	2,011,581	8.70

### AUDIT REVIEW REPORT

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

### ANNUAL GENERAL MEETING

The 2021 Annual General Meeting (AGM) of Artificial Solutions International AB (publ) will be held in Stockholm, on May 30, 2022. The Annual Report for 2021 will be published no later than three weeks in advance of the AGM 2021.

## FINANCIAL CALENDAR

- Interim report for the first quarter of 2022: April 29, 2022
- Interim report for the second quarter of 2022: August 17, 2022
- Interim report for the third quarter of 2022: October 26, 2022

Stockholm, February 17, 2022

### Per Ottosson, CEO

Artificial Solutions financial reports are available at the corporate website: [www.investors.artificial-solutions.com/financial-reports](http://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 17, 2022.

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](mailto:certifiedadviser@penser.se)).

## FINANCIAL OVERVIEW GROUP

MSEK	OCT-DEC 2021	OCT-DEC 2020	JAN-DEC 2021	JAN-DEC 2020
Net Sales	9.8	9.7	38.9	53.8
Gross Margin	7.1	6.3	27.2	35.7
Gross Margin %	72%	65%	70%	66%
EBITDA	-16.6	-28.7	-60.9	-91.6
<i>Adjusted EBITDA</i>	-16.6	-15.5	-60.0	-78.3
Operating loss	-16.1	-25.5	-70.6	-97.8
<i>Adjusted Operating loss</i>	-16.1	-11.9	-68.9	-84.2
Earnings per share, SEK	-0.3	-1.0	-1.1	-3.2
Equity ratio	-	-2.2	-0.7	-2.2

MEUR	OCT-DEC 2021	OCT-DEC 2020	JAN-DEC 2021	JAN-DEC 2020
Net Sales	1.0	0.9	3.8	5.1
Gross Margin	0.8	0.6	2.9	3.4
Gross Margin %	79%	65%	79%	66%
EBITDA	-1.5	-2.8	-5.9	-8.7
<i>Adjusted EBITDA</i>	-1.5	-1.5	-5.8	-7.4
Operating loss	-1.6	-2.5	-7.0	-9.3
<i>Adjusted Operating loss</i>	-1.6	-1.1	-6.8	-8.0
Earnings per share, EUR	-	-0.1	-0.1	-0.3
Equity ratio	-	-2.2	-0.7	-2.2

## GROUP FINANCIAL STATEMENTS

### GROUP CONSOLIDATED INCOME STATEMENTS

MSEK	OCT- DEC 2021	OCT-DEC 2020	JAN-DEC 2021	JAN-DEC 2020
Net Sales	9.8	9.7	38.9	53.8
Capitalized amount for own accounts	3.9	1.0	11.7	9.7
Other operating income	5.2	8.4	5.4	10.4
<b>Total operating income</b>	<b>18.9</b>	<b>19.1</b>	<b>56.0</b>	<b>73.9</b>
Personnel costs	-17.9	-31.9	-70.8	-115.8
Other external costs	-12.4	-10.1	-41.6	-43.8
Depreciation and amortization on fixed assets	-3.1	-2.6	-12.5	-12.1
Other operating expenses	-1.7	-0.0	-1.7	-0.0
<b>Total operating expenses</b>	<b>-35.1</b>	<b>-44.6</b>	<b>-126.5</b>	<b>-171.7</b>
<b>Operating loss</b>	<b>-16.1</b>	<b>-25.5</b>	<b>-70.6</b>	<b>-97.8</b>
Net financial items	-2.2	-22.4	1.1	-56.4
<b>Loss after financial items</b>	<b>-18.4</b>	<b>-47.8</b>	<b>-69.5</b>	<b>-154.2</b>
Tax on result for the period	-0.0	-	-0.0	-0.2
<b>NET RESULT FOR THE PERIOD</b>	<b>-18.4</b>	<b>-47.8</b>	<b>-69.5</b>	<b>-154.4</b>

## GROUP CONSOLIDATED BALANCE SHEET

MSEK	31 DEC 2021	31 DEC 2020
<b>ASSETS</b>		
<b>Non-current assets</b>		
Capitalised expenditure for licensed software and development	28.4	29.8
Equipment, furniture, and fitting	0.9	1.3
Other non-current receivables	1.4	3.3
<b>Total non-current assets</b>	<b>30.8</b>	<b>34.4</b>
<b>Current assets</b>		
Current receivables	25.7	22.5
Cash and bank balances	112.1	20.1
<b>Total current assets</b>	<b>137.8</b>	<b>42.6</b>
<b>TOTAL ASSETS</b>	<b>168.6</b>	<b>77.0</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	118.3	87.4
Share premium reserve	1,311.1	1,206.1
Other equity including result for the period	-1,548.7	-1,466.2
<b>Total Equity</b>	<b>-119.3</b>	<b>-172.7</b>
<b>Non-current liabilities</b>		
Liabilities to other lenders	237.6	115.7
<b>Total non-current liabilities</b>	<b>237.6</b>	<b>115.7</b>
<b>Current liabilities</b>		
Liabilities to other lenders	-	70.4
Current liabilities	19.6	11.9
Accrued expenses and deferred income	30.7	51.6
<b>Total current liabilities</b>	<b>50.4</b>	<b>134.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>168.6</b>	<b>77.0</b>

## GROUP CONSOLIDATED CASH FLOW STATEMENT

MSEK	OCT-DEC 2021	OCT-DEC 2020	JAN-DEC 2021	JAN-DEC 2020
<b>Operating Activities</b>				
Operating Loss	-16.1	-25.5	-70.6	-97.8
Depreciation/amortization on assets	3.1	2.6	12.5	12.1
Adjustments for items not included in cash flow	-4.4	-12.0	19.9	-10.9
<b>Cash flow from operating activities</b>	<b>-17.4</b>	<b>-34.9</b>	<b>-38.2</b>	<b>-96.6</b>
Interest Paid and received	-52.7	-2.7	-65.2	-17.4
Taxation paid and received	0.1	0.4	7.2	5.3
<b>Cash flow from operating activities after financial items and taxation</b>	<b>-70.0</b>	<b>-37.1</b>	<b>-96.1</b>	<b>-108.7</b>
Cash flow from changes in working capital	-1.6	18.5	-22.7	32.8
<b>Cash flow from operating activities</b>	<b>-71.6</b>	<b>-18.3</b>	<b>-118.9</b>	<b>-75.9</b>
Cash flow from investing activities	-4.0	-1.4	-14.3	-10.4
Cash flow from financing activities	91.5	23.6	225.2	102.0
<b>Net change in cash and cash equivalents</b>	<b>15.8</b>	<b>3.6</b>	<b>92.0</b>	<b>15.6</b>
Cash and cash equivalents beginning of the period	96.3	16.5	20.1	4.4
<b>Cash and cash equivalents end of the period</b>	<b>112.1</b>	<b>20.1</b>	<b>112.1</b>	<b>20.1</b>

## GROUP CONSOLIDATED CHANGE IN EQUITY

MSEK	31 DEC 2021	31 DEC 2020
<b>Amount Brought Forward</b>	<b>-172.7</b>	<b>-190.4</b>
New Issue of Shares	143.5	157.3
Transaction costs	-7.6	-11.4
Warrant premiums	2.8	2.5
Results for the period	-69.5	-154.4
Companies in liquidation	0.1	-
Translation difference	-15.9	23.7
<b>Amount Carried Forward</b>	<b>-119.3</b>	<b>-172.7</b>

## KEY RATIOS

MSEK	OCT-DEC 2021	OCT-DEC 2020	JAN-DEC 2021	JAN-DEC 2020
Net Sales	9.8	9.7	38.9	53.8
Net Sales Adjusted	10.4	10.2	45.3	47.3
Recurring Revenues Adjusted	9.4	8.1	36.7	33.9
Recurring Revenues Adjusted %	90%	79%	81%	72%
Usage Revenues Adjusted	4.0	3.5	16.2	10.4
Usage Revenues Adjusted %	38%	34%	36%	22%
Gross Margin	7.1	6.3	27.2	35.7
Gross Margin %	72%	65%	70%	66%
Adjusted EBITDA	-16.6	-15.5	-60.0	-78.3

## FINANCIAL STATEMENTS PARENT COMPANY

### PARENT COMPANY INCOME STATEMENT

MSEK	OCT-DEC 2021	OCT-DEC 2020	JAN-DEC 2021	JAN-DEC 2020
Net Sales	0.3	0.3	2.0	2.4
Other operating income	2.6	0.7	2.6	0.7
<b>Total operating income</b>	<b>2.9</b>	<b>1.1</b>	<b>4.6</b>	<b>3.1</b>
Other external costs	-5.4	-6.9	-15.6	-17.8
Other expenses	-	-	-	-
<b>Total operating expenses</b>	<b>-5.4</b>	<b>-6.9</b>	<b>-15.6</b>	<b>-17.8</b>
<b>Operating loss</b>	<b>-2.6</b>	<b>-5.9</b>	<b>-11.1</b>	<b>-14.6</b>
Net financial items	-110.2	-9.0	-107.4	-10.8
<b>Result after financial items</b>	<b>-112.7</b>	<b>-14.9</b>	<b>-118.4</b>	<b>-25.4</b>
Tax on result for the period	-	-	-	-0.2
<b>NET RESULT FOR THE PERIOD</b>	<b>-112.7</b>	<b>-14.9</b>	<b>-118.4</b>	<b>-25.7</b>



## PARENT COMPANY BALANCE SHEET

MSEK	31 DEC 2021	31 DEC 2020
<b>ASSETS</b>		
<b>Non-current assets</b>		
Receivable from Group companies	315.6	176.4
Financial assets	283.1	281.7
Other non-current receivables	0.5	-
<b>Total non-current assets</b>	<b>599.1</b>	<b>458.1</b>
<b>Current assets</b>		
Current receivables	1.9	1.2
Cash and bank balances	97.9	7.4
<b>Total current assets</b>	<b>99.9</b>	<b>8.6</b>
<b>TOTAL ASSETS</b>	<b>699.0</b>	<b>466.7</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	118.3	87.4
Share premium reserve	1,311.1	1,206.1
Other equity including result for the period	-981.0	-863.9
<b>Total Equity</b>	<b>448.4</b>	<b>429.6</b>
<b>Non-current Liabilities</b>		
Liabilities to other lenders	235.7	13.2
<b>Total non-current liabilities</b>	<b>235.7</b>	<b>13.2</b>
<b>Current liabilities</b>		
Liabilities to Group companies	1.6	-
Liabilities to other lenders	-	17.6
Current liabilities	11.1	3.6
Accrued expenses and deferred income	2.1	2.6
<b>Total current liabilities</b>	<b>14.9</b>	<b>23.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>699.0</b>	<b>466.7</b>

## PARENT COMPANY CASH FLOW STATEMENT

MSEK	OCT-DEC 2021	OCT-DEC 2020	JAN-DEC 2021	JAN-DEC 2020
<b>Operating Activities</b>				
Operating loss	-2.6	-5.8	-11.1	-14.6
Depreciation/amortization on assets	-	-	-	-
Adjustments for items not included in cash flow	0.1	-2.4	0.3	-1.7
<b>Cash flow from operating activities</b>	<b>-2.4</b>	<b>-8.3</b>	<b>-10.8</b>	<b>-16.4</b>
Interest paid and received	-15.8	-1.2	-20.6	-1.8
Taxation paid and received	-	-	-	-0.2
<b>Cash flow from operating activities after financial items and taxation</b>	<b>-18.2</b>	<b>-9.5</b>	<b>-31.4</b>	<b>-18.4</b>
Cash flow from changes in working capital	-71.4	-11.1	-120.8	-76.7
<b>Cash flow from operating activities</b>	<b>-89.7</b>	<b>-20.6</b>	<b>-152.2</b>	<b>-95.1</b>
Cash flow from investing activities	-116.1	-	-116.1	-
Cash flow from financing activities	226.3	25.0	358.8	101.8
<b>Net change in cash and cash equivalents</b>	<b>20.6</b>	<b>4.4</b>	<b>90.5</b>	<b>6.7</b>
Cash and cash equivalents beginning of the period	77.4	3.0	7.4	0.7
<b>Cash and cash equivalents end of the period</b>	<b>97.9</b>	<b>7.4</b>	<b>97.9</b>	<b>7.4</b>

## PARENT COMPANY CHANGE IN EQUITY

MSEK	31 DEC 2021	31 DEC 2020
<b>Amount Brought Forward</b>	<b>429.6</b>	<b>308.4</b>
New Issue of Shares	143.5	157.3
Transaction Costs	-7.6	-11.4
Warrants	1.3	1.0
Results for the period	-118.4	-25.7
<b>Amount Carried Forward</b>	<b>448.4</b>	<b>429.6</b>

## DEFINITIONS OF KEY PERFORMANCE INDICATORS NOT DEFINED IN ACCORDANCE WITH BFNAR

FINANCIAL MEASURES	DESCRIPTION
<b>Adjusted Usage Revenue</b>	The amount of revenue derived solely from the usage of the Teneo Platform. Refer to pages 4-5 for adjusted* usage revenue.
<b>Adjusted Usage Revenue as % Total Revenue</b>	Is calculated as the total usage revenue in the period as a percent of Adjusted Total Revenue from Operations in the period.
<b>Adjusted Recurring Revenue</b>	Combined amount of adjusted revenue derived from Usage, License and Support revenues. Refer to pages 4-5 for adjusted* recurring revenue.
<b>Adjusted Recurring Revenue as % Total Revenue</b>	Is calculated as the total adjusted recurring revenue in the period as a percent of Adjusted Total Revenue from Operations in the period.
<b>Gross Margin % Revenue</b>	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.
<b>Net Sales</b>	Reported net sales.
<b>EBITDA</b>	Earnings before interest, tax, depreciation, and amortization.
<b>Adjusted EBITDA</b>	Earnings before interest, tax, depreciation, and amortization adjusted for the one-off restructuring costs.
<b>Average number of shares before dilution</b>	Average number of shares during the period.
<b>Average number of shares after dilution</b>	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 17, 2022, at 10:00 a.m. CET

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

Denmark:	+45 32714988
Germany	+49 (0) 69 566 037000
United Kingdom:	+44 (0) 203 059 58 69
United States:	+1 760 294 16 74
Norway:	+47 80069038
France:	+33 170918701
Spain:	+34 917699494
Sweden:	+46 8 505 10 039

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

## CONTACT INFORMATION

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[www.artificial-solutions.com](http://www.artificial-solutions.com)

Corp. ID no 556256-4657



## ABOUT ARTIFICIAL SOLUTIONS

### DIVERSE WORKFORCE

**43%**

Percentage of **female** employees in managing positions; 38% in the whole company



**64**

Employees from 25 different **nationalities**

**21**

**Languages** spoken in-house



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**1.6 BSEK**



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### PARTNERSHIPS



**LUIS^Teneo** combines Teneo with MS Azure to help companies speed up the development of **MS LUIS bots**, increase productivity of their teams, and ensure scalability of their solutions

### MULTILINGUAL



**8**

Teneo, allows companies to build multilingual solutions in **86 official languages covering close to 40% of the world's population**

### SUSTAINABILITY

**82%**

By enabling our customers to move from server-based to cloud deployments, we can achieve an average of **82% reduction in CO2**



Artificial Solutions® (SSME:ASAI) is the leading specialist in Conversational AI. We enable communication with applications, websites, and devices in everyday, humanlike natural language via voice, text, touch, or gesture input.

Artificial Solutions' advanced conversational AI Teneo®, allows business users and developers to create sophisticated, highly intelligent applications that run across 86 languages and dialects, 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 data insight that reveal what customers are truly thinking.

Artificial Solutions' conversational AI technology makes it easy to implement a wide range of natural language applications such as virtual assistants, conversational bots, speech-based conversational UIs for smart devices and more. It is already used daily by millions of people across hundreds of private and public sector deployments worldwide.

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](http://www.penser.se), tel. +46 (0) 8-463 83 00, e-mail [certifiedadviser@penser.se](mailto:certifiedadviser@penser.se)). For more information, please visit [www.artificial-solutions.com](http://www.artificial-solutions.com).



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