

# QUARTERLY REPORT APRIL TO JUNE 2021

## SEVERAL IMPORTANT CUSTOMER WINS

### APRIL TO JUNE 2021

- Net sales amounted to 8.2 MSEK (15.4)
- Net sales adjusted\*<sup>1</sup> amounted to 10.7 MSEK (12.5)
- Recurring revenues adjusted\* amounted to 8.8 MSEK (8.9)
- Rolling 12 months recurring revenues adjusted\* amounted to 34.8 MSEK (31.0)
- Usage revenues adjusted\* amounted to 3.8 MSEK (2.7)
- Gross margin decreased to 67% (69)
- EBITDA adjusted amounted to -18.3 MSEK (-19.8)
- Earnings per share amounted to -0.2 SEK (-0.9)

### JANUARY TO JUNE 2021

- Net sales amounted to 18.1 MSEK (30.7)
- Net sales adjusted\*<sup>1</sup> amounted to 22.9 MSEK (25.6)
- Recurring revenues adjusted\* amounted to 17.7 MSEK (16.8)
- Usage revenues adjusted\* amounted to 8.1 MSEK (4.4)
- Gross margin increased to 69% (65)
- EBITDA adjusted amounted to -31.7 MSEK (-44.9)
- Earnings per share amounted to -0.4 SEK (-1.6)

### EVENTS DURING THE QUARTER

- Signed three-year SaaS deal with Telefónica Deutschland / O2, a leading telecom operator, for the German market
- Signed strategically important SaaS deal with large multinational US Tech company
- Signed renewal agreement with a global truck manufacturer
- Teneo Platform currently supports 86 official languages – most covered languages in the market
- Successfully raised 120 MSEK in a directed share issue
- Extension of 52 MSEK bond

### EVENTS AFTER THE QUARTER

- Signed a LUIS^Teneo SaaS deal together with our partner Microsoft with telecom operator A1 Bulgaria
- One of our partners, a large system integrator, signed up for and deploys LUIS^Teneo for its business
- Large Multinational US Tech company ordered continued expansion in US and Japan from our partner
- Signed two renewal agreements with a US Government Department and Circle K
- Appointment of Paloma Ramirez Diaz-Monis as Chief People Officer

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

MSEK	APR-JUN 2021	APR-JUN 2020	JAN-JUN 2021	JAN-JUN 2020	JAN-DEC 2020
Net sales adjusted*	10.7	12.5	22.9	25.6	47.3
Recurring revenues adjusted*	8.8	8.9	17.7	16.8	33.9
Rolling 12 months recurring revenues adjusted*	34.8	31.0	34.8	31.0	33.5
Usage revenues adjusted*	3.8	2.7	8.1	4.4	10.4
Net sales reported	8.2	15.4	18.1	30.7	53.8
Gross margin %	67%	69%	69%	65%	66%
Adjusted EBITDA	-18.3	-19.8	-31.7	-44.9	-78.3
Earnings per share, SEK	-0.2	-0.9	-0.4	-1.6	-3.2
Cash flow from Operations	-14.8	-10.9	-30.3	-29.2	-75.9

<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:

### New Customers

The second quarter 2021 was the quarter where our new position in the market was solidified. With two major strategic deals done at the onset of the quarter we have firmly put our stake in the ground. In addition, these two customer wins have been followed by some other highly interesting deals after the quarter end. Telefónica / O2 in Germany choosing to work with our SaaS LUIS^Teneo, is a testament to the strength of our solution. As the choice was for one large initial project as well as future projects the competitive bid had attracted competition from all the largest vendors including Google and IBM. Our solution will be implemented by Tech Mahindra with the support of us and Microsoft.

Our second win in the quarter is a customer we are not at the liberty to talk about, but it is a very important customer in the software industry. The customer is highly competent and works with our partner CSGi for implementation. CSGi managed to take the first solution live in six weeks which is a testament to the strength of LUIS^Teneo, and our joint offering with Microsoft.

Following the quarter end, we have also announced that we have signed a contract with A1 Bulgaria, part of A1 Group and controlled by América Móvil (with 400 million subscribers). This contract for the Bulgarian market has been closed together with our partner Microsoft and with the joint LUIS^Teneo offering, the customer will deploy a range of conversational applications in its customer service. The apps are initially deployed in Bulgarian, with the possibility of expanding its reach to other languages via a smart localization feature - a unique functionality

provided by Artificial Solutions.

It is also very pleasing to see that our existing customers continue to show support in our new strategy and our offering. Beginning of August 2021, Circle K, part of the Global Fortune 500 retailer Alimentation Couche-Tard, among others renewed its agreement to run its Conversational AI deployments on the Teneo platform and to continue to provide support for customers and employees of its convenience retail outlets in the US and Scandinavia.

### Our Customers

We have fantastic customers who are both pushing us and their organizations. With the changes we have made we have been very tight with our existing customer base ensuring that they keep growing while we are changing our delivery model and commercial model. I am happy to say that we have a very satisfied customer base. Some are choosing to move to our SaaS model this year whereas some remain on the old model for the time being. As the year closes, we will update you on where we stand in terms of customers on SaaS and variable fee contracts and on new KPIs for our new strategy.

### Financials

Changing our new business and delivery model causes a decline in reported net sales for two reasons, we no longer provide Professional Services and as we sell, we recognize only the revenue for the months in the quarter, as they are consumed. Adjusting our historical numbers from our previous business to today's revenue principles, we see that adjusted net sales in the second quarter declined from 12.5 MSEK last year to 10.7 MSEK 2021 but adjusted usage revenues increased. That decline is attributable to not selling Professional Services. We continue on our lower cost trajectory but are now adding key commercial positions to execute our new strategy, so our run-rate cost will increase slightly. Our operating run-rate costs in the first half of the year corresponds to 111 MSEK per annum. I am confident that we are executing according to the right strategy for this fantastic software asset – Teneo.

## Capital Raise

Our oversubscribed directed share issue of 120 MSEK in the second quarter of 2021 was an important step in securing our continued market expansion and also gave us interesting new national and international shareholders. We appreciate and thank you for the confidence in our team and strategy.

## Our Market is Moving

There is increased M&A activity in our market compared to 2020. We have seen Nordic Capital investing in Boost.ai as well as Cognigy.ai receiving a 44 MUSD financing led by Insight Partners. Boost and Cognigy are both platforms that are marketed for ease of use to non-developers and they have more customers than we do, but roughly the same Software revenue. Instead, we have customers with higher usage of our software.

At Artificial Solutions, we know that Developers are key for a successful development project and our prime development UX focus remains the Developers community and with business users as a second target group. As we are the number one platform globally today when it comes to number of sessions (as in user/customer coming to the platform and being services by it) with our 10 million sessions in June, we are convinced that long-term this approach wins. We are working to make our customers successful long-term providing the best digital channel and as we are moving to volume-based pricing with all new contracts, volumes will drive revenue long-term, and the high scalability of our platform will make profitability follow.

## Diversity

There are 38% females in Artificial Solutions today. That means we are at least three times further ahead towards equality than the industry as a whole. Our software is designed to be used by people. Not a specific gender or race. We support 86 languages but also need to ensure that usability and user experience meets the bar of inclusion as well. As a first step in this direction, we will be driving diversity in our employment policies especially in the Product field.

**Per Ottosson, CEO**

## SALES DEVELOPMENT

### NEW REVENUE MODEL AND CHANGES OF KEY RATIOS

In the fourth quarter report 2020, we communicated that because of the introduction of the new SaaS business and delivery model, order intake and order backlog will not be used as key ratios going forward. Under the new SaaS business model, there will be a focus on recurring revenues from 1 and 2 below and acquisition of new customers.

The new SaaS business model also means that revenues will be recognized as the benefits are consumed. So, the revenue recognition will happen close to 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 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 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 benefits – i.e., apply revenue recognition over the lifetime of a contract or when the benefits are consumed – we have prepared adjusted revenues. The purpose with this preparation is to provide better guidance on our underlying contracts and revenues and to align 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 second quarter 2020 to the second 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	APR-JUN 2020	JUL-SEP 2020	OCT-DEC 2020	JAN-MAR 2021	APR-JUN 2021
License & Support	6.2	6.5	4.6	4.6	5.0
Usage	5.6	4.4	3.0	1.9	1.3
Other	3.6	2.4	2.1	3.3	1.9
<b>Total Net Sales</b>	<b>15.4</b>	<b>13.3</b>	<b>9.7</b>	<b>9.8</b>	<b>8.2</b>
License & Support	6.2	6.5	4.6	4.6	5.0
Usage Adjusted	2.7	2.5	3.5	4.3	3.8
Other	3.6	2.4	2.1	3.3	1.9
<b>Total Net Sales Adjusted</b>	<b>12.5</b>	<b>11.5</b>	<b>10.2</b>	<b>12.2</b>	<b>10.7</b>

The Usage contracts derived in 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 better matches the new SaaS business model and harmonize with the revenue recognition principles ahead.

## 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. Despite a challenging year in 2020 in terms of sales to new customers, the adjusted recurring revenues have continued to grow.

The adjusted recurring revenues (Usage, License and Support) for the second quarter 2021 amounted to 8.8 MSEK (8.9), equivalent to 82% (71) of adjusted total net sales. The adjusted usage revenues (Usage) for the second quarter 2021 amounted to 3.8 MSEK (2.7), equivalent to 35% (22) of adjusted total net sales and an increase of 38% compared with the same period last year.

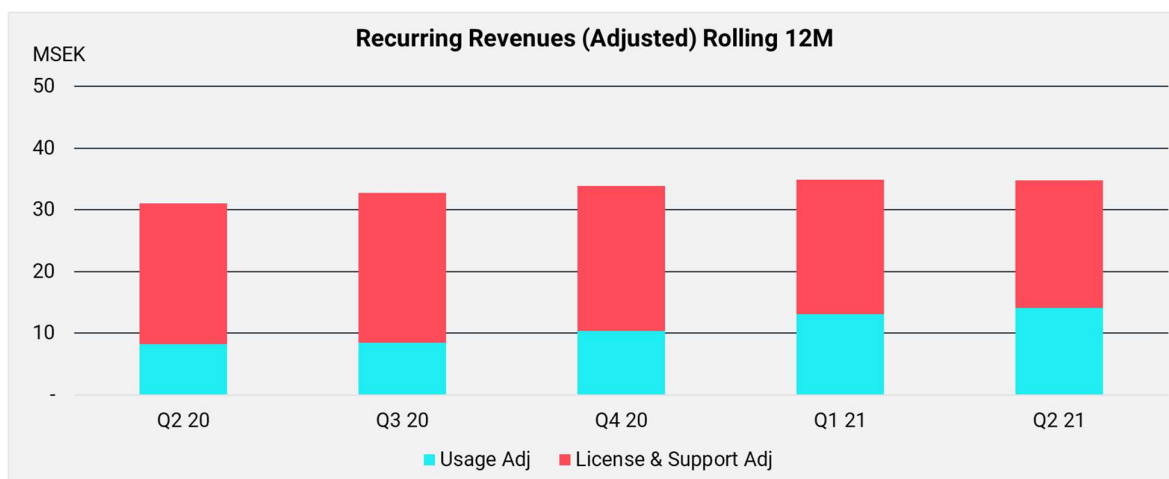
The adjusted recurring revenues (Usage, License and Support) for the first six months of the year amounted to 17.7 MSEK (16.8), equivalent to 77% (66) of adjusted total net sales and an increase of 5% compared with the same period last year. The adjusted usage revenues (Usage) for the first six months of the year amounted to 8.1 MSEK (4.4), equivalent to 35% (17) of adjusted total net sales and an increase of 84% compared with the same period last year.

On a rolling 12-month basis the adjusted recurring revenues (Usage, License and Support) in the second quarter 2021 amounted to 34.8 MSEK (31.0), equivalent to 78% (62) of total adjusted net sales and an increase of 12% compared with the same period last year. The comparable number for 12 months rolling adjusted recurring revenues amounted to 34.9 MSEK in the first quarter 2021.

On a rolling 12-month basis the adjusted usage revenues (Usage) in the second quarter 2021 amounted to 14.1 MSEK (8.3), an increase of 70% compared with the same period last year. The comparable number for 12 months rolling adjusted usage revenues amounted to 13.0 MSEK for the first 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 use cases). The impact from new signed customer deals on the SaaS business model in 2021 and 2020 is limited in the second quarter 2021.

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.



## APRIL TO JUNE 2021

Net sales for the second quarter 2021 amounted to 8.2 MSEK (15.4), equivalent to a decrease of 47% compared to the same period last year. The recurring revenues (Usage+License+Support) in the second quarter 2021 amounted to 6.3 MSEK (11.8), equivalent to 76% (77) of total net sales. A high percentage of recurring revenues of total net sales provides stability and visibility and the foundation in our 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.

Other Operating Income for the second quarter amounted to 0.1 MSEK (0.6), this corresponds 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. Last year, furlough support for COVID-19 of 0.6 MSEK received was booked as other income.

Personnel costs in the second quarter 2021 amounted to -18.6 MSEK (-28.3), a decrease of 34% compared to the same period last year. Headcount has decreased from 111 at the end of the second quarter 2020 to 62 at the end of the second 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 second quarter 2021 amounted to -3.2 MSEK (-3.3). Capitalized R&D for the same period amounted to 2.7 MSEK (2.6).

Total operating expenses, including depreciation and amortization, in the second quarter 2021 amounted to -32.4 MSEK (-41.7). The decrease is due to the impact of the cost reduction measures the company carried out in the fourth quarter of 2020.

## JANUARY TO JUNE 2021

Net sales for the first half of the year 2021 amounted to 18.1 MSEK (30.7), equivalent to a decrease of 41% compared to the same period last year. The recurring revenues (Usage+License+Support) for the first half of the year 2021 amounted to 12.9 MSEK (21.9), equivalent to 71% (71) 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 first half of the year 2021 amounted to 0.2 MSEK (0.6), of which 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. Last year, furlough support for COVID-19 of 0.6 MSEK received was booked as other income.

Personnel costs for the first half of the year 2021 amounted to -36.2 MSEK (-60.0), a decrease of 40% compared to the same period last year. Headcount has decreased from 111 at the end of the second quarter 2020 to 62 at the end of the second quarter 2021.

Depreciation and amortization in the first half of the year 2021 amounted to -6.3 MSEK (-6.7). Capitalized R&D for the same period amounted to 4.8 MSEK (6.5). The decrease of 1.7 MSEK is due to the reduction in HC compared to last year and therefore in the number of hours worked on developing the platform.

Total operating expenses, including depreciation and amortization, in the period amounted to -61.9 MSEK (-89.5). 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 for the first half of the year has decreased from -166 MSEK last year to -111 MSEK this year.

## 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 second quarter 2021 amounted to 6.5 MSEK (-19.0). The interest costs for the second quarter 2021 amounted to -6.3 MSEK (-5.7). The improved net financial items compared with the same period last year is a result of positive currency exchange rate differences and the positive impact of the voluntary UK subsidiary liquidation of 21.4 MSEK. Refer to the section “Events during the quarter – Legal Company Changes” for further details.

Net financial items for the first six months 2021 amounted to 12.1 MSEK (-21.6). The interest costs for the first six months of 2021 amounted to -12.4 MSEK (-13.1). The improved net financial items compared with the same period last year is a result of with positive currency exchange rate differences and the positive impact of the voluntary UK subsidiary liquidation of 21.4 MSEK. Refer to the section “Events during the quarter – Legal Company Changes” for further details.

## CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

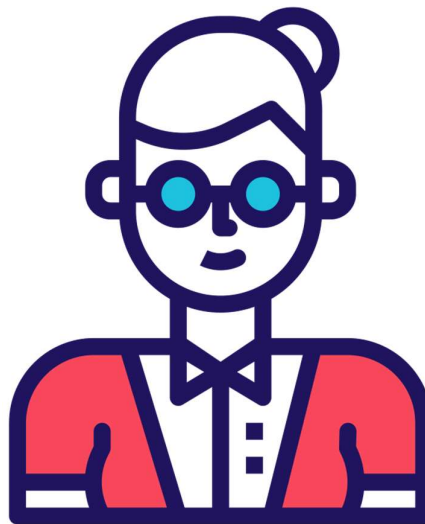
Cash flow from operating activities amounted to -14.8 MSEK (-10.9) for the second quarter 2021 and -30.3 MSEK (-29.2) for the first six months 2021. The lower cash flow from operating activities in the quarter relates mainly to the decrease in collection received from customers. This is in line with the new SaaS model, more based on a pay as you go rather than annual upfront payments. The reduction in use of cash in 2021 compared with in 2020 relates mainly to the cost reduction carried out by the company in December 2020.

In January 2021, the company received cash payment of 7.3 MSEK (5.5) from the Spanish Tax Authority following completed R&D review of R&D investments in 2018.

To finance the negative cash flow from operating activities for the first six months 2021, the company has drawn down 20 MSEK from its convertible loan notes program in the first quarter 2021, and in May 2021, the company received 112.5 MSEK (after deduction of transaction costs) from the directed new share issue.

The company's cash & bank position as of June 30, 2021 amounted to 116.3 MSEK (47.9). As of June 30, 2021, the company also had unutilized convertible notes of up to 15 MSEK which the company itself can decide to use or not.

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 second quarter 2021, net sales amounted to 0.7 MSEK (0.9) and for the first half of the year 1.4 MSEK (1.6). This is revenue from a single customer agreement entered into with the Parent Company. For the second quarter 2021 operating expenses amounted to -4.7 MSEK (-3.8) and for the first half of the year -6.6 MSEK (-6.6). The increase in the second quarter is due to legal professional services fees related to the voluntary liquidation of the UK subsidiary.

Net financial items for the second quarter 2021 amounted to -2.7 MSEK (-6.5) of which -2.3 MSEK (-7.0) are due to currency exchange rate adjustments.

Net financial items for the first half of the year 2021 amounted to 2.2 MSEK (-2.5). The positive impact on financial items is due to currency exchange profits 1.0 MSEK (-1.0 MSEK) and the reversal of a provision for an intercompany receivable that was booked to 2.9 MSEK at the end of 2020.

### 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. 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.

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.

On June 30, 2021, the company has utilized 45 MSEK of the convertible loan agreement with N&G, and of which 17.5 MSEK have been converted into shares and 27.5 MSEK is a short-term loan. On July 5, 2021, the company received a conversion request notice from N&G for conversion into shares of 16 MSEK of the convertible loan. Following this conversion, 33.5 MSEK of the convertible loan has been converted into shares and 11.5 MSEK is a short-term loan. Following conversion of 2,168,021 additional shares, N&G is the second largest shareholder in the company.

On May 24, 2021, the company renegotiated extension of repayment date of a 52 MSEK bond, to October 5, 2021 (previous due date June 2021).

On May 6, 2021, the company announced a directed new share issue providing 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 Annual report, which you can find on <https://www.investors.artificial-solutions.com>.

## RELATED-PARTY TRANSACTIONS

During the second quarter 2021, Artificial Solutions has agreed an early termination for September 2021 as part of the lease agreement for its Headquarters office with Vencom Property Partners AB. The terms of the lease are 1.5 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 with JUTechnology LLC at a rate of 21,660 SEK per month has discontinued on July 1, 2021.

## EMPLOYEES

The headcount end of June 2021 is 62 (111). The number of full-time equivalent employees in the Group on June 30, 2021, amounted to 60 (87).

## EVENTS DURING THE QUARTER

### ORGANIZATION

Marie Angselius Schönbeck was appointed as Chief Communication and Impact Officer in April 2021.

Also, 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.

At the Annual General Meeting held on June 18, 2021, Vesna Lindkvist was elected as new director of the board of the company. She has close to 20 years of experience in the software industry and has been CTO/CPO for Kivra for the past three years.

## CUSTOMERS

Artificial Solutions has signed a three-year Conversational AI deal with Telefónica Deutschland / O2, one of the leading integrated telecommunications providers in Germany, for the German market.

Artificial Solutions has signed a SaaS deal with a large multinational US Tech company.

Artificial Solutions has agreed to renew an existing agreement with a global truck manufacturer.

## LEGAL COMPANY CHANGES

On December 9, 2020, the company communicated its decision to streamline its legal structure with fewer subsidiaries to fit the new SaaS business and delivery model and organization. The main objective with these activities was to reduce our operating costs as well as simplifying our operations. On April 28, 2021, the shareholders of the UK entity ratified the decision to voluntarily liquidate the company. As a consequence, the subsidiary is not included in the group numbers anymore and the impact has been accounted for in the second quarter 2021. The net financial impact in 2021 of this operation is an income of 21.3 MSEK. There is no cash impact and only a P&L effect.

## SUCCESSFUL DIRECTED NEW ISSUE CONTRIBUTING 120 MSEK TO THE COMPANY

On May 6, 2021, the company announced a directed new share issue, approved by an extraordinary general meeting held on 24 May 2021, of 14,117,647 shares at a subscription price of 8.50 SEK per share. The directed new share issue has provided the company with 120 MSEK in cash, excluding transaction costs.

## BOND EXTENSION

On May 24, 2021, the company has agreed a 4-month extension of the 52 MSEK bond. Previously the bond was due for repayment on June 5, 2021. Repayment of the bond will now be due for repayment on the October 5, 2021. All other terms remain the same.

## EVENTS AFTER THE QUARTER

### ORGANIZATION

Paloma Ramirez Diaz-Monis was appointed as Chief People Officer in July 2021. She has previously been Head of Human Resources and Organizations in the company and will now be part of the management team.

The company will continue recruiting key staff to support the new business and delivery model and our strategy.

### CUSTOMERS

Artificial Solutions signed a LUIS^Teneo SaaS deal contract with A1 Bulgaria, part of A1 Group and controlled by América Móvil (with 400 million subscribers). This contract for the Bulgarian market has been closed together with our partner Microsoft and with the LUIS^Teneo offering.

Artificial Solutions received continued commitment from existing customers with signing of two renewal agreements with a US Government Department and Circle K.

A Partner to Artificial Solutions, a large US system integrator, signed up for and deploys LUIS^Teneo for its business.

Through one of our partners, a large multinational US Tech company has agreed to expand its Teneo deployment in US and Japan.

### 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 June 30, 2021, was 63,537,368 shares.

	30 JUN 2021	30 JUN 2020	31 DEC 2020
Number of shares at the end of the period	63,537,368	21,973,818	48,565,512
Average number of shares before dilution	51,933,396	14,361,743	42,642,124
Average number of shares after dilution	55,536,122	14,834,557	44,641,965

The 10 largest shareholders on June 30, 2021, are listed below:

Shareholder	Capital %
Scope	26.42%
AFA Insurance	5.17%
SEB-Stiftelsen	4.57%
C WorldWide Asset Management	2.72%
Nice & Green	2.59%
Avanza Pension	2.43%
Ulf Johansson	2.38%
Johan A. Gustavsson	2.30%
John Brehmer	1.46%
Nordnet Pension Insurance	1.45%

### SHARE-RELATED INCENTIVE PROGRAM

#### CANCELLATION OF WARRANTS

On June 1, 2021, the board of directors of the company resolved to cancel 153,426 warrants of series 2019/2024:1, 540,280 warrants of series 2020/2025:1 and 22,406 warrants of series 2020/2025:2 held by Artificial Solutions Holding ASH AB.

#### INCENTIVE PROGRAM 2021/2024:1

On June 18, 2021, the AGM approved the new incentive program 2021/2024:1. The subscription price of shares when exercising the warrants corresponds to 120 per cent of the volume-weighted average price for the company's share on Nasdaq First North Growth Market from 31 May 2021 to 11 June 2021. Each warrant provides the holder a right to subscribe for one (1) new share in the company and may be exercised during the period from 1 July 2024 to 15 October 2024. Provided that the warrants are fully exercised, the company's share capital can increase with a maximum of SEK 3,620,845.87, corresponding to a maximum of about 3.17 per cent of the current number of shares and votes in the company.

## INCENTIVE PROGRAMS SUMMARY

Following cancellation of warrants in different incentive programs and with the new Incentive Program 2021:2024:1, 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.

## FINANCIAL CALENDAR

- Interim report for the third quarter of 2021: October 28, 2021
- Interim report for the fourth quarter of 2021: February 17, 2022

Stockholm, August 10, 2021

### 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 August 10, 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](mailto:certifiedadviser@penser.se)).

## FINANCIAL OVERVIEW GROUP

MSEK	APR-JUN 2021	APR-JUN 2020	JAN-JUN 2021	JAN-JUN 2020	JAN-DEC 2020
Net Sales	8.2	15.4	18.1	30.7	53.8
Gross Margin	5.5	10.6	12.5	19.9	35.7
Gross Margin %	67%	69%	69%	65%	66%
EBITDA	-18.3	-19.8	-32.6	-44.9	-91.6
<i>Adjusted EBITDA</i>	-18.3	-19.8	-31.7	-44.9	-78.3
Operating loss	-21.4	-23.1	-38.9	-51.6	-97.8
<i>Adjusted Operating loss</i>	-20.9	-23.1	-37.2	-51.6	-84.2
Earnings per share, SEK	-0.2	-0.9	-0.4	-1.5	-3.2
Equity ratio	-0.5	-1.1	-0.5	-1.1	-2.2

MEUR	APR-JUN 2021	APR-JUN 2020	JAN-JUN 2021	JAN-JUN 2020	JAN-DEC 2020
Net Sales	0.8	1.4	1.8	2.9	5.1
Gross Margin	0.5	1.0	1.2	1.9	3.4
Gross Margin %	67%	69%	69%	65%	66%
EBITDA	-1.8	-1.9	-3.2	-4.2	-8.7
<i>Adjusted EBITDA</i>	-1.8	-1.9	-3.1	-4.2	-7.4
Operating loss	-2.1	-2.2	-3.8	-4.8	-9.3
<i>Adjusted Operating loss</i>	-2.1	-2.2	-3.7	-4.8	-8.0
Earnings per share, EUR	-0.0	-0.1	-0.0	-0.1	-0.3
Equity ratio	-0.5	-1.1	-0.5	-1.1	-2.2

## GROUP FINANCIAL STATEMENTS

### GROUP CONSOLIDATED INCOME STATEMENTS

MSEK	APR-JUN 2021	APR-JUN 2020	JAN-JUN 2021	JAN-JUN 2020	JAN-DEC 2020
Net Sales	8.2	15.4	18.1	30.7	53.8
Capitalized amount for own accounts	2.7	2.6	4.8	6.5	9.7
Other operating income	0.1	0.6	0.2	0.6	10.4
<b>Total operating income</b>	<b>11.0</b>	<b>18.6</b>	<b>23.0</b>	<b>37.8</b>	<b>73.9</b>
Personnel costs	-18.6	-28.3	-36.2	-60.0	-116.1
Other external costs	-10.6	-10.0	-19.4	-22.7	-43.5
Depreciation and amortization on fixed assets	-3.2	-3.3	-6.3	-6.7	-12.1
Other operating expenses	-	-0.0	0.0	-0.0	-0.0
<b>Total operating expenses</b>	<b>-32.4</b>	<b>-41.7</b>	<b>-61.9</b>	<b>-89.5</b>	<b>-171.7</b>
<b>Operating loss</b>	<b>-21.4</b>	<b>-23.1</b>	<b>-38.9</b>	<b>-51.6</b>	<b>-97.8</b>
Net financial items	6.5	-19.0	12.1	-21.6	-56.4
<b>Loss after financial items</b>	<b>-14.9</b>	<b>-42.0</b>	<b>-26.8</b>	<b>-73.3</b>	<b>-154.2</b>
Tax on result for the period	-	-	-	-0.2	-0.2
<b>NET RESULT FOR THE PERIOD</b>	<b>-14.9</b>	<b>-42.0</b>	<b>-26.8</b>	<b>-73.5</b>	<b>-154.4</b>

## GROUP CONSOLIDATED BALANCE SHEET

MSEK	30 JUN 2021	30 JUN 2020	31 DEC 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Capitalised expenditure for licensed software and development	28.7	32.4	29.8
Equipment, furniture, and fitting	0.8	1.5	1.3
Other non-current receivables	1.1	5.2	3.3
<b>Total non-current assets</b>	<b>30.6</b>	<b>39.2</b>	<b>34.4</b>
<b>Current assets</b>			
Current receivables	17.2	20.4	22.5
Cash and bank balances	116.3	47.9	20.1
<b>Total current assets</b>	<b>133.5</b>	<b>68.2</b>	<b>42.6</b>
<b>TOTAL ASSETS</b>	<b>164.1</b>	<b>107.4</b>	<b>77.0</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	114.4	85.6	87.4
Share premium reserve	1,299.1	1,198.4	1,206.1
Other equity including result for the period	-1,499.2	-1,402.0	-1,466.2
<b>Total Equity</b>	<b>-85.8</b>	<b>-118.1</b>	<b>-172.7</b>
<b>Non-current liabilities</b>			
Liabilities to other lenders	123.2	1.8	115.7
<b>Total non-current liabilities</b>	<b>123.2</b>	<b>1.8</b>	<b>115.7</b>
<b>Current liabilities</b>			
Liabilities to other lenders	82.2	171.4	70.4
Current liabilities	13.4	15.1	11.9
Accrued expenses and deferred income	31.1	37.1	51.6
<b>Total current liabilities</b>	<b>126.7</b>	<b>223.6</b>	<b>134.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>164.1</b>	<b>107.4</b>	<b>77.0</b>

## GROUP CONSOLIDATED CASH FLOW STATEMENT

MSEK	APR-JUN 2021	APR-JUN 2020	JAN-JUN 2021	JAN-JUN 2020	JAN-DEC 2020
<b>Operating Activities</b>					
Operating Loss	-21.4	-	-38.9	-51.6	-97.8
		23.1			
Depreciation/amortization on assets	3.2	3.3	6.3	6.7	12.1
Adjustments for items not included in cash flow	19.4	16.1	23.5	16.5	-10.9
Interest Paid and received	-1.1	-2.3	-10.1	-5.4	-17.4
Taxation paid and received	0.1	0.3	7.2	5.1	5.3
<b>Cash flow from operating activities before changes in working capital</b>	<b>0.2</b>	<b>-5.7</b>	<b>-12.0</b>	<b>-28.8</b>	<b>-108.7</b>
Cash flow from changes in working capital	-15.0	-5.2	-18.3	-0.4	32.8
<b>Cash flow from operating activities</b>	<b>-14.8</b>	<b>-10.9</b>	<b>-30.3</b>	<b>-29.2</b>	<b>-75.9</b>
Cash flow from investing activities	-4.8	-2.8	-7.2	-6.8	-10.4
Cash flow from financing activities	113.8	24.4	133.7	79.5	102.0
<b>Net change in cash and cash equivalents</b>	<b>94.1</b>	<b>10.7</b>	<b>96.2</b>	<b>43.4</b>	<b>15.6</b>
Cash and cash equivalents beginning of the period	22.1	37.2	20.1	4.4	4.4
<b>Cash and cash equivalents end of the period</b>	<b>116.3</b>	<b>47.9</b>	<b>116.3</b>	<b>47.9</b>	<b>20.1</b>

## GROUP CONSOLIDATED CHANGE IN EQUITY

MSEK	30 JUN 2021	30 JUN 2020	31 DEC 2020
<b>Amount Brought Forward</b>	<b>-172.7</b>	<b>-190.4</b>	<b>-190.4</b>
New Issue of Shares	127.5	147.3	157.3
Transaction costs	-7.5	0.9	-11.4
Warrant premiums	2.1	-11.0	2.5
Results for the period	-26.8	-73.5	-154.4
Translation difference	-8.4	8.5	23.7
<b>Amount Carried Forward</b>	<b>-85.8</b>	<b>-118.1</b>	<b>-172.7</b>

## KEY RATIOS

MSEK	APR-JUN 2021	APR-JUN 2020	JAN-JUN 2021	JAN-JUN 2020	JAN-DEC 2020
Net Sales	8.2	15.4	18.1	30.7	53.8
Net Sales Adjusted*	10.7	12.5	22.9	25.6	47.3
Recurring Revenues Adjusted*	8.8	8.9	17.7	16.8	33.9
Recurring Revenues Adjusted %	82%	71%	77%	66%	72%
Usage Revenues Adjusted*	3.8	2.7	8.1	4.4	10.4
Usage Revenues Adjusted %	35%	22%	35%	17%	22%
Gross Margin	5.5	10.6	12.5	19.9	35.7
Gross Margin %	67%	69%	69%	65%	66%
Adjusted EBITDA	-18.3	-19.8	-31.7	-44.9	-78.3

## FINANCIAL STATEMENTS PARENT COMPANY

### PARENT COMPANY INCOME STATEMENT

MSEK	APR-JUN 2021	APR-JUN 2020	JAN-JUN 2021	JAN-JUN 2020	JAN-DEC 2020
Net Sales	0.7	0.9	1.4	1.6	2.4
Other operating income	-	-	-	-	0.7
<b>Total operating income</b>	<b>0.7</b>	<b>0.9</b>	<b>1.4</b>	<b>1.6</b>	<b>3.1</b>
Other external costs	-4.7	-3.8	-6.6	-6.6	-17.8
Other expenses	-	-	-	-	-
<b>Total operating expenses</b>	<b>-4.7</b>	<b>-3.8</b>	<b>-6.6</b>	<b>-6.6</b>	<b>-17.8</b>
<b>Operating loss</b>	<b>-4.0</b>	<b>-2.9</b>	<b>-5.3</b>	<b>-5.0</b>	<b>-14.6</b>
Net financial items	-2.7	-6.5	2.2	-2.5	-10.8
<b>Result after financial items</b>	<b>-6.8</b>	<b>-9.4</b>	<b>-3.1</b>	<b>-7.6</b>	<b>-25.4</b>
Tax on result for the period	-	-	-	-0.2	-0.2
<b>NET RESULT FOR THE PERIOD</b>	<b>-6.8</b>	<b>-9.4</b>	<b>-3.1</b>	<b>-7.8</b>	<b>-25.7</b>



## PARENT COMPANY BALANCE SHEET

MSEK	30 JUN 2021	30 JUN 2020	31 DEC 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Receivable from Group companies	215.6	151.6	176.4
Financial assets	283.0	281.0	281.7
Other non-current receivables	0.5	-	-
<b>Total non-current assets</b>	<b>499.0</b>	<b>432.6</b>	<b>458.1</b>
<b>Current assets</b>			
Current receivables	2.6	3.2	1.2
Cash and bank balances	97.4	22.0	7.4
<b>Total current assets</b>	<b>100.1</b>	<b>25.2</b>	<b>8.6</b>
<b>TOTAL ASSETS</b>	<b>599.1</b>	<b>457.8</b>	<b>466.7</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	114.4	85.6	87.4
Share premium reserve	1,299.1	1,198.4	1,206.1
Other equity including result for the period	-865.6	-847.0	-863.9
<b>Total Equity</b>	<b>547.8</b>	<b>437.0</b>	<b>429.6</b>
<b>Non-current Liabilities</b>			
Liabilities to other lenders	13.9	-	13.2
<b>Total non-current liabilities</b>	<b>13.9</b>	<b>-</b>	<b>13.2</b>
<b>Current liabilities</b>			
Liabilities to other lenders	30.2	15.9	17.6
Current liabilities	3.9	2.1	3.6
Accrued expenses and deferred income	3.2	2.7	2.6
<b>Total current liabilities</b>	<b>37.4</b>	<b>20.8</b>	<b>23.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>599.1</b>	<b>457.8</b>	<b>466.7</b>

## PARENT COMPANY CASH FLOW STATEMENT

MSEK	APR-JUN 2021	APR-JUN 2020	JAN-JUN 2021	JAN-JUN 2020	JAN-DEC 2020
<b>Operating Activities</b>					
Operating loss	-4.0	-2.9	-5.3	-5.0	-14.6
Depreciation/amortization on assets	-	-	-	-	-
Adjustments for items not included in cash flow	-	-1.9	0.2	0.7	-1.8
Interest paid and received	-0.1	0.5	-4.7	-0.4	-1.8
Taxation paid and received	-	-	-	-0.2	-0.2
<b>Cash flow from operating activities before changes in working capital</b>	<b>-4.1</b>	<b>-4.2</b>	<b>-9.7</b>	<b>-5.0</b>	<b>-18.4</b>
Cash flow from changes in working capital	-24.8	-13.2	-32.7	-50.3	-76.7
<b>Cash flow from operating activities</b>	<b>-28.9</b>	<b>-17.4</b>	<b>-42.4</b>	<b>-55.4</b>	<b>-95.1</b>
Cash flow from investing activities	-	-	-	-	-
Cash flow from financing activities	112.5	21.5	132.5	76.6	101.8
<b>Net change in cash and cash equivalents</b>	<b>83.5</b>	<b>4.1</b>	<b>90.0</b>	<b>21.3</b>	<b>6.7</b>
Cash and cash equivalents beginning of the period	13.9	17.9	7.4	0.7	0.7
<b>Cash and cash equivalents end of the period</b>	<b>97.4</b>	<b>22.0</b>	<b>97.4</b>	<b>22.0</b>	<b>7.4</b>

## PARENT COMPANY CHANGE IN EQUITY

MSEK	30 JUN 2021	30 JUN 2020	31 DEC 2020
<b>Amount Brought Forward</b>	<b>429.6</b>	<b>308.4</b>	<b>308.4</b>
New Issue of Shares	127.5	147.3	157.3
Transaction Costs	-7.5	-11.0	-11.4
Warrants	1.3	-	1.0
Results for the period	-3.1	-7.8	-25.7
<b>Amount Carried Forward</b>	<b>547.8</b>	<b>437.0</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 Total Revenue from Operations in the period.
<b>Adjusted Recurring Revenue</b>	Combined amount of 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 recurring revenue in the period as a percent of 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 August 10, 2021, at 10:00 a.m. CET.

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

Denmark:	+45 32714988
United Kingdom:	+44 (0) 203 059 58 69
United States:	+1 760 294 16 74
Norway:	+47 23960036
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

Per Ottosson, CEO

Tel: +46 (0) 8 663 54 50

Head Office and visiting address: Artificial Solutions International AB, Stureplan 15 SE-111 45 Stockholm, Sweden Tel: +46 8 663 54 50

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

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## ABOUT ARTIFICIAL SOLUTIONS

### DIVERSE WORKFORCE

# 45%

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



# 21

Employees from 21 different **nationalities**

# 26

**Languages** spoken in-house



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# \$152M

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**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



# 86

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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Yt Yo  
Tu Tu