

QUARTERLY REPORT APRIL TO JUNE 2022

CONTINUED HIGH GROWTH REVENUE TRAJECTORY – QUARTERLY SAAS ARR GROWTH OF 55%

APRIL TO JUNE 2022

- Net sales amounted to 10.2 MSEK (8.2), + 24%
- Recurring revenues amounted to 9.1 MSEK (6.3), + 44%
- SaaS ARR amounted to 20.0 MSEK, +55% compared with March 2022
- SaaS API Call Volumes 9.3 million, + 70% compared with March 2022
- Gross margin 67% (67)
- EBITDA adjusted amounted to -22.4 MSEK (-17.2)
- Earnings per share (*) amounted to -2.4 SEK (-2.3)

JANUARY TO JUNE 2022

- Net sales amounted to 20.3 MSEK (18.1), + 13%
- Recurring revenues amounted to 17.8 MSEK (12.9), + 39%
- SaaS ARR amounted to 20.0 MSEK, +113% compared with December 2021
- SaaS API Call Volumes 9.3 million, + 210% compared with December 2021
- Gross margin increased to 70% (69)
- EBITDA adjusted amounted to -40.2 MSEK (-30.3)
- Earnings per share (*) amounted to -6.3 SEK (-4.1)

EVENTS DURING THE QUARTER

- Skoda expands its Conversational AI offering built on Teneo to 13 regions
- Signed renewal SaaS agreement with a large Multinational US Tech company
- Signed renewal agreement with a Swiss International Bank
- Signed renewal agreement with AT&T, an American International Telecommunications Provider
- Signed partner agreement with CGI, one of the largest IT and business consulting services firms in the world
- Launch of Teneo 7.0 – with new functionalities including improved User Interface and simplified solution creation
- Launch of Teneo Developer Certification program
- Sean McIlrath appointed as Head of US Sales
- Reverse share split – merging the number of outstanding shares with 1:10 ratio in June 2022

EVENTS AFTER THE QUARTER

- Soon go live with initial first project for one of the largest National Healthcare Providers in the world
- Renewed SaaS agreement with A1 Bulgaria, a Telecommunications Provider controlled by América Móvil
- Telefónica O2 presented its IVR solution created using Teneo during a webinar in July
- Patrik Rosenberg appointed as Head of EMEA Sales

KEY FIGURES (FOR DEFINITIONS PLEASE SEE PAGE 18)

	APR-JUN 2022	APR-JUN 2021	JAN-JUN 2022	JAN-JUN 2021	JAN-DEC 2021
Net sales reported (MSEK)	10.2	8.2	20.3	18.1	38.9
Recurring revenues reported (MSEK)	9.1	6.3	17.8	12.9	30.2
SaaS ARR (MSEK)	20.0	5.0	20.0	5.0	9.4
SaaS API Call Volumes (Million)	9.3	0.3	9.3	0.3	3.0
Gross margin %	67%	67%	70%	69%	70%
Adjusted EBITDA (MSEK)	-22.4	-17.2	-40.2	-30.3	-58.5
Earnings per share, SEK (*)	-2.4	-2.3	-6.3	-4.1	-10.6
Cash flow from operating activities before financial items and taxation (MSEK)	-20.3	-14.8	-43.1	-30.3	-38.2

(*) The Company completed a Reverse Stock Split of 10 to 1 in June, 2022. Historical share numbers have been adjusted to reflect the split.

CEO STATEMENT



Per Ottosson
CEO

Dear shareholders, colleagues, customers, and partners:

In the second quarter of 2022, we rebuilt our US presence and refocused the European sales effort to develop a stronger presence in the segments that are starting to move fast.

Sales Focus

We remain focused on the largest clients and noticed that the solutions built by customers that have been with us since the second quarter of 2021 are now growing fast. We see several customers with more than a million voice conversations through the bot per month. This is truly unique in our industry, as most of the competitors are still focused on building chatbots that, in most cases, provide little value to companies. The current and target clients usually have or would have the need for thousands of people in their call centres to cover their support demand. A voice deployment can easily provide savings of around 20% of the call centre's total cost. Made possible by Teneo's patented language management and hybrid learning.

Sales Organization

We have spent the first half of the year adapting our sales organization to focus on Enterprise Sales. This has meant creating two sales team units reporting to me: one for the US and another one for EMEA. With the focus on these two geographies, we aim to primarily sell to companies within the Telecommunications and Retail industries, and Internet native companies (companies that have not yet built out large customer support organizations). We are working most of our active opportunities together with Microsoft plus a partner involved to provide the services to build the customer solution.

Our European sales organization will be led by Patrik Rosenberg who is joining us from Combient where he, as VP, has been responsible for the AI sales. Patrik has a long background in Conversational AI and joins us with the experience and drive required in the Enterprise Segment.

The changes in sales also include our CRO, Nicolas Köllerstedt, leaving during August.

Our US Sales team started at the beginning of the quarter and has managed to build a strong pipeline in a short time. This is thanks to our US VP and GM, Sean McIlrath, who has been able to build a team with four new hires during the quarter. Sean has a background in the Conversational AI space as well as in Contact Centers; he worked previously at TTEC where he was a Group Vice President. The US market is moving slightly faster than the European with regards to the shift from simple chatbots to complex solutions. Having strong references in the market such as AT&T and HelloFresh, who are delighting their customers with astounding support service, make us confident that we have a strong position to get more of the largest US companies onto Teneo.

SaaS ARR up 55% Q over Q

We continue to see a strong growth in our existing customers usage of Teneo and our SaaS ARR grew 55% versus Q1 2022. Exchange rate adjusted, the SaaS ARR in Q2 2022 increased with 51% versus Q1 2022. In July we continued to experience growth and the SaaS ARR grew from 20.0 MSEK in June 2022 to 21.2 MSEK in July 2022, equivalent to a growth of +6% month over month. The key driver for the growth in July is coming from higher API call volumes, primarily from customers that we signed contract with late spring 2021.

The development in July from increased API call volumes is showcasing that our revenue model is aligned with how our customers invest and make money on the technology. The development license is paid on a monthly basis for each of the developers that are in the project and, as the solution goes live, each conversation is providing savings for our customer and revenue to us in the form of API calls. The more conversations customers have with the solutions, the more revenues that means to us. This is a cash straining model but, as we see, it is what provides growth in our customers usage and the scalability is phenomenal.

Major Teneo Platform Release

Teneo is the most developer friendly platform in the conversational AI industry. And with our new release we have further moved the goal post for developer friendliness.

New Web Interface

The Teneo Platform 7.0 release introduces a completely new Studio Web User Interface (UI). It does not only bring the actual web experience, but also an improved user experience (UX) with focus on guidance and simplification, where information gradually is exposed when required in the dialogue development process.

The new Studio Web is an additional UI to Teneo Studio Desktop with collaboration features enabling parallel development against the same solution, including locking of documents in edit mode, avoiding multiple users editing the same document at the same time, for example.

Simplified Solution Creation

The process of creating a new solution and starting to work with it has been simplified. Users are now guided through solution creation in three simple steps: selecting the language, confirming the solution content, and giving the solution a name. Any new solution will have lexical resources assigned by default and it is now possible to create documents directly under the solution root, without first having to add a folder structure.

Flow editor

The Flow editor has been reworked, bringing the guided and simplified user experience introduced in Studio Web across and allowing users to click Plus icons in the Flow graph to add nodes and elements where relevant options are displayed exponentially. The changes still allow experienced Studio desktop users to work as they are used to, if desired, but will at the same time make the desktop a familiar place for Studio web users and ensuring that the two UIs clearly state that they are part of the same family.

Customer Development

Our customers keep developing their solutions at a great pace. One of the more impressive developments during Q2 2022 was the large Health Care Provider that started its project in the quarter and are taking the first solution live in a few months!

Telefonica Webinar

At the beginning of July 2022, Telefónica O2 Germany presented their Conversational IVR solution built with Teneo. They have built a bot that answers the phone. They illustrated very clearly how they have evolved from what most customers are using today – a combination of a simple IVR and a separate web-based chatbot – to an omnichannel solution that allows customers to use natural language to get support over the phone. [Click here to watch Telefónica's webinar.](#)

All in all, we continue to experience great momentum in our SaaS ARR development, our new sales team are working hard on pipeline generation, and we are looking forward to the next coming quarters.

Per Ottosson, CEO



Sales Development

OUR REVENUE MODEL AND KEY RATIOS

In the fourth quarter 2020, we communicated that, as a consequence of the introduction of the SaaS business and delivery model, there will be a focus on recurring revenues from 1 and 2 below and acquisition of new customers. Key metrics are the monthly API call volumes, SaaS ARR, % revenues generated from SaaS customers and the % revenues generated from recurring revenues.

The 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 3.

The revenue streams in the SaaS business and delivery model are primarily:

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.

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. On top of 1-3, revenues can also be generated from provisioning of Expert services. Professional services are no longer in focus for us as a company as we prefer our partners to provide the professional services to customers.

Subscription revenues in 1. are part of License & Support, API call revenues in 2. and Teneo Data revenues in 3. are part of Usage, and Expert Services are part of Other.

Recurring revenues consist of License & Support, and Usage revenues, where 1-3 above in the SaaS model are also included.

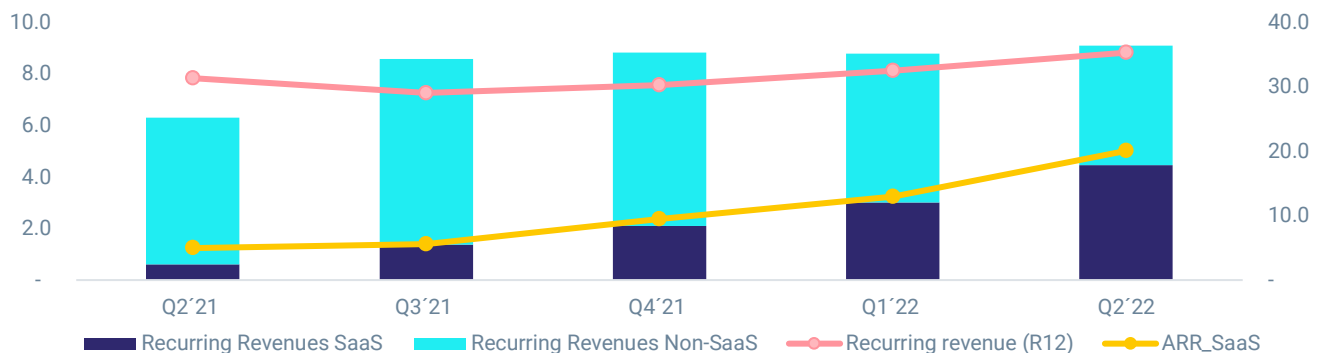
RECURRING REVENUES AND ARR KEY IN THE SAAS MODEL

Recurring revenues are key for any software company.

The reported recurring revenues (Usage, License and Support) for the second quarter 2022 amounted to 9.1 MSEK (6.3), equivalent to 89% (76) of net sales and an increase of 44% compared with the same period last year. The reported usage revenues (Usage) for the second quarter 2022 amounted to 3.6 MSEK (1.3), equivalent to 35% (16) of total net sales and an increase of 177% compared with the same period last year. Below is a table showing the actual reported quarterly revenue from the second quarter 2021 to the second quarter 2022 split by License & Support, Usage and Other and the combined recurring revenues.

MSEK	APR-JUN		JUL-SEP		OCT-DEC		JAN-MAR		APR-JUN	
	2021	2021	2021	2021	2022	2022	2022	2022	2022	
License & Support	5.0	5.3	5.5	5.6	5.6	5.5	5.6	5.6	5.5	
Usage	1.3	3.2	3.3	3.2	3.2	3.6	3.2	3.2	3.6	
Other	1.9	2.4	1.0	1.4	1.4	1.1	1.4	1.4	1.1	
Total Net Sales (*)	8.2	11.0	9.8	10.1	10.1	10.2	10.1	10.1	10.2	
<i>(*) Of which Recurring Revenues</i>	6.3	8.6	8.8	8.8	8.8	9.1	8.8	8.8	9.1	

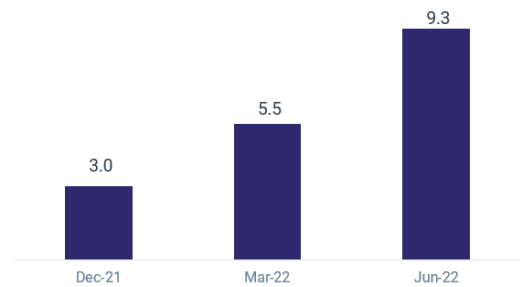
On a rolling 12-month basis the reported recurring revenues (Usage, License and Support) in the second quarter 2022 amounted to 35.2 MSEK (31.3), equivalent to 86% (76) of total net sales and an increase of 12% compared with the same period last year. The comparable number for 12 months rolling reported recurring revenues amounted to 32.4 MSEK in the first quarter 2022, representing an increase of 9%.



The recurring revenues metric coupled with our annual recurring revenues (ARR) metric highlight the strength in our installed base of customers and the underlying customer contracts. As the company has a mix of customers on the SaaS and the non-SaaS payment model, the recurring revenues is measured on historical actual revenues from our existing customer contracts while the ARR is more forward-looking (based on monthly recurring revenues from SaaS x 12 months). As we grow our ARR, the ARR metric is more accurately highlighting the value in our customer contracts. The impact from signed customer deals on the SaaS business model in 2021 and 2022 is increasing in importance in the second quarter 2022. In the first quarter 2022, recurring revenues derived from SaaS customers constituted 34% of total recurring revenues. The recurring revenues derived from SaaS customers for the second quarter 2022 amounted to 4.5 MSEK and constituted 49% of total recurring revenues, 9.1 MSEK, and 44% of net sales. This number will grow as we add more customers to the SaaS model, ramp up new customers in terms of API call increases and as we continue to convert existing customers to the SaaS model.

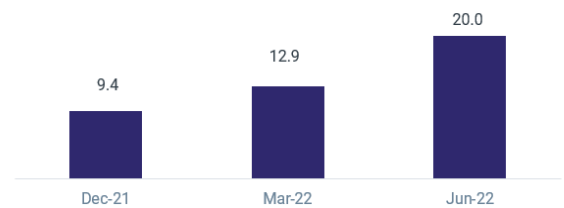
As previously announced, an important KPI to follow is the API call volumes development on the SaaS model as this metric is linked to the API call revenues generated by SaaS customers. The reported API call volumes from SaaS customers are the last month API call volumes in the quarter. Over time there will be alignment with the SaaS ARR (annual recurring revenues) and API call volumes reporting. The monthly SaaS API call volumes increased to 9.3 million in June 2022 from 5.5 million in March 2022, equivalent to a 70% increase in one quarter only, and 210% compared to December 2021. In July 2022, the monthly SaaS API call volumes increased to 10.3 million, equivalent to a 11% growth versus June 2022. See the graph below for graphical details. The non-SaaS customers experienced 10% API call volume growth between the first six months of 2021 and the first six months of 2022. The API calls generated by non-SaaS customers are not always linked to the Usage revenues and for that reason to avoid confusion we are not disclosing the volumes.

SaaS API Call Volumes (million per month) – + 210 % Dec 21-June 22



At the end of the second quarter 2022, we had 13 customers on the SaaS model. This corresponds to 9 net new SaaS customers over the last 12 months. A SaaS customer is a subscription base customer that reports on API calls generated. If we add one customer end of a quarter, the actual revenues generated may be limited or even zero.

SaaS ARR MSEK



SaaS ARR (annual recurring revenues) is defined as the monthly (end of quarter month) recurring revenues generated in the SaaS model multiplied by 12 (months). The SaaS ARR in June 2022 amounted to 20.0 MSEK, an increase from 12.9 MSEK in March 2022, equivalent to a growth of 55% in the quarter. The SaaS ARR in July 2022 amounted to 21.2 MSEK, equivalent to a growth of 6% versus June 2022. Annual Recurring Revenues on total business amounted to 38.9 MSEK in June 2022 and to 41.9 MSEK in July 2022.

APRIL TO JUNE 2022

Net sales for the second quarter 2022 amounted to 10.2 MSEK (8.2), equivalent to an increase of 24% compared to the same period last year. The recurring revenues (Usage+License+Support) in the second quarter 2022 amounted to 9.1 MSEK (6.3), equivalent to 89% (76) of total net sales and an increase of 44% 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 SaaS model.

2020 reported recurring revenues were positively impacted by the old way of recognizing Usage revenues. In the second quarter 2021, the company changed the usage revenue recognition principle (applied a more conservative approach) and reported usage revenues recognized in the first quarter 2021 were adjusted. That explains part of the increase in reported recurring revenues in second quarter 2022 compared with second quarter 2021. On an adjusted basis recurring revenue in the second quarter 2021 would have been 8.8 MSEK.

Personnel costs in the second quarter 2022 amounted to -21.7 MSEK (-18.6), an increase of 16% compared to the same period last year. The increase is due to salary increases in first quarter 2022 combined with the new hirings. Headcount has increased from 62 at the end of the second quarter 2021 to 71 at the end of the second quarter 2022. The increase in headcount is due to the focus on strengthening the sales workforce to enable growth.

Depreciation and amortization in the second quarter 2022 amounted to -3.2 MSEK (-3.2). Capitalized R&D for the same period amounted to 3.2 MSEK (2.7).

Total operating expenses, including depreciation and amortization, in the second quarter 2022 amounted to -39.7 MSEK (-32.4). The increase in operating expenses come from salary increases, new recruitments, as well as higher marketing and IT related costs.

The annual operating expenses run-rate, excluding depreciation and amortization and non-recurring cost items of -3.9 MSEK, in the second quarter has increased from -112 MSEK 2021 to -143 MSEK 2022. The average monthly operating expenses in the second quarter 2022, excluding depreciation and amortization and non-recurring cost items, amounted to -11.9 MSEK.

JANUARY TO JUNE 2022

Net sales for the first half of the year 2022 amounted to 20.3 MSEK (18.1), equivalent to an increase of 13% compared to the same period last year. The recurring revenues (Usage+License+Support) for the first half of the year 2022 amounted to 17.8 MSEK (12.9), equivalent to 88% (71) of total net sales. A high percentage of recurring revenues of total net sales provides stability and visibility and the foundation in our SaaS model.

Personnel costs for the first half of the year 2022 amounted to -41.0 MSEK (-36.2), an increase of 13% compared to the same period last year. Headcount has increased from 62 at the end of the second quarter 2021 to 71 at the end of the second quarter 2022.

Depreciation and amortization in the first half of the year 2022 amounted to -6.9 MSEK (-6.3). Capitalized R&D for the same period amounted to 6.2 MSEK (4.8). The increase of 1.4 MSEK is due mainly to more hours dedicated to product development together with the hourly rate increases during the first quarter of 2022.

The annual operating expenses run-rate, excluding depreciation and amortization and non-recurring cost items of -4.2 MSEK in the first half of the year has increased from -106 MSEK 2021 to -134 MSEK 2022. The average monthly operating expenses in the first half of the year 2022, excluding depreciation and amortization and non-recurring cost items, amounts to -11.1 MSEK.

FINANCIAL ITEMS AND TAX

Net financial items for the second quarter 2022 amounted to 10.8 MSEK (6.5).

The interest costs for the second quarter 2022 amounted to -7.4 MSEK (-6.3). These are mainly the result of the capitalized transactional costs for the 5-year PIK loan credit facility that was signed in December 2021 together with the capitalized interest. The transactional costs amounting to -0.9 MSEK quarterly (recurring during the PIK loan tenure.) have been capitalized together with the new credit facility and are recorded monthly as financial costs in addition to actual interest costs for the credit facility itself.

The positive net financial items for the first half of the year are mainly a result of positive currency exchange rate differences.

Due to the value of accumulated tax losses carried forward there is no tax payable in relation to 2021 and the second quarter of 2022.

CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

Cash flow from operating activities before financial items and taxation for the second quarter 2022 amounted to -21.4 MSEK (1.2) and to -41.6 MSEK (-9.0) for the first half of the year. The group is investing more in its operations in 2022 compared with 2021 and that is the reasons for the increased negative cash flow from operating activities in the second quarter 2022 compared with the same quarter previous year. In addition, the cash flow from operating activities before financial items in 2021 was positively impacted with 19.4 MSEK in the second quarter and 23.5 MSEK for the first half year, due to mainly the impact in P&L, without any cash impact from the voluntary liquidation of the investment in UK, started in 2020 and finished in 2021.

Cash flow from operating activities after financial items and taxation for the second quarter 2022 amounted to -20.3 MSEK (0.2) and -43.1 MSEK (-12.0) for the first half of the year. The interest paid corresponds mainly to the transactional cost linked to the credit facility received in December 2021, paid in the first quarter 2022. The group does not expect any other material cash payment linked to the credit until maturity date.

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.

Cash flow from investing activities in the second quarter 2022 amounted to -3.1 MSEK (-4.8), first half of the year to -6.3 MSEK (-7.2) and relate to capitalized R&D expenditures. Cash flow from financing activities in the first half of the year 2022 amounted to 0 MSEK (133.7). To finance the negative cash flow from operating activities for the first six months 2021, the company used 20 MSEK from existing convertible loan notes program and, also received 112.5 MSEK (after deduction of transaction costs) from the directed new share issue. On December 22, 2021, the company received 242.4 MSEK (upfront commitment fees deducted) in proceeds, from the 5-year credit facility. With these funds the company repaid almost all the existing debt as well as financing the negative cash flow from operating activities for the year 2021.

The company's cash and bank position as of 30 of June 2022 amounted to 63.6 MSEK (116.3).

Beginning of July 2022, the company collected approximately 5.5 MSEK from customers that were due for payment in June 2022. Adjusted for this, the company's cash and bank position at the end of the second quarter would have been approximately 69.1 MSEK.

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 (publ).

In the second quarter 2022, net sales amounted to 0.3 MSEK (0.7), of which recurring revenues amounted to 0.3 MSEK (0.3). This is revenue from a single customer agreement entered into with the Parent Company. For the second quarter 2022 operating expenses amounted to -6.6 MSEK (-4.7).

Net financial items for the second quarter 2022 amounted to 6.2 MSEK (-2.7) of which 13.4 MSEK (-2.4) are due to currency exchange rate adjustments and -7.2 MSEK (-0.4) are interests and similar costs from loans.

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 are capitalized and will not result in any cash interest payments during the tenure. The proceeds from the credit facility have been used for repayment of the company's existing debt and convertible notes.

The company repaid more or less all existing debt. 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.

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.

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 lapsing Covid-19 crisis, could have a material adverse effect on Artificial Solutions' operations, financial position and/or results.

The Ukraine-Russia conflict started in February 2022. Our company has no operations nor customers in Ukraine or Russia and has not experienced any negative impact during the second quarter of 2022. The impact on business activity in general and for our industry cannot be ruled out, but the company does not expect any major negative impact from the conflict.

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 second quarter 2022, the lease agreement with Vencom Property Partners AB was fully terminated.

From 1st of June 2022, the company consulting services agreement with ASH&Partners AB at a rate of 30,000 SEK per month, ended.

Hence, the group does not have any active commercial contracts with related parties.

EMPLOYEES

The headcount end of June 2022 is 71 (62). The number of full-time equivalent employees in the group on June 30, 2022, amounted to 68 (60). In addition to the employed staff, the company also has commitments with specialized contractors, 4 consultants in total at the end of June 2022.

EVENTS DURING THE QUARTER

ORGANIZATION

During the second quarter 2022, the company has continued recruiting key staff to support the new business and delivery model and our strategy. There is a continued focus on Enterprise Customers and for that reason there will be two Sales VP's reporting into the CEO – one Head of US Sales and one Head of Sales EMEA. Sales efforts are focused on growing our SaaS business.

Sean McIlrath was appointed as Head of US Sales. A team of 4 additional sales/pre-sales staff was also recruited in the US.

CUSTOMERS

During the second quarter 2022, a number of customer contracts were signed.

Medtronic, one of the largest medical device companies in the world, has converted its engagement with Artificial Solutions into the SaaS model.

Artificial Solutions signed renewal SaaS agreement with a large multinational US Tech company.

Artificial Solutions signed a renewal agreement with a Swiss International Bank.

Artificial Solutions signed a renewal agreement with AT&T, an American International Telecommunications Provider.

Škoda Auto is expanding its chatbot to 13 new regions. The regions include France, Spain, United Kingdom, Poland, Serbia, Sweden, Ukraine, Czech Republic, Slovakia, Ireland, Finland, and Italy. The project has also been expanded to New Zealand.

TENEO: OPTIMIZED FOR MICROSOFT AZURE

Following Microsoft's decision to include Microsoft LUIS as part of their Azure Cognitive Services, Artificial Solutions will no longer be using LUIS. Teneo to refer to our integration with the Microsoft Ecosystem. Our partnership with Microsoft is continuously strengthened and Teneo is optimized for Azure and the rest of the MS ecosystem. Teneo continues to work hand-in-hand with Microsoft Power Virtual Agents allowing solutions built with it to be scaled with even greater efficiency.

Organizations will continue to be able to improve virtual agent response times, listen with greater understanding, and speak with greater fidelity by leveraging the combined power of Teneo and Azure.

TENEO DEVELOPER CERTIFICATION PROGRAM

Artificial Solutions launched this program to allow individuals to get certified as Teneo Conversational AI Developers. The certification will have a validity of 2 years from issue date.

CUSTOMER SATISFACTION SURVEY SHOWS HIGH RATINGS FROM CLIENTS

Artificial Solutions runs a customer satisfaction survey among clients to rate their satisfaction with the service they are receiving from our customer success and customer support teams. The scores were 4.5 out of 5 and 4.3 out of 5 respectively.

PAID SANDBOXES FOR TESTING

From April 2022, the company offers the possibility of paying to have access to a Teneo testing environment. The cost for this 'sandbox' consists of a monthly fee without any further commitment.

REVERSE SHARE SPLIT

The annual general meeting held on 30 May 2022 in Artificial Solutions International AB (publ) resolved on a reverse share split, whereby ten (10) existing shares consolidate into one (1) new share (1:10). The general meeting resolved to authorize the board of directors to determine the record date for the reverse share split, which was determined to the June 22, 2022. Shareholders whose shareholdings at the record date was not evenly divisible with ten have received shares free of charge from a major shareholder, for the holdings to be evenly divisible by ten. Such equalizing shares has been provided through Euroclear Sweden AB and arranged by the shareholders custodian banks.

After the reverse share split, the number of shares in the company are 6,570,538, entailing a quota value of approximately SEK 18 after the reverse share split.

EVENTS AFTER THE QUARTER

CUSTOMERS

Artificial Solutions signed renewal SaaS agreement with A1 Bulgaria, a Telecommunications Provider controlled by América Móvil.

During the first quarter of 2022, Artificial Solutions signed a SaaS agreement with one of the largest National Healthcare Providers in the world. The implementation is ready and will soon go live. The customer has an initial commitment for 36 months.

At the beginning of July 2022, Telefónica O2 Germany presented their Conversational IVR solution built with Teneo. They have built a bot that answers the phone. They illustrated very clearly how they have evolved from what most customers are using today – a combination of a simple IVR and a separate web-based chatbot – to an omnichannel solution that allows customers to use natural language to get support over the phone. [Click here to watch Telefónica's webinar.](#)

ORGANIZATION

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

Our European Sales organization will be led by Patrik Rosenberg. With the hires of Sean McIlrath, Head of US Sales, and Patrik Rosengren, these two will report into the CEO and thereby replace Nicolas Köllerstedt who is leaving as CRO in August 2022.

Paloma Ramirez, Chief People Officer, will leave the company in August 2022. The company is looking for a new Chief People Officer.

THE COMPANY'S MAJOR SHAREHOLDERS

Artificial Solutions' share is listed on Nasdaq First North Growth Market Stockholm under the ticker "ASAI".

On June 22, 2022, there was a merger of shares reducing the number of outstanding shares to 1/10 of the number of outstanding shares.

Number of shares as of June 30, 2022, was 6,570,538.

The shares changed ISIN code to SE0018397184 on July 26, 2022.

	30 JUN 2022	30 JUN 2021	31 DEC 2021
Number of shares at the end of the period (*)	6,570,538	6,353,737	6,570,539
Average number of shares before dilution (*)	6,570,538	5,193,340	5,867,998
Average number of shares after dilution (*)	7,065,864	5,553,790	6,297,312

The 10 largest shareholders on June 30, 2022, are listed below:

Shareholder	Capital %
Scope	16.1%
SEB-Stiftelsen	7.5%
Nice & Green	6.2%
AFA Försäkring	5.0%
C WorldWide Asset Management	2.9%
Johan A. Gustavsson	2.8%
Avanza Pension	2.3%
Ulf Johansson	2.3%
Theodor Jeansson	1.8%
Nordnet Pensionsförsäkring	1.7%

(*) The Company completed a Reverse Stock Split of 10 to 1 in June, 2022. Historical share numbers have been adjusted to reflect the split.

SHARE-RELATED INCENTIVE PROGRAM

INCENTIVE PROGRAMS SUMMARY

There are five existing incentive programs with the following terms:

Programs	Number of warrants	Strike Price (SEK)
2019/2024	824,709	328.70
2020/2025:1	229,000	177.00
2020/2025:2	126,966	177.00
2021/2024:1	2,011,581	87.00
2022/2025	258,779	32.94

In October 2020, the company granted a specific warrant program to some of its financial lenders. The total number of warrants are 1,562,500 and with the right to subscribe for 156,250 shares at a strike price of SEK 320 per share. The subscription period ends on March 31, 2023.

CANCELLATION OF WARRANTS

The execution period of the incentive program 2019/2022 lapsed on June 15, 2022. The 195,628 warrants were not exercised; hence the program is not active anymore.

During the third quarter of 2022, after receiving surrender communication from the warrant holders, the warrant program 2020/2025:2 will be cancelled.

INCENTIVE PROGRAM 2022/2025

On May 30, 2022, the AGM approved the new incentive program 2022/2025. 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 27 June 2022 to 8 July 2022. However, the subscription price may never be less than the quotient value of the share. If the subscription price exceeds the quota value of the shares, the excess amount (premium) shall be included in the non-restricted share premium fund in the Company's balance sheet. The Company shall issue a maximum of 258,779 warrants. Each warrant confers the holder a right to subscribe for one (1) new share in the Company. Provided that the warrants of Incentive Program 2022/2025 are fully exercised, the Company's share capital can increase with a maximum of SEK 4,658,022.717470 (provided the quotient value after the proposed reverse share split of approximately SEK 18).

This program has not been considered in terms of dilution as it has been registered in July 2022.

AUDIT REVIEW REPORT

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

FINANCIAL CALENDAR

- Interim report for the third quarter of 2022: October 26, 2022

Stockholm, August 17, 2022

Per Ottosson, CEO

Artificial Solutions financial reports are available at the corporate website: www.investors.artificial-solutions.com/financial-reports.

This information is such that Artificial Solutions International AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at 07:30 a.m. CET on August 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).

GROUP FINANCIAL STATEMENTS

GROUP CONSOLIDATED INCOME STATEMENTS

MSEK	APR-JUN 2022	APR-JUN 2021	JAN-JUN 2022	JAN-JUN 2021	JAN-DEC 2021
Net Sales	10.2	8.2	20.3	18.1	38.9
Capitalized amount for own accounts	3.2	2.7	6.2	4.8	11.7
Other operating income	0.0	0.1	0.0	0.2	5.4
Total operating income	13.4	11.0	26.6	23.0	56.0
Personnel costs	-21.7	-18.6	-41.0	-36.2	-70.8
Other external costs	-14.8	-10.6	-27.1	-19.4	-41.6
Depreciation and amortization on fixed assets	-3.2	-3.2	-6.9	-6.3	-12.5
Other operating expenses	0.0	-	0.0	0.0	-1.7
Total operating expenses	-39.7	-32.4	-75.0	-61.9	-126.5
Operating loss	-26.3	-21.4	-48.4	-38.9	-70.6
Net financial items	10.8	6.5	7.2	12.1	1.1
Loss after financial items	-15.5	-14.9	-41.2	-26.8	-69.5
Tax on result for the period	-0.0	-	-0.0	-	-0.0
NET RESULT FOR THE PERIOD	-15.5	-14.9	-41.2	-26.8	-69.5

GROUP CONSOLIDATED BALANCE SHEET

MSEK	30 JUN 2022	30 JUN 2021	31 DEC 2021
ASSETS			
Non-current assets			
Capitalized expenditure for licensed software and development	29.5	28.7	28.4
Equipment, furniture, and fitting	1.1	0.8	0.9
Other non-current receivables	1.8	1.1	1.4
Total non-current assets	32.3	30.6	30.8
Current assets			
Current receivables	23.7	17.2	25.7
Cash and bank balances	63.6	116.3	112.1
Total current assets	87.3	133.5	137.8
TOTAL ASSETS	119.7	164.1	168.6
EQUITY AND LIABILITIES			
Equity			
Share capital	118.3	114.4	118.3
Share premium reserve	1,311.1	1,299.1	1,311.1
Other equity including result for the period	-1,608.7	-1,499.2	-1,548.7
Total Equity	-179.3	-85.8	-119.3
Non-current liabilities			
Liabilities to other lenders	248.8	123.2	237.6
Total non-current liabilities	248.8	123.2	237.6
Current liabilities			
Liabilities to other lenders	-	82.2	-
Current liabilities	12.8	13.4	19.6
Accrued expenses and deferred income	37.5	31.1	30.7
Total current liabilities	50.2	126.7	50.4
TOTAL EQUITY AND LIABILITIES	119.7	164.1	168.6

GROUP CONSOLIDATED CASH FLOW STATEMENT

MSEK	APR-JUN 2022	APR-JUN 2021	JAN-JUN 2022	JAN-JUN 2021	JAN-DEC 2021
Operating Activities					
Operating Loss	-26.3	-21.4	-48.4	-38.9	-70.6
Depreciation/amortization on assets	3.2	3.2	6.9	6.3	12.5
Adjustments for items not included in cash flow	1.6	19.4	-0.1	23.5	19.9
Cash flow from operating activities before financial items and taxation	-21.4	1.2	-41.6	-9.1	-38.2
Interest Paid and received	1.2	-1.1	-7.7	-10.1	-65.2
Taxation paid and received	-	0.1	6.2	7.2	7.2
Cash flow from operating activities after financial items and taxation	-20.3	0.2	-43.1	-12.0	-96.1
Cash flow from changes in working capital	2.8	-15.0	0.9	-18.3	-22.7
Cash flow from operating activities	-17.4	-14.8	-42.2	-30.3	-118.9
Cash flow from investing activities	-3.1	-4.8	-6.3	-7.2	-14.3
Cash flow from financing activities	0.0	113.8	0.0	133.7	225.2
Net change in cash and cash equivalents	-20.6	94.1	-48.5	96.2	92.0
Cash and cash equivalents beginning of the period	84.2	22.1	112.1	20.1	20.1
Cash and cash equivalents end of the period	63.6	116.3	63.6	116.3	112.1

GROUP CONSOLIDATED CHANGE IN EQUITY

MSEK	30 JUN 2022	30 JUN 2021	31 DEC 2021
Amount Brought Forward	-119.3	-172.7	-172.7
New Issue of Shares	-	127.5	143.5
Transaction costs	-	-7.5	-7.6
Warrant premiums	-0.1	2.1	2.8
Results for the period	-41.2	-26.8	-69.5
Companies in liquidation	-	-	0.1
Translation difference	-18.7	-8.4	-15.9
Amount Carried Forward	-179.3	-85.8	-119.3

KEY RATIOS

MSEK	APR-JUN 2022	APR-JUN 2021	JAN-JUN 2022	JAN-JUN 2021	JAN-DEC 2021
Net Sales	10.2	8.2	20.3	18.1	38.9
Net Sales Adjusted	10.4	10.7	20.7	22.9	45.3
Recurring Revenues	9.1	6.3	17.8	12.9	30.2
Recurring Revenues %	89%	76%	88%	71%	78%
Recurring Revenues Adjusted	9.3	8.8	18.2	17.7	36.7
SaaS ARR	20.0	5.0	20.0	5.0	9.4
SaaS API Calls Volume (Million)	9.3	0.6	9.3	0.6	3.0
Gross Margin	6.9	5.5	14.3	12.5	27.2
Gross Margin %	67%	67%	70%	69%	70%
Adjusted EBITDA	-22.4	-17.2	-40.2	-30.3	-58.5
Equity ratio	-1.5	-0.5	-1.5	-0.5	-0.7

FINANCIAL STATEMENTS PARENT COMPANY

PARENT COMPANY INCOME STATEMENT

MSEK	APR-JUN 2022	APR-JUN 2021	JAN-JUN 2022	JAN-JUN 2021	JAN-DEC 2021
Net Sales	0.3	0.7	0.7	1.4	2.0
Other operating income	-	-	-	-	2.6
Total operating income	0.3	0.7	0.7	1.4	4.6
Other external costs	-6.6	-4.7	-11.0	-6.6	-15.6
Other expenses	-	0.0	-	0.0	0.0
Total operating expenses	-6.6	-4.7	-11.0	-6.6	-15.6
Operating loss	-6.3	-4.0	-10.4	-5.3	-11.1
Net financial items	6.2	-2.7	1.3	2.2	-107.4
Result after financial items	-0.1	-6.8	-9.0	-3.1	-118.4
Tax on result for the period	-	-	-	-	-
NET RESULT FOR THE PERIOD	-0.1	-6.8	-9.0	-3.1	-118.4

PARENT COMPANY BALANCE SHEET

MSEK	30 JUN 2022	30 JUN 2021	31 DEC 2021
ASSETS			
Non-current assets			
Receivable from Group companies	366.3	215.6	315.6
Financial assets	282.2	283.0	283.1
Other non-current receivables	0.5	0.5	0.5
Total non-current assets	649.0	499.0	599.1
Current assets			
Current receivables	2.9	2.6	1.9
Cash and bank balances	39.6	97.4	97.9
Total current assets	42.5	100.1	99.9
TOTAL ASSETS	691.5	599.1	699.0
EQUITY AND LIABILITIES			
Equity			
Share capital	118.3	114.4	118.3
Share premium reserve	1,311.1	1,299.1	1,311.1
Other equity including result for the period	-990.9	-865.6	-981.0
Total Equity	438.4	547.8	448.4
Non-current Liabilities			
Liabilities to other lenders	246.9	13.9	235.7
Total non-current liabilities	246.9	13.9	235.7
Current liabilities			
Liabilities to Group companies	-	-	1.6
Liabilities to other lenders	-	30.2	-
Current liabilities	2.5	3.9	11.1
Accrued expenses and deferred income	3.7	3.2	2.1
Total current liabilities	6.2	37.4	14.9
TOTAL EQUITY AND LIABILITIES	691.5	599.1	699.0

PARENT COMPANY CASH FLOW STATEMENT

MSEK	APR-JUN 2022	APR-JUN 2021	JAN-JUN 2022	JAN-JUN 2021	JAN-DEC 2021
Operating Activities					
Operating loss	-6.3	-4.0	-10.4	-5.3	-11.1
Depreciation/amortization on assets	-	-	-	-	-
Adjustments for items not included in cash flow	-	-	-2.3	0.2	0.3
Cash flow from operating activities before financial items and taxation	-6.3	-4.0	-12.7	-5.1	-10.8
Interest paid and received	-	-0.1	-8.6	-4.7	-20.6
Taxation paid and received	-	-	-	-	-
Cash flow from operating activities after financial items and taxation	-6.3	-4.1	-21.3	-9.7	-31.4
Cash flow from changes in working capital	-21.3	-24.8	-37.1	-32.7	-120.8
Cash flow from operating activities	-27.7	-28.9	-58.4	-42.4	-152.2
Cash flow from investing activities	-	-	-	-	-116.1
Cash flow from financing activities	-	112.5	-	132.5	358.8
Net change in cash and cash equivalents	-27.7	83.5	-58.4	90.0	90.5
Cash and cash equivalents beginning of the period	67.3	13.9	97.9	7.4	7.4
Cash and cash equivalents end of the period	39.6	97.4	39.6	97.4	97.9

PARENT COMPANY CHANGE IN EQUITY

MSEK	30 JUN 2022	30 JUN 2021	31 DEC 2021
Amount Brought Forward	448.4	429.6	429.6
New Issue of Shares	-	127.5	143.5
Transaction Costs	-	-7.5	-7.6
Warrants	-0.9	1.3	1.3
Results for the period	-9.0	-3.1	-118.4
Amount Carried Forward	438.4	547.8	448.4

DEFINITIONS OF KEY PERFORMANCE INDICATORS NOT DEFINED IN ACCORDANCE WITH BFAR

FINANCIAL MEASURES	DESCRIPTION
Net Sales	Reported net sales.
Net Sales Adjusted	Reported net sales including adjusted usage revenues. The adjustment is done to align historical reported usage revenue to the new business model principles.
Usage Revenues	The amount of revenues derived solely from the usage of the Teneo Platform.
Adjusted Usage Revenues	The adjusted usage revenues.
Recurring Revenues	Combined amount of revenues derived from Usage, License and Support revenues. This also includes SaaS recurring revenues.
Adjusted Recurring Revenues	Combined amount of adjusted revenues derived from Usage, License and Support revenues.
SaaS Recurring Revenues	Recurring revenues derived from SaaS revenue model customers, based on the revenues coming from Subscription, API Calls and Searchable Data.
SaaS ARR	Annual recurring revenues based on last month in quarter SaaS Recurring Revenues (Monthly Recurring Revenues from SaaS x 12 months).
Gross Margin	Is calculated as the total net sales subtracted with the total cost of services, commission and cost of utilized staff related to Customer Success department.
Gross Margin %	Is calculated as the total Gross Margin expressed as a per cent of total revenue in the period.
EBITDA	Earnings before interest, tax, depreciation, and amortization.
Adjusted EBITDA	Earnings before interest, tax, depreciation, and amortization adjusted for non-recurring items and restructuring costs.
Average number of shares before dilution	Average number of shares during the period.
Average number of shares after dilution	Average number of shares during the period including number of shares at full dilution.
API	Application Programming Interface (API) that allows interaction between two applications.
API Calls	Making an API Call correspond to the request sent through an endpoint to the server. Volumes are disclosed in millions.
SaaS API Calls	Specific API calls solely for SaaS customers. Volumes are disclosed in millions.

CONFERENCE CALL

The report will be presented by Per Ottosson, CEO, and Fredrik Törgren, CFO, at a telephone conference on August 17, 2022, at 09:30 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 21984292
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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31%

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70

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22

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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.

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



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