

QUARTERLY REPORT JULY TO SEPTEMBER 2022

SAAS ARR GROWING AT 321% YoY IN THE THIRD QUARTER 2022

JULY TO SEPTEMBER 2022

- Net sales amounted to 12.4 MSEK (11.0), + 12%
- Recurring revenues amounted to 10.9 MSEK (8.6), + 27%
- SaaS ARR amounted to 23.6 MSEK (5.6), +321%
- SaaS API Call Volumes 11.4 million (0.7), + 1,508%
- Gross margin 58% (69)
- EBITDA adjusted amounted to -20.0 MSEK (-12.5)
- Earnings per share (*) amounted to -3.3 SEK (-3.7)

JANUARY TO SEPTEMBER 2022

- Net sales amounted to 32.7 MSEK (29.1), + 13%
- Recurring revenues amounted to 28.7 MSEK (21.4), + 34%
- SaaS ARR amounted to 23.6 MSEK, +151% compared with December 2021
- SaaS API Call Volumes 11.4 million, + 280% compared with December 2021
- Gross margin decreased to 66% (69)
- EBITDA adjusted amounted to -60.2 MSEK (-42.9)
- Earnings per share (*) amounted to -9.6 SEK (-7.8)

EVENTS DURING THE QUARTER

- Artificial Solutions wins Microsoft's Independent Software Vendor (ISV) Partner of the Year Award for 2022 – a recognition from having demonstrated strong customer focus and success by partnering deeply with Microsoft
- 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
- Go live of a new solution for Large multinational US Tech company
- Patrik Rosenberg appointed as Head of EMEA Sales
- Industry first feature: Teneo can run our SaaS service end-to-end with encrypted data

EVENTS AFTER THE QUARTER

- First project gone live with one of the largest Healthcare Providers in the world
- New Financial Targets announced to clarify business potential and future KPIs
- Company has mandated a financial advisor to evaluate financing alternatives

KEY FIGURES (FOR DEFINITIONS PLEASE SEE PAGE 18)

	JUL-SEP 2022	JUL-SEP 2021	JAN-SEP 2022	JAN-SEP 2021	JAN-DEC 2021
Net sales (MSEK)	12.4	11.0	32.7	29.1	38.9
Recurring revenues (MSEK)	10.9	8.6	28.7	21.4	30.2
SaaS ARR (MSEK)	23.6	5.6	23.6	5.6	9.4
SaaS API Call Volumes (Million)	11.4	0.7	11.4	0.7	3.0
Gross margin %	58%	69%	66%	69%	70%
Adjusted EBITDA (MSEK)	-20.0	-12.5	-60.2	-42.9	-58.5
Earnings per share, SEK (*)	-3.3	-3.7	-9.6	-7.8	-10.6
Cash flow from operating activities before financial items and taxation (MSEK)	-19.0	-11.6	-60.5	-20.6	-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 third quarter of 2022 our SaaS model delivered stellar results with an ARR growth of 321% and we were awarded the Swedish ISV (Independent Software Vendor) of the year by Microsoft for our third-generation platform that automates voice, messaging and chat reaching the largest volumes of any vendor.

The growth in our current SaaS customers signals a shift in competitive landscape

The story of our third quarter 2022 is one of continued growth in our existing customer base while our competitors are struggling to do the same. Many key references in the market for other technologies and approaches have been stopped in the last few quarters. Why? What is going on?

As Customer Engagement data becomes more and more important to large companies, they are increasingly looking to choose a cloud provider and a trusted partner for this data. The business intelligence potential in customer interaction data that Teneo provides is changing the landscape. Using Teneo, you can now search for how many customers are asking about the ingredients in their meal plan or rebooking appointments. The data is already structured. The three competing platforms that are addressing this market are Amazon, Google, and Microsoft. We are of course part of the Microsoft stack.

When it comes to large (read high volume) implementations we are the choice for the Microsoft Account teams. This is how we won the Swedish ISV of the year in 2022 with Microsoft. There is a major shift happening in the market where the Contact Center has become a key strategy for customers and focus area of the three clouds (Microsoft, Amazon, and Google).

Customers that have embarked on this journey have started to grow their usage very quickly due to the clear ROI of not having humans be first line in customer communication. The ROI is based both on saved human cost as well as better Customer Satisfaction as customers do not have to wait to get service and Teneo was rated higher than a human operator in a survey done by one of our key customers. The structured Customer Engagement Data is icing on the cake. So, our existing customers are growing, and we expect this to continue – there is at least a twenty-time (20x) growth potential in API calls with our customers today. This alone will bring us to a cash flow positive from operations.

New Customers – a different behaviour

This new trend in the market with three competing strong cloud providers also means that the choice of a technology becomes more strategic. This means a longer and more involving sales-cycle. In our case we are three at the table - our implementation partner who stands to make large consulting revenues, Microsoft who are looking to get this piece into Azure and us. Our strategy is to focus on a few large customers and have therefore aligned a sales organization to this in EMEA under Patrik Rosenberg and in the US under Sean McIlrath. We will see the first wins in our renewed US focus during Q4.

Go-Lives, Growth and Gross-Margin

During the third quarter 2022 API call volumes in our SaaS platform increased 23% vs. Q2 2022 and has experienced a close to 4 times (4x) increase since December 2021. This also means the annual SaaS API call run rate volumes in September 2022 was 137 million and the resulting SaaS ARR in Q3 2022 amounted to 23.6 MSEK, equivalent to a growth of 18% vs. Q2 2022 and a growth of 150% since December 2021 and total ARR of 45.1 MSEK.

In the last days of the quarter, we had two large customers go-live with their solutions. One moved their solution to also receive calls in their main interactive voice response (IVR) and the other to provide a slim geo-positioning service on their general inquiry line (finding the right location for the user to direct the inquiry accordingly). We expect that these two developments will provide a

substantial jump in API consumption. We now have over 70 use cases live in our customer base and we are continuously increasing the number of use cases, further growing our API call volumes and SaaS ARR.

We published a presentation during the third quarter 2022 analyzing what would happen when two large customers grow their usage of our platform. As they grow from current API call volumes towards their potential, our gross margin increases and rapidly goes to 90% and ends-up at 95% at higher API call volumes. This showcases the operational leverage in our revenue model, manifests why large customers are our targeted customer group and underpins the potential in and the value of our existing customer base. We can continue to grow with existing customers without spending as much as many of our competitors in marketing spend.

The SaaS platform was launched in Q3 last year, so the history is still short but certainly this is proof of our technology and commercial model. Our gross margin decreases in the quarter, and this is a consequence of previously committed professional services which is being farmed out to consulting contractors with very little margin to us and large initial costs for SaaS customers that have yet not ramped up in terms of API call volumes. However, when they ramp up volumes the gross margin quickly increases with higher API call volumes.

New Financial Targets

Having analyzed our customers behaviors the last 18 months on the SaaS model, identified the significant potential for API call volumes increases in our existing customer base, the changing market requirements clearly favoring our generation 3 platform Teneo and taking into account the sales cycle in the current market environment we have identified and defined our financial targets which links closely to key operational performance metrics. Our New Financial Targets – also highlighted in the table at the bottom of the page - are to reach:

- >1 billion API calls during 2024
- >200 MSEK in ARR during 2025
- Cash flow positive from operations during 2024
- A long-term EBITA margin exceeding 30% in a mature state

The platform keeps getting better

As we continuously release new functionality in Teneo the platform delivers more value to our clients every month. One specific delivery this quarter which is key to growth in some customers is that we can now run our service end-to-end with encrypted data. This is an industry first and enables anyone to use a Cloud based solution, as a key concern in SaaS is whether or not anyone can access the data other than the owner of the data. With this solution even heavily regulated industries can use Teneo SaaS as the data cannot be accessed by anyone else than it's rightful owner. This is key for Healthcare and Telecommunications verticals but useful for all industry verticals.

Telefonica Webinar

Although I have mentioned this before I believe that Sarah's Telefonica webinar below is worth repeating and a great summary. They had Generation two technology implemented already – and achieved this when moving to generation three with our Teneo platform. Teneo is today handling +900,000 calls per month for Telefonica.

In the beginning of July 2022 Telefonica O2 in Germany presented their solution where they have built a bot that answers the phone. They illustrated very clearly how they have evolved from what most customers are using today – an IVR and a separate chatbot – to an omnichannel solution using natural language also on the phone. A link to the webinar is here: <https://lnkd.in/esaXEB4h>

Per Ottosson, CEO

API calls	ARR	Cash flow	EBITA margin
>1 billion Annualized rate during 2024	SEK >200m To be reached during 2025	Positive From operations during 2024	>30% Long term
Commentary <ul style="list-style-type: none"> • Artificial Solutions aims to generate more than one billion API calls at an annualized rate during 2024 	Commentary <ul style="list-style-type: none"> • Annualized monthly recurring revenues to reach levels exceeding SEK 200m during 2025 	Commentary <ul style="list-style-type: none"> • Generate positive cash flows from operations during 2024 	Commentary <ul style="list-style-type: none"> • The company aims to achieve a long-term EBITA margin exceeding 30% in a mature state

Sales Development

OUR REVENUE MODEL AND KEY RATIOS

With the introduction of the SaaS business and delivery model in the fourth quarter 2020, there has initially been a focus on recurring revenues from revenue streams 1 and 2 below and acquisition of new customers. As our SaaS business and SaaS customers have matured and ramped-up, we are currently focusing on recurring revenues, and the growth in recurring revenues from existing customers, but also key metrics such as 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 and any increases/decreases in the monthly recurring revenues are instantly captured in the SaaS ARR metric.

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

The recurring revenues metric coupled with our annual recurring revenues (ARR) metric highlight the strength in our installed base of customers, the underlying value of customer contracts as well as the increase/decrease in them. 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 third quarter 2022. In the second quarter 2022, recurring revenues derived from SaaS customers constituted 49% of total recurring revenues. The recurring revenues derived from SaaS customers for the third quarter 2022 amounted to 5.6 MSEK and constituted 52% of total recurring revenues, 10.9 MSEK, and 45% of net sales. This number will grow as we add more customers to the SaaS model, ramp up existing customers in terms of API call increases and as we continue to convert existing customers to the SaaS model.

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. This metric coupled with the SaaS ARR are also part of our new financial targets. 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 11.4 million in September 2022 from 9.3 million in June 2022, equivalent to a 23% increase in one quarter only, and 280% compared to December 2021. See the graph below from September 2021 for graphical details. The non-SaaS customers experienced 7% API call volume growth between the first nine months of 2021 and the first nine months of 2022. The API calls generated by non-SaaS customers are not always directly 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) – + 1,508 % Sep 21-Sep 22

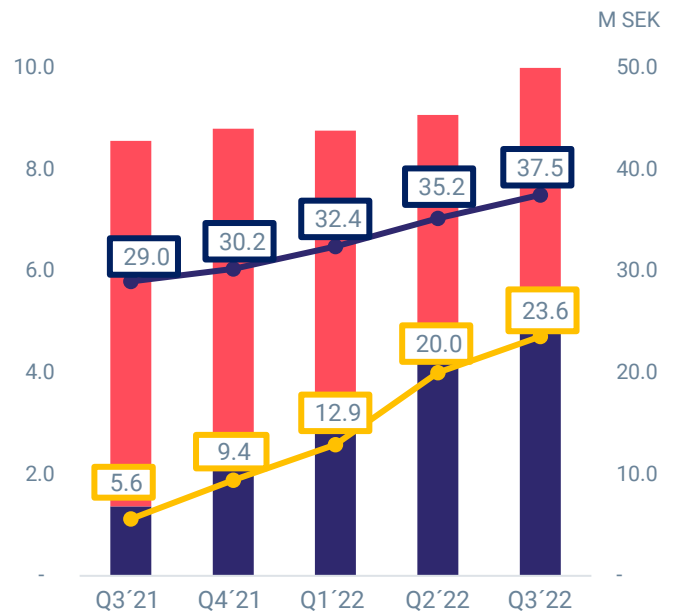


At the end of the third quarter 2022, we had 13 customers on the SaaS model. This corresponds to 9 net new SaaS customers over the last 12 months. A SaaS customer is a subscription base customer that reports on API calls generated. If we add one customer end of a quarter, the actual revenues generated 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 September 2022 amounted to 23.6 (5.6) MSEK, an increase from 20.0 MSEK in June 2022, equivalent to a growth of 18% in the quarter, and an increase from 5.6 MSEK in September 2021, equivalent to a growth of 321%. Annual Recurring Revenues on total business amounted to 45.1 MSEK in September 2022.



■ Rec.Rev. Non SaaS ■ Rec.Rev. SaaS

● Recurring revenue (R12) ● ARR SaaS

The recurring revenues (Usage, License and Support) for the third quarter 2022 amounted to 10.9 MSEK (8.6), equivalent to 88% (78) of net sales and an increase of 27% compared with the same period last year. The usage revenues (Usage) for the third quarter 2022 amounted to 4.9 MSEK (3.2), equivalent to 39% (29) of total net sales and an increase of 53% compared with the same period last year. Below is a table showing the quarterly revenue from the third quarter 2021 to the third quarter 2022 split by License & Support, Usage and Other and the combined recurring revenues.

MSEK	JUL-SEP	OCT-DEC	JAN-MAR	APR-JUN	JUL - SEP
	2021	2021	2022	2022	2022
License & Support	5.3	5.5	5.6	5.5	6.0
Usage	3.2	3.3	3.2	3.6	4.9
Other	2.4	1.0	1.4	1.1	1.5
Total Net Sales	11.0	9.8	10.1	10.2	12.4
(*) Of which Recurring Revenues	8.6	8.8	8.8	9.1	10.9

On a rolling 12-month basis the recurring revenues (Usage, License and Support) in the third quarter 2022 amounted to 37.5 MSEK (29.0), equivalent to 88% (75) of total net sales and an increase of 29% compared with the same period last year. The comparable number for 12 months rolling recurring revenues amounted to 35.2 MSEK in the second quarter 2022, representing an increase of 7%.

JULY TO SEPTEMBER 2022

Net sales for the third quarter 2022 amounted to 12.4 MSEK (11.0), equivalent to an increase of 13% compared to the same period last year. The recurring revenues (Usage+License+Support) in the third quarter 2022 amounted to 10.9 MSEK (8.6), equivalent to 88% (78) of total net sales and an increase of 27% 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.

Personnel costs in the third quarter 2022 amounted to -21.1 MSEK (-16.7), an increase of 26% compared to the same period last year. The increase is due to salary increases in first quarter 2022 combined with new hirings. Headcount has increased from 66 at the end of the third quarter 2021 to 72 at the end of the third quarter 2022. The increase in headcount is due to the focus on strengthening the marketing and sales workforce to enable growth.

Depreciation and amortization in the third quarter 2022 amounted to -2.7 MSEK (-3.1). Capitalized R&D for the same period amounted to 2.6 MSEK (3.0).

Total operating expenses, including depreciation and amortization, in the third quarter 2022 amounted to -38.0 MSEK (-29.6). 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 -3.0 MSEK, in the third quarter has increased from -106 MSEK 2021 to -140 MSEK 2022. The average monthly operating expenses in the third quarter 2022, excluding depreciation and amortization and non-recurring cost items, amounted to -11.7 MSEK.

JANUARY TO SEPTEMBER 2022

Net sales for the first nine months of the year 2022 amounted to 32.7 MSEK (29.1), equivalent to an increase of 12% compared to the same period last year. The recurring revenues (Usage+License+Support) for the first nine months of the year 2022 amounted to 28.7 MSEK (21.4), equivalent to 88% (74) 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 nine months of the year 2022 amounted to -62.1 MSEK (-52.9), an increase of 17% compared to the same period last year. Headcount has increased from 66 at the end of the third quarter 2021 to 72 at the end of the third quarter 2022.

Depreciation and amortization in the first nine months of the year 2022 amounted to -9.7 MSEK (-9.4). Capitalized R&D for the same period amounted to 8.8 MSEK (7.8). The increase of 1.0 MSEK is due mainly to 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 -11.2 MSEK in the first nine months of the year has increased from -106 MSEK 2021 to -136 MSEK 2022. The average monthly operating expenses in the first nine month of the year 2022, excluding depreciation and amortization and non-recurring cost items, amounts to -11.3 MSEK.

FINANCIAL ITEMS AND TAX

Net financial items for the third quarter 2022 amounted to 1.3 MSEK (-8.7).

The interest costs for the third quarter 2022 amounted to -8.1 MSEK (-11.1). 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 nine months 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 third quarter of 2022.

CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

Cash flow from operating activities before financial items and taxation for the third quarter 2022 amounted to -19.0 MSEK (-11.6) and to -60.5 MSEK (-20.6) for the first nine months 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 third 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 24.5 MSEK in the first nine months of the 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 third quarter 2022 amounted to -19.3 MSEK (13.9) and -62.4 MSEK (-25.9) for the first nine months 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 third quarter 2022 amounted to -3.3 MSEK (-3.3) and for the first nine months of the year to -9.6 MSEK (-10.5) and relate mainly to capitalized R&D expenditures. Cash flow from financing activities in the first nine months of the year 2022 amounted to 0.1 MSEK (133.7). To finance the negative cash flow from operating activities for the first nine 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 September 30, 2022 amounted to 39.1 MSEK (96.3).

Beginning of October 2022, the company collected approximately 2.4 MSEK from customers that were due for payment in September 2022. Adjusted for this, the company's cash and bank position at the end of the third quarter would have been approximately 41.5 MSEK.

The company has mandated a financial advisor to evaluate financing alternatives for the company.

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 third quarter 2022, net sales amounted to 0.3 MSEK (0.3), all of them are recurring revenues. These are revenues from a single customer agreement entered into with the Parent Company. For the third quarter 2022 operating expenses amounted to -5.7 MSEK (-3.6).

Net financial items for the third quarter 2022 amounted to -2.5 MSEK (0.6) of which 6.0 MSEK (1.0) are due to currency exchange rate adjustments and -8.5 MSEK (-0.4) are interests and similar costs from loans. The company resolved the minority interest on one of its subsidiaries and the effect is that the group is 100% owner of it.

FINANCING

On December 22, 2021, the company announced the closing of a 5-year credit facility of 250 MSEK carrying an interest margin of 10% 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 third 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 40 in the 2021 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 September 2022 is 71 (66). The number of full-time equivalent employees in the group on September 30, 2022, amounted to 69 (64). In addition to the employed staff, the company also has commitments with specialized contractors, 7 consultants in total at the end of September 2022.

EVENTS DURING THE QUARTER

ORGANIZATION

During the third quarter 2022, the company has continued recruiting key staff to support the new business and delivery model and our strategy. Patrik Rosengren was appointed as Head of EMEA Sales.

With the hires of Sean McIlrath, Head of US Sales, and Patrik Rosengren, both reporting into the CEO, the company has strength the continued focus on Enterprise Customers.

With these actions, a team of 5 sales/presales is focused on EMEA, and 6 sales/presales are focused on USA Sales.

CUSTOMERS

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

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.](#)

PARTNERS KEY TO OUR STRATEGY

Artificial Solutions operational model is built on partnering with different partners, mainly system integration partners, who sell, develop and deliver different types of IT/CX projects to end corporate customers.

Artificial Solutions and CGI has developed and signed a new partnership model agreement: 1) CGI as a conversational AI Service Provider; 2) CGI as a staffing partner in Artificial Solutions accounts and; 3) CGI joined pursuits.

In August 2022, a new partnership engagement was also signed with the American company Master of Code.

MS AWARD: BEST PARTNER OF 2022

Artificial Solutions wins Microsoft's Swedish Independent Software Vendor (ISV) Partner of the Year Award for 2022. The prize was awarded on Partner Inspiration Day, which was broadcast on Thursday September 29, 2022.

The Microsoft Partner of the Year Awards acknowledge Microsoft partners that have developed and delivered outstanding Microsoft-based applications, services, and devices during the past year. Awards were classified in various categories, with honorees chosen from several submitted nominations. Artificial Solutions were recognized for providing outstanding solutions and services in Global Independent Software Vendor.

The Swedish Independent Software Vendor Partner of the Year Award recognizes the Microsoft managed Independent Software Vendor that has demonstrated strong customer focus and success by partnering deeply with Microsoft.

The winning partner, Artificial Solutions, offers clearly differentiated value and customer experiences by building on Microsoft's cloud platform. The partners solutions provide strong examples of how the Microsoft Cloud Platform can be leveraged to drive product differentiation, solution innovation and create new business models and approaches. In addition, the partner will illustrate how their engagement with Microsoft has accelerated their business growth, especially by leveraging Microsoft's partner programs and offerings.

TENEO: ENCRYPTION

As we continuously release new functionality in Teneo the platform delivers more value to our clients every month. One specific delivery this quarter which is key to growth in some customers is that we can now run our service end-to-end with encrypted data. This is an industry first and enables anyone to use a Cloud based solution. This is key for Healthcare and Telecommunications verticals but useful for all industry verticals.

EVENTS AFTER THE QUARTER

CUSTOMERS

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 has gone live. The customer has an initial commitment for 36 months.

NEW FINANCIAL TARGETS

- >1 billion API calls during 2024
- >200 MSEK in ARR during 2025
- Cash flow positive from operations during 2024
- A long-term EBITA margin exceeding 30% in a mature state

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 September 30, 2022, was 6,570,538.

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

	30 SEP 2022	30 SEP 2021	31 DEC 2021
Number of shares at the end of the period (*)	6,570,538	6,570,538	6,570,538
Average number of shares before dilution (*)	6,570,538	5,631,244	5,867,998
Average number of shares after dilution (*)	7,057,838	6,036,932	6,297,312

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

Shareholder	Capital %
Scope	16.1%
SEB-Stiftelsen	7.5%
Nice & Green	6.2%
Johan A. Gustavsson	3.0%
C WorldWide Asset Management	2.9%
Avanza Pension	2.6%
Ulf Johansson	2.3%
Nordnet Pensionsförsäkring	2.0%
Theodor Jeansson	1.8%
AFA Försäkring	1.5%

(*) 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.

The company is currently reviewing the old warrant programs, including the warrant program 2020/2025:2, and is considering substituting old programs which are currently far away from being exercised. Such action will result in the theoretical dilutive effects to be significantly reduced.

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).

The warrants in the program have not been allocated yet and the board of directors is considering substituting/cancelling the program given the current share price.

AUDIT REVIEW REPORT

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

FINANCIAL CALENDAR

- Interim report for the fourth quarter of 2022: February 22, 2023
- Interim report for the first quarter of 2023: April 28, 2023
- Annual General Meeting: June 13, 2023

Stockholm, October 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 12:00 CET on October 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>, tel. +46 (0) 8-463 83 00, e-post certifiedadviser@penser.se).

GROUP FINANCIAL STATEMENTS

GROUP CONSOLIDATED INCOME STATEMENTS

MSEK	JUL-SEP 2022	JUL-SEP 2021	JAN-SEP 2022	JAN-SEP 2021	JAN-DEC 2021
Net Sales	12.4	11.0	32.7	29.1	38.9
Capitalized amount for own accounts	2.6	3.0	8.8	7.8	11.7
Other operating income	0.0	0.0	0.0	0.2	5.4
Total operating income	15.0	14.0	41.6	37.0	56.0
Personnel costs	-21.1	-16.7	-62.1	-52.9	-70.8
Other external costs	-14.1	-9.8	-41.1	-29.2	-41.6
Depreciation and amortization on fixed assets	-2.7	-3.1	-9.7	-9.4	-12.5
Other operating expenses	-	-	-	0.0	-1.7
Total operating expenses	-38.0	-29.6	-112.9	-91.5	-126.5
Operating loss	-23.0	-15.6	-71.4	-54.4	-70.6
Net financial items	1.3	-8.7	8.5	3.4	1.1
Loss after financial items	-21.7	-24.3	-62.8	-51.1	-69.5
Tax on result for the period	0.0	0.0	-0.0	0.0	-0.0
NET RESULT FOR THE PERIOD	-21.7	-24.3	-62.9	-51.1	-69.5

GROUP CONSOLIDATED BALANCE SHEET

MSEK	30 SEP 2022	30 SEP 2021	31 DEC 2021
ASSETS			
Non-current assets			
Capitalized expenditure for licensed software and development	29.8	28.9	28.4
Equipment, furniture, and fitting	1.0	1.0	0.9
Other non-current receivables	2.0	1.1	1.4
Total non-current assets	32.8	31.0	30.8
Current assets			
Current receivables	23.7	12.0	25.7
Cash and bank balances	39.1	96.3	112.1
Total current assets	62.8	108.2	137.8
TOTAL ASSETS	95.5	139.2	168.6
EQUITY AND LIABILITIES			
Equity			
Share capital	118.3	118.3	118.3
Share premium reserve	1,311.0	1,311.2	1,311.1
Other equity including result for the period	-1,639.1	-1,525.9	-1,548.7
Total Equity	-209.8	-96.5	-119.3
Non-current liabilities			
Liabilities to other lenders	257.0	127.6	237.6
Total non-current liabilities	257.0	127.6	237.6
Current liabilities			
Liabilities to other lenders	-	71.5	-
Current liabilities	9.9	7.8	19.6
Accrued expenses and deferred income	38.4	28.8	30.7
Total current liabilities	48.3	108.1	50.4
TOTAL EQUITY AND LIABILITIES	95.5	139.2	168.6

GROUP CONSOLIDATED CASH FLOW STATEMENT

MSEK	JUL-SEP 2022	JUL-SEP 2021	JAN-SEP 2022	JAN-SEP 2021	JAN-DEC 2021
Operating Activities					
Operating Loss	-23.0	-15.6	-71.4	-54.4	-70.6
Depreciation/amortization on assets	2.7	3.1	9.7	9.4	12.5
Adjustments for items not included in cash flow	1.3	-1.0	1.2	24.5	19.9
Cash flow from operating activities before financial items and taxation	-19.0	-11.6	-60.5	-20.6	-38.2
Interest Paid and received	-0.3	-2.4	-8.0	-12.5	-65.2
Taxation paid and received	-	-	6.2	7.1	7.2
Cash flow from operating activities after financial items and taxation	-19.3	-13.9	-62.4	-25.9	-96.1
Cash flow from changes in working capital	-1.9	-2.8	-1.0	-21.2	-22.7
Cash flow from operating activities	-21.2	-16.8	-63.4	-47.1	-118.9
Cash flow from investing activities	-3.3	-3.3	-9.6	-10.5	-14.3
Cash flow from financing activities	-0.1	-	-0.1	133.7	225.2
Net change in cash and cash equivalents	-24.5	-20.0	-73.0	76.2	92.0
Cash and cash equivalents beginning of the period	63.6	116.3	112.1	20.1	20.1
Cash and cash equivalents end of the period	39.1	96.3	39.1	96.3	112.1

GROUP CONSOLIDATED CHANGE IN EQUITY

MSEK	30 SEP 2022	30 SEP 2021	31 DEC 2021
Amount Brought Forward	-119.3	-172.7	-172.7
New Issue of Shares	-	143.5	143.5
Transaction costs	-0.1	-7.5	-7.6
Warrant premiums	0.3	2.8	2.8
Results for the period	-62.9	-51.1	-69.5
Companies in liquidation	8.5	-	0.1
Translation difference	-36.4	-11.4	-15.9
Amount Carried Forward	-209.8	-96.5	-119.3

KEY RATIOS

MSEK	JUL-SEP 2022	JUL-SEP 2021	JAN-SEP 2022	JAN-SEP 2021	JAN-DEC 2021
Net Sales	12.4	11.0	32.7	29.1	38.9
Recurring Revenues	10.9	8.6	28.7	21.4	30.2
Recurring Revenues %	88%	78%	88%	74%	78%
SaaS ARR	23.6	5.6	23.6	5.6	9.4
SaaS API Calls Volume (Million)	11.4	0.7	11.4	0.7	3.0
Gross Margin	7.2	7.6	21.5	20.1	27.2
Gross Margin %	58%	69%	66%	69%	70%
Adjusted EBITDA	-20.0	-12.5	-60.2	-42.9	-58.5
Equity ratio	-2.20	-0.69	-2.20	-0.69	-0.7

FINANCIAL STATEMENTS PARENT COMPANY

PARENT COMPANY INCOME STATEMENT

MSEK	JUL-SEP 2022	JUL-SEP 2021	JAN-SEP 2022	JAN-SEP 2021	JAN-DEC 2021
Net Sales	0.3	0.3	1.0	1.7	2.0
Other operating income	-	0.0	-	0.0	2.6
Total operating income	0.3	0.3	1.0	1.7	4.6
Other external costs	-5.7	-3.6	-16.7	-10.2	-15.6
Other expenses	-	-	-	-	0.0
Total operating expenses	-5.7	-3.6	-16.7	-10.2	-15.6
Operating loss	-5.4	-3.3	-15.7	-8.5	-11.1
Net financial items	-2.5	0.6	-1.2	2.8	-107.4
Result after financial items	-7.9	-2.6	-16.9	-5.7	-118.4
Tax on result for the period	0.0	-	0.0	-	-
NET RESULT FOR THE PERIOD	-7.9	-2.6	-16.9	-5.7	-118.4

PARENT COMPANY BALANCE SHEET

MSEK	30 SEP 2022	30 SEP 2021	31 DEC 2021
ASSETS			
Non-current assets			
Receivable from Group companies	383.3	231.2	315.6
Financial assets	282.2	283.0	283.1
Other non-current receivables	0.5	0.5	0.5
Total non-current assets	665.9	514.7	599.1
Current assets			
Current receivables	1.5	1.2	1.9
Cash and bank balances	23.8	77.4	97.9
Total current assets	25.3	78.6	99.9
TOTAL ASSETS	691.2	593.3	699.0
EQUITY AND LIABILITIES			
Equity			
Share capital	118.3	118.3	118.3
Share premium reserve	1,311.0	1,311.2	1,311.1
Other equity including result for the period	-998.8	-868.2	-981.0
Total Equity	430.5	561.2	448.4
Non-current Liabilities			
Liabilities to other lenders	255.1	14.3	235.7
Total non-current liabilities	255.1	14.3	235.7
Current liabilities			
Liabilities to Group companies	-	-	1.6
Liabilities to other lenders	-	14.3	-
Current liabilities	1.6	0.7	11.1
Accrued expenses and deferred income	4.0	2.8	2.1
Total current liabilities	5.6	17.8	14.9
TOTAL EQUITY AND LIABILITIES	691.2	593.3	699.0

PARENT COMPANY CASH FLOW STATEMENT

MSEK	JUL-SEP 2022	JUL-SEP 2021	JAN-SEP 2022	JAN-SEP 2021	JAN- DEC 2021
Operating Activities					
Operating loss	-5.4	-3.3	-15.7	-8.5	-11.1
Depreciation/amortization on assets	-	-	0.0	-	-
Adjustments for items not included in cash flow	-0.0	-0.0	-2.3	0.1	0.3
Cash flow from operating activities before financial items and taxation	-5.4	-3.3	-18.0	-8.4	-10.8
Interest paid and received	-0.2	-0.2	-8.7	-4.8	-20.6
Taxation paid and received	-	-	-	-	-
Cash flow from operating activities after financial items and taxation	-5.5	-3.5	-26.8	-13.2	-31.4
Cash flow from changes in working capital	-10.3	-16.6	-47.3	-49.3	-120.8
Cash flow from operating activities	-15.7	-20.1	-74.1	-62.5	-152.2
Cash flow from investing activities	-	-	-	-	-116.1
Cash flow from financing activities	-0.1	0.0	-0.1	132.5	358.8
Net change in cash and cash equivalents	-15.8	-20.1	-74.2	69.9	90.5
Cash and cash equivalents beginning of the period	39.6	97.4	97.9	7.4	7.4
Cash and cash equivalents end of the period	23.8	77.4	23.8	77.4	97.9

PARENT COMPANY CHANGE IN EQUITY

MSEK	30 SEP 2022	30 SEP 2021	31 DEC 2021
Amount Brought Forward	448.4	429.6	429.6
New Issue of Shares	0.0	143.5	143.5
Transaction Costs	-0.1	-7.5	-7.6
Warrants	-0.9	1.3	1.3
Results for the period	-16.9	-5.7	-118.4
Amount Carried Forward	430.5	561.2	448.4

DEFINITIONS OF KEY PERFORMANCE INDICATORS NOT DEFINED IN ACCORDANCE WITH BFAR

FINANCIAL MEASURES	DESCRIPTION
Net Sales	Reported net sales.
Usage Revenues	The amount of revenues derived solely from the usage of the Teneo Platform.
Recurring Revenues	Combined amount of revenues derived from Usage, License and Support revenues. This also includes SaaS recurring 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, via Microsoft Teams Meeting on October 17, 2022, at 17:00 p.m. CET.

Please connect using this [link](#).

CONTACT INFORMATION

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DIVERSE WORKFORCE

33%

Percentage of **female** employees in managing positions; 37% in the whole company



71

Employees and 7 consultants from more than 26 different **nationalities**

30

Languages spoken in-house



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1.6 BSEK



Amazon, Apple, Baidu, Google, Microsoft, Nuance, and IBM all have made forward citations of our pioneering **patents**

PARTNERSHIPS



Artificial Solutions and Microsoft enable the most advanced CAI technology for large enterprise and global contact centers. Teneo scales with high efficiency across Azure infrastructure and is deeply integrated with Azure cognitive, communication and analytics services.

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8

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

SUSTAINABILITY

82%

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



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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.

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, 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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