

# QUARTERLY REPORT JANUARY TO MARCH 2023

## STELLAR GROWTH - SAAS ARR AND SAAS API CALL VOLUMES +134% AND 243% YoY

### JANUARY TO MARCH 2023

- SaaS ARR amounted to 30.2 MSEK (12.9), +134%
- SaaS API Call Volumes 18.9 million (5.5), +243 %
- Total ARR amounted to 57.3 MSEK (33.8), +70%
- Recurring revenues amounted to 13.4 MSEK (8.8), + 53%
- Net sales amounted to 13.6 MSEK (10.1), + 35%
- Gross margin (\*) amounted 56% (60)
- EBITDA adjusted amounted to -18.1 MSEK (-17.9)
- Earnings per share amounted to 0.1 SEK -0.4

### EVENTS DURING THE QUARTER

- Launch of OpenQuestion, the quickest way to get rid of keypad navigation
- OpenQuestion awarded the top MetriStar prize for its groundbreaking approach
- ChatGPT integration through Microsoft Azure Cognitive Services
- New offering website - Teneo.ai - launched
- Renewal of agreement with the leading Italian online bank Widiba (Wise Dialog Bank)
- Renewal of agreement with Folksam, a leading insurance company in Sweden
- Successfully closed rights issue providing the company with 96 MSEK
- Renegotiated 4-year 250 MSEK PIK credit facility
- New partnership with Accelerate Venture Holdings (AVH), AVH to use Teneo to build outbound calling capabilities
- New partnership with Valcon, a leading European IT consultancy services company
- New partnership with COS Mantenimiento, a leading Spanish IT services company
- New partnership with Acuity Integrated, a leading Customer Experience (CX) services company
- Telecom operator A1 Bulgaria, part of A1 Group, launched a new customer care agent built on Teneo
- Awarded ISO 27001 certification – a key security assurance confirmation for a SaaS company
- Simplification of internal procedures initiated in Q1 2023 leading to cost reductions with impact in Q2 2023

### EVENTS AFTER THE QUARTER

- Renewal of SaaS agreement Global American Tech company
- Renewal of SaaS agreement with Medtronic, one of the largest medical device companies in the world
- New Nomination Committee appointed in April 2023

### KEY FIGURES (FOR DEFINITIONS PLEASE SEE PAGE 18)

	JAN-MAR 2023	JAN-MAR 2022	JAN-DEC 2022
Net sales (MSEK)	13.6	10.1	45.7
Recurring revenues (MSEK)	13.4	8.8	40.7
SaaS ARR (MSEK)	30.2	12.9	25.1
SaaS API Call Volumes (Million)	18.9	5.5	13.8
Gross margin (*) %	56%	60%	55%
EBITDA Adjusted (MSEK)	-18.1	-17.9	-78.0
Earnings per share, SEK	0.1	-0.4	-13.0
Cash flow from operating activities before financial items and taxation (MSEK)	-25.1	-20.1	-77.9

(\*) The company has changed gross margin calculation and restated previous year figures for comparative purposes. Sales commission plan has been updated and is now linked to SaaS ARR growth. See Definitions on page 18.

## CEO STATEMENT

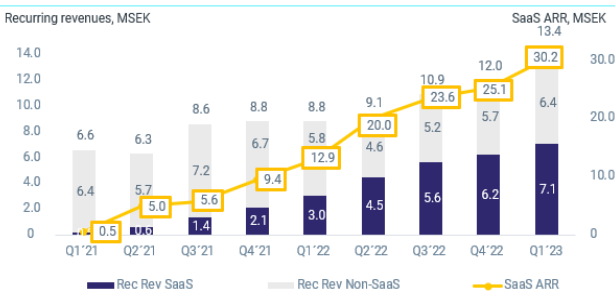


**Per Ottosson**  
CEO

Dear shareholders, colleagues, customers, and partners:

I have to start with a big thank you for the successful completion of our capital raise, and I would like to express my gratitude for your continued trust in our business. Business wise, we underwent a significant transformation. Since launching our SaaS model in 2021, we have established a solid customer base, demonstrating impressive quarter-over-quarter and year-over-year growth. For example, our SaaS ARR grew a stellar 21% QoQ and 135% Y-o-Y. The growth in revenues from our existing customers shows how our solution provides clear value to them.

**Development of recurring revenues<sup>1</sup> and SaaS ARR<sup>2,3</sup>**



Upon engaging with our SaaS customers, we discovered that the most valued feature of our Teneo platform was its ability to deliver on a long-standing promise from numerous industry players to get rid of the dreaded press 1 for, 2 for... customer care experience.

### OpenQuestion – an Opportunity for Contact Centers

The challenge we address is the decline in customer experience resulting from companies transitioning to cost-saving keypad navigation systems. According to Contact Babel, the leading research and analysis firm for the contact center industry, 78% of companies in the English-speaking world use these systems today, resulting in a cumbersome and time-consuming process for customers to reach the appropriate department.



Our Customer enquiry hotline will be considerably more productive thanks to human spoken interaction with our systems. Our voice-controlled hotline system improves the customer experience by assigning enquiries quickly and accurately, maximizing the valuable resources of our hotline agents.

**Christoph Aeschlimann – CEO**



Our solution, OpenQuestion, is built on the Teneo platform and designed to re-introduce the personalized touch of traditional switchboard experiences. OpenQuestion allows customers to simply state their inquiry in an open-question format. Our intelligent system interprets their requests, asks clarifying questions if needed, and connects them to the appropriate party. Once this is deployed the platform allows for automations in all channels. It is the developments in the AI space in the last year that has made this product possible to take to market.

By offering OpenQuestion as a value-added layer on top of Teneo.ai, we anticipate a streamlined sales cycle, and once sold delivering substantial cost savings and enhanced customer experiences within a 90-day timeframe. In contrast, marketing Teneo.ai as a standalone service without OpenQuestion typically necessitates customer experimentation and evaluation prior to adoption.

### **Cost Focus**

We assert that the present moment is right for drawing new customers to Teneo, with the novel solution OpenQuestion substantially diminishing customer acquisition costs. Consequently, we have implemented measures to manage costs while maintaining a competitive presence in the market. These measures include streamlining support functions and foregoing salary increases for the current fiscal year. This strategic approach enables us to preserve existing cost structures while concurrently bolstering revenue from both established and prospective clients.

### **Revenue Development**

Our revenue continues to grow rapidly with a 134 % increase on the SaaS ARR YoY. Total ARR grew to 57.3 MSEK. As an example of the model strength, our Global American Tech customer is growing rapidly and in March 2023 its volumes grew with 77% vs. December 2022, showing the potential of Teneo once customers start to scale. That our SaaS ARR has hit 30.2 MSEK two years after launching this product in the market is very impressive. Our SaaS is growing faster than the market and this year we aim to use our funds to also gain new customers that can grow their usage.

### **A Year to Focus on Expanding Our Customer Base**

In 2023 we will move to focus more on acquiring new customers. This will hurt short-term profitability – as also evident in Q1 2023 - but seeing how customers growing their usage this will pay off handsomely over time. One such endeavor is the customer/partner AVH which will be using OpenQuestion in an outbound motion. We are watching this space intently as this could open yet another growth market for our platform. 2023 has started with an AI roar and we are committed to build on that momentum.

### **Per Ottosson, CEO**

## Sales Development

### REVENUE MODEL, KPI'S AND FINANCIAL TARGETS

The company introduced the SaaS business and delivery model in the fourth quarter 2020. Our financial targets were announced in the third quarter 2022 and are:

- >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

Focus for the company operationally to reach these targets is to grow the monthly SaaS API volumes, increase recurring revenues increase ARR - SaaS ARR in particular – and increase % recurring revenues/SaaS revenues.

In our SaaS business model, 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 providing 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

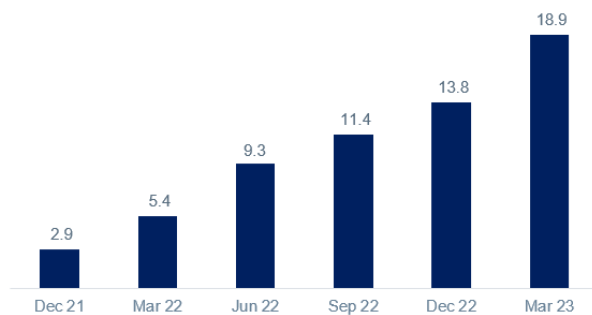
As the company has a mix of customers on the SaaS and the non-SaaS payment model, the recurring revenues is measured on historical actual revenues from our existing customer contracts while the ARR is more forward-looking (based on monthly recurring revenues from SaaS x 12 months). The ARR metric is more accurately highlighting the value in our customer contracts. 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.

The impact from signed customer deals on the SaaS business model in 2022 has increased in importance in the first quarter 2023. In the first quarter of 2022, recurring revenues derived from SaaS customers constituted 34% of total recurring revenues. The recurring revenues derived from SaaS customers for the first quarter of 2023 amounted to 7.1 MSEK and constituted 53% of total recurring revenues, 13.4 MSEK, and 52% 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, as we continue to convert existing customers to the SaaS model and our Expert Services revenues will be lower than historically due to our focus on recurring revenues.

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.

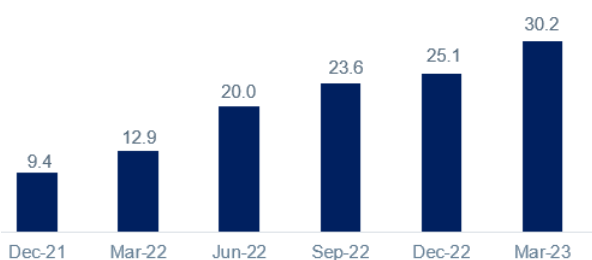
The monthly SaaS API call volumes in active customers, increased from 13.8 million in December 2022 to 18.9 million in March 2023, equivalent to a 36% increase in one quarter only, and 251% compared to March 2022. See the graph below from December 2021 for graphical details. The existing non-SaaS customers experienced 20% API call volume growth between March 2022 and March 2023. The API calls generated by non-SaaS customers are not always directly linked to the Usage revenues and for that reason and to avoid confusion we are not disclosing the volumes.

### SaaS API Calls Growth (million) +251% Mar 22 – Mar 23

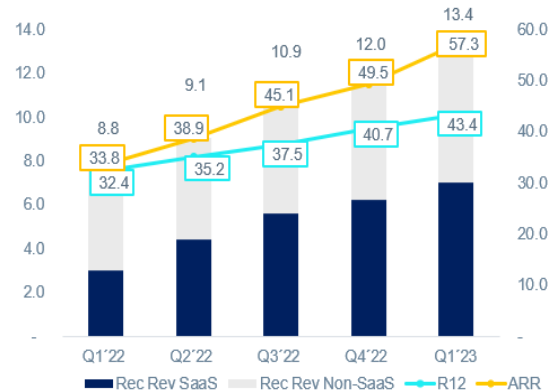


A SaaS customer is a subscription base customer that reports on API calls generated. If we add one customer end of a quarter, the actual revenues generated may be limited or even zero. At the end of the first quarter 2023, we had 12 customers on the SaaS model. Company strategy is to focus on partnership. The distribution channels of the company through its partners, means that one subscription would entitle the partner to have multiple customers, representing one customer for Artificial Solutions even revenues would be multiplied. For that reason, SaaS API call volumes is the key operational metric to track.

### SaaS ARR (MSEK) +134% YoY



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 March 2023 amounted to 30.2 MSEK, an increase from 12.9 MSEK in March 2022, equivalent to a growth of 134%. ARR for total business amounted to 57.3 MSEK in March 2023, an increase from 33.8 MSEK in March 2022, equivalent to a growth of 70%.



The recurring revenues (Usage, License and Support) for the first quarter 2023 amounted to 13.4 MSEK (8.8), equivalent to 98% (87) of net sales and an increase of 53% compared with the same period last year. The usage revenues (Usage) for the first quarter 2023 amounted to 7.1 MSEK (3.2), equivalent to 52% (32) of total net sales and an increase of 121% compared with the same period last year. Below is a table showing the quarterly revenues from the first quarter 2022 to the first quarter 2023 split by License & Support, Usage and Other and the combined recurring revenues.

MSEK	JAN-MAR		APR-JUN		JUL-SEP		OCT-DEC		JAN-MAR	
	2022	2022	2022	2022	2022	2022	2023	2023	2023	
License & Support	5.6	5.5	6.0	6.2	6.2	6.3				
Usage	3.2	3.6	4.9	5.7	7.1					
Other	1.4	1.1	1.5	1.0	0.2					
<b>Total Net Sales</b>	<b>10.1</b>	<b>10.2</b>	<b>12.4</b>	<b>13.0</b>	<b>13.6</b>					
License & Support	5.6	5.5	6.0	6.2	6.3					
Usage Adjusted	3.4	3.7	5.0	5.9	7.1					
Other	1.4	1.1	1.5	1.0	0.2					
<b>Total Net Sales Adjusted</b>	<b>10.3</b>	<b>10.4</b>	<b>12.6</b>	<b>13.1</b>	<b>13.6</b>					
<i>(*) Of which Recurring Revenues</i>	8.8	9.1	10.9	12.0	13.4					

On a rolling 12-month basis the recurring revenues (Usage, License and Support) in the first quarter 2023 amounted to 45.3 MSEK (32.4), equivalent to 92% (83) of total net sales and an increase of 40% compared with the same period last year.

## JANUARY TO MARCH 2023

Net sales for the first quarter 2023 amounted to 13.6 MSEK (10.1), equivalent to an increase of 35% compared to the same period last year. The recurring revenues (Usage+License+Support) in the first quarter 2023 amounted to 13.4 MSEK (8.8), equivalent to 98% (87) of total net sales and an increase of 53% compared with the same period last year. A high percentage of recurring revenues of total net sales provides stability and visibility and is the foundation in our SaaS model.

Personnel costs in the first quarter 2023 amounted to -25.3 MSEK (-19.3), an increase of 31% compared to the same period last year. The increase is due to the new hirings during 2022, salary increases in 2022 and IT related costs during the period. Headcount has increased from 64 at the end of the first quarter 2022 to 76 at the end of the first quarter 2023. The increase in headcount was due to the focus on strengthening product and sales workforce to accelerate growth. The company does not plan to do new hirings and has during the first quarter 2023 initiated simplification of internal procedures which has resulted in a reduction of headcount with 5 employees and contractors. The cost improvement impact will show effect from the second quarter 2023. Adjusted impact from initiated simplification activities in the first quarter 2023 are reported below.

Depreciation and amortization in the first quarter 2023 amounted to -3.7 MSEK (-3.7). Capitalized R&D for the same period amounted to 3.9 MSEK (3.0).

Total operating expenses, including depreciation and amortization, in the first quarter 2023 amounted to -41.9 MSEK (-35.3). The increase in operating expenses relate to more personnel than in the first quarter 2022, salary increases in 2022, higher commission to sales as well as higher IT related costs.

The company has a large focus on growing existing customers and this is paying off, they grow rapidly as evident by the SaaS ARR growth in the first quarter of 2023. The sales team's commission plan is based on the SaaS ARR growth – higher growth will mean higher commission. The SaaS ARR growth is measured based on the baseline SaaS ARR, which means that a growth below 10% per quarter in SaaS ARR will not yield any commission. The growth and thus impact in the first quarter 2023 was significant and the gross margin – if the same commission level in the first quarter 2022 had been applied in 2023 –

would have improved the reported gross margin with 8.6%. From reported 56.2% to 64.8%.

The annual operating expenses run-rate in the first quarter, excluding depreciation and amortization, non-recurring items of 2.6 MSEK and cost of sales of 6.0 MSEK has decreased from -121 MSEK in fourth quarter 2022 to -119 MSEK in 2023. The average monthly operating expenses in the first quarter 2023, excluding depreciation and amortization, non-recurring cost items and cost of sales amounted to -9.9 MSEK. This is a reduction versus the fourth quarter 2022 when the average monthly operating expenses, excluding depreciation and amortization, non-recurring cost items and cost of sales amounted to -10.1 MSEK. With the headcount and contractor reduction made in the first quarter 2023, we estimate that the annual run-rate would have amounted to approximately -116 MSEK.

## FINANCIAL ITEMS AND TAX

Net financial items for the first quarter 2023 amounted to 29.8 MSEK (-3.6).

The interest income and costs for the first quarter 2023 amounted to 23.9 MSEK (-7.0). The positive net impacted interest costs are the result of the renegotiation of the existing facility agreement. As announced, the effective date of the new agreement was March 2, 2023. The reversal of the written off interest of 28 MSEK has been materialized accounting wise, without any cash impact and only with a positive P&L impact, in the first quarter 2023. The actual interest cost for the credit facility in the first quarter 2023 amounted to 4.1 MSEK (of which 0.9 MSEK correspond to December 2022 and 0.7 MSEK to the transactional capitalized costs). The new interest rate is a 4.00% fixed interest rate and is not payable until maturity in December 2026. The positive net financial items for the quarter are also positively impacted with 5.7 MSEK by currency exchange rate differences.

Due to the value of accumulated tax losses carried forward there is no tax payable in relation to 2023 in 2022.

## CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

Cash flow from operating activities before financial items and taxation for the first quarter 2023 amounted to -25.1 MSEK (-20.1). The simplification measures carried out and leading to headcount and contractor reduction, has negatively impacted cash from operations in the quarter, and will positively impact the cash position in the following quarters. 4.5 MSEK of adjustments for items not included in cash flow correspond, mainly to translation differences from consolidation (SEK-EUR 9% YoY fluctuation).

In January 2023, the company received cash payment of 5.7 MSEK (6.4) from the Spanish Tax Authority following completed R&D review of R&D investments.

Cash flow from operating activities after financial items and taxation for the first quarter 2023 amounted to -14.7 MSEK (-22.8). The interest corresponds mainly to the impact of currency exchange rate differences.

Cash flow from investing activities in the first quarter 2023 amounted to -4.0 MSEK (-3.2) relate mainly to capitalized R&D expenditures.

Cash flow from financing activities in the first quarter 2023 amounted to 76.7 MSEK (-1.4). In February 2023, the company received the proceeds from the rights issue of 95.9 MSEK before transactional costs. Costs associated to the transaction amounted to -19.2 MSEK (-1.4).

The company's cash and bank position as of March 31, 2023, amounted to 83.1 MSEK (84.2).

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 first quarter 2023 net sales amounted to 0.4 MSEK (0.3), of which 0.3 MSEK (0.3) are recurring revenues.

These are revenues from a single customer agreement entered into with the parent company. For the first quarter 2023 operating expenses amounted to -5.6 MSEK (-4.4).

The increase on operational cost is due to the increase in cloud computing costs for our SaaS customers. The parent company centralizes the contract with the group supplier of cloud services.

Net financial items for the first quarter of 2023 amounted to 25.7 MSEK (-4.9) of which -4.1 MSEK is interest costs, and the remainder is related to reversal of written off interest and positive exchange rate differences. The positively impacted interest costs are the result of the renegotiation of the existing facility agreement. As announced, the effective date of the new agreement was March 2, 2023. The reversal of the written off interest of 28 MSEK has been materialized accounting wise, without any cash impact and only with a positive P&L impact, in the first quarter 2023.

### FINANCING

In February 2023, the company received SEK 95.9 million in proceeds before deduction of costs related to the partially guaranteed rights issue, announced in December 2022.

The total number of shares following completion of the rights issue is 102,429,090.

On December 2022, the company and the lender of the 250

MSEK facility agreement, Capital Four, signed a binding amendment and restatement agreement regarding the facility agreement. In February 2023, the renegotiation of the amendment of the credit facility, which was done in connection with the rights issue, was completed. The restated facility agreement became effective on March 2, 2023. According to the new terms for the facility agreement, all accrued interest, corresponding to approximately SEK 28 million, have been written off and the yearly interest rate onwards is adjusted down to a fixed 4.00 % interest rate. These amendments to the facility agreement have resulted in a debt reduction at the maturity of the facility agreement corresponding to approximately SEK 145 million in total.

In January 2023, the company received 5.7 MSEK in cash tax refund for performed R&D work in 2020, further strengthening the cash position of the company.

### SIGNIFICANT RISKS AND UNCERTAINTIES

The Ukraine-Russia conflict started in February 2022. Our company has no operations nor customers in Ukraine or Russia and has not experienced any direct negative impact during the fourth quarter of 2022 due to this event. 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.

The recent Silicon Valley Bank collapse, a bank with significant exposure to financing of start-up and growth companies, could have impact of the general financing market, but this risk is not considered as a risk factor to Artificial Solutions. The company interest rate on its existing loan is fixed to a 4% rate and with the last successful closing of the rights issue, the company does not have any immediate cash needs.

For further information about risks and uncertainties, see page 40 in the 2022 Annual report, which you can find on <https://www.investors.artificial-solutions.com>.



## RELATED-PARTY TRANSACTIONS

The company has a consulting services agreement with ASH&Partners AB, a company owned by Chair of board Åsa Hedin.

## EMPLOYEES

The headcount end of March 2023 is 76 (64). The number of full-time equivalent employees in the group on March 31, 2023, amounted to 73 (63). In addition to the employed staff, the company also has commitments with specialized contractors, 5 consultants in total at the end of March 2023.

The number of employees and contractors end of the fourth quarter 2022 amounted to 73 and 6 respectively. April 1, 2023, the numbers were 70 and 5 respectively.

## EVENTS DURING THE QUARTER

### ORGANIZATION

Mykola Sochynskyi started a new position as US Partner Manager and Johnny Ribohn was appointed as Strategic Partnerships Director in EMEA.

During the first quarter 2023, the company has simplified the internal procedures resulting in a reduction of employees and contractors and future costs. The impact of the measures will be visible from April 2023.

### CUSTOMERS

During the first quarter of the year, the company has signed several renewal agreements. Renewal agreements have been signed with the Italian bank Widiba and with the Swedish insurance company Folksam.

A1 Bulgaria, Telecommunications services and ICT solutions provider and part of the América Móvil Group, has gone live with 'AVA', a self-service digital agent to drive a better customer experience and to reduce costs, based on Artificial Solutions® Teneo.

### PARTNERSHIP 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.

In February 2023, Artificial Solutions signed a partnership and customer agreement with Accelerate Venture Holdings, (AVH), an American venture capitalist firm that will use Teneo to build outbound calling capabilities for their group of companies.

In February 2023, Artificial Solutions signed a partnership agreement with COS Mantenimiento SA, a leading Spanish IT services company.

In March 2023, Artificial Solutions announced a partnership agreement with Valcon, the leading European consultancy specializing in technology, data, and people. This partnership will allow Valcon's new and existing customers to benefit from a full range of CAI powered services starting with OpenQuestion for Contact Center experiences, proactive and omnichannel support solutions and innovative Metaverse brand presence.

### RIGHTS ISSUE PROCEEDS 96 MSEK

The successful rights issue completed in the first quarter 2023 provided the company with approximately SEK 95.9 million in proceeds before deduction of costs related to the rights issue. The total number of shares after completion of the rights issue is 102,429,090.

### FACILITY AGREEMENT RENEGOTIATED

On January 26, 2023, Artificial Solutions and Capital Four signed a binding amendment and restatement agreement regarding the renegotiated credit agreement. According to the new terms for the credit agreement, all accrued interest, corresponding to approximately 28 MSEK, will be written off and the yearly interest rate onwards is adjusted down to a fixed 4.00 % interest rate. These amendments to the credit agreement will result in a debt reduction at the maturity of the credit agreement corresponding to approximately 145 MSEK in total. The effective date of the new agreement is March 2, 2023. The reversal of the written off interest of 28 MSEK will be materialized accounting wise, without any cash impact and only with a positive P&L impact, in the first quarter 2023. The P&L impact in the first quarter 2023 has a positive impact of +28 MSEK.

### ISO 27001 CERTIFICATION

On January 26, 2023, Artificial Solutions secured its ISO 27001 certification. The internationally recognized standard confirms that the company and its SaaS platform

Teneo, provides the highest possible level of security assurance.

The standard ensures the effectiveness of the security information management system that protects assets and communications inclusive of financial information, intellectual property, employee details or information entrusted to the company by third parties — such as websites and other customers or partners.

Artificial Solutions is committed to providing the highest level of security to its customers and partners as online threats continue to pose risks to businesses and consumer data. ISO 27001 certifies that Artificial Solutions has developed and implemented processes and procedures in order to provide requirements for establishing, implementing, maintaining and continually improving an information security management system across its operations.

## OPENQUESTION

On February 27, 2023, Artificial Solutions launched OpenQuestion, a SaaS-based voice solution powered by Teneo that optimizes call routing in contact centers, leading to improved Telephone Experience (TX) and reduced operating costs for enterprises in EMEA and the US. The solution can be rapidly deployed and after only 90 days, it reduces call misrouting by 90% compared to traditional keypad navigation. The new offering transforms the way companies interact with their customers by providing faster and more efficient customer service through natural language conversations. OpenQuestion is built on Teneo, and the solution has been built to provide customers and partners an easier way to quickly deploy it and get a faster ROI. It is key for many customers with large customer centres to make their customer experience management better and more efficient.

## CHAT GPT

During the first quarter of 2023, Artificial Solutions gained developers access to APIs to GPT, the language model behind ChatGPT, through Azure OpenAI Services. ChatGPT has transformed how the world views AI language services, and Azure offers these cutting-edge AI solutions to large enterprises. GPT strengthens and enhances our Teneo platform.

ChatGPT uses GPT-, a pre-trained, large-scale neural

language model developed by OpenAI that can understand and generate human-like text with exceptional fluency, coherence, and relevance. By using the Azure OpenAI APIs from Artificial Solutions platform Teneo, customers can build a wide range of powerful applications.

## ARTIFICIAL SOLUTIONS WINS PRESTIGIOUS METRISTAR AWARD

Artificial Solutions has been named a MetriStar Top Provider in the Conversational AI category by the research and advisory firm Metrigy. Metrigy recognizes Artificial Solutions and its solution, OpenQuestion, for its exceptional customer sentiment and business success.

## BOARD MEMBER CHANGE

On January 20, 2023, Fredrik Oweson informed the Chair of the board of his voluntary resignation from the Board of Directors. Mr. Oweson is Partner and co-founder of Scope, representing Artificial Solutions' historical largest shareholder Scope Growth III on the Board. Mr. Oweson had been a board member of Artificial Solutions since Scope's first investment in 2008.

## TAX CREDIT REFUND

On January 19, 2023, the company received cash payment of 5.7 MSEK (6.4) from the Spanish Tax Authority following completed R&D review of R&D investments in 2020.

## EVENTS AFTER THE QUARTER

### CUSTOMERS

In April 2023, the company has signed SaaS renewal agreements with a Global American Tech company and Medtronic, one of the largest medical device companies in the world with operations in more than 150 countries.

### NEW NOMINATION COMMITTEE

In April 2023, the following members have, in accordance with the procedure adopted by the Annual General Meeting 2022, been appointed to the Artificial Solutions' Nomination Committee:

- **Sven Härgestam**, appointed by Arpeggio AB and Mr Härgestam's private holdings, combined the largest shareholder in Artificial Solutions.

- **Carl Thelin**, appointed by SEB-Stiftelsen, the second largest shareholder in Artificial Solutions.
- **Johan A. Gustavsson**, appointed by Vencor Group Holding, AB Couronne and Mr Gustavsson's private holdings, combined the fourth largest shareholder in Artificial Solutions.
- **Åsa Hedin**, Chair of the Board of Directors.

## SHARE-RELATED INCENTIVE PROGRAM

### INCENTIVE PROGRAMS SUMMARY

The company keeps on reviewing the existing warrant programs as the strike prices significantly exceed the current share price.

In April 2023, the company cancelled – in full or partially - unallocated, unvested, and surrendered warrants in all outstanding warrant programs. There are still three existing warrant programs available:

Programs	Number of warrants	Strike Price (SEK)
2019/2024	810,645	31.3
2020/2025:1	169,400	16.8
2021/2024:1	1,508,000	8.3

## THE COMPANY'S MAJOR SHAREHOLDERS

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

Number of shares as of March 31, 2023, was 102,429,090.

	31 MAR 2023	31 MAR 2022
Number of shares at the end of the period	102,429,090	6,570,538
Average number of shares before dilution	40,653,579	5,867,998
Average number of shares after dilution	40,653,579	5,867,998

The 10 largest shareholders on March 31, 2023, are listed below:

Shareholder	Capital %
Sven Härgestam/Arpeggio AB	11.2%
SEB-Stiftelsen	11.0%
Theodor Jeansson Jr.	5.9%
Avanza Pension	4.9%
Johan A. Gustavsson	4.5%
Provider Investment AB	3.9%
Bjursund Invest AB	3.7%
Staffan Bohman	3.5%
Sunhold B.V.	2.9%
Niclas Nyström	2.6%

## AUDIT REVIEW REPORT

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

## FINANCIAL CALENDAR

- Annual General Meeting: June 13, 2023
- Interim report for the second quarter of 2023: August 23, 2023

Stockholm, April 28, 2023

Per Ottosson, CEO

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

This information is such that Artificial Solutions International AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at 07:30 CET on April 28, 2023.

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

## GROUP FINANCIAL STATEMENTS

### GROUP CONSOLIDATED INCOME STATEMENTS

MSEK	JAN - MAR 2023	JAN - MAR 2022	JAN- DEC 2022
Net Sales	13.6	10.1	45.7
Capitalized amount for own accounts	3.9	3.0	13.2
Other operating income	0.0	0.0	5.8
<b>Total operating income</b>	<b>17.5</b>	<b>13.2</b>	<b>64.7</b>
Personnel costs	-25.3	-19.3	-85.5
Other external costs	-12.9	-12.3	-55.4
Depreciation and amortization on fixed assets	-3.7	-3.7	-12.7
Other operating expenses	0.0	-	0.0
<b>Total operating expenses</b>	<b>-41.9</b>	<b>-35.3</b>	<b>-153.6</b>
<b>Operating loss</b>	<b>-24.3</b>	<b>-22.1</b>	<b>-88.9</b>
Net financial items	29.8	-3.6	3.8
<b>Loss after financial items</b>	<b>5.5</b>	<b>-25.7</b>	<b>-85.1</b>
Tax on result for the period	0.0	-	-0.2
<b>NET RESULT FOR THE PERIOD</b>	<b>5.5</b>	<b>-25.7</b>	<b>-85.4</b>

## GROUP CONSOLIDATED BALANCE SHEET

MSEK	31 MAR 2023	31 DEC 2022
<b>ASSETS</b>		
<b>Non-current assets</b>		
Capitalized expenditure for licensed software and development	32.7	31.9
Equipment, furniture, and fitting	0.9	0.9
Other non-current receivables	1.3	1.8
<b>Total non-current assets</b>	<b>34.9</b>	<b>34.6</b>
<b>Current assets</b>		
Current receivables	19.2	35.8
Cash and bank balances	83.1	18.2
<b>Total current assets</b>	<b>102.3</b>	<b>54.0</b>
<b>TOTAL ASSETS</b>	<b>137.2</b>	<b>88.7</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	119.1	118.3
Share premium reserve	1,379.0	1,311.0
Other equity including result for the period	-1,656.2	-1,663.0
<b>Total Equity</b>	<b>-158.1</b>	<b>-233.7</b>
<b>Non-current liabilities</b>		
Liabilities to other lenders	239.9	263.8
<b>Total non-current liabilities</b>	<b>239.9</b>	<b>263.8</b>
<b>Current liabilities</b>		
Current liabilities	17.9	17.2
Accrued expenses and deferred income	37.4	41.2
<b>Total current liabilities</b>	<b>55.4</b>	<b>58.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>137.2</b>	<b>88.7</b>

## GROUP CONSOLIDATED CASH FLOW STATEMENT

MSEK	JAN-MAR 2023	JAN-MAR 2022	JAN-DEC 2022
<b>Operating Activities</b>			
Operating Loss	-24.3	-22.1	-88.9
Depreciation/amortization on assets	3.7	3.7	12.7
Adjustments for items not included in cash flow	-4.5	-1.7	-1.6
<b>Cash flow from operating activities before financial items and taxation</b>	<b>-25.1</b>	<b>-20.1</b>	<b>-77.9</b>
Interest Paid and received	5.1	-8.9	-9.8
Taxation paid and received	5.3	6.2	6.1
<b>Cash flow from operating activities after financial items and taxation</b>	<b>-14.7</b>	<b>-22.8</b>	<b>-81.5</b>
Cash flow from changes in working capital	7.0	-1.9	3.5
<b>Cash flow from operating activities</b>	<b>-7.8</b>	<b>-24.7</b>	<b>-78.0</b>
Cash flow from investing activities	-4.0	-3.2	-14.5
Cash flow from financing activities	76.7	0.0	-1.4
<b>Net change in cash and cash equivalents</b>	<b>64.9</b>	<b>-27.9</b>	<b>-93.9</b>
Cash and cash equivalents beginning of the period	18.2	112.1	112.1
<b>Cash and cash equivalents end of the period</b>	<b>83.1</b>	<b>84.2</b>	<b>18.2</b>

## GROUP CONSOLIDATED CHANGE IN EQUITY

MSEK	31 MAR 2023	31 MAR 2022	31 DEC 2022
<b>Amount Brought Forward</b>	<b>-233.7</b>	<b>-119.3</b>	<b>-119.3</b>
New Issue of Shares	95.9	-	-
Transaction costs	-20.6	-	-0.1
Warrant premiums	0.1	0.4	1.6
Results for the period	5.5	-25.7	-85.4
Translation difference	-5.3	-3.4	-30.5
<b>Amount Carried Forward</b>	<b>-158.1</b>	<b>-148.0</b>	<b>-233.7</b>

## KEY RATIOS

MSEK	JAN-MAR 2023	JAN-MAR 2022	JAN-DEC 2022
Net Sales	13.6	10.1	45.7
Recurring Revenues	13.4	8.8	40.7
Recurring Revenues %	98%	87%	89%
SaaS ARR	30.2	12.9	25.1
SaaS API Calls Volume (Million)	18.9	5.5	13.8
Gross Margin	7.7	6.1	25.3
Gross Margin %	56%	60%	55%
EBITDA Adjusted	-18.1	-17.9	-78.0
Equity ratio	-1.2	-1.1	-2.6

## FINANCIAL STATEMENTS PARENT COMPANY

### PARENT COMPANY INCOME STATEMENT

MSEK	JAN-MAR 2023	JAN- DEC 2022	JAN-DEC 2022
Net Sales	0.4	0.3	1.4
Other operating income		-	4.4
<b>Total operating income</b>	<b>0.4</b>	<b>0.3</b>	<b>5.7</b>
Other external costs	-5.6	-4.4	-15.5
Other expenses	-	-	-
<b>Total operating expenses</b>	<b>-5.6</b>	<b>-4.4</b>	<b>-15.5</b>
<b>Operating loss</b>	<b>-5.2</b>	<b>-4.1</b>	<b>-9.7</b>
Net financial items	25.7	-4.9	-310.8
<b>Result after financial items</b>	<b>20.5</b>	<b>-8.9</b>	<b>-320.5</b>
Tax on result for the period	0.0	-	-
<b>NET RESULT FOR THE PERIOD</b>	<b>20.5</b>	<b>-8.9</b>	<b>-320.5</b>

## PARENT COMPANY BALANCE SHEET

MSEK	31 MAR 2023	31 DEC 2022
<b>ASSETS</b>		
<b>Non-current assets</b>		
Receivable from Group companies	117.7	102.5
Financial assets	283.4	283.4
Other non-current receivables	0.3	0.4
<b>Total non-current assets</b>	<b>401.4</b>	<b>386.3</b>
<b>Current assets</b>		
Current receivables	1.8	6.8
Cash and bank balances	72.5	10.3
<b>Total current assets</b>	<b>74.3</b>	<b>17.1</b>
<b>TOTAL ASSETS</b>	<b>475.7</b>	<b>403.4</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	119.1	118.3
Share premium reserve	1,379.0	1,311.0
Other equity including result for the period	-1,274.9	-1,301.5
<b>Total Equity</b>	<b>223.2</b>	<b>127.8</b>
<b>Non-current Liabilities</b>		
Liabilities to other lenders	239.9	263.8
<b>Total non-current liabilities</b>	<b>239.9</b>	<b>263.8</b>
<b>Current liabilities</b>		
Liabilities to Group companies	1.0	1.0
Current liabilities	9.3	8.0
Accrued expenses and deferred income	2.3	2.8
<b>Total current liabilities</b>	<b>12.6</b>	<b>11.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>475.7</b>	<b>403.4</b>



## PARENT COMPANY CASH FLOW STATEMENT

MSEK	JAN-MAR 2023	JAN-MAR 2022	JAN-DEC 2022
<b>Operating Activities</b>			
Operating loss	-5.2	-4.1	-9.7
Depreciation/amortization on assets	0.0	-	-
Adjustments for items not included in cash flow	-0.1	-2.3	-
<b>Cash flow from operating activities before financial items and taxation</b>	<b>-5.3</b>	<b>-6.4</b>	<b>-9.7</b>
Interest paid and received	-	-8.6	-10.3
Taxation paid and received	-	-	-
<b>Cash flow from operating activities after financial items and taxation</b>	<b>-5.3</b>	<b>-15.0</b>	<b>-20.1</b>
Cash flow from changes in working capital	-9.2	-15.7	-66.1
<b>Cash flow from operating activities</b>	<b>-14.5</b>	<b>-30.7</b>	<b>-86.2</b>
Cash flow from investing activities	-	-	-
Cash flow from financing activities	76.7	-	-1.4
<b>Net change in cash and cash equivalents</b>	<b>62.1</b>	<b>-30.7</b>	<b>-87.6</b>
Cash and cash equivalents beginning of the period	10.3	97.9	97.9
<b>Cash and cash equivalents end of the period</b>	<b>72.5</b>	<b>67.3</b>	<b>10.3</b>

## PARENT COMPANY CHANGE IN EQUITY

MSEK	31 DEC 2023	31 MAR 2022	31 DEC 2022
<b>Amount Brought Forward</b>	<b>127.8</b>	<b>448.4</b>	<b>448.4</b>
New Issue of Shares	95.9	-	-
Transaction Costs	-20.6	-	-0.1
Warrants	-0.3	-	-
Results for the period	20.5	-8.9	-320.5
<b>Amount Carried Forward</b>	<b>223.2</b>	<b>439.5</b>	<b>127.8</b>

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

FINANCIAL MEASURES	DESCRIPTION
<b>Net Sales</b>	Reported net sales.
<b>Usage Revenues</b>	The amount of revenues derived solely from the usage of the Teneo Platform.
<b>Recurring Revenues</b>	Combined amount of revenues derived from Usage, License and Support revenues. This also includes SaaS recurring revenues.
<b>SaaS Recurring Revenues</b>	Recurring revenues derived from SaaS revenue model customers, based on the revenues coming from Subscription, API Calls and Searchable Data.
<b>SaaS ARR</b>	Annual recurring revenues based on last month in quarter SaaS Recurring Revenues (Monthly Recurring Revenues from SaaS x 12 months).
<b>Gross Margin</b>	Is calculated as the total net sales subtracted with the total cost of sales (for providing expert services, sales commission and total cost of staff related to Customer Success department). From Jan 1, 2023, and for comparative periods in the report, the company uses this methodology.
<b>Gross Margin %</b>	Is calculated as the total Gross Margin expressed as a per cent of total revenue in the period.
<b>EBITDA</b>	Earnings before interest, tax, depreciation, and amortization.
<b>EBITDA Adjusted</b>	Earnings before interest, tax, depreciation, and amortization adjusted for non-recurring items and restructuring costs.
<b>Average number of shares before dilution</b>	Average number of shares during the period.
<b>Average number of shares after dilution</b>	Average number of shares during the period including number of shares at full dilution.
<b>API</b>	Application Programming Interface (API) that allows interaction between two applications.
<b>API Calls</b>	Making an API Call correspond to the request sent through an endpoint to the server. Volumes are disclosed in millions.
<b>SaaS API Calls</b>	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 April 28, 2023, at 10:00 a.m. CET.

Please connect using this [link](#).

## CONTACT INFORMATION

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## ABOUT ARTIFICIAL SOLUTIONS

### DIVERSE WORKFORCE

**27%**

Percentage of **female** employees in managing positions; 33% in the whole company.



**70**

Employees and 5 consultants from more than 26 different **nationalities**.

**27**

**Languages** spoken in-house.



### PATENTS & IP

**1.6 BSEK**



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

### PARTNERSHIPS



Artificial Solutions & Microsoft enable the most advanced conversational technology for large enterprise and global contact centers. Teneo scales with high efficiency across Azure infrastructure and is deeply integrated with Azure Cognitive, OpenAI, Communication, and Analytics services.

### MULTILINGUAL



**86**

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

### SUSTAINABILITY

**82%**

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



Artificial Solutions® (SSME: ASAI) is a leader in AI. Our platform, Teneo®, is used by millions of people across hundreds of private and public sector SaaS deployments worldwide. Our solution OpenQuestion® optimizes routing for Contact Centers to better serve customers and reduce costs.

Teneo runs 86 languages and dialects and is fully integrated with call center and contact center systems. Teneo.ai, Teneo and OpenQuestion are registered brands by Artificial Solutions.

Artificial Solutions International is listed on Nasdaq First North Growth Market in Stockholm with short name ASAI. Erik Penser Bank is the Company's Certified Adviser ([www.penser.se](http://www.penser.se), tel. +46 (0) 8-463 83 00, e-mail [certifiedadviser@penser.se](mailto:certifiedadviser@penser.se)).

Learn more at [www.investors.artificial-solutions.com](http://www.investors.artificial-solutions.com)