

QUARTERLY REPORT APRIL TO JUNE 2023

STRONG GROWTH - Q2 SAAS ARR +60% AND SAAS API CALL VOLUMES +117%

APRIL TO JUNE 2023

- SaaS ARR amounted to 32.1 MSEK (20.0), +60%
- SaaS API Call Volumes 20.2 million (9.3), +117 %
- Total ARR amounted to 61.1 MSEK (38.9), +57%
- Recurring revenues amounted to 14.6 MSEK (9.1), + 60%
- Net sales amounted to 14.8 MSEK (10.2), + 45%
- Gross margin (*) amounted to 72% (55)
- EBITDA adjusted amounted to -13.9 MSEK (-20.6)
- Earnings per share amounted to -0.2 SEK (-2.4)

JANUARY TO JUNE 2023

- SaaS ARR amounted to 32.1 MSEK (20.0), +60%
- SaaS API Call Volumes 20.2 million (9.3), +117 %
- Total ARR amounted to 61.1 MSEK (38.9), +57%
- Recurring revenues amounted to 28.0 MSEK (17.8), + 57%
- Net sales amounted to 28.4 MSEK (20.3), + 40%
- Gross margin (*) amounted to 64% (57)
- EBITDA adjusted amounted to -32.0 MSEK (-37.5)
- Earnings per share amounted to -0.1 SEK (-6.3)

EVENTS DURING THE QUARTER

- Teneo.ai joins Google Cloud Partner Advantage Program and launches Conversational IVR plugin for Google Cloud
- Teneo.ai and OpenQuestion available on Genesys AppFoundry
- Renewal of SaaS agreement with Global American Tech company
- Renewal of SaaS agreement with Medtronic, one of the largest medical device companies in the world
- Renewal of SaaS agreement with Circle K
- Renewal of License agreement with Swisscom and UBS
- New Partnership agreement with CDI Services, a global services company focused on Conversational AI
- AGM resolved to appoint two new board members and approve a new warrant program for employees

EVENTS AFTER THE QUARTER

- Teneo.ai launched Conversational IVR Plugin for Amazon Connect
- OpenQuestion 1.1 released - IVR implementation time cut to 60 days
- Renewal of License agreement with HRSA
- HelloFresh, a global meal-planning and delivery company, launched a new use case expected to increase API call volumes in the third quarter of 2023

KEY FIGURES (FOR DEFINITIONS PLEASE SEE PAGE 18)

	APR-JUN 2023	APR-JUN 2022	JAN-JUN 2023	JAN-JUN 2022	JAN-DEC 2022
Net sales (MSEK)	14.8	10.2	28.4	20.3	45.7
Recurring revenues (MSEK)	14.6	9.1	28.0	17.8	40.7
SaaS ARR (MSEK)	32.1	20.0	32.1	20.0	25.1
SaaS API Call Volumes (Million)	20.2	9.3	20.2	9.3	13.8
Gross margin (*) %	72%	55%	64%	56%	55%
EBITDA adjusted (MSEK) (**)	-13.9	-20.6	-32.0	-37.5	-76.6
Earnings per share, SEK	-0.2	-2.4	-0.1	-6.3	-13.0
Cash flow from operating activities before changes in working capital	-13.3	-20.3	-28.1	-43.1	-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.

(**) The company has identified extraordinary costs reported as ordinary in 2022. 2022 EBITDA adjusted has been restated to make figures comparable.

CEO STATEMENT



Per Ottosson
CEO

Dear shareholders, colleagues, customers, and partners:

We continue our strong growth momentum with Total ARR (legacy and SaaS) now up to 61.1 MSEK which is a Y-o-Y growth of 57%. Going into Q2 our focus was on developing existing SaaS customers and to build a pipeline for new logos in OpenQuestion, our SaaS solution that leverages the experience we have gained from the largest deployments of our AI technology.

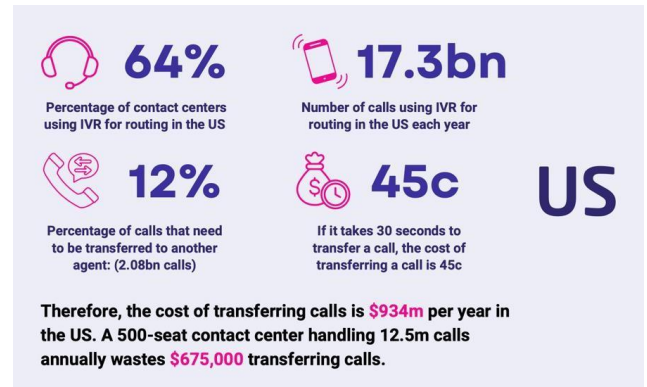
Our prime goal was, however, to become part of the two other eco-systems that are gaining ground with the shift of telephony systems to the Cloud (aka Contact Center Technology), Google and Amazon. We are now part of all three hyper-scaler eco-systems – Microsoft, Google, and Amazon.

The market added a very strong focus from customers and partners on integrating Large Language Models (LLM's) or specifically GPT (the model behind ChatGPT) API's to their IT landscape.

OPENQUESTION

The challenge we address by creating OpenQuestion is the decline in customer experience resulting from companies transitioning to cost-saving keypad navigation systems. According to Contact Babel, 78% of large 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.

The statistics in the figure here are from a report we commissioned Contact Babel to make on the topic of why the old Keypad IVR is at the end of life.




The initial benefit of OpenQuestion in the first 60 days is a reduction in transfers. That is almost a billion USD wasted in the US alone per year. This is the initial focus of OpenQuestion and once this is solved then the all-important self-service flows can be built.

The aim is of course to get growing API call volumes over time as the customer gets more benefit from the full Teneo.ai platform.

In parallel to this, we started engaging with customers across Europe and the US and although it's obvious that the interest is higher in the US than in Europe both geographies have strong demand. We have built a sales pipeline which we now are recruiting partners to engage in implementing across these geographies. We believe we will see our first OpenQuestion new customers during this autumn.

GPT

GPT has become a hot word in the boardrooms during Q2. There is a strong pressure to see what this new technology can be used for. And it is a fascinating technology development. That Transformers could develop so quickly with human reinforcement was not really expected in the AI Community. But deploying this new technology is associated with the same effort as deploying older Natural Language Models. Compliance, Security, Testing, Datasets, Data ownership, Cost and Performance are factors to consider - just as it was before the breakthrough of GPT.



After initial experimentation Enterprises have set formal projects during the summer. We are actively engaged in explaining to these projects that the experts managing all these factors are Artificial Solutions. This is the reason large corporations work with us – all the work around the actual Language Model is difficult and full of “did not think of that” moments. The fact that Teneo.ai manages this for our customers enables them to take solutions to market much quicker and maybe most importantly - with the performance and security needed. Using Teneo.ai companies will add “Enterpriseness” to whatever AI model they choose.

The attention that Natural Language gets in the market is still very high, but enterprises are now shifting from “let’s play” to “let’s build robust solutions” on GPT. That sets us up for a nice growth this autumn.

REVENUE DEVELOPMENT AND MARGINS

Our customer base is growing the usage of our platform. Taking our most recent July numbers we grew the API calls with 119% y-o-y, a doubling of the traffic in our SaaS solution. We can conclude that this has no effect on our staffing needs.

The platform can manage doubling the API calls several times without a corresponding increase in cost. We saw in Q1 2023 that one customer passed the crucial 90% gross margin threshold. In that light it is natural that we focus on adding new customers during the autumn so that we can add even more API calls next year. We firmly believe that our positioning in the market combined with the initial GPT exuberance dying down will bring us this growth.

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 and increase ARR - SaaS ARR in particular.

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 are 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 and our high growth rate. 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.

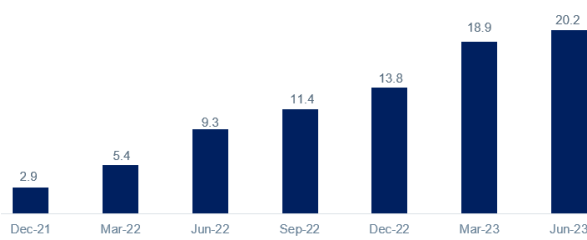
The impact from signed customer deals on the SaaS business model in 2022 has increased in importance in the first half of the year 2023. The recurring revenues derived from SaaS customers for the second quarter of 2023 amounted to 7.5 MSEK and constituted 51% of total recurring revenues, 14.6 MSEK, and 51% 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 and our Expert Services revenues are and 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 18.9 million in March 2023 to 20.2 million in June 2023, equivalent to a 7% increase in one quarter only, and 117% compared to June 2022. See the graph below from December 2021 for graphical details. The monthly SaaS API call volumes in active customers, increased from 10.2 million in July 2022 to 22.4 million in July 2023, equivalent to a 11% increase vs. June 2023 and 119% compared to July 2022. The existing non-SaaS customers experienced 17% API call volume growth between June 2022 and June 2023.

The higher usage volumes on non-SaaS customers are also driving the increase in recurring revenues and total ARR. The API calls generated by non-SaaS customers are not always directly linked to the Usage revenues and for that reason we are not disclosing the volumes.

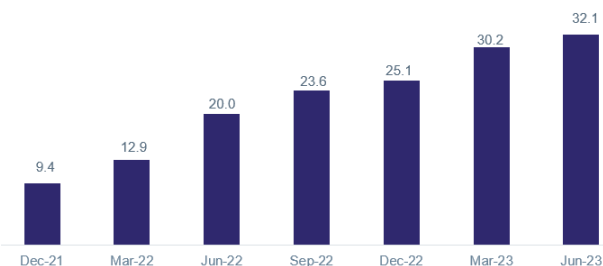
SaaS API Calls Growth (million) +117% June 22 – June 23



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 reported 12 active customers on the SaaS model, of which one client was focused on Outbound Calling operations. As we discontinued this experiment with Outbound Calling activities, there are therefore 11 SaaS customers. For further information, see section Events After the Quarter in this report.

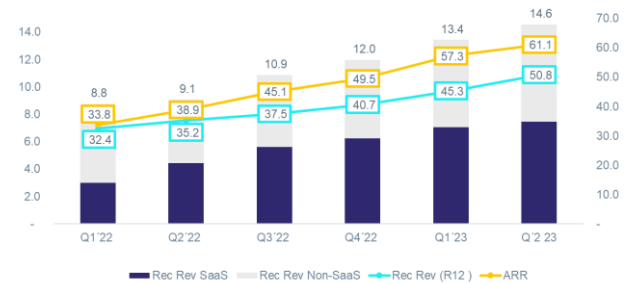
The company strategy is to focus on partnership. The distribution channels of the company through its partners, means that one subscription would entitle the partner to have multiple customers, representing one customer for Artificial Solutions even revenues would be multiplied. For that reason, SaaS API call volumes is the key operational metric to track.

SaaS ARR (MSEK) +60% 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 June 2023 amounted to 32.1 MSEK, an increase from 20.0 MSEK in June 2022, equivalent to a growth of 60%. SaaS ARR in July 2023 amounted to 34.3 MSEK, equivalent to a growth of 61% versus July 2022 and an increase of 7% versus June 2023. ARR for total business amounted to 61.1 MSEK in June 2023, an increase from 38.9 MSEK in June 2022, equivalent to a growth of 57%. Total ARR in July 2023 amounted to 63.7 MSEK, equivalent to a growth of 52% versus July 2022 and an increase of 4% versus June 2023.



The recurring revenues (Usage, License and Support) for the second quarter 2023 amounted to 14.6 MSEK (9.1), equivalent to 99% (89) of net sales and an increase of 60% compared with the same period last year. The usage revenues (Usage) for the second quarter 2023 amounted to 8.4 MSEK (3.6), equivalent to 57% (35) of total net sales and an increase of 135% compared with the same period last year. Below is a table showing the quarterly revenues from the second quarter 2022 to the second quarter 2023 split by License & Support, Usage and Other and the combined recurring revenues.

MSEK	APR - JUN 2022	JUL - SEP 2022	OCT - DEC 2022	JAN - MAR 2023	APR - JUN 2023
License & Support	5.5	6.0	6.2	6.3	6.2
Usage	3.6	4.9	5.7	7.1	8.4
Other	1.1	1.5	1.0	0.2	0.2
Total Net Sales	10.2	12.4	13.0	13.6	14.8
(*) Of which Recurring Revenues	9.1	10.9	12.0	13.4	14.6

On a rolling 12-month basis the recurring revenues (Usage, License and Support) in the second quarter 2023 amounted to 50.8 MSEK (35.2), equivalent to 95% (86) of total net sales and an increase of 44% compared with the same period last year.



APRIL TO JUNE 2023

Net sales for the second quarter 2023 amounted to 14.8 MSEK (10.2), equivalent to an increase of 45% compared to the same period last year. The recurring revenues (Usage+License+Support) in the second quarter 2023 amounted to 14.6 MSEK (9.1), equivalent to 99% (89) of total net sales and an increase of 60% 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 second quarter 2023 amounted to -21.6 MSEK (-21.7), similar to the same period last year. Headcount at the end of the second quarter is 68 (71) employees. As previously announced, the personnel costs have been reduced from the first quarter to the second quarter 2023 through a combination of the simplification of internal procedures that resulted in a reduction of headcount, together with lower sales commissions paid in the second quarter 2023 versus the first quarter 2023.

Depreciation and amortization in the second quarter 2023 amounted to -3.8 MSEK (-3.2). Capitalized R&D for the same period amounted to 3.9 MSEK (3.2).

Total operating expenses, including depreciation and amortization, in the second quarter 2023 amounted to -37.6 MSEK (-39.7). The decrease in operating expenses is a combination of the simplification of internal procedures, resulting in less personnel than in the second quarter 2022, and the cost control measures carried out by the company. In addition, commissions to sales employees in the second quarter are lower than in the first quarter. 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 annual operating expenses run rate in the second quarter, excluding depreciation and amortization, non-recurring items of 1.3 MSEK and cost of sales of 4.2 MSEK have decreased from -119 MSEK in the first quarter 2023 to -113 MSEK in the second quarter 2023. The average monthly operating expenses in the second quarter 2023, excluding depreciation and amortization, non-recurring cost items and cost of sales amounted to -9.4 MSEK.

JANUARY TO JUNE 2023

Net sales for the first half of the year 2023 amounted to 28.4 MSEK (20.3), equivalent to an increase of 40% compared to the same period last year. The recurring revenues (Usage+License+Support) for the first half of the year 2023 amounted to 28.4 MSEK (17.8), equivalent to 99% (88) of total net sales. A high percentage of recurring revenues of total net sales provides stability and visibility and the foundation in our SaaS model.

Personnel costs for the first half of the year 2023 amounted to -46.9 MSEK (-41.0), an increase of 15% compared to the same period last year. Headcount at the end of the second quarter is 68 (71) employees. The increase in personnel costs is due to the higher number of headcounts during the first quarter of 2023, 76, compared to the first quarter of 2022, 64. Reduction of personnel costs are visible from the second quarter of 2023.

Depreciation and amortization in the first half of the year 2023 amounted to -7.5 MSEK (-6.9). Capitalized R&D for the same period amounted to 7.8 MSEK (6.2). The increase of 1.6 MSEK is due to more employees dedicated to product development.

The annual operating expenses run rate in the first half of the year, excluding depreciation and amortization, non-recurring items of 3.9 MSEK and cost of sales of 10.2 MSEK have decreased from -119 MSEK in first quarter 2023 to -113 MSEK in the second quarter 2023.

FINANCIAL ITEMS AND TAX

Net financial items for the second quarter 2023 amounted to 2.3 MSEK (10.8), and to 32.1 MSEK (7.2) for the first six months 2023.

The interest income and costs for the first six months of 2023 amounted to 20.4 MSEK (-14.3). The positive net impacted interest costs are the result of the renegotiation of the existing facility agreement, effective date 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 second quarter 2023 amounted to -3.5 MSEK, and in the first six months of the year -7.6 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 second quarter 2023 and the first six months of the year were also positively impacted with 5.9 MSEK and 11.7 MSEK by currency exchange rate differences respectively.

Due to the value of accumulated tax losses carried forward there is no tax payable in relation to 2022 in 2023 and 2024.

CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

Cash flow from operating activities before changes in working capital in the second quarter of 2023 amounted to -13.3 MSEK (-20.3) and to -28.1 MSEK (-43.1) for the first six months 2023.

In the second quarter 2023, there was a 6.3 MSEK (1.6) adjustment for items not included in cash flow, where a realized gain has been changed to an unrealized gain. Total amount for adjustments of items not affecting Cash Flow equals to 1.8 MSEK (-0.1) following deduction of interest paid and received in the second quarter of 2023 that amounted to -4.2 MSEK (1.2). Interest paid and received amounted to 0.9 MSEK (-7.7) for the first six months 2023.

In January 2023, the company received a 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 for the second quarter 2023 amounted to -20.2 MSEK (-17.4) and to -28.0 MSEK (-42.2) for the first six months 2023.

Cash flow from investing activities in the second quarter 2023 amounted to -3.9 MSEK (-3.1) and relate mainly to capitalized R&D expenditures and amounted to -7.9 MSEK (-6.3) for the first six months 2023.

Cash flow from financing activities for the first six months 2023 amounted to 73.7 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 -22.2 MSEK (-).

The company's cash and bank position as of June 30, 2023, amounted to 56.1 MSEK (63.2).

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 second quarter 2023 net sales amounted to 0.4 MSEK (0.3), all of them recurring revenues, and to 0.8 MSEK (0.7) for the first six months 2023. These are revenues from a single customer agreement entered into with the parent company. For the second quarter 2023 operating expenses amounted to -5.6 MSEK (-4.4), and to -11.4 MSEK (-11.0) for the first six months 2023. The parent company centralizes the contract with the group supplier of cloud services.

Net financial items for the second quarter of 2023 amounted to -3.4 MSEK (6.2). Net financial items for the first six months of the year amounted to 22.3 MSEK (1.3) of which -7.6 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. 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 and is unfortunately still very much active. Our company has no operations nor customers in Ukraine or Russia and has not experienced any direct negative impact during 2023 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.

For further information about risks and uncertainties, see page 27 and 28 in the 2022 Annual report, which you can find on <https://www.investors.artificial-solutions.com>.

RELATED-PARTY TRANSACTIONS

The company had a consulting services agreement with ASH&Partners AB, a company owned by Chair of board Åsa Hedin. This agreement was terminated after the Annual General Meeting held on June 27, 2023.

EMPLOYEES

The headcount end of June 2023 amounted to 68 (71). The number of full-time equivalent employees in the group on June 30, 2023, amounted to 68 (68). In addition to the employed staff, the company also has commitments with specialized contractors, 5 consultants in total at the end of June 2023.

EVENTS DURING THE QUARTER

ORGANIZATION

In the first and second quarters 2023, the company has simplified its internal procedures resulting in a reduction of employees and contractors and costs. The impact of the measures is visible in the second quarter 2023 and will also be recognized in the remaining quarters 2023.

CUSTOMERS

During the second quarter of the year, the company has signed several renewal agreements. Renewal SaaS agreements have been signed with a Global American Tech company, Medtronic, and Circle K. Renewal licenses agreements have been signed with Swisscom and UBS.

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.

During the second quarter 2023, Artificial Solutions signed a partnership agreement with CDI Services, an organization focused on helping enterprise brands build AI Assistants through their unique blend of strategy and delivery services. In its strategic services, CDI Services acts as an advisor to its end customers helping them on their Conversational AI/IVR 2.0 journey. From that perspective, this partnership has a strategic value, having CDI Services trained on Teneo and OpenQuestion.

NEW NOMINATION COMMITTEE

In April 2023, the following members have, in accordance with the procedures 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 Vencom 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.

BOARD MEMBER CHANGE

The Annual General Meeting resolved, in accordance with, the proposal from the nomination committee, to re-elect Åsa Hedin, Johan Gustavsson and Paul St John and to elect Mathias Björkholm and Lars Roth as board directors for the period until the end of the next annual general meeting. Åsa Hedin was re-elected as chair of the board of directors. Vesna Lindkvist declined re-election.

CONVERSATIONAL IVR FOR GOOGLE CLOUD

Teneo.ai joins Google Cloud Partner Advantage Program and launches new Conversational IVR plugin for Google Cloud

TENEO.AI AND OPENQUESTION AVAILABLE ON GENESYS APPFOUNDRY

Teneo.ai, a brand from Artificial Solutions, announced that our conversational platform Teneo and our OpenQuestion solution are available on the Genesys AppFoundry™, a marketplace of solutions offering a curated selection of applications and integrations that elevate customer and employee experiences.

With AppFoundry, Teneo enables Genesys' customers to integrate conversational automated support to existing products. Teneo serves as a frontend for Genesys Cloud CX, allowing callers to engage with a virtual assistant that accurately routes the user to the relevant queue.

Genesys is a major player in the Contact Center software market and the plug-in with Genesys allows Teneo to be easily integrated into a significant number of prospective customers.

NEW WARRANT PROGRAM 2023/2026 APPROVED

The Annual General Meeting resolved, in accordance with the board of directors' proposal, on establishment of Warrant Program 2023/2026 by a) directed issue of warrants to subsidiary and b) approval of transfer of warrants to management and other key persons of the Company or its subsidiaries. The number of warrants amounts to a maximum of 11,381,010.

For each warrant held, the holder shall have the right to subscribe for one (1) new share in the Company.

The subscription price of shares when exercising the warrants corresponds to 250 per cent of the volume-weighted average price for the Company's share on Nasdaq First North Growth Market during the ten trading days immediately preceding the Annual General Meeting of shareholders in the Company in 2023. The subscription price for the warrant program is 3.20 SEK. However, the subscription price may never be less than the quota value of the share.

Notification for subscription may be made during the period from and including 1 July 2026 until and including 31 December 2026.

EVENTS AFTER THE QUARTER

CUSTOMERS

In July 2023, the company signed a License renewal agreement with HRSA.

HelloFresh, a global meal-planning and delivery company, went live with a new use case, which is expected to increase its API call volumes in the third quarter 2023.

During the first and second quarter 2023, we experimented with an outbound calling solution where Teneo.ai would power a solution that would call and qualify leads in the US. We found that this area had risks that were both reputational and financial and have discontinued this development. For this reason, our customer AVH which we presented as new customer in the first quarter 2023, has been discontinued as active customer.

OPENQUESTION 1.1 RELEASED

Teneo.ai released OpenQuestion 1.1 after the end of the second quarter. This version of our IVR solution is set to revolutionize the way Contact Centers interact with their customers. Furthermore it can be implemented in less than 60 days, offering a more responsive and efficient customer service experience through enhanced integration with Generative Pretrained Transformer (GPT).

OpenQuestion 1.1, available at <https://www.teneo.ai/>, comes with a host of new features and improvements, all designed to enhance the customer experience and provide businesses with more control and customization options.

TENEO.AI LAUNCHES CONVERSATIONAL IVR PLUGIN FOR AMAZON CONNECT

Teneo.ai announced the launch of its latest plugin that seamlessly integrates the Conversational IVR solution, OpenQuestion, with Amazon Connect.

This integration is truly groundbreaking. It enables Amazon Connect clients to boost efficiency. It also enhances the customer experience and simplifies call routing. The result is a substantial reduction in costs.

The IVR plugin opens an interesting market for Teneo and Artificial Solutions.

SHARE-RELATED INCENTIVE PROGRAM

INCENTIVE PROGRAMS SUMMARY

In April 2023, the company cancelled – in full or partially - unallocated, unvested, and surrendered warrants in all outstanding warrant programs.

At the AGM on June 27, 2023, the 2023/2026 warrant program was approved.

There are currently four 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
2023/2026	11,381,010	3.2

As part of subscribing for warrants in the new 2023/2026 warrant program, existing employees have agreed to surrender their prior warrants. In the third quarter 2023, the company intends to cancel all surrendered warrants. The company will press release the number of warrants cancelled by warrant program when the warrants have formally been cancelled.

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 June 30, 2023, was 102,429,090.

	30 JUN 2023	30 JUN 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	6,570,538
Average number of shares after dilution	72,295,108	7,063,847

The 10 largest shareholders on June 30, 2023, are listed below:

Shareholder	Capital %
Sven Härgestam	11.2%
SEB-Stiftelsen	11.0%
Avanza Pension	6.3%
Theodor Jeansson Jr.	5.9%
Johan A. Gustavsson	4.5%
Johan Hernmarck	3.9%
Ulf Johansson	3.7%
Sunhold B.V.	2.9%
Niclas Nyström	2.5%
Staffan Bohman	2.5%

AUDIT REVIEW REPORT

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

FINANCIAL CALENDAR

- Interim report for the third quarter of 2023: October 25, 2023

Stockholm, August 23, 2023

Per Ottosson, CEO

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

This information is such that Artificial Solutions International AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at 07:30 CET on August 23, 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).

GROUP FINANCIAL STATEMENTS

GROUP CONSOLIDATED INCOME STATEMENTS

MSEK	APR-JUN 2023	APR-JUN 2022	JAN-JUN 2023	JAN-JUN 2022	JAN-DEC 2022
Net Sales	14.8	10.2	28.4	20.3	45.7
Capitalized amount for own accounts	3.9	3.2	7.8	6.2	13.2
Other operating income	0.0	0.0	0.0	0.0	5.8
Total operating income	18.6	13.4	36.2	26.6	64.7
Personnel costs	-21.6	-21.7	-46.9	-41.0	-85.5
Other external costs	-12.2	-14.8	-25.1	-27.1	-55.4
Depreciation and amortization on fixed assets	-3.8	-3.2	-7.5	-6.9	-12.7
Other operating expenses	0.0	0.0	0.0	0.0	0.0
Total operating expenses	-37.6	-39.7	-79.5	-75.0	-153.6
Operating loss	-19.0	-26.3	-43.3	-48.4	-88.9
Net financial items	2.3	10.8	32.1	7.2	3.8
Loss after financial items	-16.7	-15.5	-11.2	-41.2	-85.1
Tax on result for the period	-	-0.0	-	-0.0	-0.2
NET RESULT FOR THE PERIOD	-16.7	-15.5	-11.2	-41.2	-85.4

GROUP CONSOLIDATED BALANCE SHEET

MSEK	30 JUN 2023	30 JUN 2022	31 DEC 2022
ASSETS			
Non-current assets			
Capitalized expenditure for licensed software and development	34.2	29.5	31.9
Equipment, furniture, and fitting	0.8	1.1	0.9
Other non-current receivables	1.4	1.8	1.8
Total non-current assets	36.4	32.3	34.6
Current assets			
Current receivables	23.7	23.7	35.8
Cash and bank balances	56.1	63.6	18.2
Total current assets	79.8	87.3	54.0
TOTAL ASSETS	116.1	119.7	88.7
EQUITY AND LIABILITIES			
Equity			
Share capital	119.1	118.3	118.3
Share premium reserve	1,376.1	1,311.1	1,311.0
Other equity including result for the period	-1,677.0	-1,608.7	-1,663.0
Total Equity	-181.9	-179.3	-233.7
Non-current liabilities			
Liabilities to other lenders	243.4	248.8	263.8
Total non-current liabilities	243.4	248.8	263.8
Current liabilities			
Current liabilities	17.9	12.8	17.2
Accrued expenses and deferred income	36.7	37.5	41.2
Total current liabilities	54.6	50.2	58.5
TOTAL EQUITY AND LIABILITIES	116.1	119.7	88.7

GROUP CONSOLIDATED CASH FLOW STATEMENT

MSEK	APR-JUN 2023	APR-JUN 2022	JAN-JUN 2023	JAN-JUN 2022	JAN-DEC 2022
Operating Activities					
Operating Loss	-19.0	-26.3	-43.3	-48.4	-88.9
<i>Items not affecting Cash Flows</i>					
Depreciation/amortization on assets	3.8	3.2	7.5	6.9	12.7
Other Adjustments	6.3	1.6	1.8	-0.1	-1.7
<i>Items affecting Cash Flows</i>					
Interest Paid and received	-4.2	1.2	0.9	-7.7	-9.8
Taxation paid and received	-0.2	-	5.1	6.2	6.1
Cash flow from operating activities before changes in working capital	-13.3	-20.3	-28.1	-43.1	-81.5
Changes in working capital	-6.9	2.8	0.1	0.9	3.5
Cash flow from operating activities	-20.2	-17.4	-28.0	-42.2	-78.0
Cash flow from investing activities	-3.9	-3.1	-7.9	-6.3	-14.5
Cash flow from financing activities	-2.9	0.0	73.7	0.0	-1.4
Net change in cash and cash equivalents	-27.0	-20.6	37.9	-48.5	-93.9
Cash and cash equivalents beginning of the period	83.1	84.2	18.2	112.1	112.1
Cash and cash equivalents end of the period	56.1	63.6	56.1	63.6	18.2

GROUP CONSOLIDATED CHANGE IN EQUITY

MSEK	30 JUN 2023	30 JUN 2022	31 DEC 2022
Amount Brought Forward	-233.7	-119.3	-119.3
New Issue of Shares	95.9	-	-
Transaction costs	-23.5	-	-0.1
Warrant premiums	0.5	-0.1	1.6
Results for the period	-11.2	-41.2	-85.4
Translation difference	-9.8	-18.7	-30.5
Amount Carried Forward	-181.9	-179.3	-233.7

KEY RATIOS

MSEK	APR-JUN 2023	APR-JUN 2022	JAN-JUN 2023	JAN-JUN 2022	JAN-DEC 2022
Net Sales	14.8	10.2	28.4	20.3	45.7
Recurring Revenues	14.6	9.1	28.0	17.8	40.7
Recurring Revenues %	99%	89%	99%	88%	89%
SaaS ARR	32.1	20.0	32.1	20.0	25.1
SaaS API Call Volume (Million)	20.2	9.3	20.2	9.3	13.8
Gross Margin	10.6	5.6	18.2	11.6	25.3
Gross Margin %	72%	56%	64%	58%	55%
EBITDA Adjusted	-13.9	-20.6	-32.0	-47.5	-76.6
Equity ratio	-1.6	-1.5	-1.6	-1.5	-2.6

FINANCIAL STATEMENTS PARENT COMPANY

PARENT COMPANY INCOME STATEMENT

MSEK	APR-JUN 2023	APR-JUN 2022	JAN-JUN 2023	JAN-JUN 2022	JAN-DEC 2022
Net Sales	0.4	0.3	0.8	0.7	1.4
Other operating income	-	-	-	-	4.4
Total operating income	0.4	0.3	0.8	0.7	5.7
Other external costs	-5.8	-6.6	-11.4	-11.0	-15.5
Other expenses	-	-	-	-	-
Total operating expenses	-5.8	-6.6	-11.4	-11.0	-15.5
Operating loss	-5.5	-6.3	-10.7	-10.4	-9.7
Net financial items	-3.4	6.2	22.3	1.3	-310.8
Result after financial items	-8.8	-0.1	11.6	-9.0	-320.5
Tax on result for the period	-	-	-	-	-
NET RESULT FOR THE PERIOD	-8.8	-0.1	11.6	-9.0	-320.5

PARENT COMPANY BALANCE SHEET

MSEK	30 JUN 2023	30 JUN 2022	31 DEC 2022
ASSETS			
Non-current assets			
Receivable from Group companies	136.0	366.3	102.5
Financial assets	283.4	282.2	283.4
Other non-current receivables	0.3	0.5	0.4
Total non-current assets	419.7	649.0	386.3
Current assets			
Current receivables	2.6	2.9	6.8
Cash and bank balances	41.7	39.6	10.3
Total current assets	44.3	42.5	17.1
TOTAL ASSETS	464.1	691.5	403.4
EQUITY AND LIABILITIES			
Equity			
Share capital	119.1	118.3	118.3
Share premium reserve	1,376.1	1,311.1	1,311.0
Other equity including result for the period	-1,283.7	-990.9	-1,301.5
Total Equity	211.5	438.4	127.8
Non-current Liabilities			
Liabilities to other lenders	243.4	246.9	263.8
Total non-current liabilities	243.4	246.9	263.8
Current liabilities			
Liabilities to Group companies	0.1	-	1.0
Current liabilities	5.5	2.5	8.0
Accrued expenses and deferred income	3.7	3.7	2.8
Total current liabilities	9.2	6.2	11.8
TOTAL EQUITY AND LIABILITIES	464.1	691.5	403.4

PARENT COMPANY CASH FLOW STATEMENT

MSEK	APR-JUN 2023	APR-JUN 2022	JAN-JUN 2023	JAN-JUN 2022	JAN-DEC 2022
Operating Activities					
Operating loss	-5.5	-6.3	-10.7	-10.4	-9.7
<i>Items not affecting Cash Flows</i>					
Depreciation/amortization on assets	-	-	-	-	-
Other Adjustments	-	-	-0.1	-2.3	-
<i>Other items affecting Cash Flows</i>					
Interest paid and received	0.1	-	0.1	-8.6	-10.3
Taxation paid and received	-	-	-	-	-
Cash flow from operating activities before changes in working capital	-5.4	-6.3	-10.7	-21.3	-20.1
Changes in working capital	-22.4	-21.3	-31.7	-37.1	-66.1
Cash flow from operating activities	-27.8	-27.7	-42.3	-58.4	-86.2
Cash flow from investing activities	-	-	-	-	-
Cash flow from financing activities	-2.9	-	73.7	-	-1.4
Net change in cash and cash equivalents	-30.8	-27.7	31.4	-58.4	-87.6
Cash and cash equivalents beginning of the period	72.5	67.3	10.3	97.9	97.9
Cash and cash equivalents end of the period	41.7	39.6	41.7	39.6	10.3

PARENT COMPANY CHANGE IN EQUITY

MSEK	30 JUN 2023	30 JUN 2022	31 DEC 2022
Amount Brought Forward	127.8	448.4	448.4
New Issue of Shares	95.9	-	-
Transaction Costs	-23.5	-	-0.1
Warrants	-0.3	-0.9	-
Results for the period	11.6	-9.0	-320.5
Amount Carried Forward	223.2	438.4	127.8

DEFINITIONS OF KEY PERFORMANCE INDICATORS NOT DEFINED IN ACCORDANCE WITH BFNAR

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 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.
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.
EBITDA Adjusted	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 August 23, 2023, at 09:00 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; 32% in the whole company.



69

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

22

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, tel. +46 (0) 8-463 83 00, e-mail certifiedadviser@penser.se).

Learn more at www.investors.artificial-solutions.com.