

QUARTERLY REPORT: OCTOBER TO DECEMBER 2023

RECURRING REVENUES +47% IN 2023 AND STRONG BEGINNING OF 2024

OCTOBER TO DECEMBER 2023

- Recurring revenues amounted to 15.7 MSEK (12.0), +31%
- Total ARR amounted to 63.0 MSEK (47.9), +31%
- NRR +145% (123)
- SaaS ARR amounted to 31.0 MSEK (24.9), +24%
- SaaS API Call Volumes 18.1 million (13.2), +37 %
- Net sales amounted to 15.8 MSEK (13.0), + 22%
- Gross margin amounted to 77% (55)
- EBITDA adjusted amounted to -5.8 MSEK (-18.3)
- Earnings per share amounted to -0.2 SEK (-3.4)

JANUARY TO DECEMBER 2023

- Recurring revenues amounted to 60.0 MSEK (40.7), +47%
- Total ARR amounted to 63.0 MSEK (47.9), +31%
- NRR +145% (123)
- SaaS ARR amounted to 31.0 MSEK (24.9), +24%
- SaaS API Call Volumes 18.1 million (13.2), +37 %
- Net sales amounted to 60.5 MSEK (45.7), + 33%
- Gross margin amounted to 67% (55)
- EBITDA adjusted amounted to -50.7 MSEK (-76.6)
- Earnings per share amounted to -0.6 SEK (-13.0)

EVENTS DURING THE QUARTER

- Rights issue of 26 MSEK announced
- Renewal of existing SaaS subscription agreement with A1 Bulgaria, a multinational Telecom Operator
- Renewal of license agreement with Italian banks, Widiba and BPM
- Renewal of license agreement with TIAA, a US based large bank
- Telefónica presented an integrated Teneo powered LLM pilot
- HRSA launched a live Generative AI use case in Teneo
- Teneo.ai unveils Adaptive Answers to enhanced personalized customer service for Contact Centers
- Teneo.ai announces Generative AI Orchestration, offering up to 98% Cost Reduction in Generative AI Operations
- Board of Directors announced a review of strategic alternatives to maximize shareholder value

EVENTS AFTER THE QUARTER

- Successfully closed rights issue with a 166% subscription rate and providing the company with 26 MSEK
- Renewal of SaaS agreement with Medtronic, one of the largest medical device companies in the world
- New Partnership agreement signed with System Integrator and AWS Connect Partner, [EPAM](#)
- New structure of sales organization New Business and Global Channels and Customer Sales and Engagement focused on existing accounts
- Teneo 7.4 + Copilot released in January 2024
- Teneo.ai Unveils Advanced RAG Solutions for Enterprise AI

KEY FIGURES (FOR DEFINITIONS PLEASE SEE PAGE 21)

	OCT-DEC 2023	OCT-DEC 2022	JAN-DEC 2023	JAN-DEC 2022
Net sales (MSEK)	15.8	13.0	60.5	45.7
Recurring revenues (MSEK)	15.7	12.0	60.0	40.7
SaaS ARR (MSEK)	31.0	24.9	31.0	24.9
SaaS API Call Volumes (Million)	18.1	13.2	18.1	13.2
NRR %	145%	123%	145%	123%
Gross margin ⁽¹⁾ %	77%	55%	67%	55%
EBITDA adjusted (MSEK)	-5.8	-18.3	-50.7	-76.6
Earnings per share, SEK	-0.2	-3.4	-0.6	-13.0
Cash flow from operating activities before changes in working capital	-8.6	-19.1	-53.8	-81.5

⁽¹⁾ 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 21.

CEO STATEMENT



Per Ottosson
CEO

Dear shareholders, colleagues, customers, and partners:

As we close the final chapter of 2023, I am pleased to report a period marked by substantial growth, strategic milestones, and pivotal advancements. This quarter, our team's focus on innovation and customer success has propelled our performance, reflecting positively in our financial and operational achievements.

FINANCIALS

In the financial sphere, our performance the fourth quarter 2023 has been a testament to the robustness and reliability of our business model, with recurring software revenues marking a significant leap to 15.7 MSEK, a 31% increase from the previous year, and a 47% growth for the full year 2023. This growth is further mirrored in our Software as a Service (SaaS) segment, where the Annual Recurring Revenue (ARR) reached 31.0 MSEK, showcasing a solid 24% growth year-over-year. Moreover, we witnessed our net sales ascend to 15.8 MSEK, a notable 22% improvement from the last year, alongside our gross margin jumping to 77%. This remarkable rise in gross margin underlines the scalability and operational efficiency embedded within our business model. Despite these significant strides in revenue and margin, we observed an adjusted EBITDA of -5.8 MSEK. Though this figure stands in the negative territory, it marks a considerable improvement compared to the previous year, signaling a positive momentum that we are keenly focused on maintaining and building upon in 2024.

API CALL VOLUME GROWTH

We saw API Call volumes growing again although still not quite up to August 2023 levels when we had full steam ahead on WhatsApp. Two of our US customers have restarted their WhatsApp channels albeit with many limitations for security reasons and the beginning of this 2024, we see these volumes pick up again. The WhatsApp voice channel still is plagued by fraudulent calls trying to steal data or goods and Meta (owner of WhatsApp) is working to mitigate this. But it is back as a channel to reach Teneo and we see higher API Call volumes beginning of the first quarter 2024 than during the fourth quarter 2023. So, volumes are back!

REORGANIZATION

During the fourth quarter 2023, we initiated a reorganization to prepare for 2024. We have split the Go To Market organization into two parts. One organization being responsible for all new sales and one responsible for existing accounts. This will both increase focus on existing accounts and on new accounts. These teams manage customers and prospects across our focus markets which are US, UK, Germany, Switzerland, Northern Europe. The focus on serving new customers is now half of our go to market organization which will ensure we get 1-2 new customers a quarter this year.

STRATEGIC INITIATIVES AND ACHIEVEMENTS

The past quarter has been a period rich with strategic endeavors, all designed to position us in the lead for 2024. Our successful and oversubscribed (166%) rights issue initiated in the fourth quarter 2023 and closed in February 2024 injected approximately 25 MSEK into our operations, significantly bolstering our financial standing and better positioning us for further expansion into new customers. Additionally, we undertook the task of refining our Annual Recurring Revenue (ARR) measurement methodology. This adjustment, aimed at achieving greater stability, mirrors our dedication to maintaining transparency and accuracy in our reporting practices.

Central to our strategy this quarter has been our partnerships and innovations in product development. We launched integrated and live generative AI use cases in collaboration with Telefónica and HRSA, showcasing our leadership in technological innovation. Furthermore, our ability to renew agreements with esteemed customers like A1 Bulgaria, Widiba, BPM, and TIAA has not only solidified our market presence but also reaffirmed the trust our customers place in us. Moreover, our strides in AI technology, evidenced by the introduction of Accuracy booster and Generative AI Orchestration, have established new benchmarks within the industry, underscoring our commitment of leading through innovation.

STRATEGIC REVIEW

The board of directors of Artificial Solutions announced on October 26, 2023, that it initiates a review of strategic alternatives to maximize shareholder value, as a consequence of the rapidly evolving market landscape in the field where Artificial Solutions is present.

The review is still ongoing with interested parties and the board of directors has not set a timetable for completion of its review and has not committed to any obligation to make any further announcements until final decisions are made by the company's board of directors.

The board of directors emphasizes based on the ongoing strategic review discussions that our company is a leading player in the AI and Contact Center Software verticals and that we are recognized by many larger players in the industry as a leader.

KLARNA SHOWCASES THE POTENTIAL IN WHAT WE DO

Klarna announced in a press release on February 24, 2024, that they handle two thirds of their customer care requests, equivalent to what 700 human agents can respond to, with a virtual AI Assistant. A total of 2.3 million chats have been managed so far. This put great focus on using AI for Customer Care. Klarna is natively digital with a modern application stack and with a B2C customer structure that has always been offered only chat in customer care.

Our customers situations are more complex. They all offer phone as a primary means of contact as this channel also is used for selling to customers calling. They also have many disparate systems that contain the relevant information for a customer discussion making integration and performance key issues. This makes what our customers achieve with Teneo.ai even more impressive.

Although our customers seldomly talk about how much staff time has been freed up it is easy to see that every million calls managed without a human per month means at least 1000 less staff in the Contact Center. In a Swedish context a Telia or Tele2 could save one thousand times a million annual per staff cost or a billion SEK. Several of our customers, for example Telefonica Germany, have already surpassed one million managed inbound calls per month.

Handling voice instead of chat and replacing the dreaded "Listen Carefully!" Keypad Navigation Menu leading to phone queues with our OpenQuestion "How can I help you today?" gives happy customers and big savings.

Managing more than a million phone calls per month separates our Teneo from all other players in the industry – and now Klarna has helped start the discussion on the impact on staffing – the real Return on Investment.

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 and 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

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.

NEW WAY OF MEASURING ARR FROM BEGINNING OF THE FOURTH QUARTER

With start from the fourth quarter 2023, the company has changed the computation and reporting of the ARR metric, which is computed as the average monthly recurring revenues over the quarter multiplied by 12. This change provides a more accurate representation of the annual recurring revenues and avoid monthly fluctuations like what the company experienced during the third quarter 2023.

The SaaS business model is growing in importance. The recurring revenues derived from SaaS customers for the fourth quarter 2023 amounted to 7.8 MSEK and constituted 49% of total recurring revenues, 15.7 MSEK, and 49% 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 volumes, and continue to convert existing customers to the SaaS model. Our Expert Services revenues are low and will be limited going forward as well 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. As for the ARR metric, API call volumes are also computed as the average monthly recurring revenues over a quarter. All to avoid monthly fluctuations.

The monthly average SaaS API call volumes in active customers, increased from 13.2 million in the fourth quarter 2022 to 18.1 million in the fourth quarter 2023, equivalent to a growth of 37%. The API call volumes increased significantly in July and August 2023 due to high WhatsApp usage for two of our US customers – part of the calls being of fraudulent nature. In the fourth quarter 2023, two of our US customers had the WhatsApp channel closed and that combined with seasonality (Christmas period) resulted in average monthly API call volumes in line with our September 2023 number.

At the beginning of 2024, the two US customers have restarted their WhatsApp channels albeit with many limitations for security reasons and the beginning of 2024 has continued on a positive growth trajectory versus the fourth quarter 2023.

The existing non-SaaS customers experienced 12% growth in quarterly average API call volumes between the fourth quarter 2022 and the fourth quarter 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 Quarterly Average* (million) + 37% YoY



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. As per 31st of December, there are 11 SaaS customers.

The company strategy is to focus on partnerships. 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 if revenues would be multiplied. For that reason, SaaS API call volumes is the key operational metric to track and for this reason, the company may not report the total number of customers as the company revenues grow further.

SaaS ARR (annual recurring revenues) is defined as the average monthly recurring revenues over the quarter generated in the SaaS model multiplied by 12 (months). See chart below starting first quarter 2022 for graphical details.

The SaaS ARR in the fourth quarter 2023 amounted to 31.0 MSEK, an increase from 24.9 MSEK in the same period 2022, equivalent to a growth of 24%. ARR for total business

amounted to 63.0 MSEK in the fourth quarter 2023, an increase from 47.9 MSEK in the same period 2022, equivalent to a growth of 31%.

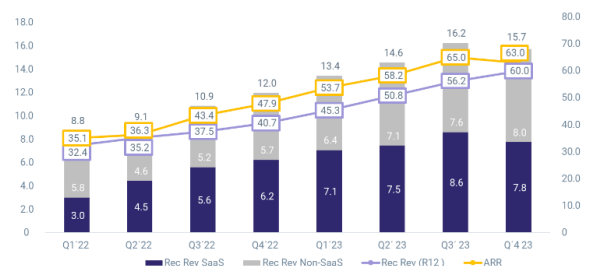
SaaS ARR Quarterly Average (MSEK) + 24% YoY



The recurring revenues (Usage, License and Support) for the fourth quarter 2023 amounted to 15.7 MSEK (12.0), equivalent to 100% (92) of net sales and an increase of 31% compared with the same period last year. The usage revenues (Usage) for the fourth quarter 2023 amounted to 9.1 MSEK (5.7), equivalent to 58% (44) of total net sales and an increase of 58% compared with the same period last year. The growth in API calls and API call/Usage revenues is key for our gross margin to improve from current levels. The table below is showing the quarterly revenues from the fourth quarter 2022 to the fourth quarter 2023 split by License & Support, Usage and Other and the combined recurring revenues.

MSEK	OCT - DEC 2022	JAN - MAR 2023	APR - JUN 2023	JUL - SEP 2023	OCT - DEC 2023
License & Support	6.2	6.3	6.2	6.4	6.7
Usage	5.7	7.1	8.4	9.9	9.1
Other	1.0	0.2	0.2	0.1	0.0
Total Net Sales	13.0	13.6	14.8	16.4	15.8
(*) Of which Recurring Revenues	12.0	13.4	14.6	16.2	15.7

On a rolling 12-month basis the recurring revenues (Usage, License and Support) in the year 2023 amounted to 60.0 MSEK (40.7), equivalent to 99% (89) of total net sales and an increase of 47% compared with the same period last year. The SaaS recurring revenues on a rolling 12-month basis in the year 2023 amounted to 30.9 MSEK (19.3), a growth of 60% compared with same period last year.



OCTOBER TO DECEMBER 2023

Net sales for the fourth quarter 2023 amounted to 15.8 MSEK (13.0), equivalent to an increase of 22% compared to the same period last year. The recurring revenues (Usage+License+Support) in the fourth quarter 2023 amounted to 15.7 MSEK (12.0), equivalent to 100% (92) of total net sales and an increase of 31% 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 of our SaaS model.

Personnel costs in the fourth quarter 2023 amounted to -17.9 MSEK (-23.3). Adjusted for accounting impact from cancellation of non-Swedish employees warrants of 1.2 MSEK and other year end accounting adjustments of 1.0 MSEK, the actual personnel costs amounted to -20.1 MSEK. The reduction compared to same period last year is mainly due to the reduction on number of employees, 61 (74).

Depreciation and amortization in the fourth quarter 2023 amounted to -3.5 MSEK (-3.0). Capitalized R&D for the same period amounted to 9.2 MSEK (4.4). The increase is due to a higher capitalization rate.

Total operating expenses, including depreciation and amortization, in the fourth quarter 2023 amounted to -34.5 MSEK (-40.7). The decrease in operating expenses is mainly due to reduction on number of employees and contractors.

The annual operating expenses run rate in the fourth quarter, excluding depreciation and amortization, non-recurring items of -0.3 MSEK and cost of sales of -3.6 MSEK have decreased from -109 MSEK in the third quarter 2023 to -108 MSEK in the fourth quarter 2023. The average monthly operating expenses in the fourth quarter 2023, excluding depreciation and amortization, non-recurring cost items and cost of sales amounted to -9.0 MSEK.

JANUARY TO DECEMBER 2023

Net sales for the year 2023 amounted to 60.5 MSEK (45.7), equivalent to an increase of 33% compared to the same period last year. The recurring revenues (Usage+License+Support) for the year 2023 amounted to 60.0 MSEK (40.7), equivalent to 99% (89) of total net sales. A high percentage of recurring revenues of total net sales provides stability and visibility and is the foundation of our SaaS model.

Personnel costs for the year 2023 amounted to -88.4 MSEK (-85.5), an increase of 2% compared to the same period last year. Headcount at the end of the fourth quarter is 61 (74) 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, together with the higher amount on sales commissions and exit costs. Without considering commissions, exit costs and other variable and year end accounting adjustments, personnel costs in the fourth quarter amounted to -18.5 MSEK (-20.4). In the third quarter of 2023 the same costs amounted to -20.0 MSEK, showing the costs in the fourth quarter 2023 have continued to decrease.

Depreciation and amortization in the year 2023 amounted to -14.2 MSEK (-12.7). Capitalized R&D for the same period amounted to 20.9 MSEK (13.2). The 59% increase is due to a higher capitalization rate.

FINANCIAL ITEMS AND TAX

Net financial items for the fourth quarter 2023 amounted to -9.9 MSEK (-4.8), and to 14.4 MSEK (3.8) for the full year 2023.

The interest income and costs for the year 2023 amounted to 13.6 MSEK (-31.7). 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 fourth quarter 2023 amounted to -3.6 MSEK, and for the full year 2023 to -14.9 MSEK (of which -0.9 MSEK correspond to December 2022 and -3.7 MSEK to the capitalized costs related to the transaction). The interest rate is a 4.00% fixed interest rate and is not payable until maturity in December 2026. The net financial items for the year were impacted with 0.8 MSEK by currency exchange rate differences, while the fourth quarter 2023 recorded -6.7 MSEK in currency exchange rate differences.

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

CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

Cash flow from operating activities before changes in working capital in the fourth quarter of 2023 amounted to -8.6 MSEK (-19.1) and to -53.8 MSEK (-81.5) for the year 2023.

In the fourth quarter 2023, total amount for adjustments of items not affecting cash flow amounted to 0.6 MSEK (0.2).

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 fourth quarter 2023 amounted to -12.7 MSEK (-14.6) and to -55.6 MSEK (-78.0) for the year 2023.

Cash flow from investing activities in the fourth quarter 2023 amounted to -9.4 MSEK (-4.9) and relate mainly to capitalized R&D expenditures and amounted to -21.3 MSEK (-14.5) for the year 2023. The increase in investing activities is an effect of a higher capitalization rate.

Cash flow from financing activities for the year 2023 amounted to 74.0 MSEK (-0.1). 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 -22.1 MSEK (-). During the third quarter 2023, the company received 0.2 MSEK from allocation of warrant programs to Swedish employees.

The company's cash and bank position as of December 31, 2023, amounted to 15.2 MSEK (18.2). During the first quarter 2024, the company has received 9.8 MSEK from payments of customer receivables. In addition, in January 2024, the company also received cash payment of 4.7 MSEK (5.7) from the Spanish Tax Authority following completed R&D review of R&D investments. In February 2024, the company also received the proceeds from the rights issue announced in December 2023. Total proceeds before transactional cost amounted to 25.6 MSEK.

Adjusted for the rights issue proceeds, tax credit payment and the collected customer receivables of open balances from end of year position, the company's cash and bank position as of December 31, 2023, would have amounted to approximately 55 MSEK.

With the steps mentioned before, 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 fourth quarter 2023 net sales amounted to 0.4 MSEK (0.3), all of them recurring revenues, and to 1.5 MSEK (1.4) for the full year 2023. These are revenues from a single customer agreement entered into with the parent company.

Other operating income of 7.9 MSEK (4.4) refers to the services provided by the parent company to the group subsidiaries. Following consolidation rules, this impact is eliminated on group level.

For the year 2023 operating expenses amounted to -17.4 MSEK (-15.5). The parent company centralizes the contract with the group supplier of cloud services.

Net financial items for the fourth quarter of 2023 amounted to 2.7 MSEK (-309.6) of which -2.6 MSEK relate to interest costs and -0.9 MSEK to capitalized transaction costs and 5.9 MSEK refers to interest derived from intragroup loan.

Net financial items for the full year 2023 amounted to -36.5 MSEK (-310.8) of which -13.3 MSEK is interest costs, 7.4 MSEK refers to interest derived from intragroup loan. 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. In addition, the company has accounted an impairment of -58.0 MSEK (-287) for its intra-group receivables. The impairment has no cash impact.

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 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 December 2023 amounted to 60 (75). The number of full-time equivalent employees in the group on December 31, 2023, amounted to 59 (73). In addition to the employed staff, the company also has commitments with specialized contractors, 6 consultants in total at the end of December 2023.

EVENTS DURING THE QUARTER

RIGHTS ISSUE ANNOUNCEMENT

On December 13, 2023, Artificial Solutions announced that the board of directors of Artificial Solutions resolved on a share issue with preferential rights for Artificial Solutions' shareholders. In February 2023, the company received the gross proceeds from the successful rights issue of in total 25.6 MSEK.

ORGANIZATION

In the fourth quarter of 2023, the company has continued its strategy to simplify the operational and legal group structure by entering the German legal entity into a voluntary liquidation process. Existing customer agreements have been transferred to other subsidiaries of the group. The company does not expect any negative impact from a P&L and cash flow perspective due to the voluntary liquidation.

CUSTOMERS

In December 2023, the two Italian banks, BPM and Widiba, renewed their license agreements.

In December 2023, HRSA launched a live Generative AI use case in Teneo.

TELEFÓNICA LAUNCHED AN INTEGRATED TENEO POWERED LLM PILOT

Telefónica has launched a pilot to explore how LLM capabilities can produce tangible business value in the customer service area. They have already proven two productive use cases and seen the cost benefits of bringing LLM orchestration under Teneo control.

TENEO.AI UNVEILS ADAPTIVE ANSWERS TO ENHANCE PERSONALIZED CUSTOMER SERVICE FOR CONTACT CENTERS

Adaptive Answers is a cutting-edge feature of our Teneo Platform that's set to redefine the standards of personalization in customer service by offering bespoke responses that consider user-specific details such as gender, location, and time zone, all delivered with natural variation and contextual awareness.

Personalization at Scale

By integrating user details into prompts for Retrieval Augmented Generation (RAG), Teneo crafts interactions that are as unique as the customers themselves, ensuring a personalized touch in every exchange.

Accelerated, Risk-Free Generative AI Deployment

Teneo empowers contact centers to trial and implement Generative AI use cases in a risk-free environment before going live.

Enhanced Agent Support and Seamless Integration

Adaptive Answers enhances Teneo's robust integration capabilities, including seamless CRM incorporation for on-the-fly personalized responses.

Dual Approach to Customization

Teneo's Adaptive Answers provides two levels of customization for unparalleled flexibility: Direct User-Specific Adaptation for inputs concerning individual user data and Dynamic Rephrasing Integration, where Teneo can dynamically rephrase responses to match the conversational tone.

Commitment to Data Privacy

Teneo.ai's dedication to data security is exemplified by its ISO27001 certification, offering confidential computing and stringent encryption protocols to safeguard user data.

TENEO.AI ANNOUNCES GENERATIVE AI ORCHESTRATION OFFERING UP TO 98% COST REDUCTION IN GENERATIVE AI OPERATIONS

In close cooperation with our AI partner Microsoft and two large customers we have made the usage of Generative AI in Enterprises faster, more reliable, and cheaper.

With Teneo companies can integrate any Large Language Model (LLM), such as OpenAI's GPT, with its Contact Center AI offering at any time, empowering businesses with the agility, precision, and control needed to fully utilize Generative AI's potential using their own trained datasets.

The innovative platform transforms Generative AI efficiency, offering businesses to slash Generative AI costs by 98%.

Teneo allows contact centers to test any generative AI for free trial in a risk-free environment, quickly adapting to new technologies and market demands.

Unrivaled Customization and Speed

Businesses can now leverage its own data with any Generative AI model from vendors such as OpenAI, AI21, Cohere, ForeFrontAI, Textsynth and Anthropic, etc., that aligns with unique operational needs, enabling a level of control and rapid deployment as well as a significant reduction in time to value.

Enhanced Control and Precision

The Teneo orchestration capabilities ensure that the AI operates within predetermined parameters, delivering precise and consistent customer interactions on brand.

Seamless Integration Across Platforms

Teneo.ai provides a seamless integration experience, allowing businesses to implement generative AI across various customer service channels.

Substantial Generative AI Cost Savings

Employing strategies inspired by the innovative FrugalGPT methodology by Stanford University, our Teneo platform enables businesses to achieve substantial cost reductions in Generative AI operations – by up to 98%. This is made possible through smart features in Teneo to control costs such as prompt adaptation.

STRATEGIC REVIEW

The board of directors of Artificial Solutions on October 26, 2023, announced that it initiates a review of strategic alternatives to maximize shareholder value, as a consequence of the rapidly evolving market landscape in the field where Artificial Solutions is present.

In light of the company having a strong market position as a clear leader in its niche, a Cloud-based platform, Teneo, built on patented technology and having experienced very strong growth in recurring software revenues in a market that is estimated by leading industry analysts to grow by 38% per year until 2031, the board of directors of Artificial Solutions decided to initiate a process to explore strategic alternatives for the company. As part of this process, the board of directors will consider all potential alternatives that can deliver value to the company's shareholders. Such options may include a sale of the company (in whole or in part), other strategic transactions or the company continuing to operate as it does today with its shares traded on Nasdaq First North Growth Market.

The Board of Directors has not set a timetable for completion of its review. Further information can be found in the actual press release available on the company's website.

EVENTS AFTER THE QUARTER

TAX CREDIT REFUND

On January 25, 2024, the company received cash payment of 4.7 MSEK (5.7) from the Spanish Tax Authority following completed R&D review of R&D investments in 2021.

RIGHTS ISSUE PROCEEDS

The successful rights issue provides the company with approximately SEK 25.6 million before deduction of costs related to the rights issue. The rights issue was oversubscribed with a subscription rate of 166%. The total number of shares after completion of the rights issue is 273,144,240.

TENEO 7.4 LAUNCHES WITH GROUNDBREAKING GENERATIVE AI COPILOT FEATURES TO TRANSFORM CHAT DEVELOPMENT

Teneo.ai announced the release of Teneo Studio 7.4, a groundbreaking update that integrates innovative Co-pilot features. With this update, developers can now effortlessly integrate their LLM into their bot, taking chat interfaces to the next level.

PEOPLE

Following strategic review, the company has restructured its Sales organization into two units: New Business and Global Channels, led by Chris McManus and Customer Sales and Engagement, led by Patrik Rosenberg.

EXISTING CUSTOMERS

Renewal of SaaS agreement with Medtronic, one of the largest medical device companies in the world, incorporating an additional subscription to the existing

NEW PARTNERSHIPS

In February 2024, the company signed a partnership agreement with the System Integrator and AWS Connect Partner, [EPAM](#). EPAM has global coverage of the AI market with 280 of the world's largest customers and 58,000 employees. This partnership is bringing to the company several business opportunities.

NEW CUSTOMERS

Thanks to our newly shaped sales organisation, specifically focused on the US, Northern Europe and the German market, the company is building a pipeline rapidly which will help on growing our business.

TENEO.AI UNVEILS ADVANCED RAG SOLUTIONS FOR ENTERPRISE AI

Teneo.ai announced its advanced Retrieval-Augmented Generation (RAG) capabilities, setting a new standard in the optimization, maximization, and integration of Large Language Models (LLMs) for enterprise applications.

This announcement highlights Teneo.ai's commitment to addressing the critical business aspects of Generative AI control while significantly reducing operational costs.

98% Cost Efficiency in LLM Deployments

Understanding the importance of cost in AI implementation, Teneo's solutions use the FrugalGPT methodology to harness 98% cost savings in your Large Language Model (LLM). Together with the platform Teneo businesses can integrate any LLM, such as OpenAI's GPT, with its Contact Center AI offering at any time, empowering businesses with the agility, precision, and control needed to fully utilize Generative AI's potential using their own trained datasets.

Controlling AI Outputs and Minimizing Hallucinations

Teneo's RAG approach is specifically designed to minimize LLM hallucinations, where AI generates incorrect or fabricated text. This is crucial in maintaining accuracy and reliability of customer service interactions. Teneo ensures that outputs are controlled and factual, enhancing trust in AI-powered communications.

Streamlining Process Flows for Multi-Transactional Operations

Teneo's RAG excels in managing complex, multi-transactional process flows, enabling seamless integration of various customer service operations. This capability ensures efficient handling of diverse customer interactions, from simple queries to complex transactions.

Advanced Analytics for Informed Decision Making

Teneo's platform includes sophisticated analytics tools, providing deep insights into customer interactions and AI performance. This data-driven approach aids businesses in continuously refining their AI strategies for optimal results.

Ensuring Privacy with PII Anonymization

Teneo prioritizes data privacy and compliance. The Teneo RAG approach includes robust PII (Personally Identifiable Information) anonymization protocols, ensuring customer data is handled securely and in accordance with privacy regulations.

Handling Multiple Use-Cases with Diverse Data Sources

Teneo's RAG is adept at managing multiple use-cases, drawing on various data sources with different weights. This flexibility allows businesses to tailor the AI's responses based on specific needs and contexts, enhancing the relevance and accuracy of interactions.

SHARE-RELATED INCENTIVE PROGRAM

INCENTIVE PROGRAMS SUMMARY

On December 31, 2023, there are four existing warrant programs available:

Programs	Number of warrants	Strike Price (SEK)
2019/2024	601,392	31.3
2020/2025:1	3,900	16.8
2021/2024:1	239,950	8.3
2023/2026	11,381,010	3.2

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 December 31, 2023, amounted to 102,429,090.

	31 DEC 2023	31 DEC 2022
Number of shares at the end of the period	102,429,090	6,570,538
Average number of shares before dilution	102,429,090	6,570,538
Average number of shares after dilution	102,429,090	6,570,538

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

Shareholder	Capital %
SEB-Stiftelsen	11.0%
Sven Hårgestam Private	9.2%
Theodor Jeansson Jr.	5.9%
Avanza Pension	5.5%
Johan A. Gustavsson	4.5%
Johan Hernmarck via bolag	3.9%
Ulf Johansson	3.7%
Sunhold B.V.	2.9%
Niclas Nyström	2.5%
Staffan Bohman	2.5%

On February 12, 2024, as a result of the rights issue, the total number of shares outstanding increased to 273,144,240. An updated list of shareholders as of March 31, 2024, will be updated on the company website after the end of the first quarter 2024.

AUDIT REVIEW REPORT

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

FINANCIAL CALENDAR

- Interim report for the first quarter of 2024: April 26, 2024
- Annual Report Publication May 27, 2024
- Annual General Meeting June 25, 2024
- Interim Report for the second quarter of 2024, August 21, 2024
- Interim Report for the third quarter of 2024, October 24, 2024

Stockholm, March 12, 2024

Per Ottosson, CEO

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

Artificial Solutions International is listed on Nasdaq First North Growth Market in Stockholm with short name ASAI. Redeye Certified Adviser is the Company's Certified Adviser (Redeye - Nordic Growth, tel. +46 (0)8 121 576 90, e-mail certifiedadviser@redeye.se).

GROUP FINANCIAL STATEMENTS

GROUP CONSOLIDATED INCOME STATEMENTS

MSEK	OCT-DEC 2023	OCT-DEC 2022	JAN-DEC 2023	JAN-DEC 2022
Net Sales	15.8	13.0	60.5	45.7
Capitalized amount for own accounts	9.2	4.4	20.9	13.2
Other operating income	0.0	5.8	-1.2	5.8
Total operating income	24.9	23.1	80.3	64.7
Personnel costs	-17.9	-23.3	-88.4	-85.5
Other external costs	-13.1	-14.3	-50.1	-55.4
Depreciation and amortization on fixed assets	-3.5	-3.0	-14.2	-12.7
Other operating expenses	-0.0	0.0	-0.0	0.0
Total operating expenses	-34.5	-40.7	-152.7	-153.6
Operating loss	-9.6	-17.5	-72.4	-88.9
Net financial items	-9.9	-4.8	14.4	3.8
Loss after financial items	-19.5	-22.3	-58.0	-85.1
Tax on result for the period	0.0	-0.2	0.0	-0.2
NET RESULT FOR THE PERIOD	-19.5	-22.5	-58.0	-85.4

GROUP CONSOLIDATED BALANCE SHEET

MSEK	31 DEC 2023	31 DEC 2022
ASSETS		
Non-current assets		
Capitalized expenditure for licensed software and development	39.6	31.9
Equipment, furniture, and fitting	0.6	0.9
Other non-current receivables	1.1	1.8
Total non-current assets	41.3	34.6
Current assets		
Current receivables	22.9	35.8
Cash and bank balances	15.2	18.2
Total current assets	38.1	54.0
TOTAL ASSETS	79.4	88.7
EQUITY AND LIABILITIES		
Equity		
Share capital	119.1	118.3
Share premium reserve	1,376.1	1,311.0
Other equity including result for the period	-1,715.8	-1,663.0
Total Equity	-220.6	-233.7
Non-current liabilities		
Liabilities to other lenders	250.5	263.8
Other non-current liabilities	4.7	-
Total non-current liabilities	255.2	263.8
Current liabilities		
Current liabilities	13.1	17.2
Accrued expenses and deferred income	31.7	41.2
Total current liabilities	44.8	58.5
TOTAL EQUITY AND LIABILITIES	79.4	88.7

GROUP CONSOLIDATED CASH FLOW STATEMENT

MSEK	OCT-DEC 2023	OCT-DEC 2022	JAN-DEC 2023	JAN-DEC 2022
Operating Activities				
Operating Loss	-9.6	-17.5	-72.4	-88.9
<i>Items not affecting Cash Flows</i>				
Depreciation/amortization on assets	3.5	3.0	14.2	12.7
Other Adjustments	-2.9	-2.8	-2.1	-1.7
<i>Items affecting Cash Flows</i>				
Interest Paid and received	0.1	-1.8	1.1	-9.8
Taxation paid and received	0.4	-0.1	5.4	6.1
Cash flow from operating activities before changes in working capital	-8.6	-19.1	-53.8	-81.5
Changes in working capital	-4.1	4.5	-1.8	3.5
Cash flow from operating activities	-12.7	-14.6	-55.6	-78.0
Cash flow from investing activities	-9.4	-4.9	-21.3	-14.5
Cash flow from financing activities	-	-1.4	74.0	-1.4
Net change in cash and cash equivalents	-22.1	-20.9	-3.0	-93.9
Cash and cash equivalents beginning of the period	37.3	39.1	18.2	112.1
Cash and cash equivalents end of the period	15.2	18.2	15.2	18.2

GROUP CONSOLIDATED CHANGE IN EQUITY

MSEK	31 DEC 2023	31 DEC 2022
Amount Brought Forward	-233.7	-119.3
New Issue of Shares	95.9	-
Transaction costs	-23.5	-0.1
Warrant premiums	-0.1	1.6
Results for the period	-58.0	-85.4
Translation difference	-1.2	-30.5
Amount Carried Forward	-220.6	-233.7

KEY RATIOS

MSEK	OCT-DEC 2023	OCT-DEC 2022	JAN-DEC 2023	JAN-DEC 2022
Net Sales	15.8	13.0	60.5	45.7
Recurring Revenues	15.7	12.0	60.0	40.7
Recurring Revenues %	100%	92%	99%	89%
SaaS ARR	31.0	24.9	31.0	24.9
SaaS API Call Volume (Million)	18.1	13.2	18.1	13.2
NRR%	145%	123%	145%	123%
Gross Profit	12.1	7.2	40.8	25.3
Gross Margin %	77%	55%	67%	55%
EBITDA Adjusted	-5.8	-18.3	-50.7	-76.6
Equity ratio	-2.8	-2.6	-2.8	-2.6

FINANCIAL STATEMENTS PARENT COMPANY

PARENT COMPANY INCOME STATEMENT

MSEK	OCT-DEC 2023	OCT-DEC 2022	JAN-DEC 2023	JAN-DEC 2022
Net Sales	0.4	0.3	1.5	1.4
Other operating income	7.9	4.4	7.9	4.4
Total operating income	8.3	4.7	9.5	5.7
Other external costs	-0.4	1.3	-17.4	-15.5
Total operating expenses	-0.4	1.3	-17.4	-15.5
Operating loss	7.9	6.0	-8.0	-9.7
Net financial items	-55.3	-309.6	-36.5	-310.8
Result after financial items	-47.4	-303.6	-44.5	-320.5
Tax on result for the period	-	-	-	-
NET RESULT FOR THE PERIOD	-47.4	-303.6	-44.5	-320.5

PARENT COMPANY BALANCE SHEET

MSEK	31 DEC 2023	31 DEC 2022
ASSETS		
Non-current assets		
Receivable from Group companies	115.8	102.5
Financial assets	283.6	283.4
Other non-current receivables	-	0.4
Total non-current assets	399.5	386.3
Current assets		
Current receivables	2.8	6.8
Cash and bank balances	11.8	10.3
Total current assets	14.6	17.1
TOTAL ASSETS	414.0	403.4
EQUITY AND LIABILITIES		
Equity		
Share capital	119.1	118.3
Share premium reserve	1,376.1	1,311.0
Other equity including result for the period	-1,339.7	-1,301.5
Total Equity	155.5	127.8
Non-current Liabilities		
Liabilities to other lenders	250.5	263.8
Total non-current liabilities	250.5	263.8
Current liabilities		
Liabilities to Group companies	-	1.0
Current liabilities	4.8	8.0
Accrued expenses and deferred income	2.3	2.8
Total current liabilities	8.0	11.8
TOTAL EQUITY AND LIABILITIES	414.0	403.4

PARENT COMPANY CASH FLOW STATEMENT

MSEK	OCT-DEC 2023	OCT-DEC 2022	JAN-DEC 2023	JAN-DEC 2022
Operating Activities				
Operating Result	7.9	6.0	-8.0	-9.7
<i>Items not affecting Cash Flows</i>				
Depreciation/amortization on assets	-	-	-	-
Other Adjustments	-0.3	2.3	-0.4	-
<i>Other items affecting Cash Flows</i>				
Interest paid and received	0.7	-1.6	0.7	-10.3
Taxation paid and received	-	-	-	-
Cash flow from operating activities before changes in working capital	8.3	6.7	-7.6	-20.1
Changes in working capital	-22.0	-18.8	-64.7	-66.1
Cash flow from operating activities	-13.8	-12.1	-72.3	-86.2
Cash flow from investing activities	-	-	-	-
Cash flow from financing activities	-	-1.4	73.7	-1.4
Net change in cash and cash equivalents	-13.8	-13.5	1.5	-87.6
Cash and cash equivalents beginning of the period	25.6	23.8	10.3	97.9
Cash and cash equivalents end of the period	11.8	10.3	11.8	10.3

PARENT COMPANY CHANGE IN EQUITY

MSEK	31 DEC 2023	31 DEC 2022
Amount Brought Forward	127.8	448.4
New Issue of Shares	95.9	-
Transaction Costs	-23.5	-0.1
Warrants	-0.1	-
Results for the period	-44.5	-320.5
Amount Carried Forward	155.5	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 quarter average SaaS Recurring Revenues (Average of quarter Recurring Revenues from SaaS x 12 months).
Net Revenue Retention	The percentage of recurring revenues last twelve months (deducting recurring revenues from new customers in the period and deducting revenues from lost customers), divided by recurring revenue last twelve months on the previous period, all average
Gross Profit	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 and calculated on last quarter average.
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 March 12, 2024, at 09:00 a.m. CET.

Please connect using this [link](#).

CONTACT INFORMATION

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Corp. ID no 556256-4657



ABOUT ARTIFICIAL SOLUTIONS

DIVERSE WORKFORCE

29%

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



60

Employees and 6 consultants from more than 24 different **nationalities**.

20

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. Redeye Certified Adviser is the Company's Certified Adviser (**Redeye - Nordic Growth**, tel. +46 (0)8 121 576 90, e-mail certifiedadviser@redeye.se).

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