

# ARTIFICIAL SOLUTIONS

## Announcement of Rights Issue

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**The board of directors of Artificial Solutions has resolved on a rights issue of approximately SEK 25.6 million conditional on the approval of the general meeting of shareholders**

The board of directors of Artificial Solutions International AB ("Artificial Solutions" or the "Company") has today resolved on a rights issue of approximately SEK 25.6 million conditional on the approval of an extraordinary general meeting (the "Rights Issue"). The subscription price has been determined to SEK 0.15 per share, whereby shareholders on the record date of 17 January 2024 will receive one (1) subscription right for each share held. Six (6) subscription rights will entitle to subscription for ten (10) new shares in the Company. In total, the subscription commitments from existing shareholders and external investors amount to approximately SEK 14.3 million, corresponding to approximately 55.8 per cent of the Rights Issue. In addition, the Company has received non-binding declarations of intent, amounting to approximately SEK 1.1 million, corresponding to approximately 4.4 per cent of the Rights Issue. Considering the strong support from the largest shareholders and external parties, the board of directors of the Company has decided to not procure guarantee commitments for the remaining part of the Rights Issue. Notice to an extraordinary general meeting, to be held on 15 January 2024, for a resolution to approve the Rights Issue will be published through a separate press release.

*"For the last 20 years Artificial Solutions has been working with Natural Language in the Computerworld. During this time AI has been regarded as a side activity for most corporations. For the last two years though, this has changed. The development of our patented technology has given us pole position in the latest computer revolution – the shift from Programming to Prompting. Today Natural Language is the given way to interact with computers. And to build business applications in this new AI world you need a robust framework. That framework is Teneo.ai® that powers the largest voice based AI implementations in the world and some of the first Enterprise uses of LLM technologies such as ChatGPT.*

*The results of this is that we have strong growth in recurring revenues (+50% year over year in the third quarter 2023) and an industry leading Net Revenue Retention Rate (NRR) of 151%. Customers love the technology and our market is forecasted to grow with 38% p.a. until 2031 according to Gartner Group.*

*Last year when we raised capital in a rights issue, we did not quite raise the amount that we targeted. We aimed to raise approximately 145 MSEK and finally raised close to 100 MSEK. We have therefore this year focused on primarily increasing our existing customers usage as this gives the greatest gross margin contribution and during 2023, we have managed to exceed our budget in terms of revenues and lower costs. This rights issue targeting to raise approximately 25.6 MSEK in new capital is aimed at during 2024 continue to grow our existing customers but also take advantage of our references and partnerships to increase our market presence and win*

*new customers.*

*The proceeds from the rights issue is intended to primarily invest in our marketing and sales activities and coupled with continuing to develop the Company's Teneo.ai® platform. This rights issue to our existing shareholders is an important step in our goals of becoming cash flow positive during 2024 as well as meeting our other long-term financial targets", Per Ottosson, CEO, comments.*

## **Summary**

- The board of directors of Artificial Solutions has today resolved on the Rights Issue, conditional on the subsequent approval of the general meeting.
- The net proceeds from the Rights Issue are intended to be used for the following purposes listed in order of priority; (i) continued marketing of the Company's SaaS solution Teneo, (ii) continued development of Teneo, (iii) recruitment of key personnel in sales, marketing and technology development, and (iv) financing of the Company's ongoing operations. If the Rights Issue is fully subscribed, the Company will receive approximately SEK 25.6 million before deduction of transaction costs.
- The subscription price is SEK 0.15 per share.
- Existing shareholders will receive one (1) subscription right for each share owned on the record date on 17 January 2024. Six (6) subscription rights entitle to subscription for ten (10) new shares.
- The subscription period in the Rights Issue runs from and including 19 January 2024, up to and including 2 February 2024.
- The subscription commitments from existing shareholders, including persons from the board of directors and management, and external investors amount to approximately SEK 14.3 million, corresponding to approximately 55.8 per cent of the Rights Issue.
- Certain shareholders have provided non-binding declarations of intent of participation in the Rights Issue. Such declarations of intent amount to approximately SEK 1.1 million, corresponding to 4.4 per cent of the Rights Issue.

## **Background and reason**

The Company is pleased to report consistent progress in 2023 with the expansion of our Teneo.ai® platform. This has involved enhancing existing customer engagements by broadening the range of use cases, languages, channels and geographical coverage. These efforts have contributed to a notable 50% increase in recurring revenues in the third quarter of 2023, compared to the same period in 2022, and our Net Revenue Retention rate (NRR) has exceeded 150%.

We continue to focus on our major customers, with Teneo.ai® now facilitating 15-20% of global natural language voice interactions. This includes the deployment of the world's largest customer implementations in a market expected to grow at an annual rate of 38% until 2031.

Teneo.ai® has proven its value in delivering significant savings, as seen in a 39 million USD return on investment for a large US tech firm. Our OpenQuestion® product has also enhanced customer interaction for clients like Swisscom and Telefonica, allowing end-users to use natural language for communication. This has improved customer experience and efficiency in call routing and has laid the groundwork for the automations now being built in call handling.

In collaboration with Microsoft, as part of the AI Inner Circle, we have launched a new product developed with input from our clients. This solution enables enterprises to utilize new foundational LLM models such as GPT for applications in support or sales processes. Built on Teneo.ai®, it addresses key enterprise needs like security, data control, and cost management. The product simplifies the adoption of the Stanford Frugal GPT method, furthering our commitment to innovation in AI applications.

To support our continued growth, we are undertaking a Rights Issue. This step is aimed at increasing our API call volumes and recurring revenues, and enhancing our SaaS ARR (Annual Recurring Revenues). We plan to invest in marketing and sales activities and personnel, while

also continuing to develop the Teneo.ai® platform, to maintain our competitive edge in the market.

## **Use of proceeds**

If the Rights Issue is fully subscribed, the Company will receive approximately SEK 25.6 million before deductions for transaction costs. Given the Company's current business plan and against the above background, the Company will use the net proceeds for the following purposes listed in order of priority:

- Approximately 35 per cent will be used for marketing the company's SaaS service, Teneo, in line with the Company's business plan, and further drive the revenue growth through growing and marketing the platform towards new and existing partners and customers.
- Approximately 50 per cent will be used for continued development of the Teneo platform in order to remain a leader and pioneer within the Conversational AI market.
- Approximately 5 per cent will be used for a selective recruitment of key personnel within sales, market and product development.
- Approximately 10 per cent will be used to support the Company's operational activities and working capital requirements for the Company to reach its financial targets and communicated strategy.

## **General meeting**

Through a separate press release, the board of directors will convene an extraordinary general meeting to be held on 15 January 2024 to approve the Rights Issue and to resolve on a reduction of the share capital, bonus issue and related changes to the Company's articles of association. The reason for the reduction of the share capital, the bonus issue and the changes to the articles of association is to enable the Rights Issue as detailed in the separate notice.

## **The Rights Issue**

Shareholders who are registered in the share register in Artificial Solutions on the record date on 17 January 2024 will receive one (1) subscription rights for each share held in the Company. Six (6) subscription rights entitle the holder to subscription for ten (10) new shares. In addition, investors are offered the opportunity to sign up for subscription of shares without the support of subscription rights. The subscription price is SEK 0.15 per share, which means that Artificial Solutions will receive gross proceeds of approximately SEK 25.6 million before deduction of transaction costs, provided that the Rights Issue is fully subscribed.

Provided that the Rights Issue is fully subscribed, and provided that the extraordinary general meeting resolves in accordance with all of the board of directors' proposals, the number of shares in Artificial Solutions will, through the Rights Issue, increase by 170,715,150 from 102,429,090 to 273,144,240 and the share capital will increase by a maximum of approximately SEK 833,333, from SEK 500,000 to approximately SEK 1,333,333.<sup>[1]</sup> The proposed bonus issue will result in an additional increase of the share capital by approximately SEK 118,596,008.

The last day of trading in Artificial Solutions' shares including the right to receive subscription rights in the Rights Issue is 15 January 2024. The shares are traded excluding the right to receive subscription rights in the Rights Issue as of 16 January 2024. The subscription period, with or without the support of subscription rights, runs from 19 January 2024 up to and including 2 February 2024. Trading in subscription rights will take place on Nasdaq First North Growth Market during the period from 19 January 2024 to 30 January 2024 and trading in BTAs (paid subscribed shares) will take place on Nasdaq First North Growth Market during the period from 19 January 2024 until the registration of the shares with the Swedish Companies Registration Office. The new shares issued in the Rights Issue are intended to be admitted to trading on Nasdaq First North Growth Market.

Shareholders who choose not to participate in the Rights Issue will through the Rights Issue have their ownership diluted by up to 62.5 per cent (calculated on the total number of outstanding shares in the Company after completion of the Rights Issue). These shareholders will have the opportunity to partly compensate themselves financially for this dilution effect by selling their

received subscription rights.

In the event all shares in the Rights Issue are not subscribed for with the support of subscription rights, the board of directors shall, within the framework of the Rights Issue's maximum amount, resolve on the allotment of shares subscribed for without the support of subscription rights. In case of over-subscription, allotment shall be made in according to the following principles:

- i. Firstly, shares shall be allotted to those who have subscribed for shares with the support of subscription rights (regardless of whether they were shareholders on the Record Date or not), pro rata in relation to how many shares each subscriber subscribed for with the support of subscription rights, and to the extent that this is not possible, by drawing of lots.
- ii. Secondly, if all shares are not allotted according to the above, allotment shall be made to those who have notified interest to subscribe for shares without preferential rights, and in case of oversubscription, in relation to the number of shares set out in the respective subscription notifications, and to the extent this is not possible, by drawing of lots.

The complete terms and conditions of the Rights Issue will be presented in an information memorandum that is expected to be published on the Company's website on or about 17 January 2024.

### **Subscription commitments and declarations of intent**

Some of the Company's shareholders including persons from the board of directors and management, such as Åsa Hedin (chair of the board), Per Ottosson (CEO), and Fredrik Törgren (CFO), as well as certain external investors have undertaken to subscribe for shares in the Rights Issue. The subscription commitments amount to, in aggregate, approximately SEK 14.3 million, corresponding to approximately 55.8 per cent of the Rights Issue.

No fee is to be paid for the subscription commitments that have been entered into. The subscription commitments are not secured through bank guarantees, restricted funds, pledged assets or similar arrangements.

In addition, the Company has received non-binding declarations of intent of participation from certain shareholders, amounting to approximately SEK 1.1 million, corresponding to approximately 4.4 per cent of the Rights Issue.

In total, approximately SEK 15.4 million, corresponding to approximately 60.2 per cent of the Rights Issue, is covered by subscription commitments and non-binding declarations of intent.

### **Indicative timetable**

Last day of trading in shares including right to receive subscription rights	15 January 2024
First day of trading in shares excluding right to receive subscription rights	16 January 2024
Planned publishing date of information memorandum	17 January 2024
Record date for the Rights Issue	17 January 2024
Trading in subscription rights	19 January 2024 – 30 January 2024
Subscription period	19 January 2024 – 2 February 2024
Expected announcement of the outcome in the Rights Issue	6 February 2024

### **Advisors**

Pareto Securities is Selling Agent, Advokatfirman Schjødt is legal advisor to the Company and Advokatfirman Lindahl is legal advisor to Pareto Securities in connection with the Rights Issue.

### **For further information, contact**

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*This information is such information that Artificial Solutions International AB is obligated to make public pursuant to the EU Market Abuse Regulation 596/2014. The information was submitted, through the agency of the contact person above, for publication on 13 December 2023, 07:30 CET.*

## About Artificial Solutions

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 can be 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 is the Company's Certified Adviser [certificateadviser@redeye.se](mailto:certificateadviser@redeye.se), +46 8 121 576 90.

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

## Important information

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The Securities mentioned in this press release have not been registered and will not be registered under any applicable securities law in the United States, Australia, Belarus, Canada, Hong Kong, Japan, New Zealand, Russia, South Africa or Singapore and may, with certain exceptions, not be offered or sold within, or on behalf of a person or for the benefit of a person who is registered in, these countries. The company has not made an offer to the public to subscribe for or acquire the Securities mentioned in this press release other than in Sweden.

None of the Securities have been or will be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state or other jurisdiction in the United States, and may not be offered, pledged, sold, delivered or otherwise transferred, directly or indirectly. There will not be any public offering of any of the Securities in the United States.

In the EEA Member States, with the exception of Sweden (each such EEA Member State, a "**Relevant State**"), this press release and the information contained herein are intended only for and directed to qualified investors as defined in the Prospectus Regulation. The Securities

mentioned in this press release are not intended to be offered to the public in any Relevant State and are only available to qualified investors except in accordance with exceptions in the Prospectus Regulation. Persons in any Relevant State who are not qualified investors should not take any actions based on this press release, nor rely on it.

In the United Kingdom, this press release is directed only at, and communicated only to, persons who are qualified investors within the meaning of article 2(e) of the Prospectus Regulation (2017/1129) who are (i) persons who fall within the definition of "investment professional" in article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), or (ii) persons who fall within article 49(2)(a) to (d) of the Order, or (iii) persons who are existing members or creditors of Artificial Solutions International AB or other persons falling within Article 43 of the Order, or (iv) persons to whom it may otherwise be lawfully communicated (all such persons referred to in (i), (ii), (iii) and (iv) above together being referred to as "**Relevant Persons**"). This press release must not be acted on or relied on by persons in the UK who are not Relevant Persons.

This announcement does not constitute an investment recommendation. The price and value of securities and any income from them can go down as well as up and you could lose your entire investment. Past performance is not a guide to future performance. Information in this announcement cannot be relied upon as a guide to future performance.

### **Forward-looking statements**

This press release contains forward-looking statements that reflect the Company's intentions, assessments, or current expectations about and targets for the Company's future results of operations, financial condition, development, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which the Company operates. Forward-looking statements are statements that are not historical facts and may be identified by the fact that they contain words such as "believe", "expect", "anticipate", "intend", "may", "plan", "estimate", "will", "should", "could", "aim" or "might", or, in each case, their negative, or similar expressions. The forward-looking statements in this press release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurances that they will materialize or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of many factors. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements. The Company does not guarantee that the assumptions underlying the forward-looking statements in this press release are free from errors nor does it accept any responsibility for the future accuracy of the opinions expressed in this press release or any obligation to update or revise the statements in this press release to reflect subsequent events. Readers of this press release should not place undue reliance on the forward-looking statements in this press release. The information, opinions and forward-looking statements contained in this press release speak only as at its date and are subject to change without notice. Neither the Company nor anyone else does undertake any obligation to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this press release.

### **Information to distributors**

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the shares in Artificial Solutions have been subject to a product approval process, which has determined that such shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all

distribution channels as are permitted by MiFID II (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, Distributors should note that: the price of the shares in Artificial Solutions may decline and investors could lose all or part of their investment; the shares in Artificial Solutions offer no guaranteed income and no capital protection; and an investment in the shares in Artificial Solutions is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Directed Share Issue.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the shares in Artificial Solutions.

Each distributor is responsible for undertaking its own target market assessment in respect of the shares in Artificial Solutions and determining appropriate distribution channels.

[1] The increase in the share capital as a result of the Rights Issue has been calculated after the completion of the reduction of the share capital, which is proposed to be resolved upon at the extraordinary general meeting on 15 January 2024.