



Interim report

January – March 2024



XMReality Interim report Group overview, January - March 2024

Total order intake for Q1 2024 has increased by 54 percent compared to Q1 2023. However, net sales was down year-over-year, and the company's ARR was also down somewhat, both as a result of continued downsizing for some larger customers who don't have the same licensing needs as during the pandemic. The company's measures to reduce the cost base that were implemented at the end of 2023 are now yielding results in the form of 20 percent lower costs for Q1 2024 compared to Q1 2023.

The Quarter January - March 2024, The Group

- Net Sales amounted to SEK 4,710 thousand (5,122)
- Costs totaled SEK -11,615 thousand (-14,603)
- The operating loss before taxes was SEK -4,278 thousand (-6,593)
- Cash flow was SEK -890 thousand (15,647) and the equity/assets ratio at the end of the period was 7.3 (51.5) percent

Order intake during the quarter was higher than the corresponding level in Q1 2023 and increased by 54 percent to SEK 6,350 (4,129) thousand. Net sales decreased by 8 percent to SEK 4,710 (5,122) thousand compared to the previous year. The annual recurring revenue (ARR) decreased and amounted to SEK 16,044 (16,849) thousand compared to Q4 2023. The absolute majority of the revenue is still recurring software subscriptions. The gross margin remains at a high level, 97 (97) percent for the quarter. The order backlog, order intake that remains to be reported as revenue, increased to SEK 12,472 (10,895) thousand compared to Q4 2023.

The company's goals

XMReality's financial goal, to start generating positive cash flow by the end of 2024, remains.

Notable events

Notable events during the period

- XMReality informed that the company's CFO, Lotta Ekerbring, has announced her intention to retire. Lotta Ekerbring has been CFO at XMReality since 2022 and will leave her position in the spring of 2024. Lotta will be replaced by Frida Finér, who, after hand-over, formally takes office on April 2.
- XMReality has changed Certified Adviser to Carnegie Investment Bank AB.
- XMReality has signed a new customer agreement with Kloppenberg, a subsidiary of Middleby Corporation.
- Sumitomo (SHI) Demag Plastics Machinery North America signs agreement with XMReality to strengthen its customer support.
- XMReality expands within NIBE through implementation at KNV Energietechnik GmbH, a NIBE-owned company.



Notable events after the period

- XMReality AB (pub) – update regarding the company's working capital needs.
- XMReality is implemented by the Amico Group of Companies, a manufacturer and global distributor of equipment in the hospital industry.
- The board of XMReality AB (publ) has decided to draw up a balance sheet for liquidation purposes. The decision has been taken for precautionary reasons, and the board expects the share capital to remain intact.

CEO comments

Even with reduced resources, the company has continued strong output, and we have a good plan to get to our goal in 2024.



We start 2024 with a good quarter in terms of order intake. Order intake for Q1 2024 is up 54 percent compared to Q1 2023, and if we adjust for the big deal we talked about last quarter, order intake is still up a bit over 10 percent compared to 2023. Despite this, we have a slightly lower ARR due to lingering COVID-19 effects. We see that these effects are diminishing, but they have lasted longer than we had previously forecasted.

As planned, we have also started to see the results of our cutbacks in the form of significantly lower costs during the year's first quarter. The operational costs are down more than 50 percent, compared to the same quarter in 2023, and during the year, we will continue to work actively with the company's costs to move towards our goal of positive cash flow. I can also note that, despite these cutbacks, the organization delivers excellently on all fronts.

As for customer growth, it is in line with what we communicated earlier; we are taking in new business at a good pace. During the quarter, we received 16 new customers, and if we continue at the same pace going forward, we will undoubtedly surpass last year's result. It's satisfying to see that XMReality Inc. now accounts for more than half of our new sales, which confirms that we have finally found the right sales strategy for the US market.

The new strategy entails that many of the new customer contracts are slightly smaller than historically, but with very good growth potential. Several of the customers that we brought in during 2023 have already scaled up their license holdings and we also see that the customers who have an active use are more likely to recommend us within

their network. Something that in turn helps us generate even more business.

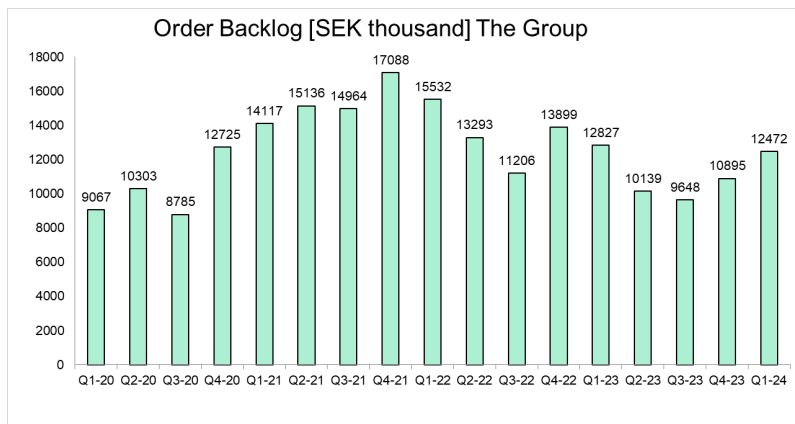
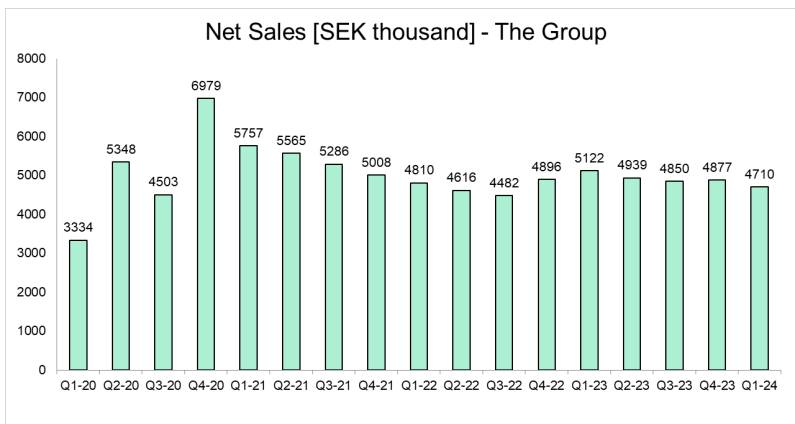
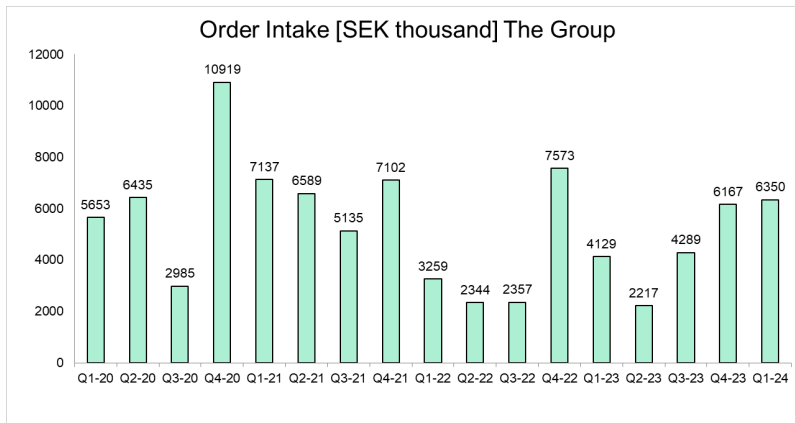
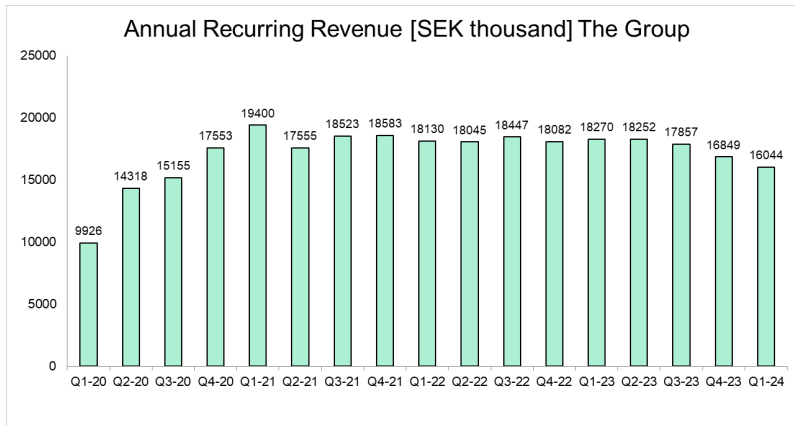
We continue to note an increased level of use of XMReality by our customers; that is, the number of calls made with our solution is growing. When we analyze the driving forces behind this, we see that it partly has to do with the new customers. We have also improved the service experience in several ways and added functions to make it even easier for new users to start making calls.

Among other things, we have introduced several functions to simplify the onboarding of the product and lower the thresholds of making your first real call. Connected to these features that improve a user's onboarding, we have also re-launched the possibility to try and evaluate our solution for free. This is something that we see as a competitive advantage as we are among the first in our market to offer this, while at the same time, we note the trend that customers want to do an increasing part of their buying journey online.

As communicated, we have a need for new capital until we achieve positive cash flow and the board is working actively to secure our position and financing going forward.

With all these activities in full swing, we see substantial and increasing value in our product and offering and continue our journey towards becoming cash flow positive.

Andreas Jonsson, CEO
Linköping April 22nd, 2024



Financial basis for the Year-end report 2023

Income statements in summary (SEKk), the Group

| | January – March | | Full year 2023 |
|---|-----------------|---------------|-------------------|
| | 2024 | 2023 | |
| Net sales | 4,710 | 5,122 | 19,788 |
| Capitalized production costs | 2,424 | 2,807 | 9,572 |
| Other operating income | 202 | 80 | 471 |
| Total income | 7,335 | 8,010 | 29,831 |
| Raw materials and consumables | -137 | -160 | -915 |
| Other operating expenses | -2,507 | -4,668 | -17,175 |
| Employee benefits expenses | -7,185 | -8,189 | -36,685 |
| Depreciation, amortization and impairment of property plant and equipment and intangible assets | -1,497 | -1,351 | -5,784 |
| Other operating costs | -59 | -37 | -319 |
| EBIT | -4,049 | -6,396 | -31,046 |
| Financial income and similar profit items | 2 | 1 | 191 |
| Financial expenses and similar loss items | -231 | -198 | -441 |
| Profit(-loss) after net financial income | -4,278 | -6,593 | -31,297 |
| Income tax expense for the period | 0 | 0 | 0 |
| Profit(-loss) for the period | -4,278 | -6,593 | -31,297 |
| Earnings per share before dilution (SEK) ¹ | -0.04 | -0.08 | -0.35 |
| Earnings per share after dilution at the end of the period ¹ | -0.04 | -0.08 | -0.34 |

¹ Number of shares, The Group and the Parent company see page 10.

Balance sheets in summary (SEKk), the Group

| | 2024-03-31 | 2023-03-31 | 2023-12-31 |
|--|---------------|---------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Capitalized development costs | 20,974 | 17,641 | 20,030 |
| Equipment, tools and systems | 75 | 126 | 91 |
| Total non-current assets | 21,049 | 17,767 | 20,121 |
| Current assets | | | |
| Inventories | 348 | 199 | 358 |
| Current receivables | 6,621 | 5,925 | 5,040 |
| Cash and bank balances | 1,029 | 23,443 | 1,980 |
| Total current assets | 7,998 | 29,567 | 7,378 |
| Total assets | 29,047 | 47,334 | 27,499 |
| Equity and liabilities | | | |
| Equity | 2,127 | 24,387 | 6,752 |
| Non-current liabilities ² | 1,250 | 2,917 | 1,667 |
| Current liabilities ² | 25,670 | 20,030 | 19,080 |
| Total equity and liabilities | 29,047 | 47,334 | 27,499 |
| ² Of which interest-bearing liabilities | 2,917 | 4,583 | 3,333 |
| Collateral provided | 5,000 | 5,000 | 5,000 |
| of which in own custody | 0 | 0 | 0 |
| Contingent liabilities | None | None | None |

Statements of change in equity in summary (SEKk), the Group

| | January - March | | Full year |
|---|-----------------|---------------|--------------|
| | 2024 | 2023 | 2023 |
| Balance at the beginning of the period | 6,752 | 31,169 | 31,169 |
| New share issue (net of issue costs) | -288 | -185 | 6,865 |
| Exchange rate difference | -59 | -4 | 15 |
| Profit(-loss) for the period | -4,278 | -6,593 | -31,297 |
| Balance at the end of the period | 2,127 | 24,387 | 6,752 |

Number of shares, The Group and the Parent company see page 10.

Statements of cash flow (SEKk), the Group

| | January – March | | Full year 2023 |
|---|-----------------|----------------|-------------------|
| | 2024 | 2023 | |
| Operation activities | | | |
| Cash flow (-used) before changes in working capital | -2,979 | -5,331 | -25,824 |
| Change in working capital ³ | 5,217 | 21,085 | 21,083 |
| Cash flow from (-used in) operation activities | 2,239 | 15,754 | -4,741 |
| Cash flow from (-used in) investing activities | -2,424 | -2,835 | -9,622 |
| Cash flow from (-used in) financing activities | -705 | 2,731 | 8,532 |
| Cash flow from (-used in) the period | -890 | -15,650 | -5,832 |
| Exchange rate difference | -61 | -4 | 15 |
| Cash and cash equivalents at the beginning of period | 1,980 | 7,796 | 7,796 |
| Cash and cash equivalents at the end of period | 1,028 | 23,443 | 1,980 |

³The amount includes 19,307 in final payment of the new issue in January 2023.

Parent company income statements in summary (SEKk)

| | January – March | | Full year 2023 |
|---|-----------------|---------------|-------------------|
| | 2024 | 2023 | |
| Net sales | 4,689 | 5,188 | 19,565 |
| Capitalized production costs | 2,424 | 2,807 | 9,572 |
| Other operating income | 202 | 80 | 488 |
| Total income | 7,314 | 8,076 | 29,625 |
| Raw materials and consumables | -137 | -160 | -797 |
| Other operating expenses | -4,700 | -6,336 | -24,289 |
| Employee benefits expenses | -5,152 | -7,205 | -29,635 |
| Depreciation, amortization and impairment of property plant and equipment and intangible assets | -1,493 | -1,351 | -5,772 |
| Other operating costs | -59 | -37 | -319 |
| EBIT | -4,227 | -7,014 | -31,186 |
| Financial income and similar profit items | 2 | 1 | 191 |
| Financial expenses and similar loss items | -231 | -198 | -441 |
| Profit(-loss) after net financial income | -4,456 | -7,210 | -31,437 |
| Group contribution received | 0 | 0 | 0 |
| Income tax expense for the period | 0 | 0 | 0 |
| Profit(-loss) for the period | -4,456 | -7,210 | -31,437 |
| Earnings per share before dilution (SEK) ⁴ | -0.04 | -0.09 | -0.35 |
| Earnings per share after dilution at the end of the period ⁴ | -0.04 | -0.09 | -0.34 |

⁴Number of shares, The Group and the Parent company see page 10.

Parent company balance sheets in summary (SEKk)

| | 2024-03-31 | 2023-03-31 | 2023-12-31 |
|--|---------------|---------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Capitalized development costs | 20,974 | 17,641 | 20,030 |
| Equipment, tools and systems | 39 | 99 | 54 |
| Financial assets | 51 | 51 | 51 |
| Total non-current assets | 21,065 | 17,790 | 20,134 |
| Current assets | | | |
| Inventories | 348 | 199 | 358 |
| Current receivables | 5,667 | 5,386 | 4,595 |
| Cash and bank balances | 949 | 22,521 | 1,832 |
| Total current assets | 6,964 | 28,106 | 6,785 |
| Total assets | 28,028 | 45,896 | 26,919 |
| Equity and liabilities | | | |
| Equity | 1,757 | 23,677 | 6,501 |
| Non-current liabilities ⁵ | 1,300 | 2,967 | 1,717 |
| Current liabilities ⁵ | 24,972 | 19,253 | 18,701 |
| Total equity and liabilities | 28,028 | 45,896 | 26,919 |
| ⁵ Of which interest-bearing liabilities | 2,917 | 4,583 | 3,333 |
| Collateral provided | 5,000 | 5,000 | 5,000 |
| of which in own custody | 0 | 0 | 0 |
| Contingent liabilities | None | None | None |

Parent company statements of change in equity in summary (SEKk)

| | January - March | | Full Year |
|---|-----------------|---------------|--------------|
| | 2024 | 2023 | 2023 |
| Balance at the beginning of the period | 6,501 | 31,073 | 31,073 |
| New share issue (net of issue costs) | -288 | -185 | 6,865 |
| Profit(-loss) for the period | -4,456 | -7,210 | -31,437 |
| Balance at the end of the period | 1,757 | 23,677 | 6,501 |

Number of shares, The Group and the Parent company see page 10.

Parent company statements of cash flow (SEKk)

| | January - March | | Full Year |
|---|-----------------|---------------|---------------|
| | 2024 | 2023 | 2023 |
| Operating activities | | | |
| Cash flow (-used) before changes in working capital | -3,161 | -5,949 | -25,976 |
| Change in working capital ⁶ | 5,406 | 21,525 | 21,827 |
| Cash flow from (-used in) operating activities | 2,245 | 15,576 | -4,149 |
| Cash flow from (-used in) investing activities | -2,424 | -2,807 | -9,572 |
| Cash flow from (-used in) financing activities | -705 | 2,731 | 8,532 |
| Cash flow from (-used in) the period | -883 | 15,500 | -5,189 |
| Cash and cash equivalents at the beginning of period | 1,832 | 7,021 | 7,021 |
| Cash and cash equivalents at the end of period | 949 | 22,521 | 1,832 |

⁶The amount includes 19,307 in final payment of the new issue in January 2023.

Number of shares, the Group and the Parent company

| | January - March | | Full Year |
|--|-----------------|------------|-------------|
| | 2024 | 2023 | 2023 |
| Average number of shares during the period ⁷ | 104,987,931 | 84,792,469 | 90,355,238 |
| Shares outstanding at the end of the period ⁷ | 104,987,931 | 88,475,269 | 104,987,931 |

⁷ New issue of 36,828,000 shares subscribed in January 2023.

⁷ New issue of 2,377,778 shares subscribed in June 2023.

⁷ New issue of 13,834,884 shares subscribed in November 2023.

The Group Overview of financial performance in summary (SEKk)

Below is a summary of XMReality Group financial development of the years 2020 – 2024. All information for the financial years 2020-2021 (pro forma) based on material taken from the parent company's officially published annual reports and the subsidiaries' accounts converted to group level.

| | Jan – Mar 2024 | 2023 | Full Year | | |
|---|-------------------|-------------|------------|------------|------------|
| | | | 2022 | 2021 | 2020 |
| Net sales | 4,710 | 19,788 | 18,804 | 21,616 | 20,164 |
| Operating profit (-loss) | -4,049 | -31,046 | -36,774 | -33,662 | -24,420 |
| Profit (-loss) after net financial income | -4,278 | -31,297 | -36,751 | -33,672 | -24,471 |
| Taxes | 0 | 0 | 0 | -15 | -35 |
| Profit (-loss) after taxes | -4,278 | -31,297 | -36,751 | -33,687 | -24,506 |
| Profit margin, % | neg | neg | neg | neg | neg |
| Intangible assets | 20,974 | 20,030 | 16,167 | 10,430 | 13,452 |
| Tangible assets | 75 | 91 | 116 | 148 | 355 |
| Financial assets | 0 | 0 | 0 | 0 | 0 |
| Inventories | 348 | 358 | 240 | 395 | 255 |
| Current receivables | 6,621 | 5,040 | 28,749 | 7,993 | 8,934 |
| Cash and bank balances | 1,029 | 1,980 | 7,796 | 45,143 | 18,714 |
| Equity | 2,127 | 6,752 | 31,169 | 45,315 | 24,999 |
| Non-current liabilities | 1,250 | 1,667 | 0 | 0 | 0 |
| Current liabilities | 25,670 | 19,080 | 21,900 | 18,793 | 16,711 |
| Total assets | 29,047 | 27,499 | 53,069 | 64,109 | 41,710 |
| Return on average capital employed, % | neg | neg | neg | neg | neg |
| Return on average equity, % | neg | neg | neg | neg | neg |
| Equity/assets ratio, % | 7.3 | 24.6 | 58.7 | 70.7 | 59.9 |
| Debt/equity ratio, multiple | 1.37 | 0.49 | 0.00 | 0.00 | 0.01 |
| Interest coverage ratio, % | neg | neg | neg | neg | neg |
| Quick ratio, % | 29.8 | 36.8 | 166.9 | 282.7 | 165.5 |
| Number of employees (end of period) | 19 | 29 | 30 | 26 | 20 |
| Investments | | | | | |
| Intangible assets | 2,424 | 9,572 | 11,713 | 2,211 | 2,224 |
| Tangible assets | 0 | 50 | 58 | 59 | 139 |
| Deposits | 0 | 0 | 0 | 0 | -8 |
| Basic earnings (-loss) per share. before dilution SEK | -0.04 | -0.35 | -0.90 | -0.85 | -0.79 |
| Basic earnings (-loss) per share. after dilution, end of the period SEK | -0.04 | -0.34 | -0.87 | -0.82 | -0.72 |
| Average number of shares during the period | 104,987,931 | 90,355,238 | 41,008,169 | 39,630,740 | 31,063,699 |
| Shares outstanding at the end of the period | 104,987,931 | 104,987,931 | 51,647,269 | 40,920,000 | 34,100,000 |

Definition of key figures

| | |
|---|---|
| Profit margin | Profit after net financial items divided by sales |
| Equity | The sum of shareholder's equity, restricted reserves and non-restricted equity |
| Return on average capital employed | Profit or loss before interest expenses divided by average capital employed |
| Return on average equity | Profit or loss after tax divided by average equity |
| Equity/assets ratio | Equity divided by total assets |
| Dept/equity ratio | Interest-bearing liabilities divided by equity |
| Interest coverage ratio | Earnings before interest divided by interest expenses |
| Earnings per shares | Profit or loss after tax divided by average number of shares outstanding |
| Quick ratio | Cash and current assets excluding inventories divided by current liabilities |
| ARR (<u>A</u> nnual <u>R</u> ecurring <u>R</u> evenue) | The annual value of subscriptions from signed subscription contracts |
| The Group | The Parent company (XMReality AB (Publ.) and all subsidiaries, XMReality Inc. and XMReality Värdepapper AB. |
| The Parent Company | XMReality AB (publ.) |
| Churn | The value of terminated subscriptions in relation to the Annual Recurring Revenue (ARR) |
| Upsales | Additional subscriptions (ARR) with existing customers |
| Contraction | Contraction of existing subscriptions (ARR) with existing customers |

Accounting policies

The interim report is prepared in compliance with the Swedish Annual Accounts Act and BFNAR 2012:1 Annual and Consolidated Accounts (K3). The accounting policies have not changed compared to previously reported periods. Assets, provisions and liabilities have been valued at cost unless otherwise specified. Transactions denominated in foreign currency are converted at the spot rate in effect on the transaction date.

Risk factors and uncertainties

A number of risk factors can have a negative impact on XMReality. It is therefore of great importance to consider relevant risks alongside the Group Company's growth potential. For a more detailed description of risks attributable to the Company and its shares, reference is made to the most recent Annual Report available at <https://www.xmreality.com/en/investors/>.



As announced on April 12, 2024, available funding is not sufficient to ensure continued operations. The board and management are continuously working with and evaluating various options for additional financing going forward and assess that the company has good prerequisites to ensure this. Should decisive conditions not be fulfilled, there is a risk regarding the company's continued operation. The company assesses, taking into account likely future financing, that the assumption of continued operation is fulfilled.

As announced on April 19, 2024, the board has, for precautionary reasons, decided to draw up a balance sheet for liquidation purposes. The board's expectation is, however, that the share capital is intact in view of the surplus values that are deemed to exist in the company's intangible assets.

Stock

Shares in XMReality AB (publ) are listed on Nasdaq First North Growth Market. The stock ticker is XMR and the ISIN code is SE0009664188. At the end of the period there were 104,987,931 shares outstanding in XMReality AB (publ).

Auditor review

This interim report has not been reviewed by the company's auditor.

Submission of interim report

The board of directors and chief executive officer certify and assure that this interim report provides a true and fair view of the company's operations, financial position and earnings.

Linköping April 22nd 2024

Board of Directors XMReality AB (publ)

Financial reporting calendar:

| | |
|------------------------------|---|
| Interim report Q1 2024 | Monday April 22 nd , 2024 |
| Annual report 2024 published | Wednesday June 5 th , 2024 |
| Annual General Meeting | Thursday June 27 th , 2024 |
| Interim report Q2 2024 | Thursday August 28 th , 2024 |
| Interim report Q3 2024 | Thursday October 24 th , 2024 |
| Year-end report 2024 | Thursday February 13 th , 2025 |

All reports are published on www.xmreality.com/en/investors/. The information was released by the contact person listed below for publication on April 22nd 2024 at 08:30 CEST.

This report is a translation from the Swedish Interim report approved by the Board of Directors. In the event of any discrepancies, the Swedish version takes precedence.

Contact person at XMReality

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