

INTERIM REPORT

JANUARY-MARCH 2019



XMReality AB (publ), Interim Report, January-March 2019

XMReality delivered sustained and powerful growth in net sales during the first quarter of the year compared with the previous year. Software subscriptions dominated order intake and more than 50 companies now have ongoing subscriptions. At the end of the period, the company had prepaid but not yet recognized subscription revenue equal to about 60% of net sales for the full year 2018.

January-March 2019

- Net sales increased by 54.7% to SEK 3,021 thousand (1,953)
- Costs totaled SEK -11,132 thousand (-10,431)
- The net loss was SEK -5,712 thousand (-6,603)
- Net cash used in the period was SEK -6,590 thousand (-7,575) and the equity/assets ratio at the end of the period was 77.0% (84.5)

Total billing rose by 124% compared with the same period last year and subscription billing was up by more than 200%. The growth was achieved without appreciable cost increases, which reflects efficiency improvements and the potential of the business, in line with the Company's strategy.

Billed sales, which had not yet been recognized in revenue at the end of the period, increased by 134% to SEK 6,127 thousand (2,619). The increase is partly attributable to the order of SEK 1.5 million from a US defense group received in March. XMReality allocates prepaid subscription revenue across the term of the contract on a straight-line basis.

With an agile approach in all functions, XMReality further improved operational efficiency during the quarter. The company is also exploring the potential of automated sales and leads are increasingly being generated via digital media. During the quarter, XMReality completed the most extensive work with its offering thus far in preparation for expected new purchasing patterns.

There is a positive effect on cash flow in connection with billing, but the effect of orders received on profit and loss during the period is limited. Sales of hardware and services are recognized in revenue when the goods have been delivered or services rendered.

Significant events during the period of January-March 2019

- Bühler Consumer Foods signed an additional order and expanded the use of XMReality Remote Guidance worldwide.
- XMReality signed a software order worth SEK 1.5 million with a US defense group.
- Notice of annual general meeting of shareholders in XMReality AB (publ)

Significant events after the end of the quarter

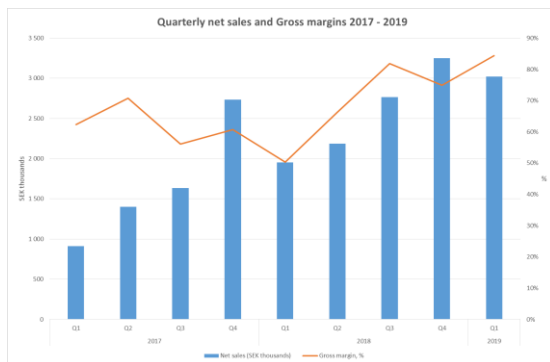
- There were no significant events after the end of the period.

Message from the CEO



The powerful growth of XMReality in the Remote Guidance market continued during the period and organisational efficiency was further improved. With a marginally increased cost base, billing increased by 124% compared to the same quarter last year.

The strength of the subscription business is having clear impact in terms of more effective sales. Contractually agreed automatic extensions increase the billing basis with no need for renewed sales efforts. Accordingly, growing the share of billing generated by subscription renewals is of high strategic importance.



Software subscriptions, our core business, currently account for more than 80 percent of the company's total billing. XMReality expects that percentage to increase.

Several new customers placed orders in the first quarter. The company's biggest subscription order to date, worth SEK 1.5 million for the right of use, was received from a US defense group. Buhler Consumer Foods has expanded its use of XMReality

Remote Guidance by applying the solution to enable their helpdesk to remotely assist Buhler's own personnel and integrating XMReality Remote Guidance in its service offering to its customers. Yet another famous brand, General Electric (GE) Healthcare France, was added to the long list of customers during the quarter.

The growth and maturity of the market is now clearly evident and major players are stepping up their efforts. Microsoft for example launched Hololens II, its new smart glasses platform, during the quarter. XMReality is also seeing higher interest from business system vendors, which are augmenting their offerings with Remote Guidance. Interest in the offering is growing along with the increasing numbers focusing on services related to Remote Guidance. With its intuitive and convenient subscription service, XMReality is standing up well to the growing competition.

Another sign that the Remote Guidance market is maturing is that customers have an increasingly clear understanding of how they can utilize the new technology. This is affecting our sales efforts and we are responding to the development by successively improving the efficiency of our marketing and sales processes.

The continued development of the web client, which allows customers to use the XMReality solution with non-registered users, is unlocking tremendous potential for complementary applications such as customer service related to IT support in the home, white goods support, and similar.

With a good first quarter put to bed, XMReality is looking forward to strong development in 2019.

Linköping 24 April, 2019

Johan Castevall
Chief Executive Officer
XMReality AB (publ)

Income statement (Amounts in SEKk)

	January-March		Full year
	2019	2018	2018
Net sales	3,021	1,953	10,155
Capitalized production costs	1,562	1,707	5,478
Other operating income	57	168	999
Total income	4,640	3,828	16,632
Raw materials and consumables	-470	-968	-3,023
Other operating expenses	-3,912	-4,162	-16,856
Employee benefits expenses	-5,012	-4,391	-20,404
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-935	-825	-4,069
Other operating costs	-5	-85	-1,530
EBIT	-5,694	-6,603	-29,250
Financial income and similar profit items	0	0	21
Financial expenses and similar loss items	-18	-24	-88
Profit (-loss) after net financial income	-5,712	-6,627	-29,317
Income tax expense for the period	0	0	0
Profit (-loss) for the period	-5,712	-6,627	-29,317
Earnings per share(SEK)	-0.34	-0.45	-1.72
Earnings per share, fully diluted (SEK)	-0.33	-0.45	-1.70
Average number of shares during the period	17,050,000	14,607,982	14,982,648
Shares outstanding at the end of the period	17,050,000	14,607,982	17,050,000
Average shares outstanding during the period, fully diluted	17,290,000	14,997,982	15,257,634
Shares outstanding at the end of the period, fully diluted	17,290,000	14,847,982	17,290,000

Balance sheet (Amounts in SEKk)

	31 Mar 2019	31 Mar 2018	31 Dec 2018
Assets			
Non-current assets			
Capitalized development costs	15,419	13,534	14,754
Machinery and plant	0	719	0
Equipment, tools and systems	490	644	528
Deposits	8	8	8
Total non-current assets	15,917	14,905	15,290
Current assets			
Inventories	217	437	261
Current receivables	7,090	5,275	5,978
Cash and bank balances	31,208	38,666	37,798
Total current assets	38,515	44,378	44,037
Total assets	54,432	59,283	59,327
Equity and liabilities			
Equity	41,895	50,199	47,608
Non-current liabilities	708	1,354	844
Current liabilities ¹	11,829	7,730	10,875
Total equity and liabilities	54,432	59,283	59,327
¹ Of which interest-bearing liabilities	646	725	692
Collateral provided	3,700	3,700	3,700
Contingent liabilities	None	None	None

Statement of changes in equity (Amounts in SEKk)

	January-March		Full year
	2019	2018	2018
Balance at the beginning of the period	47,607	56,826	56,827
New share issue (net of issue costs)	0	0	20,098 ²
Profit (-loss) for the period	-5,712	-6,627	-29,317
Balance at the end of the period	41,895	50,199	47,608
Average number of shares during the period	17,050,000	14,607,982	14,982,648 ²
Shares outstanding at the end of the period	17,050,000	14,607,982	17,050,000 ²
Average shares outstanding during the period, fully diluted	17,290,000	14,997,982	15,257,634
Shares outstanding at the end of the period, fully diluted	17,290,000	14,847,982	17,290,000

²New issue of 2,442,018 shares subscribed in October and registered on 6 November 2018

Statement of cash flow (Amounts in SEKk)

	January-March		Full year
	2019	2018	2018
Operating activities			
Cash flow (-used) before changes in working capital	-4,824	-6,578	-25,367
Changes in working capital	-69	223	2,714
Cash flow from (-used in) operating activities	-4,893	-6,355	-22,653
Cash flow from (-used in) investing activities	-1,562	-1,038	-5,196
Cash flow from (-used in) financing activities	-135	-181	19,406
Cash flow for (-used in) the period	-6,590	-7,575	-8,443
Cash and cash equivalents at the beginning of the period	37,798	46,241	46,241
Cash and cash equivalents at the end of period	31,208	38,666	37,798

Overview of financial performance (SEKk)

An overview of the financial performance of XMReality AB (publ) for the period of January–March 2019 and for the full years of 2015–2018 is presented below. All figures for the financial years of 2015–2018 are based on material taken from official, published annual reports.

	Jan–Mar 2019	2018	2017	2016	2015
Net sales	3,021	10,155	6,683	5,155	3,532
Operating profit (-loss)	-5,694	-29,250	-22,633	-9,976	-4,195
Profit (-loss) after net financial income	-5,712	-29,317	-22,741	-10,041	-4,275
Profit margin, %	neg	neg	neg	neg	neg
Intangible assets	15,419	14,754	12,458	6,595	4,592
Tangible assets	490	528	1,705	901	0
Financial assets	8	8	0	25	25
Inventories	217	261	306	587	1,589
Current receivables	7,090	5,978	6,014	2,297	1,592
Cash and bank balances	31,208	37,798	46,241	22,100	1,184
Equity	41,895	47,608	56,826	26,556	2,749
Non-current liabilities	708	844	1,535	2,428	4,212
Current liabilities	11,829	10,875	8,362	3,521	2,021
Total assets	54,432	59,327	66,724	32,505	8,982
Return on average capital employed, %	neg	neg	neg	neg	neg
Return on average equity, %	neg	neg	neg	neg	neg
Equity/assets ratio, %	77.0	80.2	85.6	81.7	30.6
Debt/equity ratio, multiple	3.2	3.4	4.0	9.9	156.8
Interest coverage ratio, %	neg	neg	neg	neg	neg
Quick ratio, %	323.8	402.5	649.1	693.0	137.4
Number of employees (end of the period)	22	23	19	14	5
Investments					
Intangible assets	1,562	5,478	6,687	2,999	2,121
Tangible assets	0	140	1,908	901	0
Basic earnings per share, SEK	-0.34	-1.72	-1.56	-1.20	-0.83
Earnings per share, fully diluted, SEK	-0.33	-1.70	-1.52	-1.15	-0.81
Average number of shares during the period	17,050,000	14,982,648	13,175,227	7,202,593	4,822,763
Number of shares at the end of the period	17,050,000	17,050,000	14,607,982	8,368,420	5,133,280
Average number of fully diluted shares during the period	17,290,000	15,257,634	13,565,227	7,463,085	4,972,763
Average number of fully diluted shares at the end of the period	17,290,000	17,290,000	14,997,982	8,758,420	5,283,280

Definitions of key data

Debt/equity ratio	Interest-bearing liabilities divided by equity
Earnings per share	Profit or loss after tax divided by average number of shares outstanding
Equity	The sum of shareholders' equity, restricted reserves and non-restricted equity
Equity/assets ratio	Equity divided by total assets
Profit margin	Profit after net financial income or expense divided by sales
Interest coverage ratio	Earnings before interest divided by interest expenses
Quick ratio	Cash and current assets excluding inventories divided by current liabilities
Return on average capital employed	Profit or loss before interest expense divided by average capital employed
Return on average equity	Profit or loss after tax divided by average equity

XMReality AB (publ) is a listed company traded on Nasdaq First north (ticker: XMR).

The company's Certified Adviser is Redeye AB.

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

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

Linköping, 24 April 2019

Board of Directors

Financial reporting calendar:

Interim report, Q2 2019	16 August 2019
Interim report, Q3 2019	25 October 2019
Year-end report 2019	14 February 2020

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