

Interim report, *April - June*

XMReality 2021



XMReality AB (publ) Interim report, April – June 2021

The Annual Recurring Revenue (ARR) increased by 23 percent compared to last year's quarter. The corresponding increase in Net Sales and Order Intake were 2 percent.

The quarter April – June 2021

- Net sales amounted to SEK 5,654 thousand (5,549)
- Costs totaled SEK -13,994 thousand (-13,302)
- The operating loss before appropriations was SEK -7,749 thousand (-7,159)
- Cash flow for the period was SEK -6,198 thousand (-11,866) and equity/assets ratio at the end of the period was 79.9 (71.5) percent

The growth in Net Sales was 2 percent. The Annual Recurring Revenue (ARR) rose 23 percent to SEK 17,555 thousand (14,318). The absolute majority of the revenue continue to be recurring software subscriptions. The gross margin remained high and 90 percent for the quarter.

Order Intake grew with 2 percent to SEK 6,589 thousand (6,435). Cash and cash equivalents amounted to SEK 62,825 thousand at the end of the quarter. The order backlog, order intake that at the end of the period had not yet been recognized as revenue as net sales, increased by 47 percent to SEK 15,136 (10,303) thousand.

The half year April – June 2021

- Net sales amounted to SEK 11,498 thousand (9,032), (+27 percent)
- Costs totaled SEK -26,593 thousand (-24,158), (+10 percent)
- The operating loss before appropriations was SEK -14,003 thousand (-13,760)
- Cash flow for the period was SEK 44,210 thousand (17,119)

Notable events during the quarter April – June 2021

- Kongsberg Precision Cutting Systems, a manufacturer of state-of-the-art digital cutting systems used for precision cuts at high speed has signed a two-year software subscription contract for XMReality Remote Guidance.
- XMReality has received orders from Danone totaling 800 000 SEK. The orders cover annual software subscriptions with automatic renewal and contain as such no hardware. XMReality also signed a global framework agreement with Danone on 14 June.
- XMReality AB (publ) has received an order from IMI division Critical Engineering for XMReality Remote Guidance. The contract covers a 24-month software subscription including branding which is additional
- XMReality latest product release includes several new product features: the ability to show and guide on recorded videos from mobile applications, additional languages, improvements to the 'Web Guide Station' and the mobile application interface.

Message from the CEO



XMReality's CEO Jörgen Rimmelg

Several pilot projects started during the quarter and a major global customer in Danone contracted. However, a slower quarter than expected in terms of new subscriptions. Positive that more customers sign framework agreements and multi-year agreements with us.

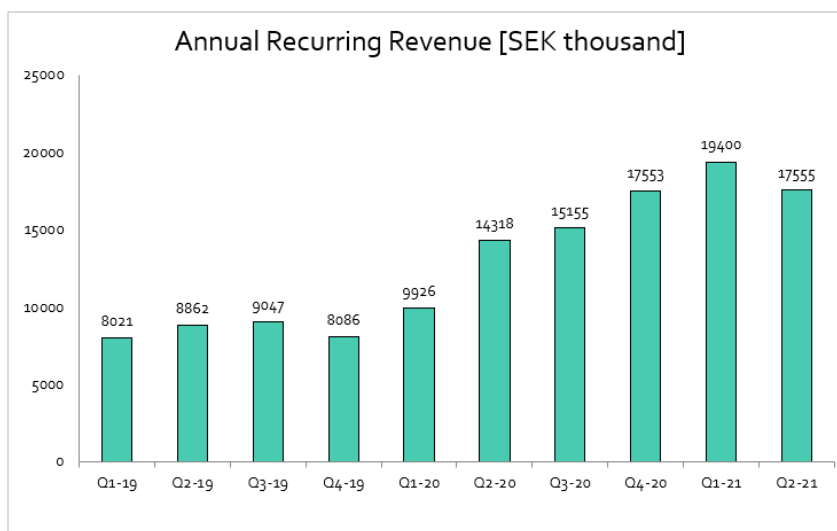
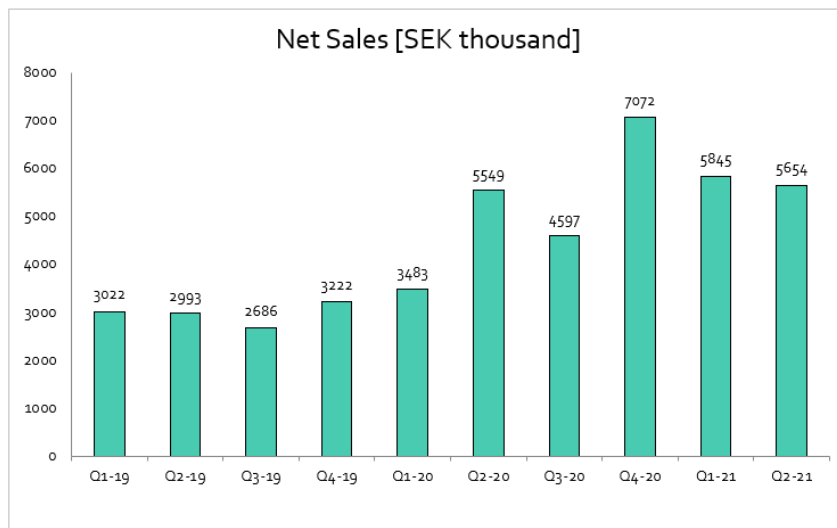
Order intake was dominated by existing customers renewing their licenses, as well as a number of pilot projects that have not yet entered the subscription phase. It is worth noting that several of these pilot projects are within the medtech vertical. During the period, the global framework agreement with Danone stands out and has potential to scale up in the future. Assa Abloy has previously carried out a pilot which has now converted into initial subscription orders in two of the larger countries where the customer is active. As we want to avoid our competitors receiving information about which customers are carrying out pilot projects with us, we avoid as far as possible communicating these before they have entered a substantial subscription phase.

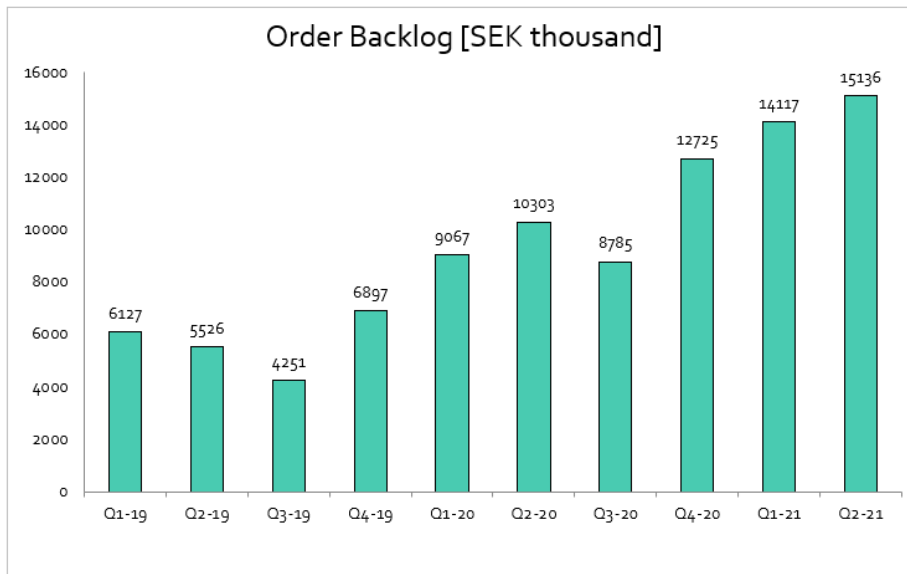
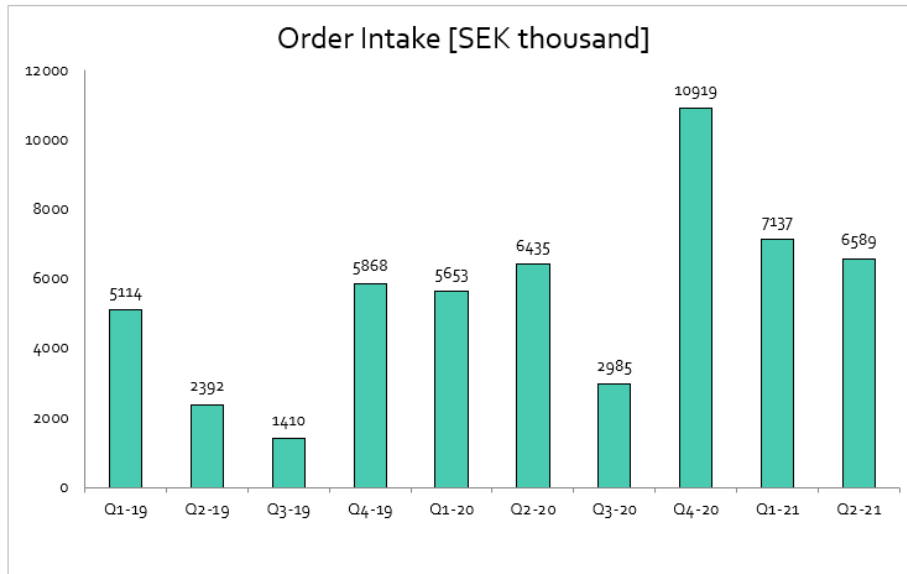
Despite increased sales, the annual recurring revenue (ARR) decreased compared to Q1 2021, as our largest customer chose not to extend two thirds of their licenses at the very end of the period, i.e. a Contraction. This as an effect of the customer's internal change process being slower than we expected. We now work in direct contact with individual units within the company, so that a portion of the licenses can be turned on again during the year. At the time of this report, we have from the end of the period till today's date received new orders from the company in question covering about 10 percent of the licenses we just lost. The Churn during the quarter was well below the target we previously have communicated (<10 percent).

Many larger companies are now increasing their production rate resulting in a higher workload. As a consequence, we are now experiencing some challenges to access the customer's purchasing, legal side, and IT, which means that the closure of these business discussions is delayed. From a marketing perspective, the pandemic has affected the opportunities for physical fairs and events and most of this work is currently done digitally to create new business opportunities. However, we clearly notice an effect from the lack of physical fairs. I believe and hope that these can be resumed at the end of September, which will mean an increase in business opportunities while waiting for the digital fairs to improve.

The value creation of our product is underlined by a customer survey we conducted as recently as June, where we on average received a four on a five-point scale from our users in all categories including the product's functionality, support and customer response. Many of our customers sign framework agreements with us, examples are ABB, Nestlé, Heineken, Danone and Sidel. Furthermore, we also see an increased number of multi-year agreements, examples are Electrolux, IMI, Saab, Esko, Kongsberg, Heineken and Sidel. I continue to look positively at our future and the market demand for our product!

Jörgen Remmelg, CEO
Linköping August 12 2021





Financial basis for the interim report, April – June 2021

Income statement (SEKk)

	April - June		January - June		Full year 2020
	2021	2020	2021	2020	
Net sales	5,654	5,549	11,498	9,032	20,701
Capitalized production costs	565	544	1,065	1,246	2,224
Other operating income	26	49	27	120	209
Total income	6,246	6,143	12,590	10,398	23,133
Raw materials and consumables	-598	-887	-1,155	-1,172	-2,000
Other operating expenses	-6,113	-5,773	-11,475	-10,797	-20,290
Employee benefits expenses	-5,885	-5,305	-11,246	-9,645	-19,853
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-1,347	-1,240	-2,665	-2,438	-4,996
Other operating costs	-46	-87	-36	-83	-618
EBIT	-7,744	-7,149	-13,987	-13,737	-24,623
Financial income and similar profit items	0	0	0	0	0
Financial expenses and similar loss items	-5	-10	-16	-22	-302
Profit(-loss) after net financial income	-7,749	-7,159	-14,003	-13,760	-24,925
Group contribution received	0	0	0	0	0
Income tax expense for the period	0	0	0	0	0
Profit(-loss) for the period	-7,749	-7,159	-14,003	-13,760	-24,925
Earnings per share, before and after dilution (SEK)	-0.19	-0.21	-0.37	-0.49	-0.80
Average number of shares during the period	40,920,000	34,100,000	38,320,110	27,977,072	31,063,699
Shares outstanding at the end of the period	40,920,000	34,100,000	40,920,000	34,100,000	34,100,000

Balance sheet (SEKk)

	30 June 2021	30 June 2020	31 Dec 2020
Assets			
Non-current assets			
Capitalized development costs	11,951	14,934	13,452
Equipment, tools and systems	278	442	345
Financial assets	51	312	51
Total non-current assets	12,280	15,688	13,847
Current assets			
Inventories	282	271	255
Current receivables	5,623	7,978	8,964
Cash and bank balances	62,825	26,467	18,615
Total current assets	68,730	34,715	27,834
Total assets	81,010	50,403	41,681
Equity and liabilities			
Equity	64,746	36,013	24,847
Non-current liabilities	50	133	50
Current liabilities ¹	16,214	14,257	16,784
Total equity and liabilities	81,010	50,403	41,681
¹ Of which interest-bearing liabilities	83	500	333
Collateral provided	3,700	3,700	3,700
Contingent liabilities	None	None	None

Statement of change in equity (SEKk)

	April - June		January - June		Full year 2020
	2021	2020	2021	2020	
Balance at the beginning of the period	72,495	43,373	24,847	20,273	20,273
New share issue (net of issue costs)	0	-200	53,902	29,500	29,500
Profit(-loss) for the period	-7,749	-7,159	-14,003	-13,760	-24,925
Balance at the end of the period	64 746	36,013	64,746	36,013	24,847
Average number of shares during the period, ²	40,920,000	34,100,000	38,320,110	27,977,072	31,063,699
Shares outstanding at the end of the period ²	40,920,000	34,100,000	40,920,000	34,100,00	34,100,000

² New issue of 17,050,000 shares subscribed in March 2020.
New issue of 6,820,000 shares subscribed in February 2021

Statement of cash flow (SEKk)

	April – June		January - March		Full year 2020
	2021	2020	2021	2020	
Operating activities					
Cash flow (-used) before changes in working capital	-6,482	-6,000	-11,717	-11,717	-20,081
Change in working capital	883	-4,880	3,123	1,211	2,784
Cash flow from (-used in) operating activities	-5,599	-10,880	-8,594	-10,506	-17,297
Cash flow from (-used in) investing activities	-599	-669	-1,098	-1,372	-2,341
Cash flow from (-used in) financing activities	0	-317	53,902	28,997	28,906
Cash flow from (-used in) the period	-6,198	-11,866	44,210	17,119	9,267
Cash and cash equivalents at the beginning of period	69,023	38,332	18,615	9,347	9,347
Cash and cash equivalents at the end of period	62,825	26,467	62,825	26,467	18,615

Overview of financial performance (SEKk)

An overview of the financial performance of XMReality AB (publ) for the period of January-March 2021 and for the full years of 2017 - 2020 is presented below. All figures for the financial years 2017-2020 are based on material taken from official, published annual reports.

	Jan – Jun	Full year			
	2021	2020	2019	2018	2017
Net sales	11,498	20,701	11,921	10,155	6,683
Operating profit (-loss)	-13,987	-24,623	-27,300	-29,250	-22,633
Profit (-loss) after net financial income	-14,003	-24,925	-27,364	-29,317	-22,741
Group contribution received	0	0	29	0	0
Profit (-loss) after appropriations	-14,003	-24,925	-27,335	-29,317	-22,741
Profit margin, %	neg	neg	neg	neg	neg
Intangible assets	11,951	13,452	16,039	14,754	12,458
Tangible assets	278	345	405	528	1,705
Financial assets	51	51	59	8	0
Inventories	282	255	184	261	306
Current receivables	5,623	8,964	6,792	5,978	6,014
Cash and bank balances	62,825	18,615	9,347	37,798	46,241
Equity	64,746	24,847	20,273	47,608	56,826
Non-current liabilities	50	50	383	844	1,535
Current liabilities	16,214	16,784	12,169	10,875	8,362
Total assets	81,010	41,681	32,826	59,327	66,724
Return on average capital employed, %	neg	neg	neg	neg	neg
Return on average equity, %	neg	neg	neg	neg	neg
Equity/assets ratio, %	79.9	59.6	61.8	80.2	85.2
Dept/equity ratio, multiple	0.00	0.01	0.04	0.04	0.04
Interest coverage ratio, %	neg	neg	neg	neg	neg
Quick ratio, %	422.2	164.3	132.6	402.5	624.9
Number of employees (end of period)	20	18	17	23	19
Investments					
Intangible assets	1,065	2,224	5,289	5,478	6,687
Tangible assets	34	125	32	140	1,908
Deposits		-8	51	8	0
Basic earnings (-loss) per share, before and after dilution, SEK	-0.37	-0.80	-1.60	-1.72	-1.56
Average number of shares during the period	38,320,110	31,063,699	17,050,000	14,982,648	13,175,227
Shares outstanding at the end of the period	40,920,000	34,100,000	17,050,000	17,050,000	14,607,982

Definition of key data

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 (Annual Recurring Revenue)	The annual value of subscriptions subscribed (provided no changes are made in the agreement).

Accounting policies

The year-end 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 could have negative impact on the business of XMReality AB (publ). It is therefore imperative to consider relevant risks alongside the Company's growth potential. Refer to the XMReality Annual Report 2020, pages 20-21, "risk factors" for a more detailed description of the risks associated with the Company and its stock.

The board of directors has assessed current and available liquidity as sufficient to assure continuing operation.

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 40,920,000 shares outstanding in XMReality AB (publ). There is only one share class. Each share carries one vote.

There are three outstanding stock option plans, 2019/2022 carrying rights to subscribe for up to 107 748 shares, 2020/2023L carrying the rights to subscribe for up to 600 000 shares and 2020/2024S carrying rights to subscribe for up to 560 000 shares.

Auditor review

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

Submission of year-end report

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

Financial reporting calendar:

Interim report Q3 2021

Thursday 21 October 2021

Year-end report 2021

Wednesday 16 February, 2022

All reports and minutes of the AGM will be published on www.xmreality.com/investors/

Linköping August 12th 2021

Board of Directors

Contact person at XMReality AB (publ):

Jörgen Rimmelg, CEO

Phone: +46 739 822 409

Mail: jorgen.remmelg@xmreality.se

Disclaimer

As the company is noted in Sweden; this English version is an internal translation of the Swedish Interim Report. Should there be any discrepancies between this report and its Swedish version, the Swedish version prevail.