

Interim report, *July - September*

***XMReality 2022***

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## XMReality Interim report, Group overview, July – September 2022

The Annual Recurring Revenues (ARR) turned slightly in a positive direction and increased 2 percent compared to Q2 this year. Net Sales decreased by 15 percent compared with the previous period. The company also communicates its financial goals.

### The Quarter July – September 2022, The Group

- Net sales amounted to SEK 4,482 thousand (5,286).
- Costs totaled SEK -15,311 thousand (-12,777).
- The operating loss before taxes was SEK -7,895 thousand (-7,022).
- Cash flow was SEK -10,973 thousand (-9,294) and the equity/assets ratio at the end of the period was 52.1 (80.9) percent.

Net sales decreased with 15 percent to SEK 4,482 thousand (5,286). The Annual Recurring Revenues (ARR) were in large unchanged and SEK 18,447 thousand (18,523) compared with Q3 2021. However, compared with Q2 2022 the annual recurring revenues turned slightly upwards and rose by 2 percent. The absolute majority of the revenues were recurring software subscriptions. The Gross margin continued to be high at 97 (90) percent for the quarter. The Order backlog, Order intake that at the end of the period remains to be recognized as Net sales, decreased 25 percent to SEK 11,206 thousand (14,964). The increase in costs mainly comes from additional sales resources to strengthen our wholly owned U.S. subsidiary, and increased investments in product development.

The Order intake for the quarter was significantly lower compared with Q3 2021 and decreased 54 percent to SEK 2,357 thousand (5,136). The reference quarter, Q3 2021, had two large two-year orders and a larger order from the world's largest brewery (Anheuser-Busch InBev).

The company's financial goals are to no later than the end of 2024 start to generate a positive cash-flow, and by 2025 reach an ARR of SEK 75 000 thousand with a 15 percent EBITDA.

### The period January – September 2022, The Group

- Net sales amounted to SEK 13,907 thousand (16,608).
- Costs totaled SEK -50,335 thousand (-39,205).
- The operating loss before taxes was SEK -28,079 thousand (-21,036).
- Cash flow for the period was SEK -32,363 thousand (34,916).

### Notable events during the quarter

- ABB placed an additional order with an annual value of SEK 1.5 million. ABB Process Automation in the U.S. ordered a significant number of Remote Guidance licenses using the Framework Agreement XMReality has in place with ABB. XMReality has previously been used within ABB Motion. The corresponding cash-flow effect from the order will be in Q4-2022 (SEK 0.25 million) and Q1-2023 (SEK 1.5 million).

### Notable events after the quarter

- Cobalt Housing in UK have ordered XMReality Remote Guidance for first line support. Cobalt Housing Ltd is a registered housing association based in North Liverpool.



Interim Report July-September 2022

- XMReality signed a 5-year re-seller agreement with a large global industrial corporation with more than 100 000 employees and activity in more than 100 countries. The agreement enables the customer to re-sell their branded (white-labeled) version of XMReality Remote Guidance to their global customer base. The same agreement also serves as a 5-year Frame Agreement for this existing customer internal purchase of the same product. The agreement as such do not guarantee any orders.
- Saab has doubled their XMReality License Holding. As communicated back in October 2020, Saab who serves the global market with services and solutions within military defense and civil security, and XMReality signed a three-year contract where the main portion covered a fix fee. Saab has now ordered additional licenses as their use has increased.

## Message from the CEO



Jörgen Rimmelg, XMReality's CEO

The order from ABB is our largest single subscription order to date, although this order has limited impact on Q3 as the subscription starts in November. Another positive piece of news is that Saab ordered additional licenses, which is a clear testament of quality. That one of our absolute largest customers, with global operations in more than 100 countries, signs a five-year reseller agreement with XMReality is a great rating of our product and delivery. However, we are putting a weak financial quarter behind us.

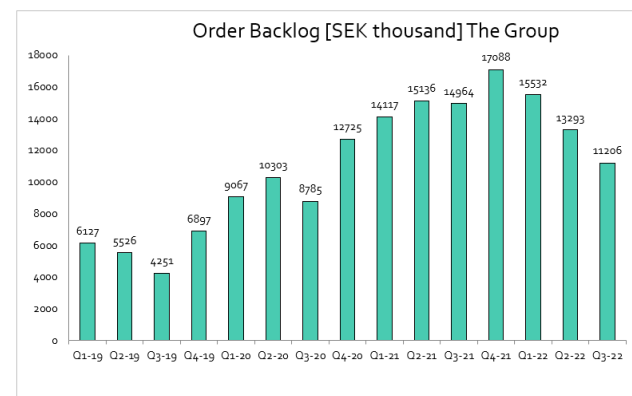
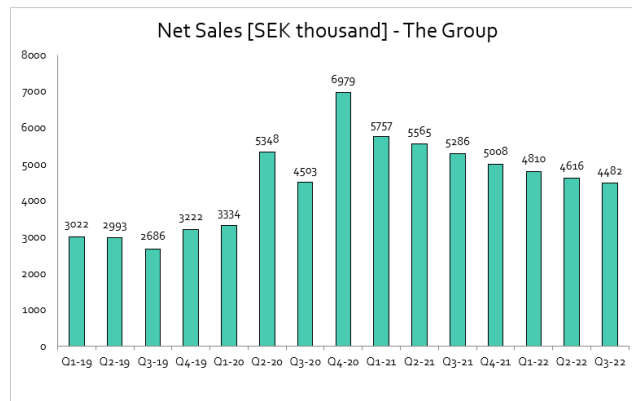
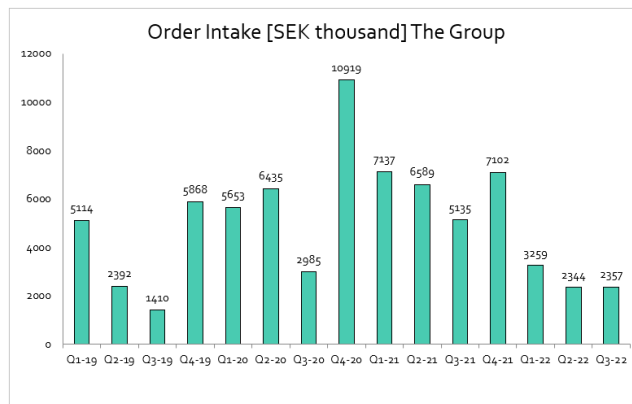
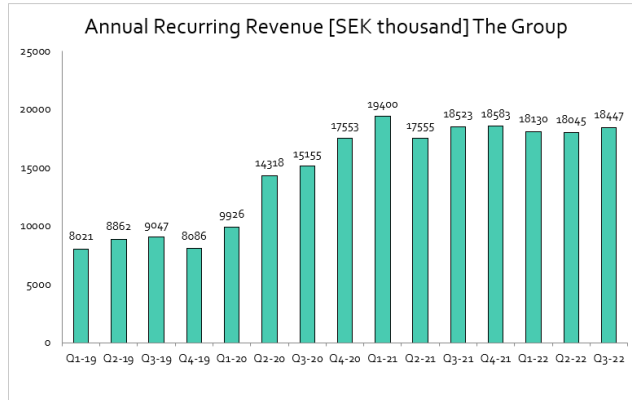
In terms of order intake, Q3 is usually a weak quarter for XMReality, the exception being the comparison quarter Q3-2021 which contained two two-year contracts in Tekniska Verken and Multivac, as well as a larger order from Anheuser-Busch InBev. Starting in 2022, for strategic reasons we avoid entering into two-year contracts as these are typically associated with discounts.

The last big piece of the puzzle connected to the new product is now in place; The ability for customers to create their own step-by-step procedures within XMReality Remote Guidance. These are usually called SOP's (Standard Operating Procedures). The functionality, which has been in place since the end of September, enables you as a customer to implement your own standardized way of working in the product, after which documentation is instantaneously generated in accordance with the procedure with a simple push of a button. In this way, the product becomes part of the customer's standard processes instead of being outside these as previously. The function is especially useful for inspections, planned repairs, certifications, training of personnel and audits of various kind. Our absolute biggest focus now is to sell this product to existing and new customers.

Regarding the U.S., during 2022 we have put a lot of work into recruiting sales staff and building up the organization. We now have good discussions with both smaller and larger companies and can see that the sales pipeline is steadily increasing in monetary terms. Our ambition is to convert proposals into orders during Q4.

We now choose to communicate our financial goals to give the market a better picture of our ambitions. Although the negative economic cycle, driven by the Ukraine conflict, is currently causing a delay in our order intake, we continue to see strong demand for our solution. It is the company's opinion that the annual growth forecasts in the area in which XMReality operates continue to be in the range of 40-60 percent for the next five-year period. Our product is now at a completely new level, the subsidiary in the U.S. delivers positive signals and our more than 125 customers include global companies with great potential for up-sales. These four factors are the foundation for the growth linked to our financial goals.

Jörgen Rimmelg, CEO  
Linköping October 20<sup>th</sup>, 2022



# Financial basis for the interim report, July – September 2022

## Income statements in summary (SEKk), The Group

	July - September		Januari - September		Full year 2021
	2022	2021	2022	2021	
Net sales	4,482	5,286	13,907	16,608	21,616
Capitalized production costs	2,915	452	7,846	1,516	2,211
Other operating income	20	18	502	45	150
<b>Total income</b>	<b>7,417</b>	<b>5,755</b>	<b>22,256</b>	<b>18,169</b>	<b>23,977</b>
Raw materials and consumables	-151	-243	-664	-1,398	-1,707
Other operating expenses	-6,175	-6,041	-20,499	-16,509	-25,040
Employee benefits expenses	-7,306	-5,060	-24,526	-17,135	-25,209
Depreciation, amortization and impairment of property plant and equipment and intangible assets	-1,626	-1,375	-4,463	-4,040	-5,298
Other operating costs	-53	-51	-181	-87	-385
<b>EBIT</b>	<b>-7,895</b>	<b>-7,015</b>	<b>-28,078</b>	<b>-21,001</b>	<b>-33,662</b>
Financial income and similar profit items	2	0	2	0	16
Financial expenses and similar loss items	-1	-4	-2	-24	-27
<b>Profit(-loss) after net financial income</b>	<b>-7,895</b>	<b>-7,019</b>	<b>-28,079</b>	<b>-21,025</b>	<b>-33,672</b>
Income tax expense for the period	0	-3	0	-11	-15
<b>Profit(-loss) for the period</b>	<b>-7,895</b>	<b>-7,022</b>	<b>-28,079</b>	<b>-21,036</b>	<b>-33,687</b>
Earnings per share, before and after dilution (SEK)	-0.19	-0.17	-0.69	-0.54	-0.85
Average number of shares during the period	40,920,000	40,920,000	40,920,000	39,196,264	39,630,740
Shares outstanding at the end of the period	40,920,000	40,920,000	40,920,000	40,920,000	40,920,000

## Balance sheets in summary (SEKk), The Group

	30 Sep 2022	30 Sep 2021	31 Dec 2021
<b>Assets</b>			
<b>Non-current assets</b>			
Capitalized development costs	13,868	11,081	10,430
Equipment, tools and systems	154	262	148
<b>Total non-current assets</b>	<b>14,022</b>	<b>11,343</b>	<b>10,577</b>
<b>Current assets</b>			
Inventories	271	220	395
Current receivables	5,966	6,250	7,993
Cash and bank balances	12,781	53,630	45,143
<b>Total current assets</b>	<b>19,018</b>	<b>60,100</b>	<b>53,531</b>
<b>Total assets</b>	<b>33,040</b>	<b>71,443</b>	<b>64,109</b>
<b>Equity and liabilities</b>			
Equity	17,219	57,804	45,315
Non-current liabilities	0	0	0
Current liabilities <sup>1</sup>	15,822	13,638	18,793
<b>Total equity and liabilities</b>	<b>33,040</b>	<b>71,443</b>	<b>64,109</b>
<sup>1</sup> Of which interest-bearing liabilities	0	0	0
Collateral provided	3,700	3,700	3,700
of which in own custody	3,000	2,500	3,000
Contingent liabilities	None	None	None

## Statements of change in equity in summary (SEKk), The Group

	July - September		January - September		Full year 2021
	2022	2021	2022	2021	
Balance at the beginning of the period	25,240	64,880	45,315	24,999	24,999
New share issue (net of issue costs)	-200	-96	-200	53,805	53,805
Exchange rate difference	73	43	182	35	198
Profit(-loss) for the period	-7,895	-7,022	-28,079	-21,036	-33,687
<b>Belopp vid periodens utgång</b>	<b>17,219</b>	<b>57,804</b>	<b>17,219</b>	<b>57,804</b>	<b>45,315</b>
Average number of shares during the period <sup>2</sup>	40,920,000	40,920,000	40,920,000	39,196,264	39,630,740
Shares outstanding at the end of the period <sup>2</sup>	40,920,000	40,920,000	40,920,000	40,920,000	40,920,000

<sup>2</sup> New issue of 6,820,000 shares subscribed in February 2021.

## Statements of cash flow (SEKk), The Group

	July - September		January - September		Full year
	2022	2021	2022	2021	
<b>Operation activities</b>					
Cash flow (-used) before changes in working capital	-6,276	-5,727	-23,784	-17,455	-28,799
Change in working capital	-1,654	-3,035	653	107	3,496
<b>Cash flow from (-used in) operation activities</b>	<b>-7,930</b>	<b>-8,762</b>	<b>-24,437</b>	<b>-17,348</b>	<b>-25,303</b>
Cash flow from (-used in) investing activities	-2,915	-477	-7,904	-1,576	-2,271
Cash flow from (-used in) financing activities	-200	-96	-200	53,805	53,805
Exchange rate difference	71	42	178	35	198
<b>Cash flow from (-used in) the period</b>	<b>-10,973</b>	<b>-9,294</b>	<b>-32,363</b>	<b>34,916</b>	<b>26,430</b>
Cash and cash equivalents at the beginning of period	23,754	62,924	45,143	18,714	18,714
<b>Cash and cash equivalents at the end of period</b>	<b>12,781</b>	<b>53,630</b>	<b>12,781</b>	<b>53,630</b>	<b>45,143</b>

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

## Parent company income statements in summary (SEKk)

	July - September		January - September		Full year
	2022	2021	2022	2021	
Net sales	4,747	5,376	14,789	16,875	21,975
Capitalized production costs	2,915	452	7,846	1,516	2,211
Other operating income	20	18	502	45	150
<b>Total income</b>	<b>7,682</b>	<b>5,846</b>	<b>23,138</b>	<b>18,436</b>	<b>24,337</b>
Raw materials and consumables	-151	-243	-664	-1,398	-1,707
Other operating expenses	-7,439	-6,586	-26,098	-18,060	-27,002
Employee benefits expenses	-5,930	-4,615	-19,843	-15,861	-23,393
Depreciation, amortization and impairment of property plant and equipment and intangible assets	-1,626	-1,375	-4,463	-4,040	-5,287
Other operating costs	-53	-51	-181	-87	-385
<b>EBIT</b>	<b>-7,517</b>	<b>-7,025</b>	<b>-28,112</b>	<b>-21,012</b>	<b>-33,436</b>
Financial income and similar profit items	2	0	44	0	16
Financial expenses and similar loss items	-1	-2	-2	-18	-20
<b>Profit(-loss) after net financial income</b>	<b>-7,517</b>	<b>-7,027</b>	<b>-28,071</b>	<b>-21,030</b>	<b>-33,440</b>
Group contribution received	0	0	0	0	0
Income tax expense for the period	0	0	0	0	0
<b>Profit(-loss) for the period</b>	<b>-7,517</b>	<b>-7,027</b>	<b>-28,071</b>	<b>-21,030</b>	<b>-33,440</b>
Earnings per share before and after dilution (SEK)	-0.18	-0.17	-0.69	-0.54	-0.84
Average number of shares during the period	40,920,000	40,920,000	40,920,000	39,196,264	39,630,740
Shares outstanding at the end of the period	40,920,000	40,920,000	40,920,000	40,920,000	40,920,000



## Parent company balance sheets in summary (SEKk)

	30 Sep 2022	30 Sep 2021	31 Dec 2021
<b>Assets</b>			
<b>Non-current assets</b>			
Capitalized development costs	13,868	11,081	10,430
Equipment, tools and systems	134	250	131
Financial assets	51	51	51
<b>Total non-current assets</b>	<b>14,052</b>	<b>11,383</b>	<b>10,612</b>
<b>Current assets</b>			
Inventories	271	220	395
Current receivables	5,700	6,243	7,993
Cash and bank balances	12,208	53,475	<b>45,098</b>
<b>Total current assets</b>	<b>18,180</b>	<b>59,938</b>	<b>53,486</b>
<b>Total assets</b>	<b>32,232</b>	<b>71,321</b>	<b>64,098</b>
<b>Equity and liabilities</b>			
Equity	16,942	57,623	45,212
Non-current liabilities	50	50	50
Current liabilities <sup>3</sup>	15,240	13,648	<b>18,835</b>
<b>Total equity and liabilities</b>	<b>32,232</b>	<b>71,321</b>	<b>64,098</b>
<sup>3</sup> Of which interest-bearing liabilities	0	0	0
Collateral provided	3,700	3,700	3,700
of which in own custody	3,000	2,500	3,000
Contingent liabilities	None	None	None

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

	July - September		Januari - September		Full Year 2021
	2022	2021	2022	2021	
Balance at the beginning of the period	24,659	64,746	45,212	24,847	24,847
New share issue (net of issue costs)	-200	-96	-200	53,805	53,805
Profit(-loss) for the period	-7,517	-7,027	-28,071	-21,030	-33,440
<b>Balance at the end of the period</b>	<b>16,942</b>	<b>57,623</b>	<b>16,942</b>	<b>57,623</b>	<b>45,212</b>
Average number of shares during the period <sup>4</sup>	40,920,000	40,920,000	40,920,000	39,196,264	39,630,740
Shares outstanding at the end of the period <sup>4</sup>	40,920,000	40,920,000	40,920,000	40,920,000	40,920,000

<sup>4</sup>New issue of 6,820,000 shares subscribed in February 2021.

## Parent company statements of cash flow (SEKk)

	July - September		January - September		Full year 2021
	2022	2021	2022	2021	
<b>Operating activities</b>					
Cash flow (-used) before changes in working capital	-5,970	-5,732	-23,818	-17,449	-28 545
Change in working capital	-2,000	-3,043	-1,010	80	3 494
<b>Cash flow from (-used in) operating activities</b>	<b>-7,971</b>	<b>-8,775</b>	<b>-24,828</b>	<b>-17,369</b>	<b>-25 051</b>
Cash flow from (-used in) investing activities	-2,915	-477	-7,904	-1,576	-2 271
Cash flow from (-used in) financing activities	-200	-96	-158	53,805	53 805
<b>Cash flow from (-used in) the period</b>	<b>-11,085</b>	<b>-9,349</b>	<b>-32,890</b>	<b>34,861</b>	<b>26 483</b>
Cash and cash equivalents at the beginning of period	23,294	62,825	45,098	18,615	18 615
<b>Cash and cash equivalents at the end of period</b>	<b>12,208</b>	<b>53,475</b>	<b>12,208</b>	<b>53,475</b>	<b>45 098</b>

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

## The Group Overview of financial performance in summary (SEKk)

Below is a summary of XMReality Group financial development of the years 2018 – 2021. All information for the financial years 2019-2021 (pro forma) based on material taken from the parent company's officially published annual reports and the subsidiaries' accounts converted to group level. 2018 is based on material taken from the published annual report for XMReality AB (publ).

	The Group Jan - Sep 2022	2019 – 2021, XMReality. The, Group Full year			XMR AB Full year 2018
		2021	2020	2019	
Net sales	13,907	21,616	20,164	11,921	10,155
Operating profit (-loss)	-28,078	-33,662	-24,420	-27,205	-29,250
Profit (-loss) after net financial income	-28,079	-33,672	-24,471	-27,243	-29,317
Taxes	0	-15	-35	0	0
Profit (-loss) after taxes	-28,079	-33,687	-24,506	-27,243	-29,317
Profit margin, %	neg	neg	neg	neg	neg
Intangible assets	13,868	10,430	13,452	16,039	14,754
Tangible assets	154	148	355	405	528
Financial assets	0	0	0	8	8
Inventories	271	395	255	184	261
Current receivables	5,966	7,993	8,934	6,792	5,978
Cash and bank balances	12,781	45,143	18,714	9,417	37,798
Equity	17,219	45,315	24,999	20,339	47,608
Non-current liabilities	0	0	0	333	844
Current liabilities	15,822	18,793	16,711	12,172	10,875
Total assets	33,040	64,109	41,710	32,844	59,327
Return on average capital employed, %	neg	neg	neg	neg	neg
Return on average equity, %	neg	neg	neg	neg	neg

Equity/assets ratio, %	52.1	70,7	59,9	61,9	80,2
Dept/equity ratio, multiple	0.00	0,00	0,01	0,04	0,04
Interest coverage ratio, %	neg	neg	neg	neg	neg
Quick ratio, %	118.5	282,7	165,5	133,2	402,5
Number of employees (end of period)	30	26	20	19	23
Investments					
Intangible assets	7,846	2,211	2,224	5,289	5,478
Tangible assets	58	59	139	91	140
Deposits	0	0	-8	0	8
Basic earnings (-loss) per share. before and after dilution. SEK	-0.69	-0.85	-0.79	-1.60	-1.72
Average number of shares during the period	40,920,000	39,630,740	31,063,699	17,050,000	14,982,648
Shares outstanding at the end of the period	40,920,000	40,920,000	34,100,000	17,050,000	17,050,000

## 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 (Annual Recurring Revenue)	The annual value of subscriptions subscribed.
The Group	The Parent company (XMReality AB (Publ.) and all subsidiaries. XMReality Inc., XMReality Värdepapper AB and XMReality GmbH (liquidated January 2022)
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	Reduction 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. But, from this report going forward also the group, including the wholly owned subsidiaries and mainly the US XMReality Inc. will be reported. 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 a negative impact on the business of XMReality Group. It is therefore imperative to consider relevant risks alongside the Group Company's growth potential. Refer to the XMReality Annual Report 2021, 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 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 October 20<sup>th</sup> 2022

Board of Directors XMReality AB (publ)

## Financial reporting calendar:

Year-end report 2022	Thursday February 16 <sup>th</sup> , 2023
Interim report Q1 2023	Thursday April 27 <sup>th</sup> , 2023
Annual General Meeting	Thursday May 4 <sup>th</sup> , 2023
Interim report Q2 2023	Thursday August 17 <sup>th</sup> , 2023
Interim report Q3 2023	Thursday October 19 <sup>th</sup> , 2023
Year-end report 2023	Thursday February 15 <sup>th</sup> , 2024

The information was released by the contact person listed below for publication on October 20<sup>th</sup> 2022 at 08:30 CEST.



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### Contact person at XMReality Group:

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### Disclaimer

As the company is noted in Sweden; should there be any discrepancies between this report and its Swedish version, the Swedish version prevails. This report is only an internal translation of the Swedish report.