

Interim report, *January – March*

XMReality 2023



XMReality Interim report, Group overview, January–March 2023

The Order Intake for the quarter increased by 27 percent and the cost decreased by 12 percent compared to the corresponding quarter last year. Net Sales increased by 6 percent. The Annual Recurring Revenues increased by 1 percent compared to Q4-2022.

January – March 2023, The Group

- Net Sales amounted to SEK 5,122 thousand (4,810)
- Costs totaled SEK -14,603 thousand (-16,593)
- The operating loss before taxes was SEK -6,593 thousand (-10,789)
- Cash flow was SEK 15,647 thousand (-9,040) and the equity/assets ratio at the end of the period was 51.5 (65.0) percent

The Order Intake during the quarter was higher than the corresponding level in Q1 2022 and increased by 27 percent to SEK 4,129 thousand (3,259). Net Sales increased year over year by 6 percent to SEK 5,122 thousand (4,810). The Annual Recurring Revenues (ARR) increased by 1 percent in comparison with Q4-2022 and amounted to SEK 18,270 thousand (18,082). The absolute majority of the revenues continues to be recurring software subscriptions. The Gross Margin remained high at 97 (94) percent for the quarter. The Order Backlog, orders received that at the end of the period remains to be recognized as Net Sales, decreased by 8 percent to SEK 12,827 thousand (13,899) compared to Q4-2022.

The company's financial goals 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, remain.

Notable events during the quarter

- XMReality AB (publ) completed a rights issue of shares that closed on 21 December 2022. The paid subscription units ("BTU") were converted into shares and warrants in January 2023.
- XMReality Inc. signed an annual subscription agreement with Toshiba America Business Solutions, Inc., a subsidiary of Toshiba TEC Corporation. They are a global leader within office printing and retail solutions and have offices across the U.S. and Latin America. Toshiba America Business Solutions will use XMReality to improve service resolution times and at the same time reduce travel.
- XMReality AB (publ) entered into an agreement with Erik Penser Bank regarding market making. Erik Penser Bank takes over as market maker on February 14, 2023. The market maker commitment is provided in accordance with Nasdaq Stockholm AB's rules for market making. This means that Erik Penser Bank, through their role as market maker, acts as a guarantor that there are buy and sell prices and a guaranteed available volume in the share and that the difference between the buy and sell price becomes smaller.
- XMReality AB previously signed a partnership agreement with Viveo which resulted in ordering of licenses. Viveo is a Swedish company that will offer XMReality as a service to the Swedish real estate market. The purpose of Viveo's service is to facilitate and streamline the handling of error reports and tickets within property management. The first batch of licenses will primarily be used in Viveo's collaboration with SBB.



Interim Report January - March 2023

- The Share Holders in XMReality AB (publ) were called to the Annual General Meeting, Thursday 4 May 2023, at Hotel Scandic City, Gamla Tanneforsvägen 51, Linköping. Registration starts at 9:45am local time.

Notable events after the quarter

- XMReality has a partnership agreement in place with Pointmedia since December 2022, covering the Norwegian market, and the companies signed a new customer; Mycoteam who will use the solution for damp and mold inspections within the construction sector and is as such a new field of application for XMReality. Pointmedia offers a branded remote collaboration software 'Remoto Solutions', based on XMReality's Remote Guidance software.
- XMReality Inc. signed its first enterprise licensed customer in Mexico, expanding its geographic reach in the Americas. The customer is ILSCO, a subsidiary of ECM Industries which is already a customer to XMReality Inc., with operations in Matamoros, Mexico. ILSCO produces power and grounding connectors and associated accessories. ILSCO's initial use of XMReality will focus on internal remote video support of its own manufacturing equipment.

Message from the CEO

The Order Intake continues in a positive direction and costs were reduced according to plan. The company's sales pipeline is now the largest in the company's history.



Jörgen Rimmelg, XMReality's CEO

The order intake has now increased two quarters in a row in the annual comparison. The contract with Toshiba is important for our establishment in the U.S. as this is a global company with good potential for additional sales. It is also worth noting that this deal was brought home in direct competition with our American competitors. During the period, we broke new ground in the property side with the partnership with Viveo. First up here is use against SBB, which is one of the leading Swedish property owners and managers of both apartments and community properties. We have good progress in the area exemplified by the property fair in Kista at the end of the period. At this fair we exhibited together with Viveo and during the fair we had a large influx of different companies interested in buying.

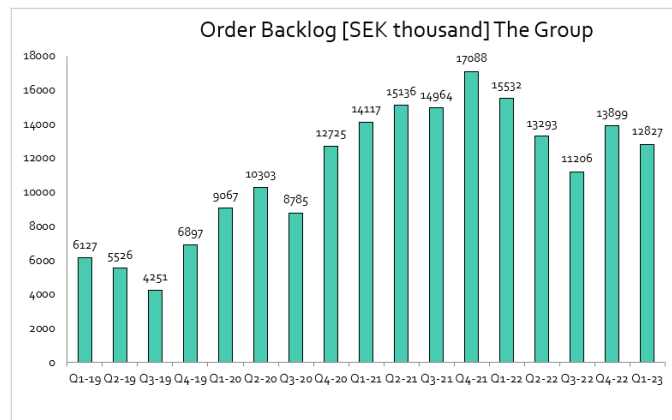
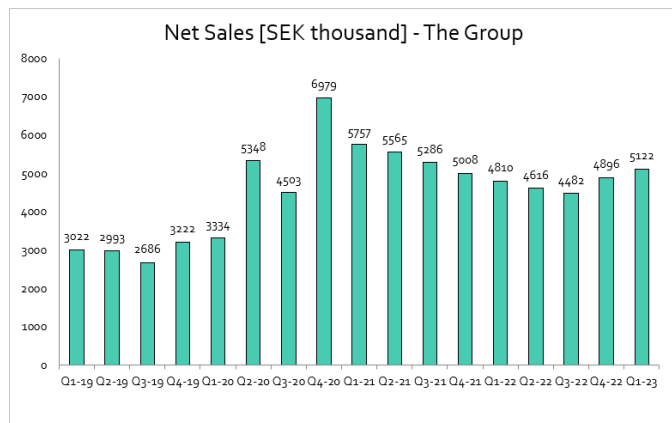
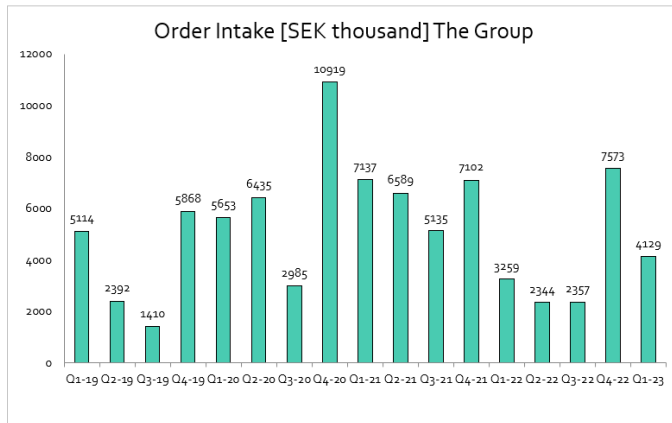
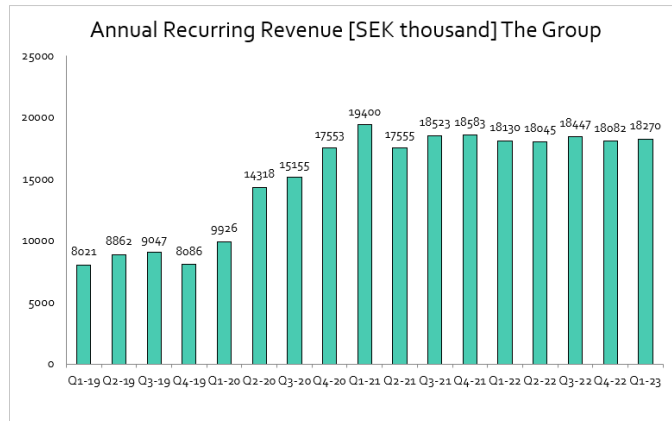
Despite the increase in order intake, annual recurring revenue rose just 1 percent. The reasons for this are mainly that several pilot projects have been started during the period, and thus not yet transitioned to recurring subscriptions, and that additional sales to existing customers are taking more time than estimated. However, several smaller deals with short lead times and low customer acquisition cost were closed during the period.

In connection with the new share issue at the end of 2022, the decision was made to reduce the company's cost base, mainly within the product development side as the product now has good competitiveness and is cheaper to maintain. This investment in the basic product is now largely done and the company's cost was reduced according to plan by 12 percent compared to Q1-2022 and by 17 percent compared to Q4-2022.

The deal with Toshiba was the highlight of the period for the U.S. operations, which also have several exciting pilots running with large companies. After the end of the period, the U.S. team closed a deal with ILSCO that marks our first entry into Mexico. ILSCO is a company based in northern Mexico with a strong connection to the U.S. market and as such belongs to the strong North American ecosystem. ILSCO is owned by one of our current customers in the U.S., ECM Industries.

The company's sales pipeline has increased continuously since November last year and is now, in monetary terms, the largest in the company's history. The deals via Viveo and Pointmedia are examples of the order intake via partners now starting to increase, which is an important component in our continued growth. We are also seeing an increasing number of deals being closed through the reseller agreement signed with our global industrial customer in Q4 2022. Although the global economic situation continues to impact several sectors, we notice that many companies are now starting to think strategically around cost savings and corresponding travel restrictions, which has made our offer more interesting and competitive. This, together with more pilot projects being started, are early positive indicators!

Jörgen Rimmelg, CEO
Linköping April 27th, 2023



Financial basis for the interim report January – March 2023

Income statements in summary (SEKk), the Group

	January - March		Full year 2022
	2023	2022	
Net sales	5,122	4,810	18,804
Capitalized production costs	2,807	807	11,713
Other operating income	80	186	688
Total income	8,010	5,804	31,206
Raw materials and consumables	-160	-268	-966
Other operating expenses	-4,668	-6,732	-27,151
Employee benefits expenses	-8,189	-8,175	-33,511
Depreciation, amortization and impairment of property plant and equipment and intangible assets	-1,351	-1,398	-6,055
Other operating costs	-37	-20	-296
EBIT	-6,396	-10,789	-36,774
Financial income and similar profit items	1	0	26
Financial expenses and similar loss items	-198	-1	-3
Profit(-loss) after net financial income	-6,593	-10,789	-36,751
Income tax expense for the period	0	0	0
Profit(-loss) for the period	-6,593	-10,789	-36,751
Earnings per share before dilution (SEK) ¹	-0.08	-0.26	-0.90
Earnings per share after dilution at the end of the period ¹	-0.08	-0.26	-0.70

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

Balance sheets in summary (SEKk), the Group

	31 Mar 2023	31 Mar 2022	31 Dec 2022
Assets			
Non-current assets			
Capitalized development costs	17,641	9,855	16,167
Equipment, tools and systems	126	155	116
Total non-current assets	17,767	10,011	16,283
Current assets			
Inventories	199	330	240
Current receivables ²	5,925	6,675	28,749
Cash and bank balances	23,443	36,103	7,796
Total current assets	29,567	43,108	36,786
Total assets	47,334	53,119	53,069

Equity and liabilities			
Equity	24,387	34,511	31,169
Non-current liabilities ³	2,917	0	0
Current liabilities ³	20,030	18,608	21,900
Total equity and liabilities	47,334	53,119	53,069
² 2022-12-31 The amount includes 19,307 in final payment of the new issue in January 2023			
³ Of which interest-bearing liabilities			
Collateral provided	4,583	0	0
of which in own custody	5,000	3,700	3 700
Contingent liabilities	0	3,000	3 500
	None	None	None

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

	January - March		Full year 2022
	2023	2022	
Balance at the beginning of the period	31,169	45,315	45,315
New share issue (net of issue costs)	-185	0	22,451
Exchange rate difference	-4	-16	153
Profit(-loss) for the period	-6,593	-10,789	-36,751
Belopp vid periodens utgång	24,387	34,511	31,169

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

Statements of cash flow (SEKk), the Group

	January - March		Full year 2022
	2023	2022	
Operation activities			
Cash flow (-used) before changes in working capital	-5,331	-9,399	-31,000
Change in working capital ⁴	21,085	1,206	-17,177
Cash flow from (-used in) operation activities	15,754	-8,194	-48,177
Cash flow from (-used in) investing activities	-2,835	-831	-11,771
Cash flow from (-used in) financing activities	2,731	0	22,451
Exchange rate difference	-4	-16	150
Cash flow from (-used in) the period	15,647	-9,040	-37,347
Cash and cash equivalents at the beginning of period	7,796	45,143	45,143
Cash and cash equivalents at the end of period	23,443	36,103	7 796

⁴The amount includes 19,307 in final payment of the new issue in January 2023.

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

Parent company income statements in summary (SEKk)

	January - March		Full year 2022
	2023	2022	
Net sales	5,188	5,117	19,731
Capitalized production costs	2,807	807	11,713
Other operating income	80	186	688
Total income	8,076	6,110	32,133
Raw materials and consumables	-160	-268	-859
Other operating expenses	-6,336	-8,913	-34,097
Employee benefits expenses	-7,205	-6,728	-27,501
Depreciation, amortization and impairment of property plant and equipment and intangible assets	-1,351	-1,398	-6,049
Other operating costs	-37	-20	-283
EBIT	-7,014	-11,216	-36,656
Financial income and similar profit items	1	42	68
Financial expenses and similar loss items	-198	-1	-3
Profit(-loss) after net financial income	-7,210	-11,175	-36,591
Group contribution received	0	0	0
Income tax expense for the period	0	0	0
Profit(-loss) for the period	-7,210	-11,175	-36,591
Earnings per share before dilution (SEK) ⁵	-0.09	-0.27	-0.89
Earnings per share after dilution at the end of the period ⁵	-0.09	-0.27	-0.69

⁵ Number of shares, The Group and the Parent company see page 10.

Parent company balance sheets in summary (SEKk)

	31 Mar 2023	31 Mar 2022	31 Dec 2022
Assets			
Non-current assets			
Capitalized development costs	17,641	9,855	16,167
Equipment, tools and systems	99	138	116
Financial assets	51	51	51
Total non-current assets	17,790	10,044	16,334
Current assets			
Inventories	199	330	240
Current receivables ⁶	5,386	6,675	28,372
Cash and bank balances	22,521	35,646	7,021
Total current assets	28,106	42,651	35,633
Total assets	45,896	52,696	51,967
Equity and liabilities			
Equity	23,677	34,038	31,073
Non-current liabilities ⁷	2,967	50	50
Current liabilities ⁷	19,253	18,608	20,844
Total equity and liabilities	45,896	52,696	51,967

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

⁷ Of which interest-bearing liabilities	4,583	0	0
Collateral provided	5,000	3,700	3,700
of which in own custody	0	3,000	3,500
Contingent liabilities	None	None	None

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

	January - March		Full year
	2023	2022	2022
Balance at the beginning of the period	31,073	45,212	45,212
New share issue (net of issue costs)	-185	0	22,451
Profit(-loss) for the period	-7,210	-11,175	-36,591
Balance at the end of the period	23,677	34,038	31,073

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

Parent company statements of cash flow (SEKk)

	January - March		Full year
	2023	2022	2022
Operating activities			
Cash flow (-used) before changes in working capital	-5,949	-9,827	-30,902
Change in working capital ⁸	21,525	1,164	-17,898
Cash flow from (-used in) operating activities	15,576	-8,663	-48,799
Cash flow from (-used in) investing activities	-2,807	-831	-11,771
Cash flow from (-used in) financing activities	2,731	42	22,493
Cash flow from (-used in) the period	15,500	-9,452	-38,077
Cash and cash equivalents at the beginning of period	7,021	45,098	45,098
Cash and cash equivalents at the end of period	22,521	35,646	7,021

⁸The amount includes 19,307 in final payment of the new issue in January 2023.

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

Number of shares, the Group and the Parent company

	January – March		Full year
	2023	2022	2022
Average number of shares during the period ⁹	84,792,469	40,920,000	41,008,169
Shares outstanding at the end of the period ⁹	88,475,269	40,920,000	51,647,269

⁹ New issue of 10,727,269 shares subscribed in December 2022.

⁹ New issue of 36,828,000 shares subscribed in January 2023.

The Group Overview of financial performance in summary (SEKk)

Below is a summary of XMReality Group financial development of the years 2019 – 2023. 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.

	Jan – Mar	Full Year			
	2023	2022	2021	2020	2019
Net sales	5,122	18,804	21,616	20,164	11,921
Operating profit (-loss)	-6,396	-36,774	-33,662	-24,420	-27,205
Profit (-loss) after net financial income	-6,593	-36,751	-33,672	-24,471	-27,243
Taxes	0	0	-15	-35	0
Profit (-loss) after taxes	-6,593	-36,751	-33,687	-24,506	-27,243
Profit margin, %	neg	neg	neg	neg	neg
Intangible assets	17,641	16,167	10,430	13,452	16,039
Tangible assets	126	116	148	355	405
Financial assets	0	0	0	0	8
Inventories	199	240	395	255	184
Current receivables	5,925	28,749	7,993	8,934	6,792
Cash and bank balances	23,443	7,796	45,143	18,714	9,417
Equity	24,387	31,169	45,315	24,999	20,339
Non-current liabilities	2,917	0	0	0	333
Current liabilities	20,030	21,900	18,793	16,711	12,172
Total assets	47,334	53,069	64,109	41,710	32,844
Return on average capital employed, %	neg	neg	neg	neg	neg
Return on average equity, %	neg	neg	neg	neg	neg
Equity/assets ratio, %	51.5	58.7	70.7	59.9	61.9
Debt/equity ratio, multiple	0.19	0.00	0.00	0.01	0.04
Interest coverage ratio, %	neg	neg	neg	neg	neg
Quick ratio, %	146.6	166.9	282.7	165.5	133.2
Number of employees (end of period)	29	30	26	20	19
Investments					
Intangible assets	2,807	11,713	2,211	2,224	5,289
Tangible assets	27	58	59	139	91
Deposits	0	0	0	-8	0
Basic earnings (-loss) per share. before dilution SEK	-0.08	-0.90	-0.85	-0.79	-1.60
Basic earnings (-loss) per share. after dilution, end of the period SEK	-0.08	-0.87	-0.82	-0.72	-1.60
Average number of shares during the period	84,792,469	41,008,169	39,630,740	31,063,699	17,050,000
Shares outstanding at the end of the period	88,475,269	51,647,269	40,920,000	34,100,000	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 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/>. 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 88,475,269 shares outstanding in XMReality AB (publ). There is only one share class. Each share carries one vote.

There are two outstanding stock option plans, 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 April 27th 2023

Board of Directors XMReality AB (publ)

Financial reporting calendar:

Annual report 2022 published	Wednesday April 5 th , 2023
Interim report Q1 2023	Thursday April 27 th , 2023
Annual General Meeting	Thursday May 4 th , 2023
Interim report Q2 2023	Thursday August 17 th , 2023
Interim report Q3 2023	Thursday October 19 th , 2023
Year-end report 2023	Thursday February 15 th , 2024

All reports are published on www.xmreality.com/en/investors/. The information was released by the contact person listed below for publication on April 27th 2023 at 08:30 CEST.

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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.