



Interim report

July – September 2023



XMReality Interim report Group overview, July - September 2023

The third quarter saw a strong increase in order intake, 82 percent compared to the same period last year. The total order intake from January to September has also increased, as a result of the strong customer growth, and is up 34 percent compared to last year. Net sales increased by 8 percent for the quarter and by 7 percent for the first nine months compared to the same period last year. The company continues its work to reduce costs and for the period they were 14 percent lower than the previous year. To reach the communicated goal of becoming cash flow positive by the end of 2024, the company will further reduce costs and streamline the organization. In connection with this, the company is also revising its target for ARR growth.

The Quarter July - September 2023, The Group

- Net Sales amounted to SEK 4,850 thousand (4,482)
- Costs totaled SEK -13,125 thousand (-15,311)
- The operating loss before taxes was SEK -5,922 thousand (-7,895)
- Cash flow was SEK -10,630 thousand (-10,973) and the equity/assets ratio at the end of the period was 34.9 (52.1) percent

The order intake during the quarter was higher than the corresponding level in Q3 2022 and increased by 82 percent to SEK 4,289 (2,357) thousand, the order intake also includes some orders that cover two years. Net sales increased by 8 percent to SEK 4,850 (4,482) thousand compared to the previous year. The annual recurring revenue (ARR) was largely unchanged and amounted to SEK 17,857 (18,252) thousand compared to Q2 2023. The absolute majority of the revenue is still recurring software subscriptions. The gross margin remained high at 96 (97) percent for the quarter. The order backlog, order intake that remains to be recognized as net sales, decreased to SEK 9,648 (10,139) thousand compared to Q2 2023.

The period January - September 2023, The Group

- Net Sales amounted to SEK 14,911 thousand (13,907)
- Costs totaled SEK -44,708 thousand (-50,335)
- The operating loss before taxes was SEK -21,929 thousand (-28,079)
- Cash flow was SEK -3,724 thousand (-32,363)



The company is now also revising its goals and profitability will be prioritized over growth. XMReality's financial goal to start generating positive cash flow by the end of 2024 at the latest therefore remains. However, the company sees that the previously communicated goal of reaching an ARR of SEK 75,000 thousand with an associated EBITDA of 15 percent in 2025 needs to be revised. With the prevailing macroeconomic uncertainty, the company has chosen to prioritize the goal of reaching a positive cash flow in 2024 and an EBITDA of 15 percent in 2025. In order to reach the goal of positive cash flow, the company will significantly reduce cost, which most likely will affect the ARR-growth and shift the timing to reach SEK 75,000 thousand into 2026.

Notable events

Notable events during the period

- Lars Sandlund was appointed new CSO for XMReality AB starting October 2nd 2023.
- The company has launched advanced functionality for administration and rollout in large global companies, to support growth among large customers. In addition, additional features for users have been launched, such as the ability for a guide to zoom on live video in web calls. The latter was launched on the same day that Apple for the first time ever released technical support on the iPhone to enable zooming in web apps.
- XMReality signed an annual subscription agreement with Yaskawa Nordic, which is part of Yaskawa Electric Corporation. They will use XMReality to strengthen service and support to their customer base.
- XMReality Inc. signed annual subscription agreements with several companies. Among others, Miller Electric, Güntner US, Guernsey Holdings LLC and JLS Automation group.



Notable events after the period

- XMReality announces strong client growth and ongoing consolidation talks. So far this year, the company has taken on board more than twice as many customers as for the full year 2022, partly as a result of positive sales in the US.

CEO comments

We see a very positive increase in order intake, both for the quarter and the interim year, as well as record-breaking customer growth.



The third quarter has historically been a bit slower for XMReality. This year, however, the third quarter looks a little different than usual – we have had really strong growth in new customers and a good order intake.

During the first nine months of the year, we have signed agreements with more than 30 new customers. These are historically high numbers, and more than a quadrupling compared to the same period in 2022. As we have previously communicated, the US team continues to bring in new clients, and these account for a significant part of our client growth. We see very big potential in the American market and with a strong team now in place we are continuously growing our market presence and customer base in the U.S.

It is inspiring to see how this also leads to great potential going forward. We have mentioned several times before a difference in attitude in the market and note more companies wanting to change their way of working and they consider tools for remote problem solving, such as remote guidance, as a strategic part of their work processes going forward.

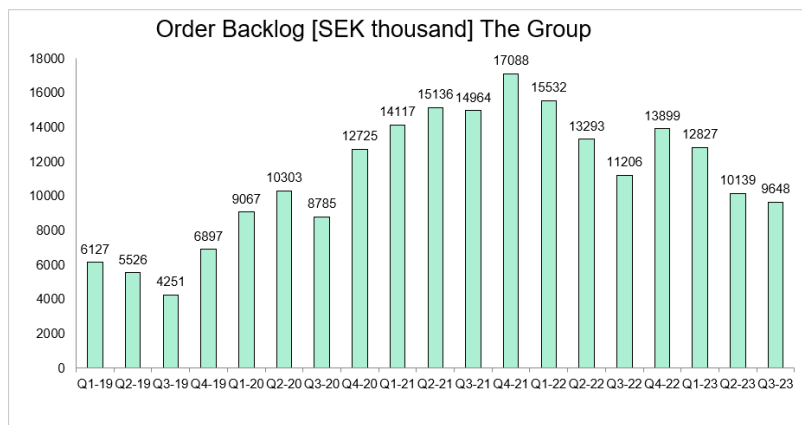
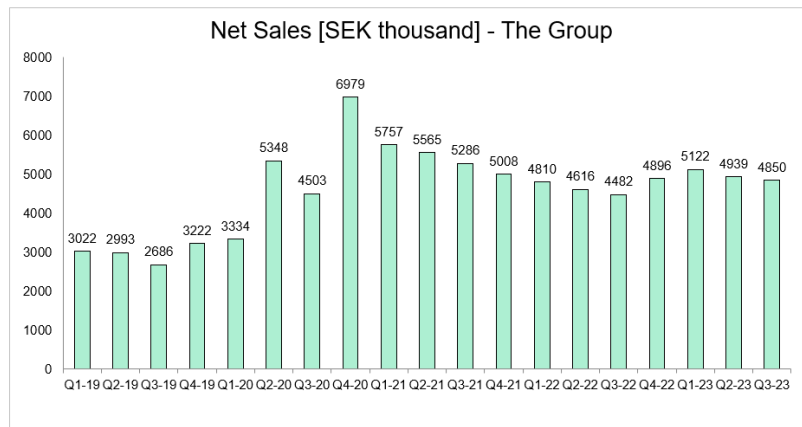
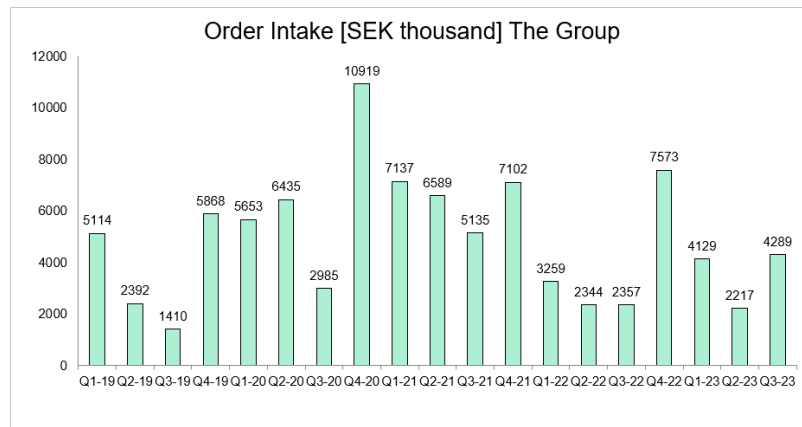
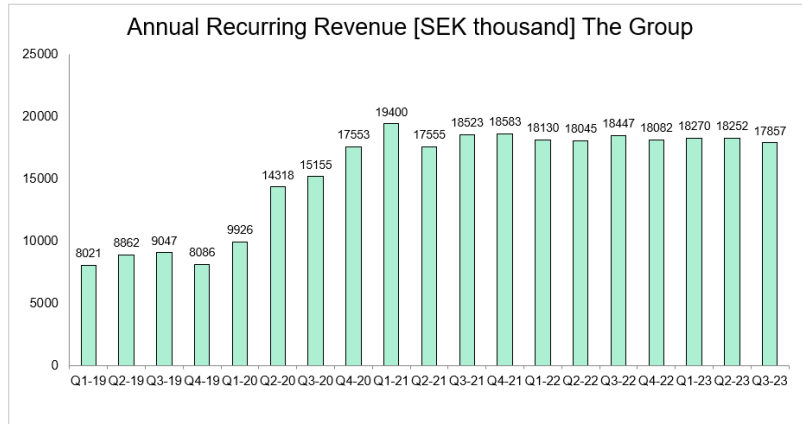
We have revised our sales strategy where we now work closer to our customers. The agreements are often smaller in size to begin with, but in most cases, together with the customer, we have already from day one laid out a plan on how we will implement XMReality within their organization and how we will expand further together. This means that we can already see great future potential with these new customers, even if the initial deal is smaller.

Order intake for the past quarter was up 82 percent compared to the same quarter in 2022. If we look at the first nine months of the year, we are up 34 percent on order intake. This is due, among other things, to the influx of customers, but also to the fact that several customers have chosen to sign multi-year contracts with us. These multi-year agreements have a very positive effect on order intake, but not to the same extent on our annual recurring revenue, ARR.

The ARR is largely unchanged, and we still experience some drawbacks from the pandemic with customers that are scaling down. Which negatively affects our ARR. At the same time our new customers are starting on a lower subscription level, but with a growth plan that results in the number of licenses scaling up over time when the solution is implemented more widely. So despite the large addition of new customers, it does not compensate for the loss from old customers who have not landed their strategy regarding working methods and use of remote guidance.

Just as the numbers show, we continue to work with the cost in the company. For the quarter, we are still 14 percent lower in cost compared to the previous year. We intend to continue working with the cost structure in the company and adapt to a lower level in order to reach positive cash flow according to plan. With several major investments in the product now behind us, the goal is to enter 2024 with a lower cost base, but at the same time continue to grow the customer base.

Andreas Jonsson, CEO
Linköping October 26th, 2023



Financial basis for the interim report

July – September 2023

Income statements in summary (SEKk), the Group

	July – September		January – September		Full year
	2023	2022	2023	2022	2022
Net sales	4,850	4,482	14,911	13,907	18,804
Capitalized production costs	2,258	2,915	7,556	7,846	11,713
Other operating income	64	20	278	502	688
Total income	7,172	7,417	22,745	22,256	31,206
Raw materials and consumables	-173	-151	-546	-664	-966
Other operating expenses	-3,316	-6,175	-13,543	-20,499	-27,151
Employee benefits expenses	-7,985	-7,306	-25,848	-24,526	-33,511
Depreciation, amortization and impairment of property plant and equipment and intangible assets	-1,475	-1,626	-4,244	-4,463	-6,055
Other operating costs	-95	-53	-165	-181	-296
EBIT	-5,873	-7,895	-21,601	-28,078	-36,774
Financial income and similar profit items	31	2	34	2	26
Financial expenses and similar loss items	-80	-1	-362	-2	-3
Profit(-loss) after net financial income	-5,922	-7,895	-21,929	-28,079	-36,751
Income tax expense for the period	0	0	0	0	0
Profit(-loss) for the period	-5,922	-7,895	-21,929	-28,079	-36,751
Earnings per share before dilution (SEK) ¹	-0.06	-0.19	-0.25	-0.69	-0.90
Earnings per share after dilution at the end of the period ¹	-0.06	-0.19	-0.24	-0.68	-0.70

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

Balance sheets in summary (SEKk), the Group

	2023-09-30	2022-09-30	2022-12-31
Assets			
Non-current assets			
Capitalized development costs	19,535	13,868	16,167
Equipment, tools and systems	113	154	116
Total non-current assets	19,648	14,022	16,283
Current assets			
Inventories	392	271	240
Current receivables ²	5,622	5,966	28,749
Cash and bank balances	4,072	12,781	7,796
Total current assets	10,086	19,018	36,786
Total assets	29,734	33,040	53,069
Equity and liabilities			
Equity	10,371	17,219	31,169
Non-current liabilities ³	2,083	0	0
Current liabilities ³	17,280	15,822	21,900
Total equity and liabilities	29,734	33,040	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	3,750	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

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

	July - September		January – September		Full year 2022
	2023	2022	2023	2022	
Balance at the beginning of the period	16,333	25,240	31,169	45,315	45,315
New share issue (net of issue costs)	-43	-200	1,143	-200	22,451
Exchange rate difference	4	73	-11	182	153
Profit(-loss) for the period	-5,922	-7,895	-21,929	-28,079	-36,751
Balance at the end of the period	10,371	17,219	10,371	17,219	31,169

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

Statements of cash flow (SEKk), the Group

	July – September		January - September		Full year 2022
	2023	2022	2023	2022	
Operation activities					
Cash flow (-used) before changes in working capital	-4,548	-6,276	-17,976	-23,784	-31,000
Change in working capital ⁴	-3,368	-1,654	18,646	-653	-17,177
Cash flow from (-used in) operation activities	-7,916	-7,930	670	-24,437	-48,177
Cash flow from (-used in) investing activities	-2,258	-2,915	-7,606	-7,904	-11,771
Cash flow from (-used in) financing activities	-460	-200	3,226	-200	22,451
Exchange rate difference	4	71	-14	178	150
Cash flow from (-used in) the period	-10,630	-10,973	-3,724	-32,363	-37,347
Cash and cash equivalents at the beginning of period	14,702	23,754	7,796	45,143	45,143
Cash and cash equivalents at the end of period	4,072	12,781	4,072	12,781	7,796

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

Parent company income statements in summary (SEKk)

	July – September		January - September		Full year 2022
	2023	2022	2023	2022	
Net sales	4,799	4,747	14,888	14,789	19,731
Capitalized production costs	2,258	2,915	7,556	7,846	11,713
Other operating income	77	20	295	502	688
Total income	7,134	7,682	22,738	23,138	32,133
Raw materials and consumables	-173	-151	-522	-664	-859
Other operating expenses	-4,992	-7,439	-18,595	-26,098	-34,097
Employee benefits expenses	-5,895	-5,930	-20,652	-19,843	-27,501
Depreciation, amortization and impairment of property plant and equipment and intangible assets	-1,470	-1,626	-4,236	-4,463	-6,049
Other operating costs	-95	-53	-165	-181	-283
EBIT	-5,492	-7,517	-21,432	-28,112	-36,656
Financial income and similar profit items	31	2	34	44	68
Financial expenses and similar loss items	-80	-1	-362	-2	-3
Profit(-loss) after net financial income	-5,541	-7,517	-21,760	-28,071	-36,591
Group contribution received	0	0	0	0	0
Income tax expense for the period	0	0	0	0	0
Profit(-loss) for the period	-5,541	-7,517	-21,760	-28,071	-36,591
Earnings per share before dilution (SEK) ⁵	-0.06	-0.18	-0.25	-0.69	-0.89
Earnings per share after dilution at the end of the period ⁵	-0.06	-0.18	-0.24	-0.68	-0.69

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

Parent company balance sheets in summary (SEKk)

	2023-09-30	2022-09-30	2022-12-31
Assets			
Non-current assets			
Capitalized development costs	19,535	13,868	16,167
Equipment, tools and systems	68	134	116
Financial assets	51	51	51
Total non-current assets	19,654	14,052	16,334
Current assets			
Inventories	392	271	240
Current receivables ⁶	5,154	5,700	28,372
Cash and bank balances	3,531	12,208	7,021
Total current assets	9,078	18,180	35,633
Total assets	28,732	32,232	51,967
Equity and liabilities			
Equity	10,455	16,942	31,073
Non-current liabilities ⁷	2,133	50	50
Current liabilities ⁷	16,143	15,240	20,844
Total equity and liabilities	28,732	32,232	51,967
⁶ 2022-12-31 the amount includes 19,307 in final payment of the new issue in January 2023.			
⁷ Of which interest-bearing liabilities	3,750	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)

	July - September		January - September		Full year 2022
	2023	2022	2023	2022	
Balance at the beginning of the period	16,040	24,659	31,073	45,212	45,212
New share issue (net of issue costs)	-43	-200	1,143	-200	22,451
Profit(-loss) for the period	-5,541	-7,517	-21,760	-28,071	-36,591
Balance at the end of the period	10,455	16,942	10,455	16,942	31,073

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

Parent company statements of cash flow (SEKk)

	July - September		January – September		Full year
	2023	2022	2023	2022	2022
Operating activities					
Cash flow (-used) before changes in working capital	-4,171	-5,970	-17,815	-23,818	-30,902
Change in working capital ⁸	-3,478	-2,000	18,655	-1,010	-17,898
Cash flow from (-used in) operating activities	-7,649	-7,971	840	-24,828	-48,799
Cash flow from (-used in) investing activities	-2,258	-2,915	-7,556	-7,904	-11,771
Cash flow from (-used in) financing activities	-460	-200	3,226	-158	22,493
Cash flow from (-used in) the period	-10,367	-11,085	-3,490	-32,890	-38,077
Cash and cash equivalents at the beginning of period	13,898	23,294	7,021	45,098	45,098
Cash and cash equivalents at the end of period	3,531	12,208	3,531	12,208	7,021

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

Number of shares, the Group and the Parent company

	July - September		January - September		Full year
	2023	2022	2023	2022	2022
Average number of shares during the period ⁹	91,153,047	40,920,000	88,457,758	40,920,000	41,008,169
Shares outstanding at the end of the period ⁹	91,153,047	40,920,000	91,153,047	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.

⁹ New issue of 2,377,778 shares subscribed in June 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.

	January - September 2023	Full year			
		2022	2021	2020	2019
Net sales	14,911	18,804	21,616	20,164	11,921
Operating profit (-loss)	-21,601	-36,774	-33,662	-24,420	-27,205
Profit (-loss) after net financial income	-21,929	-36,751	-33,672	-24,471	-27,243
Taxes	0	0	-15	-35	0
Profit (-loss) after taxes	-21,929	-36,751	-33,687	-24,506	-27,243
Profit margin, %	neg	neg	neg	neg	neg
Intangible assets	19,535	16,167	10,430	13,452	16,039
Tangible assets	113	116	148	355	405
Financial assets	0	0	0	0	8
Inventories	392	240	395	255	184
Current receivables	5,622	28,749	7,993	8,934	6,792
Cash and bank balances	4,072	7,796	45,143	18,714	9,417
Equity	10,371	31,169	45,315	24,999	20,339
Non-current liabilities	2,083	0	0	0	333
Current liabilities	17,280	21,900	18,793	16,711	12,172
Total assets	29,734	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, %	34.9	58.7	70.7	59.9	61.9
Dept/equity ratio, multiple	0.36	0.00	0.00	0.01	0.04
Interest coverage ratio, %	neg	neg	neg	neg	neg
Quick ratio, %	56.1	166.9	282.7	165.5	133.2
Number of employees (end of period)	32	30	26	20	19
Investments					
Intangible assets	7,556	11,713	2,211	2,224	5,289
Tangible assets	50	58	59	139	91
Deposits	0	0	0	-8	0
Basic earnings (-loss) per share. before dilution SEK	-0.25	-0.90	-0.85	-0.79	-1.60
Basic earnings (-loss) per share. after dilution, end of the period SEK	-0.24	-0.87	-0.82	-0.72	-1.60
Average number of shares during the period	88,457,758	41,008,169	39,630,740	31,063,699	17,050,000
Shares outstanding at the end of the period	91,153,047	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 (<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/>.

The board assesses that the company's financing of the operations based on the decided plan is secured until November 2023. The board and management are continuously working with and

evaluating various options for additional financing going forward and assess that the company has good conditions to ensure this. Should decisive conditions not be fulfilled, there is a risk regarding the company's continued 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 91,153,047 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 October 26th 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 July 20 th , 2023
Interim report Q3 2023	Thursday October 26 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 October 26th 2023 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.

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