



Interim report

April – June 2023



XMReality Interim report Group overview, April - June 2023

The Order Intake for the first half of the year increased by 13 percent compared to the corresponding period last year. However, a slight decrease quarter over quarter. Net Sales increased by 7 percent both for the quarter as well as the first half year. Costs decreased by 8 percent for the quarter and decreased 10 percent for the first half year compared to the previous year.

The Quarter April - June 2023, The Group

- Net Sales amounted to SEK 4,939 thousand (4,616)
- Costs totaled SEK -16,979 thousand (-18,431)
- The operating loss before taxes was SEK -9,414 thousand (-9,395)
- Cash flow was SEK -8,741 thousand (-12,349) and the equity/assets ratio at the end of the period was 43.1 (60.6) percent

The Order Intake during the quarter was lower than the corresponding level in Q2 2022 and decreased by 5 percent to SEK 2,217 thousand (2,344). Net Sales increased year over year by 7 percent to SEK 4,939 thousand (4,616). The Annual Recurring Revenues (ARR) remained unchanged and amounted to SEK 18,252 thousand (18,270). The absolute majority of the revenues continues to be recurring software subscriptions. The Gross Margin remained high at 96 (95) percent for the quarter. The Order Backlog, orders received that at the end of the period remains to be recognized as Net Sales, decreased to SEK 10,139 thousand (12,827) compared to Q1 2023.

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.

The period January - June 2023, The Group

- Net Sales amounted to SEK 10,061 thousand (9,426)
- Costs totaled SEK -31,583 thousand (-35,023)
- The operating loss before taxes was SEK -16,007 thousand (-20,184)
- Cash flow was SEK 6,906 thousand (-21,389)

Notable events

Notable events during the period

- Andreas Jonsson was appointed new CEO of XMReality AB starting May 15th 2023.
- The utilization of warrants TO1 that were issued in connection with the Company's preferential issue of units during the fourth quarter of 2022 was terminated. The utilization rate amounted to 11.3 percent and XMReality received approximately SEK 1.5 million before issue costs.
- The company has launched a secure cloud-based storage service with the industry's first Microsoft OneDrive integration. As several suppliers use their own types of cloud storage, XMReality has chosen, after dialogue with our customer base, a widely available integration where the customer owns and has full control over their own data.
- The annual general meeting was held in XMReality AB (publ) on Thursday, May 4, 2023, whereby the general meeting decided to determine the profit and loss account and balance sheet for 2022.
- XMReality Inc. signed an annual subscription agreement with the Technology Resource Center of America (TRCA), a leader in the development and implementation of enterprise technology for multi-site management across the United States. They will use XMReality to further improve their industry-leading customer service.



Notable events after the period

- XMReality received an order of licenses from Yaskawa Nordic, which are part of Yaskawa Electric Corporation. They will use XMReality to strengthen service and support towards their customer base.

CEO comments

During the quarter, we have had a continued good inflow of new customers and the positive growth in our sales pipeline continues.



First of all, I'm very excited to have been entrusted to lead XMReality going forward. As the newly appointed CEO, it was a running start to, among other things, hold company presentations in various contexts and do a live podcast during Erik Penser Bank's market day. It has really been inspiring to meet owners and investors and hear about the expectations on the company. Now we close the books on Q2 and look forward to a nice summer.

Order intake for the first half of the year was up 13 percent compared to the same period last year. For the quarter, it was in line with the same period last year. We have a strong positive customer growth and have signed contracts with ten completely new customers, both from Europe and the U.S., during the quarter. They start on a small scale, but have good potential for strong growth in the future.

To really understand the way forward and what appears to be a rather flat curve for our annual recurring revenue, ARR, we've analyzed why the big increase we got in 2020 with Covid didn't continue. We see that several of the customers who started with a large number of licenses immediately during the pandemic, have later reduced the number of licenses. A few have chosen to end their subscription, as there was no long-term strategy for how the service would be used. What is positive, however, is that, if you exclude the short-term Covid purchases, we see a stable and increasing underlying sales curve. We also see that this effect on our ARR is largely over.

Since the major update of the product in October, we can continue to be at the forefront regarding functionality and user-friendliness with a smaller cost base.

We have so far stayed under budget for the year, and it is our intention to continue to have strict cost control until we get closer to a positive cash flow,

where all investments are well balanced to be able to contribute to this.

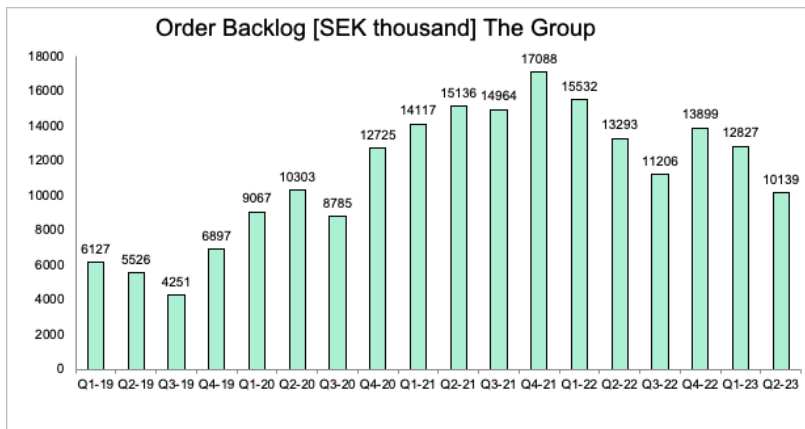
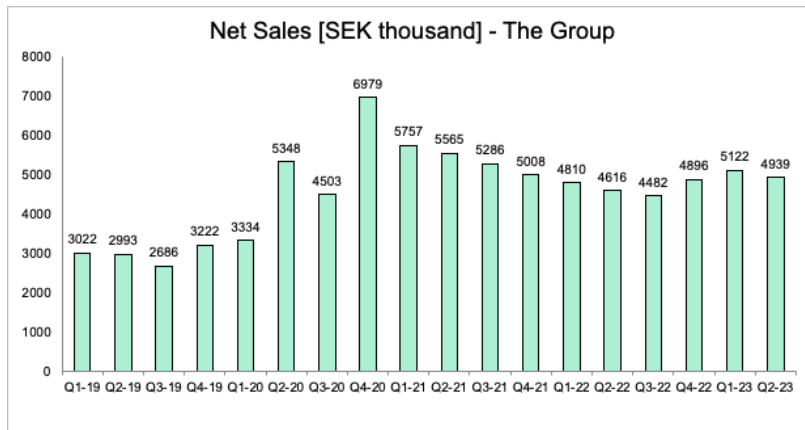
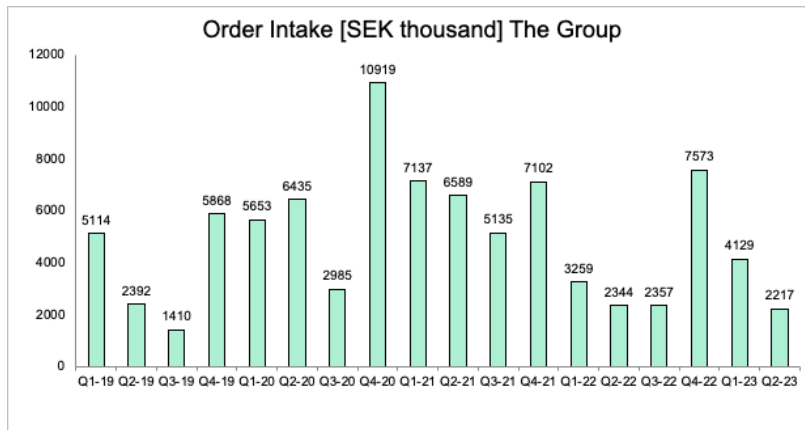
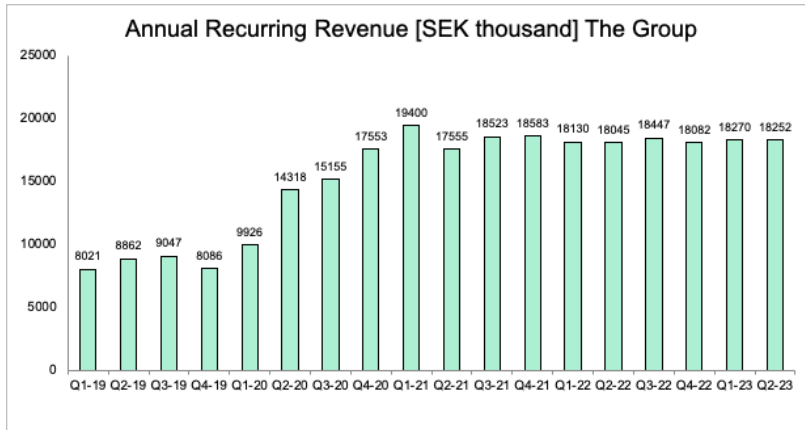
During the quarter, we also attended several events and conferences focused on new sales in the U.S., and Europe. We see a clear increase in interest in our type of solution and note that, during discussions and demonstrations, we meet companies with a pronounced strategy to change their operations and carry out more activities remotely and who are therefore actively seeking contact with us.

The company's sales pipeline continues to grow and it is my conviction that we will soon convert this into more business. The strengthened team in the U.S. has gained momentum in its sales and has landed several customers during the quarter. Macroeconomically, we feel that companies are still restrictive with investments and there are still great uncertainties. Despite this, we note a maturity within several verticals where it is clearly stated that remote solutions will be a part of their future. As mentioned, we meet increasingly more companies that are actively looking at long-term solutions for remote work, where we now become an integrated part of these companies' way of working.

We see that we have a very good product that is well adapted to the market. We will strategically build on the product according to plan, but my main focus now as CEO is on strengthening the sales side, growing the business and increasing sales in the U.S. and Europe, both directly and via partners.

All this together means that we are looking forward to a very intense and exciting autumn.

Andreas Jonsson, CEO
Linköping July 20th, 2023



Financial basis for the interim report

April – June 2023

Income statements in summary (SEKk), the Group

	April – June		January – June		Full year
	2023	2022	2023	2022	2022
Net sales	4,939	4,616	10,061	9,426	18,804
Capitalized production costs	2,490	4,124	5,298	4,932	11,713
Other operating income	134	295	215	481	688
Total income	7,563	9,035	15,573	14,839	31,206
Raw materials and consumables	-213	-245	-373	-513	-966
Other operating expenses	-5,558	-7,591	-10,226	-14,324	-27,151
Employee benefits expenses	-9,675	-9,046	-17,864	-17,220	-33,511
Depreciation, amortization and impairment of property plant and equipment and intangible assets	-1,418	-1,439	-2,769	-2,837	-6,055
Other operating costs	-32	-108	-69	-128	-296
EBIT	-9,332	-9,394	-15,728	-20,183	-36,774
Financial income and similar profit items	1	0	3	0	26
Financial expenses and similar loss items	-83	-1	-282	-1	-3
Profit(-loss) after net financial income	-9,414	-9,395	-16,007	-20,184	-36,751
Income tax expense for the period	0	0	0	0	0
Profit(-loss) for the period	-9,414	-9,395	-16,007	-20,184	-36,751
Earnings per share before dilution (SEK) ¹	-0.11	-0.23	-0.18	-0.49	-0.90
Earnings per share after dilution at the end of the period ¹	-0.10	-0.22	-0.18	-0.48	-0.70

¹ Number of shares, The Group and the Parent company see page 9.

Balance sheets in summary (SEKk), the Group

	2023-06-30	2022-06-30	2022-12-31
Assets			
Non-current assets			
Capitalized development costs	18,733	12,560	16,167
Equipment, tools and systems	132	173	116
Total non-current assets	18,865	12,732	16,283
Current assets			
Inventories	189	271	240
Current receivables ²	4,165	4,887	28,749
Cash and bank balances	14,702	23,754	7,796
Total current assets	19,056	28,912	36,786
Total assets	37,921	41,644	53,069
Equity and liabilities			
Equity	16,333	25,240	31,169
Non-current liabilities ³	2,500	0	0
Current liabilities ³	19,088	16,404	21,900
Total equity and liabilities	37,921	41,644	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	4,167	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

	April - June		January - June		Full year 2022
	2023	2022	2023	2022	
Balance at the beginning of the period	24,387	34,511	31,169	45,315	45,315
New share issue (net of issue costs)	1,372	0	1,186	0	22,451
Exchange rate difference	-11	125	-15	109	153
Profit(-loss) for the period	-9,414	-9,395	-16,007	-20,184	-36,751
Balance at the end of the period	16,333	25,240	16,333	25,240	31,169

Number of shares, The Group and the Parent company see page 9.

Statements of cash flow (SEKk), the Group

	April – June		January - June		Full year 2022
	2023	2022	2023	2022	
Operation activities					
Cash flow (-used) before changes in working capital	-8,097	-7,964	-13,428	-17,436	-31,000
Change in working capital ⁴	928	-349	22,013	929	-17,177
Cash flow from (-used in) operation activities	-7,168	-8,313	8,585	-16,507	-48,177
Cash flow from (-used in) investing activities	-2,513	-4,159	-5,348	-4,989	-11,771
Cash flow from (-used in) financing activities	955	0	3,686	0	22,451
Exchange rate difference	-14	123	-18	107	150
Cash flow from (-used in) the period	-8,741	-12,349	6,906	-21,389	-37,347
Cash and cash equivalents at the beginning of period	23,443	36,103	7,796	45,143	45,143
Cash and cash equivalents at the end of period	14,702	23,754	14,702	23,754	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)

	April – June		January - June		Full year 2022
	2023	2022	2023	2022	
Net sales	4,900	4,926	10,089	10,042	19,731
Capitalized production costs	2,490	4,124	5,298	4,932	11,713
Other operating income	137	295	218	481	688
Total income	7,528	9,345	15,604	15,455	32,133
Raw materials and consumables	-188	-245	-349	-513	-859
Other operating expenses	-7,268	-9,746	-13,604	-18,659	-34,097
Employee benefits expenses	-7,552	-7,185	-14,757	-13,913	-27,501
Depreciation, amortization and impairment of property plant and equipment and intangible assets	-1,414	-1,439	-2,765	-2,837	-6,049
Other operating costs	-32	-108	-69	-128	-283
EBIT	-8,927	-9,378	-15,940	-20,594	-36,656
Financial income and similar profit items	1	0	3	42	68
Financial expenses and similar loss items	-83	-1	-282	-1	-3
Profit(-loss) after net financial income	-9,009	-9,379	-16,219	-20,554	-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	-9,009	-9,379	-16,219	-20,554	-36,591
Earnings per share before dilution (SEK) ⁵	-0.10	-0.23	-0.19	-0.50	-0.89
Earnings per share after dilution at the end of the period ⁵	-0.10	-0.22	-0.19	-0.49	-0.69

⁵Number of shares, The Group and the Parent company see page 9.

Parent company balance sheets in summary (SEKk)

	2023-06-30	2022-06-30	2022-12-31
Assets			
Non-current assets			
Capitalized development costs	18,733	12,560	16,167
Equipment, tools and systems	82	154	116
Financial assets	51	51	51
Total non-current assets	18,866	12,764	16,334
Current assets			
Inventories	189	271	240
Current receivables ⁶	3,944	4,660	28,372
Cash and bank balances	13,898	23,294	7,021
Total current assets	18,031	28,225	35,633
Total assets	36,898	40,989	51,967
Equity and liabilities			
Equity	16,040	24,659	31,073
Non-current liabilities ⁷	2,550	50	50
Current liabilities ⁷	18,308	16,281	20,844
Total equity and liabilities	36,898	40,989	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	4,167	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)

	April - June		January - June		Full year 2022
	2023	2022	2023	2022	
Balance at the beginning of the period	23,677	34,038	31,073	45,212	45,212
New share issue (net of issue costs)	1,372	0	1,186	0	22,451
Profit(-loss) for the period	-9,009	-9,379	-16,219	-20,554	-36,591
Balance at the end of the period	16,040	24,659	16,040	24,659	31,073

Number of shares, The Group and the Parent company see page 9.

Parent company statements of cash flow (SEKk)

	April - June		Januari - June		Full year
	2023	2022	2023	2022	2022
Operating activities					
Cash flow (-used) before changes in working capital	-7,695	-7,948	-13,644	-17,847	-30,902
Change in working capital ⁸	607	-245	22,132	990	-17,898
Cash flow from (-used in) operating activities	-7,087	-8,194	8,489	-16,857	-48,799
Cash flow from (-used in) investing activities	-2,490	-4,159	-5,298	-4,989	-11,771
Cash flow from (-used in) financing activities	955	0	3,686	42	22,493
Cash flow from (-used in) the period	-8,623	-12,353	6,877	-21,805	-38,077
Cash and cash equivalents at the beginning of period	22,521	35,646	7,021	45,098	45,098
Cash and cash equivalents at the end of period	13,898	23,294	13,898	23,294	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

	April - June		January - June		Full year
	2023	2022	2023	2022	2022
Average number of shares during the period ⁹	89,367,862	40,920,000	87,080,165	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 - June 2023	Full year			
		2022	2021	2020	2019
Net sales	10,061	18,804	21,616	20,164	11,921
Operating profit (-loss)	-15,728	-36,774	-33,662	-24,420	-27,205
Profit (-loss) after net financial income	-16,007	-36,751	-33,672	-24,471	-27,243
Taxes	0	0	-15	-35	0
Profit (-loss) after taxes	-16,007	-36,751	-33,687	-24,506	-27,243
Profit margin, %	neg	neg	neg	neg	neg
Intangible assets	18,733	16,167	10,430	13,452	16,039
Tangible assets	132	116	148	355	405
Financial assets	0	0	0	0	8
Inventories	189	240	395	255	184
Current receivables	4,165	28,749	7,993	8,934	6,792
Cash and bank balances	14,702	7,796	45,143	18,714	9,417
Equity	16,333	31,169	45,315	24,999	20,339
Non-current liabilities	2,500	0	0	0	333
Current liabilities	19,088	21,900	18,793	16,711	12,172
Total assets	37,921	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, %	43.1	58.7	70.7	59.9	61.9
Debt/equity ratio, multiple	0.26	0.00	0.00	0.01	0.04
Interest coverage ratio, %	neg	neg	neg	neg	neg
Quick ratio, %	98.8	166.9	282.7	165.5	133.2
Number of employees (end of period)	33	30	26	20	19
Investments					
Intangible assets	5,298	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	-0.18	-0.90	-0.85	-0.79	-1.60
Basic earnings (-loss) per share. after dilution, end of the period SEK	-0.18	-0.87	-0.82	-0.72	-1.60
Average number of shares during the period	87,080,165	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
Debt/equity ratio	Interest-bearing liabilities divided by equity
Interest coverage ratio	Earnings before interest divided by interest expenses
Earnings per share	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 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 July 20th 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 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 July 20th 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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