

INTERIM REPORT

JANUARY-MARCH 2020



XMReality AB (publ), Interim Report, January-March 2020

The market increases its usage of XMReality Remote Guidance. During the period order backlog rose with 48 percent to SEK 9,067 thousand (6,127). Net sales increased 15 percent compared to same period last year with a continued high gross margin above 90 percent. Existing customers' utilization grew more than 300 percent during the quarter and the number of customer enquiries increased significantly.

January-March 2020

- Net sales grew 15.3 percent to SEK 3,483 thousand (3,021)
- Costs totaled SEK -10,856 thousand (-10,352)
- The net loss was SEK -6,600 thousand (-5,712).
- Cash flow for the period was SEK 28,985 thousand (-6,590) and the equity/assets ratio at the end of the period was 71.6 percent (77.0).

The order intake during the period was dominated by software subscriptions and totaled SEK 5,653 thousand. Order backlog, which had not yet been recognized in net sales at the end of the period, increased by 48 percent to SEK 9,067 thousand (6,127). This growth is primarily attributable to the three-year contract with Electrolux Professional and the contracts with Hexagon company myVR Software and Minebea Intec. XMReality allocates prepaid subscription revenue across the term of the contract on a linear basis.

There was a positive effect on cash flow, primarily due to the executed Preferential Rights Issue.

Significant events during the period, January-March 2020

- Minebea Intec, a world-leading manufacturer of weighing and inspection technologies, is expanding its use of XMReality to users outside Europe for users in North America, South America, India and the rest of Asia.
- Electrolux Professional signed a three-year contract that covers the use of Remote Guidance. Our product will be integrated in the home appliance supplier's customer offering. The contract is worth about SEK 1 million over the term of three years.
- XMReality and myVR Software, a Hexagon company, initiated a partnership in which Remote Guidance is being integrated in the Hexagon Xalt | Visualization platform for AR solutions.
- XMReality's German sales office opened.
- The company executed a Preferential Rights Issue that raised capital of SEK 35.8 million before issue costs.

Significant events after the end of the quarter

- IMI, a British engineering company operating in 50 countries, has chosen to order XMReality Remote Guidance. The contract covers both hardware and software, where software constitutes around half of the order value of SEK 800,000, and will be renewed annually.
- The Kingdom Housing Association, a Scottish property owner, is now using XMReality Remote Guidance to help tenants carry out simple repairs and maintenance.
- XMReality will be supplying Remote Guidance technology to Nestlé, a Swiss food and beverage company. The companies have entered into a global Master Service Agreement. The contract is open in term and volume and will as such not guarantee any order volumes. The initial order value is about SEK 900,000 and covers the rest of 2020.

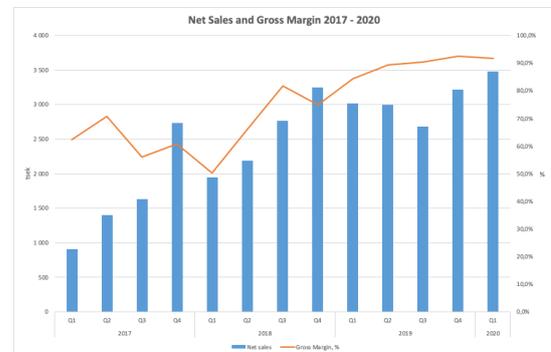
Message from the CEO



Demand for the company’s product and offering rose significantly during the period, partly as a result of restrictions following the corona pandemic, but also from our focus on a scalable business through software subscriptions. The utilization of existing licenses and sign-ups to our online offering both increased more than 300 percent during the quarter. Order intake in March alone was SEK 3,538 thousand, of which software subscriptions (SaaS) accounted for the absolute majority. Notably, existing customers are also scaling up and ordering additional licenses to a greater extent.

Hence, we are seeing positive effects in terms of customer interest and business following the corona pandemic. Longer term there may be a risk that this development, which is positive for the company in terms of business, will subside and that customers’ solvency will be impaired during a potential recession. The current situation will however result in companies seeking redundancy (digital alternatives), owners will request risk mitigation activities and preventive measures against potential similar future situations. This in combination with many companies ambition to become more sustainable, including reduced travelling, results in a continued high relevance for Remote Guidance for the foreseeable future. In relation to this we also see potential for good leverage on our operations in the US and Germany when these countries begin to open-up again.

Regarding the new contracts during the period, the three-year contract with Electrolux is fundamental as an example of an existing customer that is scaling up its use of Remote Guidance. The deal with Dtl Creative and facility management in UK is also very positive. The contract covers support and help to tenants through Remote Guidance and takes XMReality into the real estate sector, with all of its potential for scalability. Presently, we are seeing higher interest in this area, especially from other firms in the UK. The deal with Hexagon company, myVR Software, is an example of an application where our product is being integrated directly into a larger system, where it will become a component of the customer’s own software offering. We see additional future potential in this kind of partnership and internal product development is proceeding well here.



With the substantial increase in enquiries, new applications, a well-positioned offering and stronger cash reserves we are looking forward to a strong development during the rest of the year!

Linköping, 24 April 2020

Jörgen Rimmelg
Chief Executive Officer
XMReality AB (publ)

Income statement (SEKk)

	January-March		Full year
	2020	2019	2019
Net sales	3,483	3,021	11,921
Capitalized production costs	702	1,562	5,289
Other operating income	71	57	427
Total operating income	4,256	4,640	17,637
Raw materials and consumables	-285	-470	-1,282
Other operating expenses	-5,024	-3,912	-19,890
Employee benefits expenses	-4,340	-5,012	-19,456
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-1,198	-935	-4,160
Other operating costs	4	-5	-149
EBIT	-6,588	-5,694	-27,300
Financial income and similar profit items	0	0	0
Financial expenses and similar loss items	-12	-18	-64
EBT	-6,600	-5,712	-27,364
Group contribution received	0	0	29
Profit (-loss) before tax	-6,600	-5,712	-27,335
Income tax expense for the period	0	0	0
Profit (-loss) for the period	-6,600	-5,712	-27,335
Earnings per share(SEK)	-0.30	-0.34	-1.60
Earnings per share, fully diluted (SEK)	-0.19	-0.33	-1.59
Average number of shares during the period	21,786,111	17,050,000	17,050,000
Shares outstanding at the end of the period	34,100,000	17,050,000	17,050,000
Average shares outstanding during the period, fully diluted	21,873,626	17,290,000	17,228,630
Shares outstanding at the end of the period, fully diluted	34,200,000	17,290,000	17,270,000

Balance sheet (SEKk)

	31 Mar 2020	31 Mar 2019	31 Dec 2019
Assets			
Non-current assets			
Capitalized development costs	15,583	15,419	16,039
Machinery and plant	0	0	0
Equipment, tools and systems	363	490	405
Financial assets	320	8	59
Total non-current assets	16,267	15,917	16,503
Current assets			
Inventories	132	217	184
Current receivables	5,845	7,090	6,792
Cash and bank balances	38,333	31,208	9,347
Total current assets	44,310	38,515	16,323
Total assets	60,577	54,432	32,826
Equity and liabilities			
Equity	43,373	41,895	20,273
Non-current liabilities	258	708	383
Current liabilities ¹	16,946	11,829	12,169
Total equity and liabilities	60,577	54,432	32,826
¹ Of which interest-bearing liabilities	500	646	510
Collateral provided	3,700	3,700	3,700
Contingent liabilities	None	None	None

Statement of changes in equity (Amounts in SEKk)

	January-March		Full year
	2020	2019	2019
Equity at 1 January 2020	20,273	47,607	47,607
New share issue (net after issue costs)	29,700	0	0
Loss for the period	-6,600	-5,712	-27,335
Equity at 31 March 2020	43,373	41,895	20,373
Average number of shares during the period	21,786,111	17,050,000	17,050,000
Shares outstanding at the end of the period	34,100,000	17,050,000	17,050,000
Average shares outstanding during the period, fully diluted	21,873,626	17,290,000	17,228,630
Shares outstanding at the end of the period, fully diluted	34,200,000	17,290,000	17,270,000

Statement of cash flows (SEKk)

	January-March		Full year
	2020	2019	2019
Operating activities			
Cash flow (-used) before changes in working capital	-5,718	-4,824	-23,456
Changes in working capital	6,091	-69	809
Cash flow from (-used in) operating activities	373	-4,893	-22,647
Cash flow from (-used in) investing activities	-702	-1,562	-5,321
Cash flow from (-used in) financing activities	29,314	-135	-482
Cash flow for (-used in) the period	28,985	-6,590	-28,451
Cash and cash equivalents at beginning of period	9,347	37,798	37,798
Cash and cash equivalents at end of period	38,332	31,208	9,347

Overview of financial performance (SEKk)

An overview of the financial performance of XMReality AB (publ) for the period of January–March 2020 and for the full years of 2016–2019 is presented below. All figures for the financial years of 2016–2019 are based on material taken from official, published annual reports.

	Jan–Mar 2020	2019	2018	2017	2016
Net sales	3,483	11,921	10,155	6,683	5,155
Operating profit (-loss)	-6,588	-27,300	-29,250	-22,633	-9,976
Profit (-loss) after net financial income	-6,600	-27,364	-29,317	-22,741	-10,041
Group contribution received	0	29	0	0	0
Profit (-loss) after appropriations	-6,600	-27,335	-29,317	-22,741	-10,041
Profit margin, %	Neg	Neg	Neg	Neg	Neg
Intangible assets	15,583	16,039	14,754	12,458	6,595
Property, plant and equipment	363	405	528	1,705	901
Financial assets	320	59	8	0	25
Inventories	132	184	261	306	587
Current receivables	5,845	6,792	5,978	6,014	2,297
Cash and bank balances	38,333	9,347	37,798	46,241	22,100
Equity	43,373	20,273	47,608	56,826	26,556
Non-current liabilities	258	383	844	1,535	2,428
Current liabilities	16,946	12,169	10,875	8,362	3,521
Total assets	60,577	32,826	59,327	66,724	32,505
Return on average capital employed, %	neg	neg	neg	neg	neg
Return on average equity, %	neg.	Neg	Neg	Neg	Neg
Equity/assets ratio, %	71.6	61.8	80.2	85.2	81.7
Debt/equity ratio, multiple	0.02	0.04	0.04	0.04	0.1
Interest coverage ratio, %	Neg	Neg	Neg	Neg	Neg
Quick ratio, %	260.7	132.6	402.5	624.9	693.0
Number of employees at the end of the period	20	17	23	19	14
<i>Investments</i>					
Intangible assets	702	5,289	5,478	6,687	2,999
Property, plant and equipment	0	32	140	1,908	901
Financial assets	312	51	8	0	0
Basic earnings per share, SEK	-0.30	-1.60	-1.72	-1.56	-1.20
Earnings per share, fully diluted, SEK	-0.19	-1.14	-1.70	-1.52	-1.15
Average number of shares during the period ⁵	21,786,111	17,050,000	14,982,648	13,175,227	7,202,593
Shares outstanding at the end of the period	34,100,000	17,050,000	17,050,000	14,607,982	8,368,420
Average shares outstanding during the period, fully diluted	21,873,626	17,228,630	15,257,634	13,565,227	7,463,085
Shares outstanding at the end of the period, fully diluted	34,200,000	17,270,000	17,290,000	14,997,982	8,758,420

Definitions of key data

Profit margin	Profit after net financial income or expense divided by sales
Equity	The sum of shareholders' equity, restricted reserves and non-restricted equity
Return on average capital employed	Profit or loss before interest expense 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

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 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 2019, pages 22-23, "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 for at least 12 months.

Stock

XMReality AB (publ) is a public company whose shares 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 34,100,000 shares outstanding in XMReality AB (publ). These included both shares and BTA (paid subscribed shares) at the end of the period. All BTA are now registered as shares. The number of shares stated above refers to the status at the reporting date and after the completed share issue. There is only one share class and each share carries one vote.

The 2019 Annual General Meeting resolved in favor of a further stock options plan 2019/2022, carrying rights to subscribe for up to 500,000 shares. Up to the reporting date, options from this plan corresponding to the right to subscribe for 100,000 shares were allocated equally between two members of executive management, Marcin Szymanski and Per Unell.

The previous 2016/2020 stock options plan, for which the exercise period was 1-31 January 2020, expired with no shares having been subscribed.

Certified advisor

XMReality's Certified Adviser is Redeye AB.

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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, 24 April 2020

Board of Directors

Financial reporting calendar:

Interim report Q2 2020	14 August 2020
Interim report Q3 2020	29 October 2020
Year-end report 2020	12 February 2021

Contact person at XMReality AB (publ):

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