

# INTERIM REPORT

## JULY-SEPTEMBER 2018



## XMReality AB (publ), Interim Report, July–September 2018

Yet another quarter when all signs point to growth for XMReality, with strong increases in order intake and billing. Several new and exciting collaborations have begun and strategically important new software features have been developed. After the end of the quarter, an extraordinary general meeting resolved to execute a directed new issue to raise capital of approximately SEK 21 million before issue costs.

### The quarter: July-September 2018

- Net sales amounted to SEK 2,766 thousand (1,635).
- Costs totalled SEK -10,026 thousand (-8,605).
- The net loss was SEK -5,791 thousand (-5,147).
- Net cash used amounted to SEK -6,316 thousand (-6,494) and the equity/assets ratio at the end of the period was 80.5 percent (88.9.4).

The order situation was successfully changed during the period in line with the Company's strategy to increase the software component of sales. The Company allocates prepaid subscription revenue and hardware rental revenue across the term of the contract on a straight-line basis. Invoiced sales, which had not yet been recognised in revenue at the end of the period, increased by SEK 2,939 thousand (1,367).

### The interim period, January-September 2018.

- Net sales amounted to SEK 6,905 thousand (3,948).
- Costs totalled SEK -32,825 thousand (-24,006).
- The net loss was SEK -20,981 thousand (-14,767).
- Net cash used amounted to SEK -22,224 thousand (34,309)

The Company allocates prepaid subscription revenue and hardware rental revenue across the period on a straight-line basis. There is a positive effect on cash flow when orders are written, while the effect of orders received on profit and loss has limited impact during the period, which has had short-term effect on the reported equity/assets ratio and earnings. Hardware sales are recognised in income when the goods are delivered.

### Significant events during the quarter, July–September 2018

- Haas Group expanded its collaboration with XMReality
- American defence group placed a follow-on order with XMReality
- XMReality and Novacura initiated a strategic sales collaboration
- Minebea Intec selected XMReality as its platform for AR-based remote guidance
- XMReality launched new functionality at its customer event
- XMReality and Semcon initiated a strategic sales collaboration

### Significant events after the end of the quarter

- The board of directors resolved to execute a directed new issue of approximately SEK 21 million and announced that Investment AB Spiltan would become the new principal owner
- An extraordinary general meeting was held 25 October, at which the board decision on the directed issue was approved

## Message from the CEO



Yet another quarter when all signs point to growth for XMReality. Billing for software licenses thus far this year has increased more than 100 percent compared to the preceding year. In parallel with increasing our order intake and billing, we are also investing in an increasingly solid partner network and delivering exciting new functionality in knowledge sharing powered by Augmented Reality (AR).

Business is developing well and new contracts during the quarter generally have a duration of 12 months or longer. The deal with Minebea Intec, which needed to meet rising demand from its customers for premium service, is particularly gratifying. After an intensive evaluation last spring, Minebea Intec decided to integrate XMReality Remote Guidance in its service offering.

We are continuing our goal-oriented efforts to build the world's best ecosystem for knowledge sharing through AR. Contracts with Semcon and Novacura were signed during the quarter. The partnership with Semcon gives them the right to market and sell XMReality Remote Guidance and gives XMReality the right to distribute and visualise content produced by Semcon in XMReality Remote Guidance. This widens XMReality's offering to include a solution in which technical digital information and instructions, such as service instructions, can be visualised, which gives users the opportunity to work smarter.

Three new strategic features – web client, IOT integrations and multi-participant calls – were

developed during the period. The first customer demonstrations were held at the annual customer conference.

"The possibility to make multi-participant calls is perfect for our first line support if they need to escalate an issue to second line or further", said Per Johansson, Global Field Service Manager, Alfa Laval.

We received glowing feedback on our software and system solution at this year's customer conference. IKEA Industry participated as a guest speaker and presented its views on more efficient production processes. Our latest partners, Semcon and Novacura, gave enthusiastically received presentations in which XMReality was put into a context in a concrete and educational manner aimed at enhancing the efficiency of customer processes. There were several dialogues among customers about the opportunities and challenges of increasing the use of XMReality Remote Guidance even faster.

Alongside sales and product development initiatives, a project is ongoing to streamline processes and methods to prepare the organisation for even higher order intake.

After the end of the quarter, an extraordinary general meeting resolved to provide capital of about SEK 21 million, before issue costs, to the Company. The cash injection allows us to actively expand our sales initiatives and take advantage of the favourable pace of development we see in the business.

With good momentum for us with several of the biggest companies in the world, we are charging up for a strong finish to 2018.

Johan Castevall, CEO  
Linköping, 26 October 2018

## Income statements (SEKk)

	January–September		July–September		Full year
	2018	2017	2018	2017	2017
Net sales	6,905	3,948	2,766	1,635	6,683
Capitalised production costs	4,079	5,147	1,027	1,679	6,687
Other operating income	860	144	442	144	279
<b>Total income</b>	<b>11,844</b>	<b>9,239</b>	<b>4,235</b>	<b>3,458</b>	<b>13,649</b>
Raw materials and supplies	-2,208	-1,723	- 501	-718	-2,797
Other external expenses	-12,083	-12,022	-3,261	-4,426	-17,645
Personnel costs	-15,012	-9,394	-4,707	-2,942	-13,889
Depreciation and amortisation of tangible and intangible assets	-2,787	-858	-1,029	-518	-1,928
Other operating expenses	-666	-9	-507	-1	-23
<b>Operating profit (-loss)</b>	<b>-20,912</b>	<b>-14,767</b>	<b>-5,770</b>	<b>-5,147</b>	<b>-22,633</b>
Interest income and similar profit items	0	11	0	0	11
Interest expenses and similar loss items	-69	-92	-21	-37	-119
<b>Profit (-loss) after net financial income</b>	<b>-20,981</b>	<b>-14,848</b>	<b>-5,791</b>	<b>-5,184</b>	<b>-22,741</b>
Tax on profit or loss for the period		-		-	0
<b>Profit (-loss) for the period</b>	<b>-20,981</b>	<b>-14,848</b>	<b>-5,791</b>	<b>-5,184</b>	<b>-22,741</b>

## Balance sheets (SEKk)

	30 Sep 2018	30 Sep 2017	31 Dec 2017
<b>Assets</b>			
<b>Non-current assets</b>			
Capitalised development costs	14,431	11,741	12,458
Machinery and plant	313	763	1,023
Equipment, tools, fixtures and fittings	567	610	682
Financial assets	8	0	0
<b>Total non-current assets</b>	<b>15,319</b>	<b>14,114</b>	<b>14,163</b>
<b>Current assets</b>			
Inventories	801	725	306
Current receivables	4,418	2,553	6,014
Cash and bank balances	24,017	56,409	46,241
<b>Total current assets</b>	<b>29,236</b>	<b>59,687</b>	<b>52,561</b>
<b>Total assets</b>	<b>44,555</b>	<b>72,801</b>	<b>66,724</b>
<b>Equity and liabilities</b>			
Equity	35,845	64,719	56,827
Non-current liabilities	1,000	1,717	1,535
Current liabilities <sup>2</sup>	7,710	6,365	8,362
<b>Total equity and liabilities</b>	<b>44,555</b>	<b>72,801</b>	<b>66,724</b>
<sup>2</sup> Of which interest-bearing liabilities	717	725	725
Pledged assets	3,700	3,700	3,700
Contingent liabilities	None	None	None

## Statements of changes in equity (SEKk)

	30 Sep 2018	30 Sep 2017	31 Dec 2017
Balance at the beginning of the period	56,826	26,556	26,556
New share issue (less issue costs)	0	53,011	53,011
Profit (-loss) for the period	-20,981	-14,848	-22,741
<b>Balance at the end of the period</b>	<b>35,845</b>	<b>64,719</b>	<b>56,826</b>
Average number of shares during the period	14,607,982	12,692,393 <sup>3,4</sup>	13,175,227 <sup>3,4</sup>
Number of shares at the end of the period	14,607,982	14,607,982 <sup>3,4</sup>	14,607,982 <sup>3,4</sup>
Average number of fully diluted shares during the period	14,897,433	13,256,679	13,565,227
Average number of fully diluted shares at the end of the period	14,847,982	15,387,365	14,997,982

<sup>3</sup> Issue of 1,860,000 new shares subscribed in December 2016 and registered 21 January 2017.

<sup>4</sup> Issue of 4,379,562 new shares subscribed in April and registered on two dates, 21 April and 1 June 2017, respectively.

## Statements of cash flows (SEKk)

	January–September		July–September		Full year
	2018	2017	2018	2017	2017
<b>Operating activities</b>					
Cash flow before changes in working capital	-18,206	-14,620	-4,793	-4,918	-22,817
Changes in working capital	460	1,860	-210	590	981
<b>Cash flow from operating activities</b>	<b>-17,746</b>	<b>-12,760</b>	<b>-5,003</b>	<b>-4,328</b>	<b>-21,836</b>
Cash flow from investing activities	-3,943	-5,732	-1,140	-2,069	-6,642
Cash flow from financing activities	-535	52,801	-173	-97	52,619
<b>Cash flow for (-used in) the period</b>	<b>-22,224</b>	<b>34,309</b>	<b>-6,316</b>	<b>-6,494</b>	<b>24,141</b>
Cash and cash equivalents at the beginning of the period	46,241	22,100 <sup>5</sup>	30,333	62,903 <sup>5</sup>	22,100 <sup>5</sup>
<b>Cash and cash equivalents at the end of period</b>	<b>24,017</b>	<b>56,409<sup>5</sup></b>	<b>24,017</b>	<b>56,409<sup>5</sup></b>	<b>46,241<sup>5</sup></b>

<sup>5</sup> In addition to cash and cash equivalents at the end of the period, the company had access to a bank overdraft of SEK 1,500k until 30 June 2017.

## Overview of financial performance (SEK)

An overview of the financial performance of XMReality AB (publ) for the period of January–September 2018 and for the full years of 2014–2017 is presented below. All figures for the financial years of 2014–2017 are based on material taken from official, published annual reports.

	Jan–Sep 2018	2017	2016	2015	2014
Net sales	6,904	6,683	5,155	3,532	816
Operating profit (-loss)	-20,912	-22,633	-9,976	-4,195	-3,943
Profit (-loss) after net financial income	-20,981	-22,741	-10,041	-4,275	-3,956
Profit margin, %	neg.	neg	neg	neg	neg
Intangible assets	14,431	12,458	6,595	4,592	2,471
Tangible assets	880	1,705	901	0	0
Financial assets	8	0	25	25	25
Inventories	801	306	587	1,589	251
Current receivables	4,418	5,645	2,297	1,592	758
Cash and bank balances	24,017	46,241	22,100	1,184	2,082
Equity	35,845	56,826	26,556	2,749	4,025
Non-current liabilities	1,000	1,535	2,428	4,212	367
Current liabilities	7,710	7,994	3,521	2,021	1,195
Total assets	44,555	66,355	32,505	8,982	5,586
Return on average capital employed, %	neg.	neg	neg	neg	neg
Return on average equity, %	neg.	neg	neg	neg	neg
Equity/assets ratio, %	80.5	85.6	81.7	30.6	72.0
Debt/equity ratio, multiple	4.8	4.0	9.9	156.8	11.6
Interest coverage ratio, %	neg	neg	neg	neg	neg
Quick ratio, %	368.8	649.1	693.0	137.4	237.6
Number of employees (end of the period)	23	19	14	5	4
Investments					
Intangible assets	4,079	6,630	2,003	2,121	2,471
Tangible assets	-273	994	901	0	0
Earnings per share, SEK	neg	neg	neg	neg	neg
Average number of shares during the period <sup>6</sup>	14,607,982	13,175,227 <sup>7</sup>	7,202,593 <sup>8,9</sup>	4,822,763 <sup>10</sup>	3,406,498 <sup>11</sup>
Number of shares at the end of the period <sup>6</sup>	14,607,982	14,607,982 <sup>7</sup>	8,368,420 <sup>8,9</sup>	5,133,280 <sup>10</sup>	3,474,000 <sup>11</sup>
Average number of fully diluted shares during the period <sup>6</sup>	14,897,433	13,565,227 <sup>7</sup>	7,463,085 <sup>8,9</sup>	4,972,763 <sup>10</sup>	3,556,498 <sup>11</sup>
Average number of fully diluted shares at the end of the period <sup>6</sup>	14,847,982	14,997,982 <sup>7</sup>	8,758,420 <sup>8,9</sup>	5,283,280 <sup>10</sup>	3,624,000 <sup>11</sup>

<sup>6</sup> Restated after 20:1 split registered 21 January 2017.

<sup>7</sup> Issue of 4,379,562 new shares subscribed in April and registered on two dates, 21 April and 1 June 2017, respectively.

<sup>8</sup> Issue of 2,889,200 new shares registered 11 May 2016 and 345,940 shares subscribed against convertible debt instrument registered 12 May 2016.

<sup>9</sup> Issue of 1,860,000 new shares subscribed in December, registered 21 January 2017.

<sup>10</sup> Issue of 697,680 new shares registered 18 June 2015.

<sup>11</sup> Issues of 720,000 new shares registered 6 March 2014 and 961,600 new shares registered 9 December 2014.

## 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

XMReality is listed on Nasdaq First North (ticker: XMR). The Company's Certified Adviser is Redeye AB.

This interim report has not been reviewed by the company's auditor.

The board of directors and chief executive officer certify that this interim report provides a true and fair view of the company's operations, financial position and earnings.

Linköping, 26/10/2018

Board of Directors

The next financial report will be published 15 February 2019.

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