



Year-end Report

2023



XMReality Year-end report 2023

Group overview

The total order intake for the year increased by 8 percent for 2023 compared to 2022. As a result of strong customer growth, XMReality now has more than 150 customers. Net sales increased by 5 percent in 2023 compared to 2022, while the quarter was unchanged compared to the same period last year. The company has significantly reduced costs during the quarter and will enter 2024 with a cost mass that is approximately SEK 20 million lower on an annual basis. For the full year 2023, costs were 10 percent lower compared to 2022, and for the quarter, costs were down 6 percent compared to the last quarter of last year. The effects of the cost adjustments will be visible from the beginning of 2024.

The Quarter October - December 2023, The Group

- Net Sales amounted to SEK 4,877 thousand (4,896)
- Costs totaled SEK -16,611 thousand (-17,622)
- The operating loss before taxes was SEK -9,367 thousand (-8,672)
- Cash flow was SEK -2,121 thousand (-4,957) and the equity/assets ratio at the end of the period was 24.6 (58.7) percent

The order intake during the quarter was lower than the corresponding level in Q4 2022 and decreased to SEK 6,167 (7,573) thousand, the order intake also includes some orders that cover two and three years. Net sales was largely unchanged at SEK 4,877 (4,896) thousand compared to the previous year. The annual recurring revenue (ARR) decreased and amounted to SEK 16,849 (17,857) thousand compared to Q3 2023. The absolute majority of the revenue is still recurring software subscriptions. The gross margin remained high at 92 (94) percent for the quarter. The order backlog, order intake that remains to be recognized as net sales, increased to SEK 10,895 (9,648) thousand compared to Q3 2023.

The period January - December 2023, The Group

- Net Sales amounted to SEK 19,788 thousand (18,804)
- Costs totaled SEK -61,319 thousand (-67,957)
- The operating loss before taxes was SEK -31,297 thousand (-36,751)
- Cash flow was SEK -5,832 thousand (-37,497)

Order intake for the full year was higher compared to 2022 and increased by 8 percent to SEK 16,801 (15,533) thousand, the order intake also includes orders relating to 2 and 3 years.

The company's goals

XMReality's financial goal, to start generating positive cash flow by the end of 2024, remains.

Notable events

Notable events during the period

- XMReality has implemented several cost savings of approximately SEK 20 million on an annual basis and updated the sales strategy.
- XMReality has changed liquidity provider to Carnegie Investment Bank AB
- XMReality has resolved on a directed share issue of approximately SEK 5.9 million at a subscription price of SEK 0.43 per share
- The company has signed a framework agreement with Coor, supplier of integrated Facility Management services in the Nordics
- During the quarter, XMReality signed several new customers, including ICETRO America, Follet Products and Freudenberg e-Power Systems.



Notable events after the period

- XMReality informed that the company's CFO, Lotta Ekerbring, has announced her intention to retire. Lotta Ekerbring has been CFO at XMReality since 2022 and will leave her position in the spring of 2024. Lotta will be replaced by Frida Finér, who, after hand-over, formally takes office on April 2.
- XMReality has changed Certified Adviser to Carnegie Investment Bank AB.
- XMReality has signed a new customer agreement with Kloppenberg, a subsidiary of Middleby Corporation.

CEO comments

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



We have wrapped up 2023 with a historically high customer growth in terms of number of customers. We have established an efficient sales process with shorter lead times, and the US customer base has grown by more than 160 percent. XMReality now has more than 150 customers, and we can conclude that the updated strategy works.

We see significant growth potential in 2024 with our customers onboarded in 2023. They have a clear strategy for their use and already from the start plan to increase usage over time, where we become a strategic partner for them. We will, of course, continue the work to strengthen and increase the speed of our sales channels and build on this positive trend.

We have an increasing proportion of customers who sign multi-year contracts, which, together with many new customers, has led to the order intake for the year increasing by 8 percent compared to the full year 2022. This is despite clear uncertainties and turbulence in the market. Above all, rising interest rates have meant that many companies have held off on investments and focused on cost savings, inhibiting both our new sales and our existing customers. The increase in order intake would have been more than twice as large in percentage terms, but some of our larger orders that were supposed to come in during December instead came during January 2024.

We see continued adjustments for some of our larger customers in the number of renewed licenses. The reasons are known and related to the effect of the Covid years, which we have previously indicated.

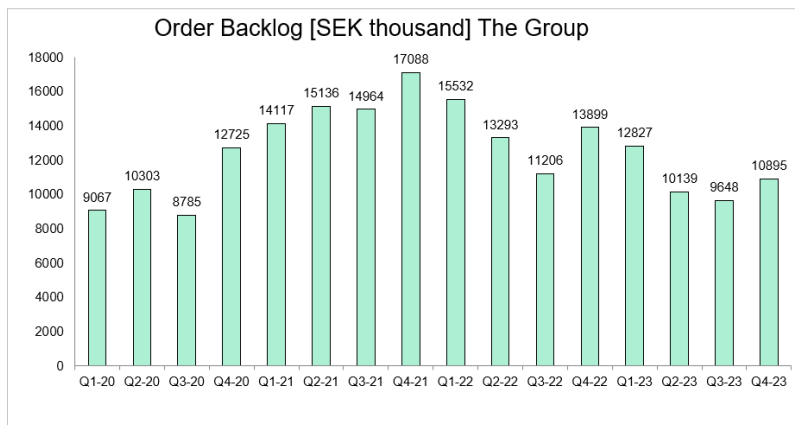
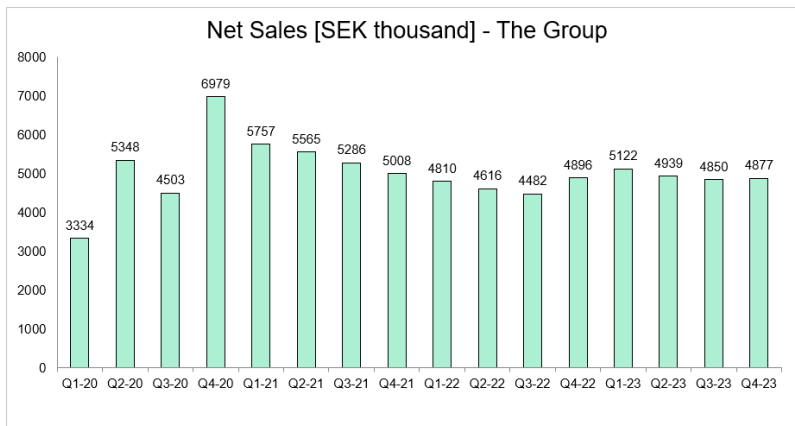
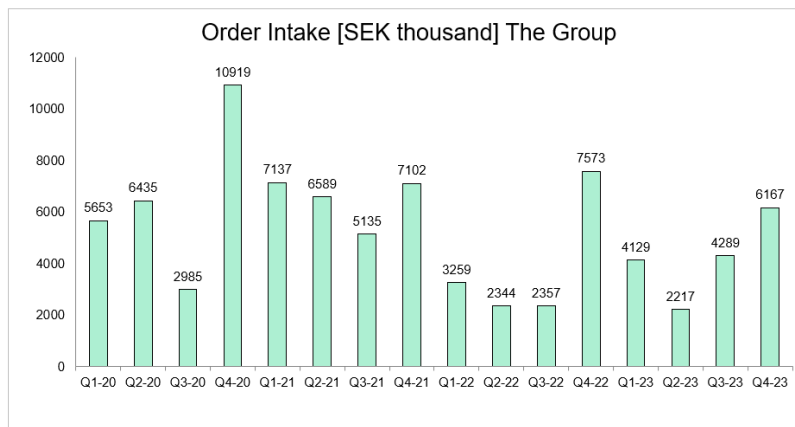
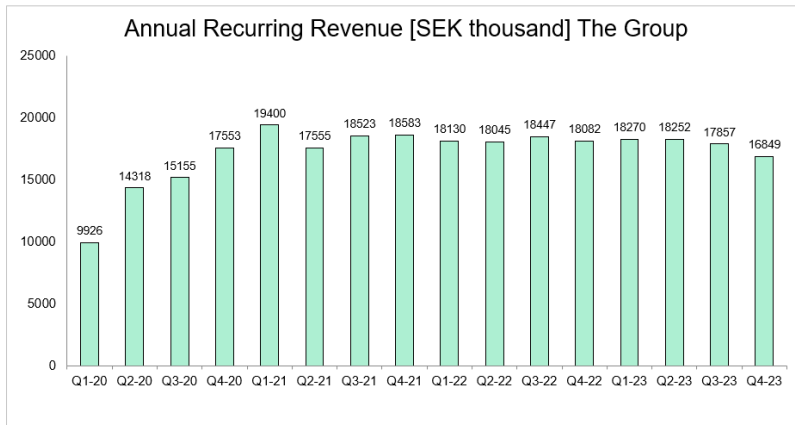
The effect becomes most evident during the fourth quarter since a large part of the annual license renewals take place during that period, which resulted in a slight reduction in our ARR.

The product continues to evolve, and during the year, we have carried out the last updates to the new back-end and shut down the old infrastructure. We now have a better foundation for maintenance, simplified operation, and implementation of functions in the product, which significantly reduces our costs. During the year, we added important integrations and further increased the product's performance on poor networks for increased competitiveness. New functions have also improved the experience and simplicity for the user, and we will continue to work with focus on making it even easier for new customers to get started. The goal is to continue strengthening our position on the market as the most user-friendly solution.

As previously communicated, the company has, in light of the uncertainty prevailing in the market, chosen to prioritize the goal of reaching a positive cash flow in 2024. This means that during the quarter we carried out major adjustments to our running costs. The adjustments will result in a cost mass of approximately SEK 20 million lower in 2024 compared to 2023.

Now, we close 2023 and look forward to an intense 2024, during which the company will focus on profitable growth.

Andreas Jonsson, CEO
Linköping February 15th, 2024



Financial basis for the Year-end report 2023

Income statements in summary (SEKk), the Group

	October – December		January – December	
	2023	2022	2023	2022
Net sales	4,877	4,896	19,788	18,804
Capitalized production costs	2,016	3,867	9,572	11,713
Other operating income	193	187	471	688
Total income	7,086	8,950	29,831	31,206
Raw materials and consumables	-368	-302	-915	-966
Other operating expenses	-3,633	-6,652	-17,175	-27,151
Employee benefits expenses	-10,836	-8,985	-36,685	-33,511
Depreciation, amortization and impairment of property plant and equipment and intangible assets	-1,540	-1,592	-5,784	-6,055
Other operating costs	-154	-115	-319	-296
EBIT	-9,445	-8,696	-31,046	-36,774
Financial income and similar profit items	158	24	191	26
Financial expenses and similar loss items	-79	-1	-441	-3
Profit(-loss) after net financial income	-9,367	-8,672	-31,297	-36,751
Income tax expense for the period	0	0	0	0
Profit(-loss) for the period	-9,367	-8,672	-31,297	-36,751
Earnings per share before dilution (SEK) ¹	-0.10	-0.21	-0.35	-0.90
Earnings per share after dilution at the end of the period ¹	-0.10	-0.10	-0.34	-0.70

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

Balance sheets in summary (SEKk), the Group

	2023-12-31	2022-12-31
Assets		
Non-current assets		
Capitalized development costs	20,030	16,167
Equipment, tools and systems	91	116
Total non-current assets	20,121	16,283
Current assets		
Inventories	358	240
Current receivables ²	5,040	28,749
Cash and bank balances	1,980	7,796
Total current assets	7,378	36,786
Total assets	27,499	53,069
Equity and liabilities		
Equity	6,752	31,169
Non-current liabilities ³	1,667	0
Current liabilities ³	19,080	21,900
Total equity and liabilities	27,499	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	3,333	0
Collateral provided	5,000	3 700
of which in own custody	0	3 500
Contingent liabilities	None	None

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

	October - December		January – December	
	2023	2022	2023	2022
Balance at the beginning of the period	10,371	17,219	31,169	45,315
New share issue (net of issue costs)	5,722	22,651	6,865	22,451
Exchange rate difference	26	-29	15	153
Profit(-loss) for the period	-9,367	-8,672	-31,297	-36,751
Balance at the end of the period	6,752	31,169	6,752	31,169

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

Statements of cash flow (SEKk), the Group

	October – December		January - December	
	2023	2022	2023	2022
Operation activities				
Cash flow (-used) before changes in working capital	-7,848	-7,216	-25,824	-31,000
Change in working capital ⁴	2,437	-16,525	21,083	-17,177
Cash flow from (-used in) operation activities	-5,411	-23,740	-4,741	-48,177
Cash flow from (-used in) investing activities	-2,016	-3,867	-9,622	-11,771
Cash flow from (-used in) financing activities	5,305	22,651	8,532	22,451
Cash flow from (-used in) the period	-2,121	-4,957	-5,832	-37,497
Exchange rate difference	29	-28	15	150
Cash and cash equivalents at the beginning of period	4,072	12,781	7,796	45,143
Cash and cash equivalents at the end of period	1,980	7,796	1,980	7,796

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

Parent company income statements in summary (SEKk)

	October – December		January - December	
	2023	2022	2023	2022
Net sales	4 678	4 942	19,565	19,731
Capitalized production costs	2 016	3 867	9,572	11,713
Other operating income	193	187	488	688
Total income	6 887	8 995	29,625	32,133
Raw materials and consumables	-275	-195	-797	-859
Other operating expenses	-5 693	-7 999	-24,289	-34,097
Employee benefits expenses	-8 983	-7 658	-29,635	-27,501
Depreciation, amortization and impairment of property plant and equipment and intangible assets	-1 536	-1 585	-5,772	-6,049
Other operating costs	-154	-101	-319	-283
EBIT	-9 754	-8 544	-31,186	-36,656
Financial income and similar profit items	158	24	191	68
Financial expenses and similar loss items	-79	-1	-441	-3
Profit(-loss) after net financial income	-9 676	-8 521	-31,437	-36,591
Group contribution received	0	0	0	0
Income tax expense for the period	0	0	0	0
Profit(-loss) for the period	-9 676	-8 521	-31,437	-36,591
Earnings per share before dilution (SEK) ⁵	-0.10	-0.30	-0.35	-0.89
Earnings per share after dilution at the end of the period ⁵	-0.10	-0.30	-0.34	-0.69

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

Parent company balance sheets in summary (SEKk)

	2023-12-31	2022-12-31
Assets		
Non-current assets		
Capitalized development costs	20,030	16,167
Equipment, tools and systems	54	116
Financial assets	51	51
Total non-current assets	20,134	16,334
Current assets		
Inventories	358	240
Current receivables ⁶	4,595	28,372
Cash and bank balances	1,832	7,021
Total current assets	6,785	35,633
Total assets	26,919	51,967
Equity and liabilities		
Equity	6,501	31,073
Non-current liabilities ⁷	1,717	50
Current liabilities ⁷	18,701	20,844
Total equity and liabilities	26,919	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	3,333	0
Collateral provided	5,000	3,700
of which in own custody	0	3,500
Contingent liabilities	None	None

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

	October - December		January - December	
	2023	2022	2023	2022
Balance at the beginning of the period	10,455	16,942	31,073	45,212
New share issue (net of issue costs)	5,722	22,651	6,865	22,451
Profit(-loss) for the period	-9,676	-8,521	-31,437	-36,591
Balance at the end of the period	6,501	31,073	6,501	31,073

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

Parent company statements of cash flow (SEKk)

	October - December		January – December	
	2023	2022	2023	2022
Operating activities				
Cash flow (-used) before changes in working capital	-8,161	-7,084	-25,976	-30,902
Change in working capital ⁸	3,172	-16,887	21,827	-17,898
Cash flow from (-used in) operating activities	-4,988	-23,971	-4,149	-48,799
Cash flow from (-used in) investing activities	-2,016	-3,867	-9,572	-11,771
Cash flow from (-used in) financing activities	5,305	22,651	8,532	22,493
Cash flow from (-used in) the period	-1,699	-5,187	-5,189	-38,077
Cash and cash equivalents at the beginning of period	3,531	12,208	7,021	45,098
Cash and cash equivalents at the end of period	1,832	7,021	1,832	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

	October - December		January - December	
	2023	2022	2023	2022
Average number of shares during the period ⁹	95,965,181	41,269,802	90,355,238	41,008,169
Shares outstanding at the end of the period ⁹	104,987,931	51,647,269	104,987,931	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.

⁹ New issue of 13,834,884 shares subscribed in November 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.

	2023	2022	Full year		
			2021	2020	2019
Net sales	19,788	18,804	21,616	20,164	11,921
Operating profit (-loss)	-31,046	-36,774	-33,662	-24,420	-27,205
Profit (-loss) after net financial income	-31,297	-36,751	-33,672	-24,471	-27,243
Taxes	0	0	-15	-35	0
Profit (-loss) after taxes	-31,297	-36,751	-33,687	-24,506	-27,243
Profit margin, %	neg	neg	neg	neg	neg
Intangible assets	20,030	16,167	10,430	13,452	16,039
Tangible assets	91	116	148	355	405
Financial assets	0	0	0	0	8
Inventories	358	240	395	255	184
Current receivables	5,040	28,749	7,993	8,934	6,792
Cash and bank balances	1,980	7,796	45,143	18,714	9,417
Equity	6,752	31,169	45,315	24,999	20,339
Non-current liabilities	1,667	0	0	0	333
Current liabilities	19,080	21,900	18,793	16,711	12,172
Total assets	27,499	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, %	24.6	58.7	70.7	59.9	61.9
Debt/equity ratio, multiple	0.49	0.00	0.00	0.01	0.04
Interest coverage ratio, %	neg	neg	neg	neg	neg
Quick ratio, %	36.8	166.9	282.7	165.5	133.2
Number of employees (end of period)	29	30	26	20	19
Investments					
Intangible assets	9,572	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	-0.35	-0.90	-0.85	-0.79	-1.60
Basic earnings (-loss) per share. after dilution, end of the period SEK	-0.34	-0.87	-0.82	-0.72	-1.60
Average number of shares during the period	90,355,238	41,008,169	39,630,740	31,063,699	17,050,000
Shares outstanding at the end of the period	104,987,931	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/>.

Current and available funding is deemed to be sufficient to ensure continued operation. The board and management are continuously working with and evaluating various options for additional financing going forward and assess that the company has good prerequisites 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 104,987,931 shares outstanding in XMReality AB (publ). There is only one share class. Each share carries one vote. There is one outstanding stock option plan, 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 February 15th 2024

Board of Directors XMReality AB (publ)

Financial reporting calendar:

Annual report 2023 published	April 8-12, 2024
Interim report Q1 2024	Thursday April 25 th , 2024
Annual General Meeting	Thursday May 23 th , 2024
Interim report Q2 2024	Thursday August 28 th , 2024
Interim report Q3 2024	Thursday October 24 th , 2024
Year-end report 2024	Thursday February 13 th , 2025

All reports are published on www.xmreality.com/en/investors/. The information was released by the contact person listed below for publication on February 15th 2024 at 08:30 CET.

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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