

13 September 2022

ENGAGE XR Holdings Plc
("ENGAGE XR", the "Company", or the "Group")

Interim Results

ENGAGE XR Holdings Plc, a virtual reality ('VR') communications technology company, is pleased to announce its unaudited interim results for the six months ended 30 June 2022.

Financial Highlights:

- Total revenue for the Group up c.41% to €1.76m (H1 2021: €1.25m)
- ENGAGE revenue up 62% to €1.46m (H1 2021: €0.90m)
- ENGAGE revenue comprised 83% of H1 2022 total revenue, an increase of 11% on the prior year (H1 2021: 72%)
- Unaudited gross margin 81% in H1 2022 (H1 2021: 80%)
- Net cash of €4.9m as at 30 June 2022

Operational Highlights:

Engage

- New ENGAGE clients include Kuehne + Nagel International AG, the global transport and logistics company, Kia, and Natixis
- The number of commercial customers has increased to over 180 since ENGAGE's launch in May 2019 with over 50 customers added in 2022
- US Partner VictoryXR has launched 10 'Metaversities' funded by Meta and built on the ENGAGE platform
- ENGAGE now has 24/5 customer support with teams in the US, Australia, and Europe available to help customers.
- A new improved version of ENGAGE (v2.3) was launched in July 2022 (Details here: <https://youtu.be/KQk5FG1Z8xc>)

ENGAGE Link

- Development of our new platform, ENGAGE Link, is progressing to plan, and it is expected to go live before the end of 2022
- HTC and The Virtual Human Interaction Lab at Stanford University have already been confirmed as launch partners for ENGAGE Link.
- Today, ENGAGE XR can confirm that a multi-national professional services firm, a global technology company and a leading publisher and education company have also agreed to be launch partners
- The Group continues to expand its US presence ahead of the launch. ENGAGE XR's sales team is now strong across USA, Europe, and Asia, comprising 10 employees
- The latest demonstration of ENGAGE Link is here: <https://youtu.be/ITtz7ErWhMs>



David Whelan, CEO of ENGAGE XR, said: “As we are gear up for the release of ENGAGE Link, our enterprise-focused metaverse, there has been increased activity for our current ENGAGE offerings this year. ENGAGE revenue is up almost two-thirds despite the global economic downturn. Companies like Meta have increased collaboration with us, and we have had major new clients such as Kia and Natixis come on board. The successful launch of 10 Meta-funded “Metaversities” or “Virtual Universities” on the ENGAGE platform is the start of what we expect to be a long-standing successful relationship as Meta rolls out its new enterprise-focused VR devices.

“We are laser-focused on providing enterprise services within the wider Metaverse. Where other platforms have focused on user growth at all costs, only to gather a much younger audience, we have focused on developing tools and services to work with enterprise customers and universities and how they engage with employees, customers and students in the Metaverse. We will be launching “ENGAGE Link” later this year, and we are working with current clients and a range of new clients on the delivery of this new business world. We have already secured five incredible launch partners, including HTC and The Virtual Human Interaction Lab at Stanford University.

“Due to growing demand, we have increased our sales, marketing, and support teams to help manage our current growth. We expect a strong end to the second half of this year with our current pipeline and new services coming on stream via “ENGAGE Link”.

“Overall, we are growing strongly, and revenue is now almost completely comprised exclusively from the ENGAGE platform. Quarterly revenues are regularly breaking previous records. With strong partnerships being formed both in the US and Asia, we see this trend continuing and even accelerating in the future. We, therefore, look forward with optimism and remain confident in meeting expectations for the year.”

“It’s been said that “The best way to predict the future is to shape it”. At ENGAGE, we are certainly taking that to heart. The Metaverse is not just for games and entertainment as we lead the way in terms of enterprise and education applications. This space is about to get interesting as we get set to turn on the lights at ENGAGE Link.”

Investor Communications

CEO David Whelan and CFO Séamus Larrissey will provide a live presentation relating to the Group's interim results via the Investor Meet Company platform on 13 September 2022 at 10:00am (UK).

The presentation is open to all existing and potential shareholders. Questions can be submitted pre-event via your Investor Meet Company dashboard up until 9:00am the day before the meeting or at any time during the live presentation.

Investors can sign up to Investor Meet Company for free and add to meet ENGAGE XR Holdings Plc via: <https://www.investormeetcompany.com/engage-xr-holdings-plc/register-investor>

This announcement contains inside information for the purposes of the UK Market Abuse Regulation and the Directors of the Company are responsible for the release of this announcement.

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About ENGAGE XR

ENGAGE XR Holdings plc (AIM: EXR; Euronext Growth: EXR) is a virtual reality ('VR') technology company focused on becoming a leading global provider of virtual communications solutions through its proprietary software platform, ENGAGE. ENGAGE provides users with a platform for creating, sharing, and delivering VR content for education, training, and online events through its three solutions: Virtual Campus, Virtual Office, and Virtual Events.

ENGAGE is currently developing a new fully featured corporate metaverse, called ENGAGE Link with the launch expected in the second half of 2022.

EXR is listed on AIM in London and on the Euronext Growth, a market operated by Euronext Dublin.

For further information, please visit: www.engagexrholdings.com (LinkedIn: @Engage XR Holdings plc Twitter: @engage_xr)

Chief Executive's Review

As we prepare to launch ENGAGE Link in the next few months, I am delighted to report ENGAGE has continued its impressive growth. We have had more new customers embracing the technology and a continued increase in existing customers using the platform. For example, South Korean company D'Carrick Co Ltd signed a new contract worth €300,000 over a three-year period in May 2022. Kuehne + Nagel International AG, the global transport and logistics company and Adtalem Global Education, the American education company, also signed new contracts.

ENGAGE XR remains focused on becoming a leading global provider of virtual communications solutions through its ENGAGE solutions. ENGAGE provides users with a platform for creating, sharing, and delivering VR content for education, training, and online events through its three solutions: Virtual Campus, Virtual Office, and Virtual Events. Our new fully featured corporate metaverse called ENGAGE Link, will launch in the coming months tying all these services into one unique corporate offering enabling companies to create new business opportunities just as the release of the world wide web did many years ago.

The pandemic undoubtedly accelerated the use of VR as a communication tool, with events, meetings and training sessions increasingly taking place in our virtual worlds. This use is set to continue as the technology becomes more accessible, with the likes of Meta, HTC and others bringing new headsets to the market. Importantly, the Metaverse supports the need for businesses and consumers to live more sustainably by reducing the need for daily travel.

ENGAGE

ENGAGE revenue has increased 62% to €1.46 m (2021: €0.9m). ENGAGE revenue comprises 83% of total Group revenue, up from 72% during the same period in 2021. While VRE sells Showcase Experiences on various VR platforms, which perform well, the Group's ENGAGE platform revenue now dominates. Showcase Experience revenue totalled €0.3m (2021: €0.3m).

Over the last six months, new ENGAGE clients include Kuehne + Nagel International AG, Kia, and Natixis.

Our US Partner VictoryXR has launched 10 'Metaversities' funded by Meta and built on the ENGAGE platform. Each school will roll out a digital twin, replica campus for students to attend, whether they are on campus or learning remotely. The partnership was funded, in part, by Meta Immersive Learning, and Meta will provide Quest 2 headsets on each campus to each student during the project as well as funding for the digital twin buildouts. Each campus is built by VictoryXR on the ENGAGE platform. We expect this partnership to grow significantly next year as this initial pilot project is now successfully launched, with hundreds of students learning daily inside the platform.

The Group continues to invest in the development of ENGAGE to improve the user experience. Reflecting its growth and global appeal, ENGAGE now has 24/5 customer support with teams in the US, Australia, and Europe available to help customers. A new, improved version of ENGAGE (v2.3) was launched in July 2022 (Details here: <https://www.youtube.com/watch?v=KQk5FG1Z8xc>)

ENGAGE Link

In June 2021, we announced the planned development of a new fully featured corporate Metaverse. ENGAGE Link will launch in the coming months and will be the first time our clients will have publicly accessible, always-on, persistent locations to advertise their business and services directly to the general public and to potential clients. Clients can build their own

unique Metaverse for private company use, or make it available to the wider world on ENGAGE Link, or via their own website, using our deep links system.

With ENGAGE Link, we are building a completely distributive economic environment for forward-thinking enterprises and individuals to build the future of work, commerce and communications. Where other platforms have gathered a younger audience, we have focused on developing tools and services to build businesses in the Metaverse.

We are working with current clients and a range of new clients on the delivery of this new business world. We have secured five incredible launch partners, including HTC and The Virtual Human Interaction Lab at Stanford University. In addition, a multi-national professional services firm, a global technology company and a leading publisher and education company have also agreed to be launch partners. More details of which will be provided as we get closer to the launch.

Just as the emergence of the internet changed the world in the late 90s, the professional Metaverse will change business practices globally with how we communicate with our employees, our customers and each other.

Medium Term Outlook

Based on the strong traction demonstrated by the increased use of the ENGAGE platform and the expanding product range, Engage XR is making good progress towards its medium-term financial objectives for 2023 - 2025. These were announced in January 2021, and are as follows:

- Target of reaching €10 million annual ENGAGE revenue milestone, 500 active Enterprise customers and 100,000 monthly users during 2023 - 2025:
 - Target only reflects the current ENGAGE offering and doesn't reflect huge opportunity from ENGAGE Link
- Annual ENGAGE revenue CAGR in excess of 100% which is on track to be achieved in FY22
- 10% average month-on-month increase in users to reach 100,000 monthly users, reflecting a target 500 active Enterprise customers; We have seen positive growth in users as we build out to attain this metric
- Customer retention rate of 80%+; Customer retention in FY22 to date has been 82% for non-trial customers
- Growth in average annual contract value to €20,000+, reflecting the nature of emerging Enterprise client base and optimal contract value; Average contract value in FY22 has grown to €18,000 so progress is on track to achieve this target
- Target Group gross margin in excess of 80%; Group gross margin was 81% in the period, so the Group has exceeded this target

Outlook

We expect a strong end to the second half of this year with our current pipeline and new services coming on stream via "ENGAGE Link". Due to strong and growing demand, we have increased our sales team, marketing department and support teams to help manage our current growth.

Overall, we are growing strongly and revenue is now almost completely comprised exclusively from the ENGAGE platform. Quarterly revenues are regularly breaking previous records. With strong partnerships being formed both in the US and Asia, we see this trend continuing and

even accelerating in the future. As a result, we look forward with continued optimism and are confident in delivering our forecasts for the current financial year.

It's been said that "The best way to predict the future is to shape it". At ENGAGE, we are certainly taking that to heart. The Metaverse is not just for games and entertainment as we lead the way in terms of enterprise and education applications. This space is about to get interesting as we get set to turn on the lights at ENGAGE Link.

David Whelan
Chief Executive Officer
13 September 2022

Financial Review

Revenue for the half year is up 41% on the prior half year to €1,757k (H1 2021: €1,248k), driven by a continued acceleration in revenue from the ENGAGE platform.

ENGAGE revenue as a percentage of total revenue grew significantly in the period and comprised 82% of total revenue in the period (H1 2021: 72%).

EBITDA loss was €2.5m (H1 2021: loss of €1.0m). The primary cost driver for the EBITDA loss is salary and associated costs, currently approximately €0.6m per month.

Loss before tax was €2.8m, in line with management expectations, compared to a loss in the prior year of €1.3m.

The combination of operating cashflows and capital expenditure in H1 2022 were €2.9m compared to €1.3m in H1 2021. The current cash burn rate, net of revenue received, post period end is approximately €0.45m per month but is expected to decline over the next 12 months as monthly revenues continue to grow.

At 30 June 2022, the Group had a strong cash position with net cash of €4.9m.

Séamus Larrissey
Chief Financial Officer
13 September 2022

**Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2022**

	Note	Unaudited Six months ended 30 June 2022 €	Unaudited Six months ended 30 June 2021 €
Continuing Operations			
Revenue		1,757,438	1,248,441
Cost of Sales		(337,244)	(255,869)
		<hr/>	<hr/>
Gross Profit		1,420,194	992,572
Administrative Expenses		(4,200,985)	(2,287,350)
		<hr/>	<hr/>
Operating Loss		(2,780,791)	(1,294,778)
Finance Costs		(17,524)	(3,259)
		<hr/>	<hr/>
Loss before Income Tax		(2,798,315)	(1,298,037)
Income Tax Credit		-	-
		<hr/>	<hr/>
Loss for the Year from continuing operations		(2,798,315)	(1,298,037)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share			
Basic from continuing operations	4	(0.010)	(0.004)

Consolidated Statement of Financial Position
As at 30 June 2022

	Note	Unaudited as at 30 June 2022 €	Unaudited as at 30 June 2021 €	Audited as at 31 Dec 2021 €
Non-Current Assets				
Property, Plant & Equipment		105,228	85,043	102,075
Intangible Assets	2	206,841	659,437	426,454
		312,069	744,480	528,529
Current Assets				
Trade and other receivables		1,087,352	610,704	645,890
Cash and short-term deposit		4,900,780	9,192,065	7,790,060
		5,988,132	9,802,769	8,435,950
Total Assets		6,300,201	10,547,249	8,964,479
Equity and Liabilities				
Equity Attributable to Shareholders				
Issued share capital	5	290,451	290,101	290,451
Share premium	5	33,503,300	33,494,550	33,503,300
Other reserves		(11,764,028)	(11,861,438)	(11,775,474)
Retained earnings		(16,354,082)	(11,727,852)	(13,555,767)
Total Equity		5,675,641	10,195,361	8,462,510
Non-Current Liabilities				
Operating lease liabilities		3,582	12,182	7,883
Current Liabilities				
Trade and other payables		612,378	312,122	481,576
Operating lease liabilities		8,600	27,584	12,510
		620,978	339,706	494,086
Total Liabilities		624,560	351,888	501,969
Total Equity and Liabilities		6,300,201	10,547,249	8,964,479

Consolidated Statement of Changes in Equity
At 30 June 2022

Attributable to Equity Shareholders

	Share Capital €	Share Premium €	Other Reserves €	Retained Earnings €	Total €
Balance at 1 January 2021	241,751	24,547,516	(11,337,058)	(10,429,815)	3,022,394
Loss for the period	-	-	-	(1,298,037)	(1,298,037)
Issue of ordinary shares	48,350	8,947,034	-	-	8,995,384
Issue costs	-	-	(538,060)	-	(538,060)
Share option expense	-	-	13,680	-	13,680
Balance at 30 June 2021	<u>290,101</u>	<u>33,494,550</u>	<u>(11,861,438)</u>	<u>(11,727,852)</u>	<u>10,195,361</u>

Attributable to Equity Shareholders

	Share Capital €	Share Premium €	Other Reserves €	Retained Earnings €	Total €
Balance at 1 January 2022	290,451	33,503,300	(11,775,474)	(13,555,767)	8,462,510
Loss for the period	-	-	-	(2,798,315)	(2,798,315)
Share option expense	-	-	11,446	-	11,446
Balance at 30 June 2022	<u>290,451</u>	<u>33,503,300</u>	<u>(11,764,028)</u>	<u>(16,354,082)</u>	<u>5,675,641</u>

Consolidated Statement of Cash Flows
For six month period ended 30 June 2022

	Unaudited Six months ended 30 June 2022 €	Unaudited Six months ended 30 June 2021 €
	Note	
Cash Flows from Operating Activities		
Loss before income tax	(2,798,315)	(1,298,037)
Adjustments to reconcile loss before tax to net cash flows:		
Depreciation	34,730	34,225
Amortisation	219,613	304,688
Finance Costs	17,524	3,259
Share Option Expense	11,446	13,680
Movement in Trade & Other Receivables	(441,462)	(252,427)
Movement in Trade & Other Payables	130,802	(45,299)
	<u>(2,825,662)</u>	<u>(1,239,911)</u>
Bank interest & other charges paid	(17,524)	(3,259)
Net cash used in operating activities	<u>(2,843,186)</u>	<u>(1,243,170)</u>
Cash Flows from Investing Activities		
Purchases of property, plant & equipment	(37,883)	(35,432)
Net cash used in investing activities	(37,883)	(35,432)
Cash Flows from Financing Activities		
Proceeds from issuance of ordinary shares	5	8,457,324
Payment of operating lease liabilities	(8,211)	(19,374)
Net cash (used)/generated from financing activities	(8,211)	8,437,950
Net (decrease)/increase in cash and cash equivalents	(2,889,280)	7,159,348
Cash and cash equivalents at beginning of period	7,790,060	2,032,717
Cash and cash equivalents at the end of period	<u>4,900,780</u>	<u>9,192,065</u>

Notes to the Interim Report

1. Basis of Preparation

The consolidated interim financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as endorsed by the European Union (“IFRS”) and expected to be effective at the year-end of 31 December 2022.

The accounting policies are unchanged from the financial statements for the year ended 31 December 2021. The interim financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2021, prepared in accordance with IFRS, have been filed with the Companies Registration Office. The Auditors’ Report on these accounts was unqualified.

The consolidated interim financial statements are for the 6 months to 30 June 2022.

The interim consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021, which were prepared in accordance with IFRS’s as adopted by the European Union.

2. Summary of Significant Accounting Policies

New standards, interpretations and amendments adopted by the Company

No new standards or amendments have been adopted for the first time in these financial statements:

Intangible Assets

Research costs are expensed as they are incurred. Development costs that are directly attributable to the design and testing of identifiable and unique commercial software controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use and sale;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate future economic benefits;
- adequate technical, financial and other resources to complete the development and use or
- sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably
- measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and subcontracted development costs.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 3 years and commences after the development is complete and the asset is available for use. Intangible assets are amortised over their estimated useful lives based on the pattern of consumption of the underlying economic benefits. Amortisation is included in 'Administrative Expenses'.

2. Intangible Assets

	Software in development Costs €	Total €
Cost or Valuation		
At 1 January 2022	2,136,231	2,136,231
Additions	-	-
At 30 June 2022	-	-
Amortisation		
At 1 January 2022	1,709,777	1,709,777
Charge	219,613	219,613
At 30 June 2022	1,929,390	1,929,390
At 30 June 2022	206,841	206,841
At 31 December 2021	426,454	426,454

	Software in development Costs €	Total €
Cost or Valuation		
At 1 January 2021	2,136,231	2,136,231
Additions	-	-
	<hr/>	<hr/>
At 30 June 2021	2,136,231	2,136,231
	<hr/>	<hr/>
Amortisation		
At 1 January 2021	1,172,105	1,172,105
Charge	304,689	304,689
	<hr/>	<hr/>
At 30 June 2021	1,476,794	1,476,794
	<hr/>	<hr/>
At 30 June 2021	659,437	659,437
At 31 December 2020	964,126	964,126
	<hr/>	<hr/>

The software being developed relates to the creation of three virtual reality experiences and an online virtual learning and corporate training platform.

ENGAGE is an online virtual learning and corporate training platform currently in development by the Company. A desktop version was released in December 2018 and the mobile version was released in December 2019. Amortisation commenced when the mobile version launched.

Amortisation expense of € 219,613 (H1 2021: €304,689) has been charged in 'Administrative Expenses'. An impairment review was carried out at the balance sheet date. No impairment arose.

3. Share Based Payments

Share-based payment schemes with employees

There were 285,714 (2021: Nil) employee options granted during 2022 at an exercise price of €0.175 per share and these vest subject to continued service by the employee over a period of 3 years. Options expire at the end of a period of 7 years from the Grant Date or on the date on which the option holder ceases to be an employee.

Share-based payment expense with Director

There were no share options granted during 2022 (2021: Nil) to Directors.

The movement in employee share options and weighted average exercise prices are as follows for the reporting periods presented:

	2018 Scheme	
	Half-Year 2022	Half-Year 2021
At 1 January	4,298,042	4,298,042
Granted during period	285,714	-
Forfeited during period	-	(11,111)
At 30 June	4,404,127	4,286,931
Options outstanding at 30 June		
Number of shares	4,404,127	4,286,931
Weighted average remaining contractual life	1.71	1.54
Weighted average exercise price per share	€0.047	€0.030
Range of exercise price	€0.0001 – €0.20	€0.0001 – €0.135
Exercisable at 30 June		
Number of shares	2,718,413	2,953,842
Weighted average exercise price per share	€0.031	€0.030

The expense recognised in respect of employee share based payment expense and credited to the share based payment reserve in equity was €11,446 (2021: €13,680)

4. Loss per share

	Unaudited Six months ended 30 June 2022	Unaudited Six months ended 30 June 2021
	€	€
Loss attributable to equity holders of the Group:		
Continuing Operations	(2,798,315)	(1,298,037)
Weighted average number of shares for Basic EPS	290,101,146	290,101,146
Basic loss per share from continuing operations	(0.010)	(0.004)

5. Share Capital

	Number of shares	Ordinary shares €	Share premium €	Total €
At 1 January 2022 and at 30 June 2022	290,101,146	290,101	33,494,550	33,784,651

Forward-Looking Statements

Certain statements made in this announcement are forward-looking statements. These forward-looking statements are not historical facts but rather are based on the Company's current expectations, estimates, and projections about its industry; its beliefs; and assumptions. Words such as 'anticipates,' 'expects,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates,' and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the Company's control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

The Company cautions security holders and prospective security holders not to place undue reliance on these forward-looking statements, which reflect the view of the Company only as of the date of this announcement. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances, or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.

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