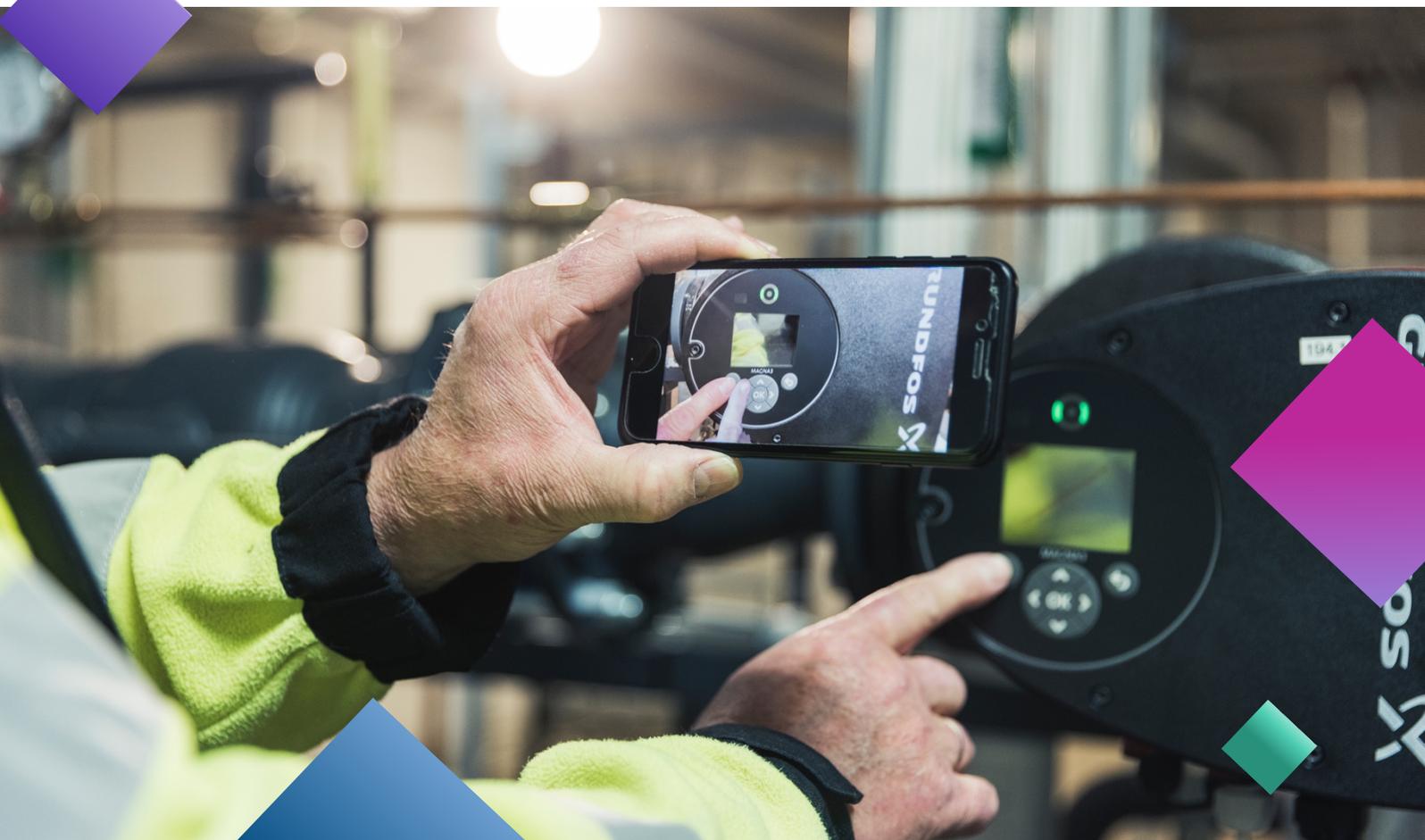


Year-end report

XMReality 2022



XMReality Year-end report 2022, Group overview

The YoY Order Intake for the quarter increased by 7 percent. Net Sales for the quarter increased with 9 percent and the Annual Recurring Revenues decreased with 2 percent compared with Q3 this year. The Rights Issue was completed as per plan and XMReality received SEK 26.2 million before issue costs.

The Quarter October – December 2022, The Group

- Net sales amounted to SEK 4,896 thousand (5,008)
- Costs totaled SEK -17,622 thousand (-18,460)
- The operating loss before taxes was SEK -8,672 thousand (-12,647)
- Cash flow was SEK -4,984 thousand (-8,487) and the equity/assets ratio at the end of the period was 58.7 (70.7) percent

The Order Intake increased YoY with 7 percent to SEK 7,573 thousand (7,102). Net Sales decreased YoY with 2 percent to SEK 4,896 thousand (5,008). However, Net Sales increased by 9 percent compared with Q3 2022 (from SEK 4,482 to 4,896 thousand). The Annual Recurring Revenues (ARR) were in large unchanged and SEK 18,082 thousand (18,583) compared with Q4 2021. The absolute majority of the revenues continues to be recurring software subscriptions. The Gross margin continued to be high and 94 (94) percent for the quarter. The Order Backlog, Order Intake that at the end of the period remains to be recognized as Net Sales, decreased YoY with 19 percent to SEK 13,899 thousand (17,088), but rose 24 percent to SEK 13,899 thousand (11,206) from Q3 to Q4 2022.

Full year 2022, The Group

- Net sales amounted to SEK 18,804 thousand (21,616)
- Costs totaled SEK -67,957 thousand (-57,664)
- The operating loss before taxes was SEK -36,751 thousand (-33,672)
- Cash flow for the period was SEK -37,347 thousand (26,430)

The cost increase is mainly attributed to the investment in marketing and sales efforts in the US. The company's financial goals are 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.

Notable events during the quarter

- Cobalt Housing in UK deployed XMReality for first line support. Cobalt Housing Ltd is a registered housing association based in North Liverpool. They manage around 6,000 properties and each year their contact center, which is the first point of contact for the tenants, receives on average 70,000 calls and emails a year.
- XMReality signed a 5-year re-seller agreement with a large global industrial corporation, with more than 100,000 employees in more than 100 countries, to sell their branded (white label) version of XMReality Remote Guidance to their global customer base. The same agreement also serves as a 5-year Frame Agreement for internal Customer purchase of the same product. The agreement as such does not guarantee any new orders.
- Saab doubled their XMReality Remote Guidance license holding. As communicated back in October 2020, Saab who serves the global market with services and solutions within military defense and civil security,

and XMReality signed a three-year contract. Saab has now ordered additional licenses as their use is increasing.

- XMReality Inc. (US) signed an annual subscription agreement with Alta Forest Products based in Chehalis, Washington. Alta Forest Products is the world's largest producer of wood fence boards. A technology driven company dedicated to sustainable forestry and zero-waste manufacturing, Alta Forest Products is using XMReality to reduce manufacturing downtime across its North American locations and for remote support of repair operations.
- XMReality expanded within the UK housing sector and signed an agreement with one of the country's leading housing associations: Sovereign Housing Association. Sovereign manages over 60,000 properties in the UK and is committed to becoming a modern, connected business with digital services that provide a great customer experience for their tenants.
- XMReality performed a preferential rights issue of units, shares and warrants of series T01. The subscription breakdown shows that approximately 76 percent was subscribed with and without the exercise of unit rights. Consequently, underwriters of the Rights Issue allocated approximately 24 percent of the Rights Issue. The Directed Issue was fully subscribed. XMReality thereby obtained SEK 26.2 million before issue costs. The new capital will mainly be used for working capital, marketing and sales in US and Europe, product development and for partnerships. Units were converted to shares on January 17th, 2023, and the number of shares increased with 47,555,269 to 88,475,269 shares. Trading in warrants of series T01 is taking place on Nasdaq First North Growth Market. The last day of trading in warrants is May 16, 2023. Two (2) warrants of series T01 entitle, during the period 8 – 19 May 2023, to the subscription of one (1) new share in XMReality at an exercise price corresponding to 70 percent of the volume-weighted average price paid for XMReality's share on the Nasdaq First North Growth Market, however minimum SEK 0.55 and maximum SEK 1.00 per share. This means that XMReality, upon full utilization of the warrants, may receive a maximum of approximately SEK 23.8 million before issue costs. Also, the bank loan amounting to SEK 5 million mentioned in conjunction with the rights issue, was completed with the XMReality commercial bank at standard commercial terms.

Notable events after the quarter

- XMReality Inc. (US) signed an annual subscription agreement with Toshiba America Business Solutions, Inc., a subsidiary of Toshiba TEC Corporation. They are a global leader within office printing and retail solutions and have offices across the U.S. and Latin America. Toshiba America Business Solutions will use XMReality to improve service resolution times while at the same time reducing travel.
- XMReality has entered into an agreement with Erik Penser Bank regarding market making. Erik Penser Bank takes starts as market maker on February 14, 2023. The market maker commitment is provided in accordance with Nasdaq Stockholm AB's rules for market making. This means that Erik Penser Bank, through their role as market maker, acts as a guarantor that there are buy and sell prices and a guaranteed available volume in the share and that the difference between the buy and sell price becomes smaller.

Message from the CEO

The Order Intake did take a positive step during the quarter and is the second highest in the company history. As a result of this, Net Sales and the Order Stock rose compared with Q3-2022.



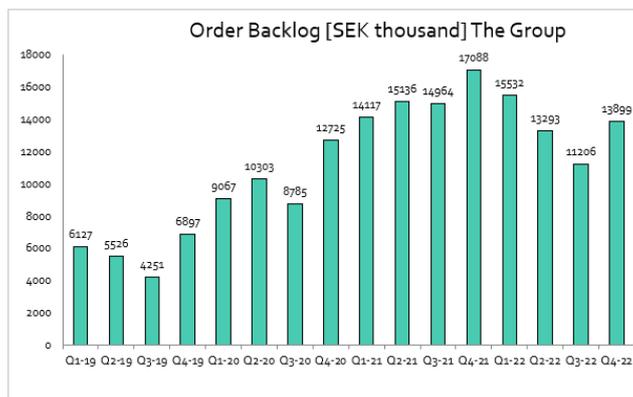
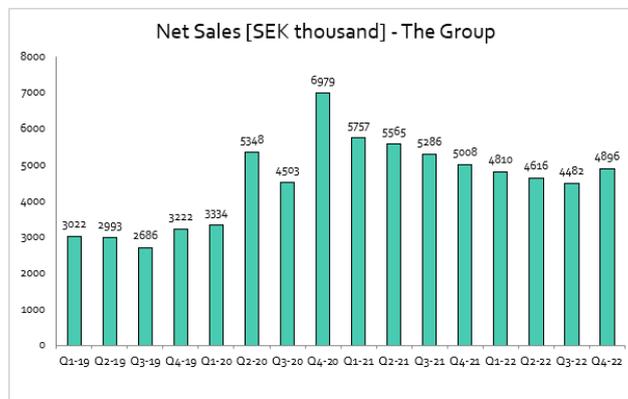
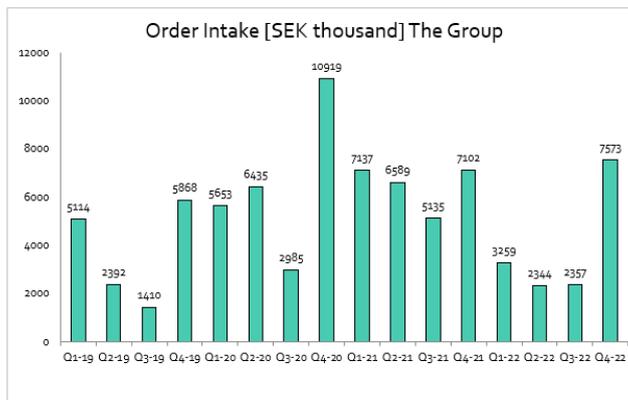
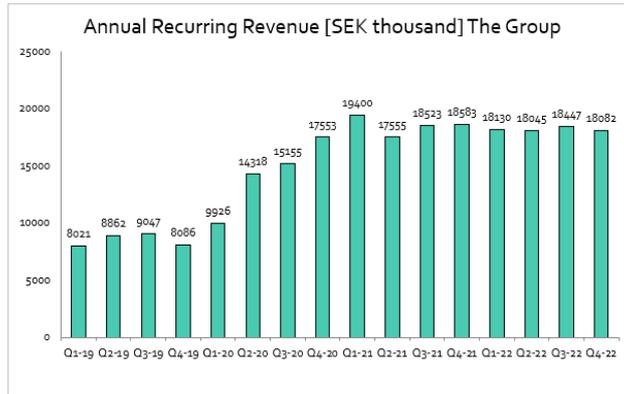
Jörgen Rimmelg, XMReality's CEO

In terms of order intake, Q4 was a step in the right direction. In addition to nominal renewals, we obtained a number of new orders from both existing and new customers. The orders from Sovereign Housing, Alta Forest and Cobalt are all very positive examples of new customers. During the period, three new partnership agreements were signed with Nagarro, Pointmedia and with the very large global industrial corporation active in more than 100 countries. Even if none of these generated Order Intake during Q4, we do look forward to capitalizing on these agreements and especially the latter one. I also note that several customers did scale up (Upsales) during the period with ABB, Verisure and Saab as good examples. Although Sovereign Hosing came on board as customer as late as in November, they chose to significantly increase their license holding already at the end of December.

Our Churn for the full year finally landed in the vicinity of the 10 percent we did allocate. Companies that terminated their subscription were primarily originating from operations that during the pandemic bought licenses as a precautionary measure, or as an 'insurance', seemingly without any plan to implement the solution in the day-to-day operations. During the year we did eventually have a Contraction higher than the historical numbers, which we judge having the root in the of the global economic situation and cost cutting initiatives that were launched and conducted in 2022. However, we do expect a pent-up demand for our solution once the global economic situation improves. Also, we are now getting signals that companies launch initiatives to bring travelling down to an absolute minimum, with the objective to improve their competitiveness. In addition to reduction of CO2 emissions, our solution is spot on in reducing travels with kept and in many cases improved quality and productivity.

During the quarter we completed the Rights Issue as per plan. Looking forward, I can conclude that we now have a significantly more potent product in place after the intensified product developments during 2022. A product that to a greater extent is more suited for up-sales to our strong existing customer base of more than 125 customers out of which a fair amount are large international groups. Historically our product has been used in the aftermarket process, but is now extended for procurement, quality and production and can consequently now become part of the daily operations. We get positive signals from our US team not only related to an improving US economy, but also conclude that deals are being closed from an increasing proposal pipe. Good examples are the orders from Alta Forest, Shorr Packaging and Toshiba. With a focus on Europe and North America, we now plan to expand our business through additional use within the customer value chain in supplier follow-up, inspections, training and certification of staff and digitization of the production process. This is now increasing our accessible market.

Jörgen Rimmelg, CEO
Linköping February 16th, 2023



Financial basis for the year-end report 2022

Income statements in summary (SEK), The Group

	October - December		Januari - December	
	2022	2021	2022	2021
Net sales	4,896	5,008	18,804	21,616
Capitalized production costs	3,867	695	11,713	2,211
Other operating income	187	105	688	150
Total income	8,950	5,809	31,206	23,977
Raw materials and consumables	-302	-309	-966	-1,707
Other operating expenses	-6,652	-8,531	-27,151	-25,040
Employee benefits expenses	-8,985	-8,074	-33,511	-25,209
Depreciation, amortization and impairment of property plant and equipment and intangible assets	-1,592	-1,257	-6,055	-5,298
Other operating costs	-115	-298	-296	-385
EBIT	-8,696	-12,661	-36,774	-33,662
Financial income and similar profit items	24	16	26	16
Financial expenses and similar loss items	-1	-3	-3	-27
Profit(-loss) after net financial income	-8,672	-12,647	-36,751	-33,672
Income tax expense for the period	0	-4	0	-15
Profit(-loss) for the period	-8,672	-12,651	-36,751	-33,687
Earnings per share. before dilution (SEK)	-0.21	-0.31	-0.90	-0.85
Earnings per share. after dilution 230110 (SEK)	-0.10	-0.31	-0.42	-0.82
Average number of shares during the period	41,269,802	40,920,000	41,008,169	39,630,740
Shares outstanding at the end of the period	51,647,269	40,920,000	51,647,269	40,920,000
Number of shares starting from 230110	88,475,269	0	88,475,269	0

Balance sheets in summary (SEKk), The Group

	31 Dec 2022	31 Dec 2021
Assets		
Non-current assets		
Capitalized development costs	16,167	10,430
Equipment, tools and systems	116	148
Total non-current assets	16,283	10,577
Current assets		
Inventories	240	395
Current receivables ¹	28,749	7,993
Cash and bank balances	7,796	45,143
Total current assets	36,786	53,531
Total assets	53,069	64,109
Equity and liabilities		
Equity	31,169	45,315
Non-current liabilities	0	0
Current liabilities ²	21,900	18,793
Total equity and liabilities	53,069	64,109
¹ The amount includes 19,307 in final payment of the new issue in January 2023		
² Of which interest-bearing liabilities	0	0
Collateral provided	3,700	3,700
of which in own custody	3,500	3,000
Contingent liabilities	None	None

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

	October - December		January - December	
	2022	2021	2022	2021
Balance at the beginning of the period	17,219	57 804	45,315	24,999
New share issue (net of issue costs)	22,651	0	22,451	53,805
Exchange rate difference	-29	162	153	198
Profit(-loss) for the period	-8,672	-12 651	-36,751	-33,687
Belopp vid periodens utgång	31,169	45,315	36,169	45,315
Average number of shares during the period ³	41,269,802	40,920,000	41,008,169	39,630,740
Shares outstanding at the end of the period ³	51,647,269	40,920,000	51,647,269	40,920,000
Number of shares starting from 230110 ³	88,475,269	0	88,475,269	0

³ New issue of 6,820,000 shares subscribed in February 2021.

³ New issue of 10,727,269 shares subscribed in December 2022.

³ New issue of 36,828,000 shares subscribed in January 2023.

Statements of cash flow (SEKk), The Group

	October- December		January - December	
	2022	2021	2022	2021
Operation activities				
Cash flow (-used) before changes in working capital	-7,216	-11,343	-31,000	-28,799
Change in working capital ⁴	-16,525	-3,389	-17,177	3,496
Cash flow from (-used in) operation activities	-23,740	-7,954	-48,177	-25,303
Cash flow from (-used in) investing activities	-3,867	-695	-11,771	-2,271
Cash flow from (-used in) financing activities	22,651	0	22,451	53,805
Exchange rate difference	-28	162	150	198
Cash flow from (-used in) the period	-4,984	-8,487	-37,347	26,430
Cash and cash equivalents at the beginning of period	12,781	53,630	45,143	18,714
Cash and cash equivalents at the end of period	7,796	45,143	7,796	45,143

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)

	October - December		January - December	
	2022	2021	2022	2021
Net sales	4,942	5,101	19,731	21,975
Capitalized production costs	3,867	695	11,713	2,211
Other operating income	187	105	688	150
Total income	8,995	5,901	32,133	24,337
Raw materials and consumables	-195	-309	-859	-1,707
Other operating expenses	-7,999	-8,941	-34,097	-27,002
Employee benefits expenses	-7,658	-7,532	-27,501	-23,393
Depreciation, amortization and impairment of property plant and equipment and intangible assets	-1,585	-1,246	-6,049	-5,287
Other operating costs	-101	-298	-283	-385
EBIT	-8,544	-12,425	-36,656	-33,436
Financial income and similar profit items	24	16	68	16
Financial expenses and similar loss items	-1	-2	-3	-20
Profit(-loss) after net financial income	-8,521	-12,410	-36,591	-33,440
Group contribution received	0	0	0	0
Income tax expense for the period	0	0	0	0
Profit(-loss) for the period	-8,521	-12,410	-36,591	-33,440
Earnings per share before dilution (SEK)	-0.21	-0.30	-0.89	-0.84
Earnings per share after dilution 230110 (SEK)	-0.10	-0.30	-0.42	-0.82

Average number of shares during the period	41,269,802	40,920,000	41,008,169	39,630,740
Shares outstanding at the end of the period	51,647,269	40,920,000	51,647,269	40,920,000
Number of shares starting from 230110	88,475,269		88,475,269	0

Parent company balance sheets in summary (SEKk)

	31 Dec 2022	31 Dec 2021
Assets		
Non-current assets		
Capitalized development costs	16,167	10,430
Equipment, tools and systems	116	131
Financial assets	51	51
Total non-current assets	16,334	10,612
Current assets		
Inventories	240	395
Current receivables ⁵	28,372	7,993
Cash and bank balances	7,021	45,098
Total current assets	35,633	53,486
Total assets	51,967	64,098
Equity and liabilities		
Equity	31,073	45,212
Non-current liabilities	50	50
Current liabilities ⁶	20,844	18,835
Total equity and liabilities	51,967	64,098
⁵ The amount includes 19,307 in final payment of the new issue in January 2023.		
⁶ Of which interest-bearing liabilities	0	0
Collateral provided	3,700	3,700
of which in own custody	3,500	3,000
Contingent liabilities	None	None

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

	October - December		January - December	
	2022	2021	2022	2021
Balance at the beginning of the period	16,942	57,623	45,212	24 847
New share issue (net of issue costs)	22,651	0	22,451	53 805
Profit(-loss) for the period	-8,521	-12,410	-36,591	-33 440
Balance at the end of the period	31,073	45,212	31,073	45,212
Average number of shares during the period ⁷	41,269,802	40,920,000	41,008,169	39,630,740

Shares outstanding at the end of the period ⁷	51,647,269	40,920,000	51,647,269	40,920,000
Number of shares starting from 230110 ⁷	88,475,269		88,475,269	

⁷New issue of 6,820,000 shares subscribed in February 2021.

⁷ New issue of 10,727,269 shares subscribed in December 2022.

⁷ New issue of 36,828,000 shares subscribed in January 2023.

Parent company statements of cash flow (SEKk)

	October - December		January - December	
	2022	2021	2022	2021
Operating activities				
Cash flow (-used) before changes in working capital	-7,084	-11,096	-30,902	-28 545
Change in working capital ⁸	-16,887	3,414	-17,898	3 494
Cash flow from (-used in) operating activities	-23,971	-7,682	-48,799	-25 051
Cash flow from (-used in) investing activities	-3,867	-695	-11,771	-2 271
Cash flow from (-used in) financing activities	22,651	0	22,493	53 805
Cash flow from (-used in) the period	-5,187	-8,377	-38,077	26 483
Cash and cash equivalents at the beginning of period	12,208	53,475	45,098	18 615
Cash and cash equivalents at the end of period	7,021	45,098	7,021	45 098

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.

The Group Overview of financial performance in summary (SEKk)

Below is a summary of XMReality Group financial development of the years 2018 – 2022. 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. 2018 is based on material taken from the published annual report for XMReality AB (publ).

	The Group	2019 – 2021, XMReality. The Group			XMR AB
	Full Year	2021	Full year		Full year
	2022		2020	2019	2018
Net sales	18,804	21,616	20,164	11,921	10,155
Operating profit (-loss)	-36,774	-33,662	-24,420	-27,205	-29,250
Profit (-loss) after net financial income	-36,751	-33,672	-24,471	-27,243	-29,317
Taxes	0	-15	-35	0	0
Profit (-loss) after taxes	-36,751	-33,687	-24,506	-27,243	-29,317
Profit margin, %	neg	neg	neg	neg	neg
Intangible assets	16,167	10,430	13,452	16,039	14,754
Tangible assets	116	148	355	405	528

Financial assets	0	0	0	8	8
Inventories	240	395	255	184	261
Current receivables	28,749	7,993	8,934	6,792	5,978
Cash and bank balances	7 796	45,143	18,714	9,417	37,798
Equity	31,169	45,315	24,999	20,339	47,608
Non-current liabilities	0	0	0	333	844
Current liabilities	21,900	18,793	16,711	12,172	10,875
Total assets	53,069	64,109	41,710	32,844	59,327
Return on average capital employed, %	neg	neg	neg	neg	neg
Return on average equity, %	neg	neg	neg	neg	neg
Equity/assets ratio, %	58.7	70.7	59.9	61.9	80.2
Dept/equity ratio, multiple	0.00	0.00	0.01	0.04	0.04
Interest coverage ratio, %	neg	neg	neg	neg	neg
Quick ratio, %	166.9	282.7	165.5	133.2	402.5
Number of employees (end of period)	30	26	20	19	23
Investments					
Intangible assets	11,713	2,211	2,224	5,289	5,478
Tangible assets	58	59	139	91	140
Deposits	0	0	-8	0	8
Basic earnings (-loss) per share. before dilution SEK	-0.90	-0.85	-0.79	-1.60	-1.96
Basic earnings (-loss) per share. after dilution 230110 SEK	-0.42	-0.82	-0.73	-1.60	-1.72
Average number of shares during the period	41,008,169	39,630,740	31,063,699	17,050,000	14,982,648
Shares outstanding at the end of the period	51,647,269	40,920,000	34,100,000	17,050,000	17,050,000
Number of shares starting from 230110	88,475,269		88,475,269		

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 (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., XMReality Värdepapper AB and XMReality GmbH (liquidated January 2022)
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	Reduction of existing subscriptions (ARR) with existing customers

Accounting policies

The interim report is prepared in compliance with the Swedish Annual Accounts Act and BFAR 2012:1 Annual and Consolidated Accounts (K3). The accounting policies have not changed compared to previously reported periods. But, from this report going forward also the group, including the wholly owned subsidiaries and mainly the US XMReality Inc. will be reported. 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 a negative impact on the business of XMReality Group. It is therefore imperative to consider relevant risks alongside the Group Company's growth potential. Refer to the XMReality Annual Report 2021, pages 20-21, "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.

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 53,647,269 shares outstanding in XMReality AB (publ) (number of shares starting from 230110). 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 year-end report has not been reviewed by the company's auditor.

Appropriation of profits

The board intends not to propose any dividend at the next annual general meeting.

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 16th 2023

Board of Directors XMReality AB (publ)

Financial reporting calendar:

Annual report 2022 published	April 10-14 2023
Interim report Q1 2023	Thursday April 27 th , 2023
Annual General Meeting	Thursday May 4 th , 2023
Interim report Q2 2023	Thursday August 17 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 February 16th 2023 at 08:30 CET.

Contact person at XMReality

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Disclaimer

As the company is noted in Sweden; should there be any discrepancies between this report and its Swedish version, the Swedish version prevails. This report is only an internal translation of the Swedish report.