

Annual Report

2022



2022

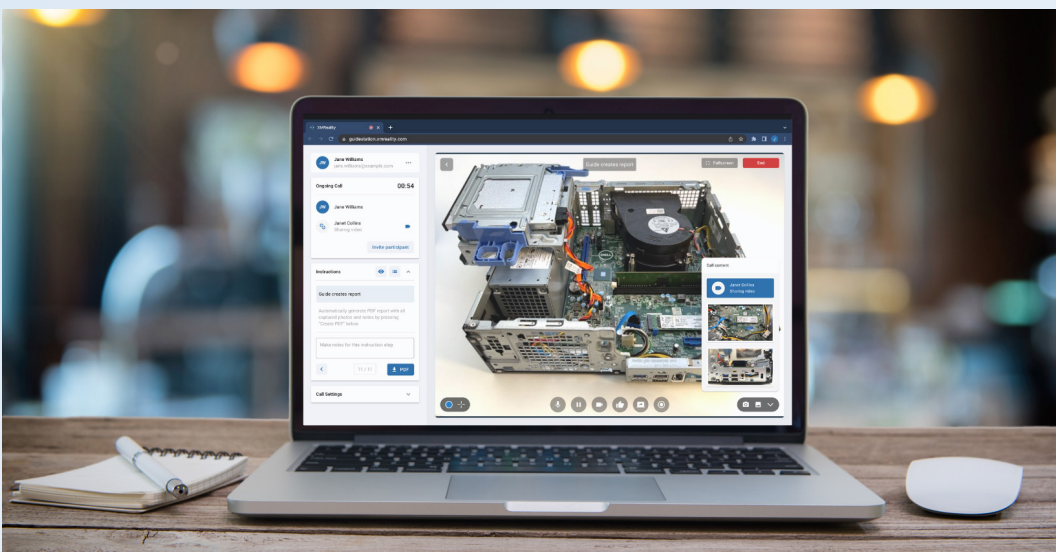
XMReality serves the global market with our product Remote Guidance that connects people regardless of where they are. XMReality Remote Guidance is a 'see-what-I-see' software powered by Augmented Reality that connects workers with a remote expert to plan, assess and solve different issues, primarily involving hardware. Our solution is used all over the world by some of the top industry leaders and Fortune 500 companies. We believe in creating lasting value for our customers at the same time as we contribute to a more sustainable business.



XMReality was one of the sponsors of Field Service Europe 2022 in Amsterdam



Lotta Ekerbring became CFO at XMReality



XMReality's product took a big leap forward during 2022 with procedures and documentation

11

"I'm glad to see that we continue to grow our customer base and XMReality now has more than 125 international customers. Among these are the world's largest food producer Nestlé, the world's two largest breweries Anheuser-Busch Inbev and Heineken, manufacturing industries such as Electrolux Professional, Bombardier, Assa Abloy, as well as companies in the energy sector and the real estate sector with examples such as Eon and Coor. This is now a stable foundation looking ahead, especially with a state-of-the-art product now at hand."

JÖRGEN REMMELG
CEO OF XMREALITY

Read more on page 6.

Highlights from 2022

- ◆ ABB placed additional order with an annual value of SEK 1.5 million
- ◆ A Fortune 500 company started to re-sell a branded version of XMReality to their customer base
- ◆ XMReality addresses new use cases with a new product version tailored to planned activities
- ◆ XMReality awarded ISO27001 certificate, the most widely used standard when it comes to information security
- ◆ Verisure and XMReality signed a global framework agreement
- ◆ XMReality AB carried out a fully secured rights issue, strengthening liquidity and financial flexibility

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2022 – A year impacted by the global downturn

Although 2022 was a slow year for XMReality, the Order Intake took a positive step during the fourth quarter, which was the second highest in the company's history. During the end of the year, the company also completed a rights issue as per plan.

The customers and the market

During 2022 XMReality closed agreements with a number of large corporations, both customers and partners, all with good future potential;

- ◆ Verisure, a large international corporation active in the security sector with more than 25,000 employees
- ◆ Coor, a leading provider of Facility Management services in the Nordic region with more than 12,000 employees
- ◆ XMReality signed a 5-year re-seller agreement with a large global industrial corporation with more than 100,000 employees and activity in more than 100 countries. ABB also made a significant upsales worth SEK 1.5 million in ARR during Q3
- ◆ Toshiba America Business Solutions, signed by our U.S. Team
- ◆ Mitsubishi, signed by our partner NTT (Nippon Telegraph Company)

XMReality continues to be strong in the industrial packaging sector. Which together with the food and beverage sector is a prioritized ecosystem for the company. In 2022 we saw increased traction in the Housing and Real Estate sector, which was partly fuelled by the partnership with PfH in UK.



The operations in Europe

During the year XMReality has made no changes to the management team, apart from Lotta Ekerbring taking the role as CFO early 2022. This has helped provide stability and execution capability. However, part of the sales staff changed early 2022, which unfortunately had an effect on sales early 2022. The current sales staff have however been in the company now for almost a year, and good progress is being made with several dialogues with multinational industrial companies. The positive order intake during the fourth quarter is a testament to this.

In late 2021 XMReality implemented a dedicated Customer Experience (CX) team with the purpose to maximize net retention, i.e. maximize up-sales and minimize contraction as well as churn. CX systematically assists customers in their implementation phase and supports customers in the subscription phase. During 2022 we started to see the benefits from this since the contract renewal process has become more efficient. Our dedicated onboarding program has also led to faster implementation and higher usage at new customers compared to before.

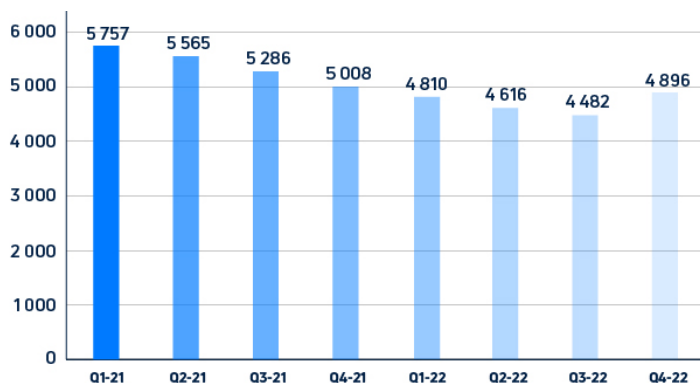
The operations in the U.S.

With the objective to grow the business in the U.S., XMReality rebuilt the North American organization during the end of 2021. During 2022, we have seen their sales pipeline grow from small numbers to significant numbers. In late 2022 proposals have started to be converted to orders, with examples such as Shorr Packaging, Alta Forest and Toshiba America Business Solutions. We continue to see the pipeline increase and will during early 2023 further strengthen the sales side in the U.S.

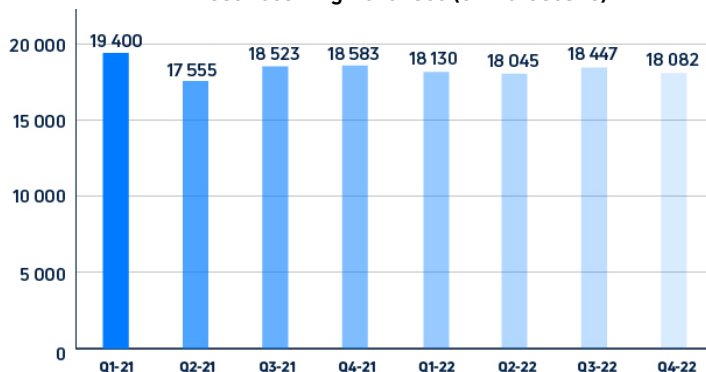
The product

The product took a big leap in 2022. One of the biggest updates was the ability for customers to create their own step-by-step procedures within XMReality Remote Guidance. These are usually called SOP's (Standard Operating Procedures). The functionality, which has been in place since October, enables a customer to, in the product, implement their own standardized way of working. After which documentation is instantaneously generated in accordance with the procedure with a simple push of a button. This way, the product becomes part of the customer's standard processes instead of being outside these as previously. The function is especially useful for inspections, planned repairs, certifications, training of personnel and audits of various kind. XMReality's biggest focus now is to sell this product to existing and new customers. We have also developed a completely new back-end (hosting) that allows for scheduled calls with up to twenty people. Also, a significant amount of features were added to preserve and progress the call at low bandwidth and poor internet connections.

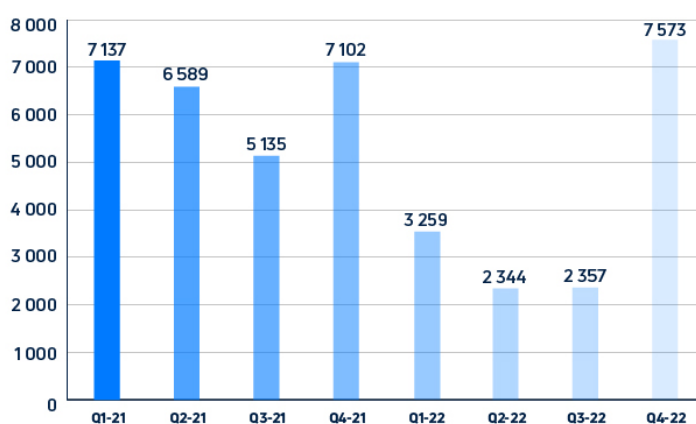
Net Sales (SEK thousand)



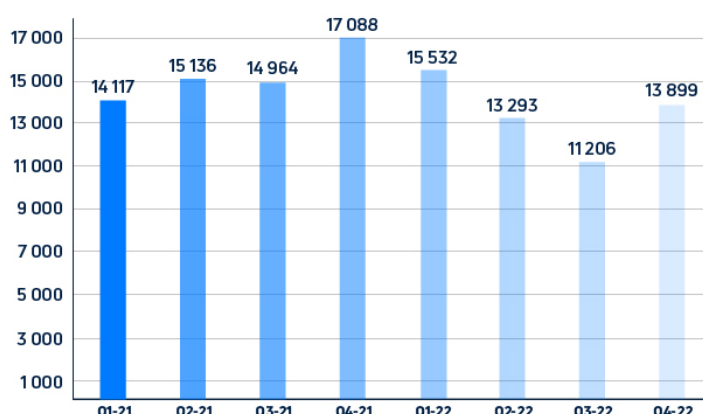
Annual Recurring Revenues (SEK thousand)



Order Intake (SEK thousand)



Order Backlog (SEK thousand)



Leveraging existing customers with a broader product offering

During 2022 we brought a much more capable product to the market, finalizing a larger transformation of the service. This includes the support of a number of new integrations and several new functionalities.

The launch marked the beginning of continuous growth in the usage of the product and enables us to leverage the potential of our existing customers as well as expand our partner sales. This makes us very confident in our current product roadmap.

The war in Ukraine and the downturn in the economy have impacted our sales and also postponed the ramp-up of a number of existing customers. We are confident that our product provides several benefits that can help our customers during these hard times, with the ability to reduce costs associated with in-person support and maintain customer satisfaction and loyalty.

Remote service tools are increasing their footprint in the industry and by providing high-quality remote visual assistance, businesses can differentiate themselves from their competitors and increase customer loyalty. This can be especially important during an economic downturn when customers may be more selective in their purchasing decisions.

/Björn Persson



BJÖRN PERSSON

CHAIRMAN OF THE BOARD AND REPRESENTATIVE FOR INVESTMENT AB SPILTAN, XMREALITY'S LARGEST OWNER.

CEO'S MESSAGE

The direction forward

I'm glad to see that we continue to grow our customer base and XMReality now has more than 125 international customers. Among these are the world's largest food producer Nestlé, the world's two largest breweries Anheuser-Busch Inbev and Heineken, manufacturing industries such as Electrolux Professional, Bombardier, Assa Abloy, as well as companies in the energy sector and the real estate sector with examples such as Eon and Coor. This is now a stable foundation looking ahead, especially with a state-of-the-art product now at hand.



“Since mid-2021, we have made significant investments in product development to increase our competitiveness. The last big piece of the puzzle fell into place this October.

JÖRGEN REMMELG
CEO

A growing market and prioritized verticals

The Augmented Reality, AR, enterprise software market continues to grow. The 5-year annual growth rate is expected to be around 50 percent with the industrial sector representing the largest market share¹. Capital-equipment-intensive industries will use AR as a key component for cost reduction/avoidance among frontline workers. This is in line with what we see at XMReality and it is also where we put our priority with a focus on the following verticals, in which we already now have multiple customers and a vast collection of use-cases. In summary, where we have maximized synergies.

- ◆ Food and Beverage
- ◆ The Packaging industry
- ◆ Industrial Manufacturing
- ◆ Energy Production, including Oil&Gas
- ◆ Medical Equipment aftermarket service
- ◆ Facility Management

The continuous transition to Remote Work and the introduction of 5G are elements that further strengthen the use of our type of product.

An increased addressable market with the new product

Since mid-2021, we have made significant investments in product development to increase our competitiveness. The last big piece of the puzzle fell into place this October; the ability for customers to implement their own step-by-step procedures in XMReality Remote Guidance software. These are usually called SOP's (Standard Operating Procedures). The functionality means that you as a user can now link your own standardized way of working to the use of the product, and get excellent documentation of this with just a click after the call is ended. In this way, the product becomes part of the customer's standard processes instead of being outside them as before. Hence, the stickiness improves. The function is especially useful for inspections, planned repairs, certifications, training of personnel and various audits.



The opportunity to generate additional sales to existing customers, outside of the typical use within the aftermarket process, is now greatly improved and the doors have been opened to the purchasing-, quality- and production processes. This is good news for us since upsales to the existing customer base will have a lower Customer Acquisition Cost, CAC, and typically also a shorter lead time in comparison to acquiring a new customer.

A capable team in the U.S. now in place

After building up the organization in the U.S. during the year, we now see a growing proposal backlog with strong expectations of being able to convert this into orders moving forward. We get positive signals from our U.S. team, not only related to an improving U.S. economy, but we are also seeing that deals are being closed from an increasing proposal pipe. Good examples from end of 2022 are the orders from Alta Forest, Shorr Packaging and Toshiba.

Looking forward

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. Our long term objective is 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. I really look forward to the coming year where we will work towards these goals.

/Jörgen Rimmelg, CEO

¹See page 9 for more information



MARKET OUTLOOK

The industry embraces digital solutions

The demand for faster and better customer service, reduced delivery times, better use of existing and experienced resources, training and on-boarding of personnel and remote work is increasing in most industries. These are underlying driving forces for digitization and what is referred to in the industrial segment as Industry 4.0. Many hardware-producing companies want to strengthen their competitiveness via so-called servitization¹, where the hardware offer is supplemented with various related services. The need for digital solutions to perform these services effectively will as a result grow strongly in the coming years.

Globalizations drives demand

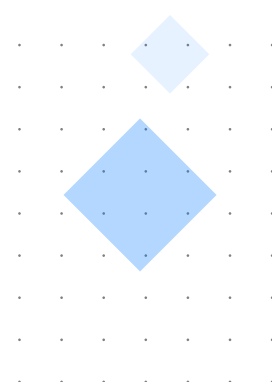
It is our view that globalization also drives the demand for digital solutions within the industry as both geographic distance and competition have increased. As operations move to different places in the world and the products are sold on the global market, this also means that the need for, and the requirements for, access to technical competence in installation, production and service becomes an ever greater challenge. This problem is further reinforced by the fact that products and production processes are becoming increasingly complex and optimized, while at the same time there is a global generational change among traveling service technicians. Education and continuous training of new service technicians is costly, especially since young service technicians are more mobile in the labor market than previous generations.

Bridging the skills-gap

According to Webinar Care², there were 20 million field service technicians in the world in 2021. Still, not all expertise is in place when it is needed, such as in the event of operational disruptions and production stoppages. With the help of Remote Guidance, travel time and travel costs are saved, but it also reduces production loss as downtime is avoided or remedied. The knowledge in a service organization is spread more effectively and the service becomes more efficient. Webinar Care² also stated that 47 percent of the corresponding employers found difficulties in recruiting technicians with sufficient skills, which further strengthens the need to train personnel remote, as well as be able to assist service technicians remotely.

¹Business Sweden. Tjänsterevolutionen - En global möjlighet för Sverige och svenska företag. <https://www.business-sweden.com/globalassets/insights/reports/trend/tjansterevolutionen.pdf>

²Webinar Care. 2022. Field Service Management Statistics 2022 - Everything You Need to Know. <https://webinarcare.com/best-field-service-management-software/field-service-management-statistics>



As a result of the world being forced to work more remotely during the pandemic, there is now a greatly increased receptivity and demand for digitization tools that enable remote work with lower costs, shorter downtime, more efficient use of staff and reduced travel with a smaller climate footprint as a result.

Business sustainability

Another trend is the industry's pursuit of sustainable solutions³. The extensive travel within many industries not only entails costs, but also contributes to an increased burden on the climate. Many service technicians, inspectors and buyers spend large parts of their working time traveling. Trips that after the pandemic have now become more costly with an increased likelihood of delays and confusion. Therefore, there is great potential in giving experienced and knowledgeable personnel the opportunity to devote a greater part of their time to service and support instead of traveling by using remote guidance software. Something which is not only beneficial for the company's bottom line, but also for the environment. Another trend that we foresee is that the European Union in mid-term will enforce regulatory requirements on unnecessary professional travel.

AR in industrial manufacturing

The global market for AR amounted to a value of USD 25.3 billion in 2021 according to the research company Grand View Research⁴. The global market consisting of both software and hardware, in the form of AR glasses, is expected to have an annual growth of 40.9 percent during the period 2022–2030. According to the same survey, the industrial manufacturing segment is the largest and represented 24.3 percent in 2021. In March 2022, Verified Market Research⁵ published a report in which the market for AR software is expected to have an annual growth of 57.2 percent during the period 2021–2026. Thus, XMReality operates and focuses within the part of the AR market that is forecasted to grow the fastest (software), as well as within the largest segment (industrial manufacturing).

With our focus on Remote Guidance using AR for industrial field service, XMReality is at the intersection of these two global growth markets, AR and industrial digitization.



³TechSverige. 2022. En rapport från TechSverige: Hållbar tech & Tech för klimatet. <https://www.omega.se/app/uploads/sites/2/2022/06/tech-sverige-rapport-hallbar-tech-tech-for-klimatet-2022.pdf>

⁴Grand View Research. 2020. Augmented Reality Market Size, Share & Trends Analysis Report. <https://www.grandviewresearch.com/industry-analysis/augmented-reality-market>

⁵PR Newswire. 2022. Augmented Reality Software Market size worth \$ 13714 Billion, Globally, by 2028 at 57.21% CAGR: Verified Market Research®. <https://www.prnewswire.com/news-releases/augmented-reality-software-market-size-worth-13714-billion-globally-by-2028-at-57-21-cagr-verified-market-research-301524850.html>

XMReality's Vision and Strategies

XMReality is the World's most used Remote Guidance

1

EASY-TO-USE

Our products are easy to use, have low entry barriers, simple scaling and competitive functionality

2

CUSTOMER CENTRIC

Our products create best customer value with short ROI, we understand how

3

OFF-THE-SHELF PLATFORMS

Our products are compatible with commercial-off-the-shelf browsers and hardware

4

SAAS

We generate Net Sales primarily through sales of recurring S/W

Owners and company stakeholders

The vision and strategic direction for the company is set, and corresponding strategies in each of the company disciplines are readily available and worked through. The objective is to get each of the activities right and timely drive the company forward with all functions in sync. We feel that we have a solid foundation in place, and have only made minor adjustments during 2022 as part of our annual and systematic strategy review.

As part of this strategy review process, we continue to map our competitors to ensure that we have a competitive roadmap. During 2022 we also developed a sharper Value Proposition framework which is now central in our strategy.

Company vision

The vision 'the world's most used Remote Guidance' makes us focused on selling and distributing recurring software licenses as opposed to selling hardware or hours. This in turn will keep the gross margin at a very high level of at least 90 percent and results in excellent scalability.



1

Top level strategy one

Easy-to-use, results in a low threshold in terms of cost and time for implementation. Each user shall need a minimum of training and the use shall be intuitive. The benchmark availability will allow our solution to be used in operationally critical industrial processes.

2

Top level strategy two

Customer centric, allows us to collect industrial use cases that we condense into a functional specification for the single software package. Hence, a package that solves the majority of the use cases and creates superior customer value with a short Return on Investment, ROI.

3

Top level strategy three

Compatibility with commercially off the shelf hardware, allows us to use existing iPhones, Androids and PC's already available to the industries. This in turn results in easy deployment and high scalability.

4

Top level strategy four

SaaS – Software as a Service, means that we focus on selling annual subscription contracts with automatic renewal. We also push smaller customers to subscribe to our software directly online.

We will continue to move forward in this direction with the clear ambition to reach our financial goals: 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.

Product development strategy

XMReality is continuously investing in product development to make sure we maintain our position as a leading vendor within remote guidance. Based on our vision to be the world's most used remote guidance solution we focus our development on a few prioritized areas:



1 Low barriers of entry

Implementing a new concept such as remote guidance that changes how you interact internally, with customers and perhaps your partners can be a daunting experience. New or changed processes and ways of working are often needed. To enable a smooth transition towards these new ways of working, it is important that the solution itself is as easy as possible to roll out. At XMReality we therefore focus a lot on ease-of-use of our product and a smooth onboarding experience. Both for the individual users and for the organization as a whole.

2 In-call experience

This is of course where the real customer value is created. We firmly believe in providing a simple user experience, while at the same time giving users powerful guide tools to solve advanced problems and tasks remotely. In addition, users get automated call documentation capabilities, to ensure their organizations can learn from past calls. Since our solution is often used to connect with someone who has never used XMReality Remote Guidance before, it's imperative that the experience is intuitive also for that person.

3 Integration

Our solution is often used as an integrated part of our customers' processes. It is therefore important that XMReality can easily be integrated with other systems used to support these processes and be part of the overall solution used by the customer. We deliver selected off-the-shelf integrations, but also provide our customers all the tools they need to build their own custom integrations.



2022 in retrospect

Throughout the year we've added several new product capabilities that enable broader use of XMReality, especially for planned activities like inspections, audits, installations, and trainings. From the introduction of scheduled sessions, to automated PDF call reports and in-call step-by-step instructions. In combination, these new capabilities help our customers and users to easily execute and document planned activities and procedures with consistency.

Users can now schedule future calls and distribute call information to both internal and external participants in advance, making it easy to plan for remote activities, no matter if they are internal within the organization or if they involve external participants.

Organizations can also use pre-defined step-by-step instructions for planned activities that are performed regularly. Giving them the ability to apply standard operating procedures also to remote tasks. Step-by-step instructions ensure that calls are done in the exact same way every time, improving the quality of installations, audits, inspections, and other planned industrial and enterprise activities.

After each call, documentation is automatically created following a pre-defined and consistent format. With no extra effort, users get consistent high-quality documentation of all remote tasks, reducing the amount of



ALEXANDER SANDSTRÖM,
CHIEF TECHNOLOGY OFFICER AT XMREALITY

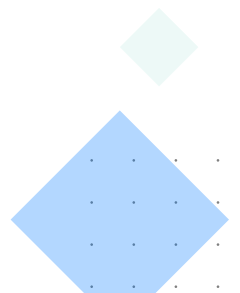
time spent on manual documentation and increasing documentation quality.

In line with our strategy and focus areas, we have also added new in-call capabilities to our expert guide application, including text annotations and quick messages. Our list of integrations now also includes Microsoft Outlook and our desktop apps are available in both Microsoft Store and Apple's App Store. Our online offer, including both free trial and paid options, now includes access to our computer based expert guide apps instead of being previously mobile-only. This enables customers early in their buyers journey to evaluate XMReality and experience our ease of use first-hand. Finally, group calls now supports 20 participants, enabling use cases with large participation such as virtual instructor led training.

Outlook 2023

In 2023 we will keep investing in our key focus areas; low barriers of entry, in-call experience and integrations. We will further develop our step-by-step capabilities and provide even more advanced documentation capabilities, including the ability to store all call documentation in secure enterprise oriented cloud storage. Furthermore, our users can expect additional in-call tools and capabilities that make XMReality more powerful, helping them address even more challenging use cases going forward.

/Alexander Sandström



The new product enables growth

"During 2022 we have built stronger relationships with our customers, much thanks to the CX team we now have in place and also the establishment of the U.S. sales team. In addition, the new product functions have been very well received by our customers and I really look forward to continue helping customers leverage these new functions during 2023"

We at XMReality have a fantastic customer base, with more than 125 customers of which many are world famous large corporations. With many of these customers we have started out with rather small deals, with the intention to scale up over time. The launch of many new powerful product functions during 2022 has now positioned us in a place where those upselling possibilities are very tangible.

We also see a great advantage of the new features with some fairly recent customers. Sovereign Housing is an excellent example where adopting the way of working was swift, leading to an even larger order from them late 2022.

This order was a great example of how we, through excellent product development and ease of use, can also rapidly grow a recent customer and increase the value we add to our customers' operations.

Here I believe that we have only realized a very small portion of the upselling potential we have to the existing customer base during 2022, and this will be a focus area for us during 2023.

/Andreas Jonsson



ANDREAS JONSSON
CBDO SINCE 2021
AND CSO SINCE 2022



TIM KOEPL
PRESIDENT
XMREALITY INC.
SINCE 2022

Positive momentum in North America

"During 2022, we relocated our U.S. based subsidiary, XMReality, Inc., from New Hampshire to Plano, Texas, where we are focused on positioning XMReality to be a market leader in AR related SaaS sales. We also transitioned from being a customer service-based entity to a full-scale sales and marketing organization that is directly selling XMReality products and services to customers based in North America."

The company made these strategic moves, because we believe that the adoption of AR software by industry in North America is accelerating, and we are positioning our sales team to operate in a way that allows us to meet industry needs. Our current customer base in the U.S. and Canada includes leading companies in the automotive, electronics, industrial machinery and equipment, life sciences and building materials industries. As a result of our solid core customer base and the continued acceleration in the adoption of AR by industry, our U.S. based team welcomed new employees to the sales team in 2022 and we expect that the sales team will continue to grow in 2023.

Our sales team will focus on growing current enterprise accounts and expanding into new enterprise customers. We are also developing partner relationships that will enable us to extend our market reach into Mexico and the rest of Latin America. The three key elements to our North American strategy are to drive sustainable ARR growth by increasing usage with existing customer and adding new enterprise accounts to our customer base, increase market awareness through industry sector specific marketing efforts and to grow operating cash flow through our continued commitment to a recurring revenue license-based business model.

/Tim Koepl

Supporting sustainable business practices

Even though XMReality is a small company, we believe that we can have a big impact by helping companies globally when they develop and adopt more sustainable business models. For us, a sustainable business model creates and delivers value to all its stakeholders - without depleting the natural, economic and social capital that it's built upon.

How we at XMReality help support sustainable business models:

◆ Contribution to a better environment

Many of our resources are finite and a business model is not truly sustainable if it has a negative impact on our overall global environment. Apart from contributing to less travels, and hence CO2 emissions, XMReality's solution also helps with areas such as inventory optimization and pro-longed machine lifetime through better support. By minimising production downtime we also help increase utilisation of existing resources.

◆ Businesses need to be profitable over time

For most businesses, at least privately owned, being profitable is a must for long term survival. Here XMReality Remote Guidance can contribute to profitability both by cutting operating costs and also by adding new service revenues.

◆ Human capital, the most important resource

Behind every successful company is a team of skilled individuals. Having employees with the right skills and competence is central, but often also a challenge. XMReality Remote Guidance makes it easier to connect people across distances and facilitates knowledge transfer and training.



XMReality People – our foundation for an excellent delivery

Being an upscaling, innovative tech company, delivering an excellent customer product and experience in a changing world takes a solid competence base, high motivation and continuous learning. Therefore, the foundation of everything we do is our people

Competence sharing and development

All our employees need to have deep understanding of the market needs - irrespective of which role they have - and work with these needs in mind. 2022 has been a year of competence mapping, competence sharing and competence development.

In addition to knowledge exchange within the teams, and a sharper onboarding process and role specific introduction, we continuously and actively work with involvement and information sharing across teams. We always aim to increase the understanding of the whole picture, which leads to accuracy in what we deliver, how we do it, and secures organizational learning.

We are convinced that our process of connecting the detailed team activities to our top level vision – The world's most used Remote Guidance – is a winner. This way of working tightly connected to our vision throughout the company sets a clear path of where we are heading.

Team structure and organization

To be able to keep growing, 2022 has also been a year when we have continued developing our organizational set-up to make us more efficient. New roles have been established, such as Technology team leads, and our teams have fine-tuned their ways of planning and working. To be able to attract and recruit the right people, we continuously improve our employer branding and recruitment activities through both social media and higher education/university cooperation. But most important of all; a true employer brand comes from the inside, and the people who form and tell their stories about the company. This is why we emphasize a great employee experience, from start to finish.

A great employee experience and high motivation

We measure the Employee motivation index (MMI) and Employee Net Promoter Score (eNPS) annually. During 2022, our high MMI index of 4,2 out of 5 was sustained, and an eNPS of 29, which is a fantastic result. This means our people are highly motivated, with a strong drive to recommend XMReality as an employer. By continuing what we have started, we are dedicated to keep building on this solid foundation, because motivated and engaged people reach great business results.



Board of Directors



Björn Persson

Chairman since 2020.
Before that Director between 2014–2018 and 2019

Born: 1975

Education and experience:
Björn Persson has an MSc

in Industrial Engineering and Management from Linköping University. He is currently Head of Finance & Business Operations at LRF. Previously, he served as an investment manager at Investment AB Spiltan and before that as CEO of Invest Östra Mellansverige AB. Björn has wide-ranging experience working with Swedish SaaS companies that are establishing multinational operations, with a particular focus on the US.

Holdings in XMReality: 2,453,214 warrants and 3,820,626 shares held through Klösen AB (a wholly owned company) and privately.



Anders Ferntoft

Director since 2014

Born: 1960

Education and experience:
Anders Ferntoft has a licentiate degree in economics and an MSc

in Industrial Engineering and Management from Linköping University. He is currently business coach at the LEAD start-up incubator and provides consultancy services to small and growing tech companies. Anders served previously as business development manager at Agama Technologies AB and as CEO of Anelda AB. He has previously worked for XMReality as a business development consultant.

Holdings in XMReality: 304,154 shares held through A Ferntoft Consulting AB, a wholly owned company and 229,058 warrants.



Tommy Johansson

Director since 2019

Born: 1956

Education and experience:
Tommy Johansson has an MSc in Industrial Engineering and Management from

Linköping University. He has held senior positions with companies including Saab, Ericsson and Nokia Data and is the former deputy CEO of IFS AB. For the past 12 years, Tommy has been CEO of two successful start-ups: C3 Technologies AB and AMRA Medical AB. He has strong experience with building high-growth companies for a global market in the software sector.

Holdings in XMReality: 182,370 shares held through TopSolutions AB, a wholly-owned company, and 166,382 warrants.



Åsa Arvidsson

Director since 2020

Born: 1972

Education and experience:
Åsa Arvidsson has a Master's degree in Information Science and

a MBA from Henley Management College. She has extensive experience within IT and Telecom and has held CEO positions at Iver, portfolio companies within EQT and the Swedish branch of Avanade and as Sales Executive at Microsoft. Åsa has more than 10 years of experience from leading roles at IBM, and is currently VP EMEA North at Rockwell Automation.

Holdings in XMReality: 80,000 warrants.



Peter Gille

Director since 2020

Born: 1962

Education and experience:
Peter Gille has a Bachelor's degree in Computer Science from

Uppsala University and an Executive MBA from Paris/Edinburgh University. He is currently General Manager North Europe at Dedalus. Prior to that, he was CEO at Cambio Healthcare Systems and was before that CEO at Nexus. Peter has held several leading positions at fast-growing IT companies, including Oracle.

Holdings in XMReality: 80,000 warrants.

Management



Jörgen R Emmelg

Chief Executive Officer (CEO) since 2020

Born: 1964

Education and experience:

Jörgen R Emmelg has a MSc from the Swedish

Royal Institute of Technology, KTH. He has headed various industrial business units since 2000. In his most recent role before joining XMReality, he was senior vice president of Ruag, responsible for business units in Austria, Germany, Switzerland, and the United States, and business with major companies including Airbus, Boeing, Lockheed-Martin, Space-X, and Thales. He was also responsible for business with companies in the automotive industry, semiconductor industry, and medical devices industry.

Holdings in XMReality: 254,981 shares and 370,780 warrants.



Alexander Sandström

Chief Technology Officer (CTO) since 2021

Born: 1984

Education and experience:

Alexander Sandström has a Master of Science

in Engineering from Linköping University. Alexander brings strong international business experience and over a decade of expertise in both live video technology and mobile solutions at global tech companies such as Amazon, Ericsson and Net Insight.

Holdings in XMReality: 73,625 shares and 34,875 warrants.



Tim Koepl

President of XMReality Inc. since 2022

Born: 1969

Education and experience:

Tim has a B.A. from Marquette University and a J.D. from the University of San Diego. Earlier in his career, Tim practiced law with a global 100 law firm, worked with compliance in the defense sector and has also served as an officer in the United States Marine Corps. He has held several senior positions at B2B companies and is an experienced leader.

Holdings in XMReality: 36,161 shares.



Lotta Ekerbring

Chief Financial Officer (CFO) since 2022

Born: 1964

Education and experience:

Lotta Ekerbring has a university degree in business

administration, commercial law, and taxation. Lotta has many years of experience from working with accounting and auditing at auditing firms and real estate companies. She also has previous experience from holding the position CFO at companies with foreign subsidiaries in North America.

Holdings in XMReality: 54,112 shares and 27,112 warrants.



Matilda Pasanen

Chief Experience Officer (CXO) since 2021

Born: 1992

Education and experience:

Matilda Pasanen has a MSc in Industrial Engineering

and Management from Linköping University with a specialization towards strategy and governance. Matilda has experience from working as a management consultant and has previously held a position within XMReality's sales department, leading to extensive understanding of XMReality's customers and sales processes.

Holdings in XMReality: 2,384 shares and 1,125 warrants.



Andreas Jonsson

Chief Business Development Officer (CBDO) since 2021 and Chief Sales Officer (CSO) since 2022

Born: 1975

Education and experience:

Andreas Jonsson has a master's degree in Applied Physics and Electrical Engineering from Linköping University. Andreas has extensive experience within leadership, international marketing, sales, and a genuine knowledge of how the industrial customer of XMReality operates. Andreas has held various senior positions at Ruag.

Holdings in XMReality: 66,831 shares and 31,653 warrants.



Alexander Widerberg

Head of R&D since 2021

Born: 1989

Education and experience:

Alexander Widerberg has an academic background from studying Computer

Science at Linköping University. He has many years of experience from various leadership roles and extensive experience in software development from iCloud, Earn'd It, Cybercom and from the consulting industry. In 2016, Alexander began his XMReality career, which over the years has covered many different aspects of the product's software as well as Team Lead.

Holdings in XMReality: –



Johanna Edepil

Chief Marketing Officer (CMO) since 2020

Born: 1988

Education and experience:

Johanna Edepil has a MSc in Industrial Engineering

and Management from Linköping University with a specialization towards Industrial Marketing. Johanna has several years experience from working in international B2B companies and has held positions within sales, market analysis and strategic marketing. Resulting in experience from the entire sales- and marketing process.

Holdings in XMReality: 49,970 shares and 123,670 warrants.

Auditor

At the Annual General Meeting held 4th of May 2022, Öhrlings PricewaterhouseCoopers was reappointed as the company's statutory auditor. Authorized Public Accountant Nicklas Kullberg, a member of FAR, was appointed to represent the auditing firm. Öhrlings PricewaterhouseCoopers AB is based at Torsgatan 21, 113 21 Stockholm. The auditing firm, represented by authorized public accountant Nicklas Kullberg, has been the company's statutory auditor for all years related to historical financial information.

Risk factors

Risk factors assessed as specific to XMReality's operations and the company's potential for future performance are described below. The risk factors currently assessed as the most material are presented first in each category, while those that follow are presented in no particular order. The following report was based on information available at the reporting date.

Business and industry-related risk

Technical advances

The market in which XMReality operates is characterized by rapid development. XMReality's products are based on ongoing technical development and refinements. The company's success is highly dependent upon its capacity to lead and adapt to technological developments, primarily in the market for AR and Remote Guidance. There is risk that the company's software and other technical solutions will not evolve so that their features meet the needs, demands, and preferences of customers and that the company could consequently become less competitive and lose market shares. An increase or decrease of the company's direct billing and accrued revenues by +/- 10%, based on conditions during the 2022 financial year, would affect the company's net sales by approximately SEK 2 million. There is moreover a risk that planned software development will be more costly and take longer to align with market needs than planned. If the company fails, partially or entirely, in its ongoing technical development and refinement, it could have adverse impact on the company's sales and profitability. XMReality assesses the risk level as medium-high.

Sales

Customers' caution when investing in new technology can be great and the Company operates in a market that is characterized by long adjustment processes, which is time

and resource-consuming for the Company and entails a great deal of forecast uncertainty. There is a risk that an earlier or later placing of orders means a considerable impact on the Company's annual turnover and results, which also results in the variations in the Company's cash flow between quarters being high. The company's goal of achieving positive cash flow by the end of 2024 at the latest is based on growth in new sales in Europe and the USA, as well as additional sales to existing customers. XMReality rates the risk level as medium.

Production capacity

XMReality often delivers software to its customers by making the server software and associated server capacity available and delivered to customers as a service. Server capacity is purchased from a third party. The company is dependent upon available internet connections to maintain the server and provide support to its customers. There is risk that the company will be unable to obtain the necessary server capacity for the operation service from third-party suppliers or that the company will not have an available internet connection to deliver services to customers. If the company is unable to meet customer demands or delivery expectations, this could have adverse impact on the company's net sales and results of operations. XMReality assesses the risk level as low.

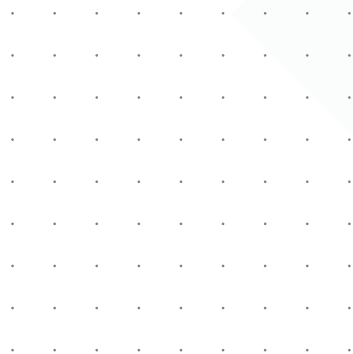
Competition

The Remote Guidance market is generally characterized by rapid technical progress and fierce competition. Several of XMReality's current and potential future

competitors could have a competitive edge in the form of e.g., a longer history, a more well-established brand, firmer relationships with end customers, and greater financial, technical, and marketing resources. If XMReality is unable to adapt the company's business and solutions to technical advances in the market, there is risk that the company could become less competitive, which could have adverse impact on the company's potential to develop. XMReality assesses the risk level as medium.

Dependence on key individuals and skilled employees

Advanced software development requires flexibility, efficiency, and a high level of technical expertise among employees. There are a number of key individuals at XMReality who are important to the successful development of the company's operations. The capacity to recruit and retain skilled employees is essential to securing the level of expertise in the company. The company has a number of employees regarded as such key individuals, working in management, sales, and development. If these key individuals were to leave the company, it could have adverse impact on the business, particularly in the short term. There is risk that XMReality will be unable to recruit or retain the individuals necessary to run and develop the company's operations, which could have adverse impact on the business and thus reduce the company's net sales and results of operations and increase the company's employee benefits expenses. XMReality assesses the risk level as medium.



Financial risks

Multinational business and changes in exchange rates

A high percentage of XMReality's costs are denominated in SEK, while a significant share of revenues and the costs of certain purchases are generated in foreign currency, primarily EUR and USD, which increases the company's currency exposure. Appreciation/depreciation of EUR and USD against SEK by 10%, based on conditions during the 2022 financial year, would have a currency effect on the company's revenues of approximately SEK 1.5 million and on the company's costs of about SEK 1.6 million. Significant changes in exchange rates could have adverse impact on XMReality's costs and future revenues, which would in turn affect the company's financial position and results of operations. XMReality assesses the risk level as medium.

Need for additional financing

There is risk that XMReality will have insufficient revenues in the future to fully finance its operations. XMReality is not currently generating positive cash flow and could thus be forced to seek additional external financing to continue operating. Such financing could be provided by existing shareholders or an external party. There is risk that it will be impossible to raise fresh capital when it is needed, that it will be impossible to obtain fresh capital on satisfactory terms, or that capital raised will be insufficient to finance operations in accordance with established business development plans and objectives, which would have adverse impact on the company's ability to maintain its market position and

competitiveness. This could lead to material adverse impact on the company's net sales, interest expenses, and earnings before tax. The terms and conditions of available financing could also have adverse impact on the company's operations or the rights of shareholders. If the company opts to raise additional financing by issuing shares or share-related securities, shareholders who choose not to participate may suffer due to the dilutive effect. Debt financing could potentially contain terms and conditions that limit the company's flexibility. XMReality assesses the risk level as medium.

Legal risks

XMReality's intellectual property, know-how, and business secrets

As of the reporting date, the company owns intellectual property including patents, copyrights, and trademarks. As a result of rapid technological development in XMReality's field, the company has not and will not be able to patent large segments of its intellectual property without investing disproportionately large resources. The company's strategy is therefore to patent only particularly unique parts of its technology and to otherwise protect its software development through unregistered intellectual property rights, such as copyright. There is a risk that XMReality will be unable to fully protect its technology through patents or other intellectual property rights. Nor can it be precluded that the company could be found to have infringed upon patents or other intellectual property owned by another party.

XMReality is also dependent upon know-how and business secrets, and the company requires non-disclosure agreements with employees, consultants, and partners. However, it is impossible to fully protect the company against the unauthorized spread of information, which entails a risk that competitors will become privy to and benefit from the know-how developed by XMReality. Moreover, the dissemination of business secrets could affect the company's opportunities to be granted patents for inventions. If any of the aforementioned risks were to occur, it could have material adverse impact on the company's business, net sales, and results of operations, and could increase the company's costs. XMReality assesses the risk level as medium.

Tax loss carryforwards

XMReality has a preliminarily recognized accumulated loss carryforwards of approximately SEK 203.9 million as of 31 December, 2022. The accumulated loss carryforwards could reduce any taxable profits made by the company in future and thus reduce the corporate tax that would be due on any future profits. The tax effect of the accumulated loss carryforwards could be carried as an asset on the balance sheet. Whether or not the company is able to use the accumulated loss carryforwards will be determined by factors including future ownership changes in XMReality, which are beyond the company's control. If the loss carryforwards cannot be used to reduce future profits, the company's tax expenses would be higher. XMReality assesses the risk level as low.

Shareholder information

Shares

All shares in XMReality are of the same share class and are denominated in Swedish krona (SEK). By the fiscal year-end the capital stock in XMReality AB (publ) totaled 2,582,363.45 SEK divided among 51,647,269 shares at a nominal value of 0.05 SEK each. Starting from January 10th, 2023, the capital stock in XMReality AB (publ) totaled 4,423,763.45 SEK divided among 88,475,269 shares at a nominal value of 0.05 SEK each.

The XMReality shares are listed on Nasdaq First North Growth Market. The stock ticker is XMR and the ISIN-code is SE0009664188.

Each share has the voting power of one (1) vote at Shareholders Meetings and each shareholder is entitled to a number of votes corresponding to the holder's number of shares in the company. All shares give equal rights to dividends as well as the company's assets and any surpluses in the event of liquidation.

Stock options program

XMReality AB (publ) has two active stock option programs. 2020/2023L totals the rights to sign up to 600,000 shares and 2020/2024S totals the rights to sign up to 560,000 shares.

The maximum number of active stock options, at the time of adoption of this Annual Report, corresponds to the rights to sign up for 1,160,000 new shares which in that case will increase the share capital with 58,000 SEK, corresponding to a dilution of 1.3 percent.

Change in capital stock

Year	Activity	Increase in number of shares	Total shares	Increase in share capital (SEK)	Total share capital (SEK)	Nominal value (SEK)
2007	Formation of the company	-	1,000	-	100,000	100
2012	New share issue	158	1,158	15,800	115,800	100
2013	New share issue	219	1,377	21,900	137,700	100
2014	New share issue	360	1,737	36,000	173,700	100
2014	New share issue ¹	48,080	221,780	48,080	221,780	1
2015	New share issue	34,884	256,664	34,884	256,664	1
2016	Use of warrant	17,297	273,961	17,297	273,961	1
2016	New share issue	144,460	418,421	144,460	418,421	1
2017	New share issue	93,000	511,421	93,000	511,421	1
2017	New share issue ²	4,379,562	14,607,982	218,978.10	730,399.10	0.05
2018	New share issue	2,442,018	17,050,000	122,100.90	852,500.00	0.05
2020	New share issue	17,050,000	34,100,000	852,500.00	1,705,000.00	0.05
2021	New share issue ³	6,820,000	40,920,000	341,000.00	2,046,000.00	0.05
2022	New share issue ⁴	10,727,269	51,647,269	536,363.45	2,582,363.45	0.05
2023	New share issue ⁴	36,828,000	88,475,269	1,841,400.00	4,423,763.45	0.05

¹ On June 9th, 2014 the AGM resolved a split of shares, 100:1.

² On February 9th, 2017 the EGM resolved a split of shares, 20:1.

³ On February 16th, 2021 the Board, based on an authorization from the AGM 2020, resolved a directed issue.

⁴ On December 1st, 2022 the Board, based on an authorization from the AGM 2022, resolved a directed issue and a preferential issue.

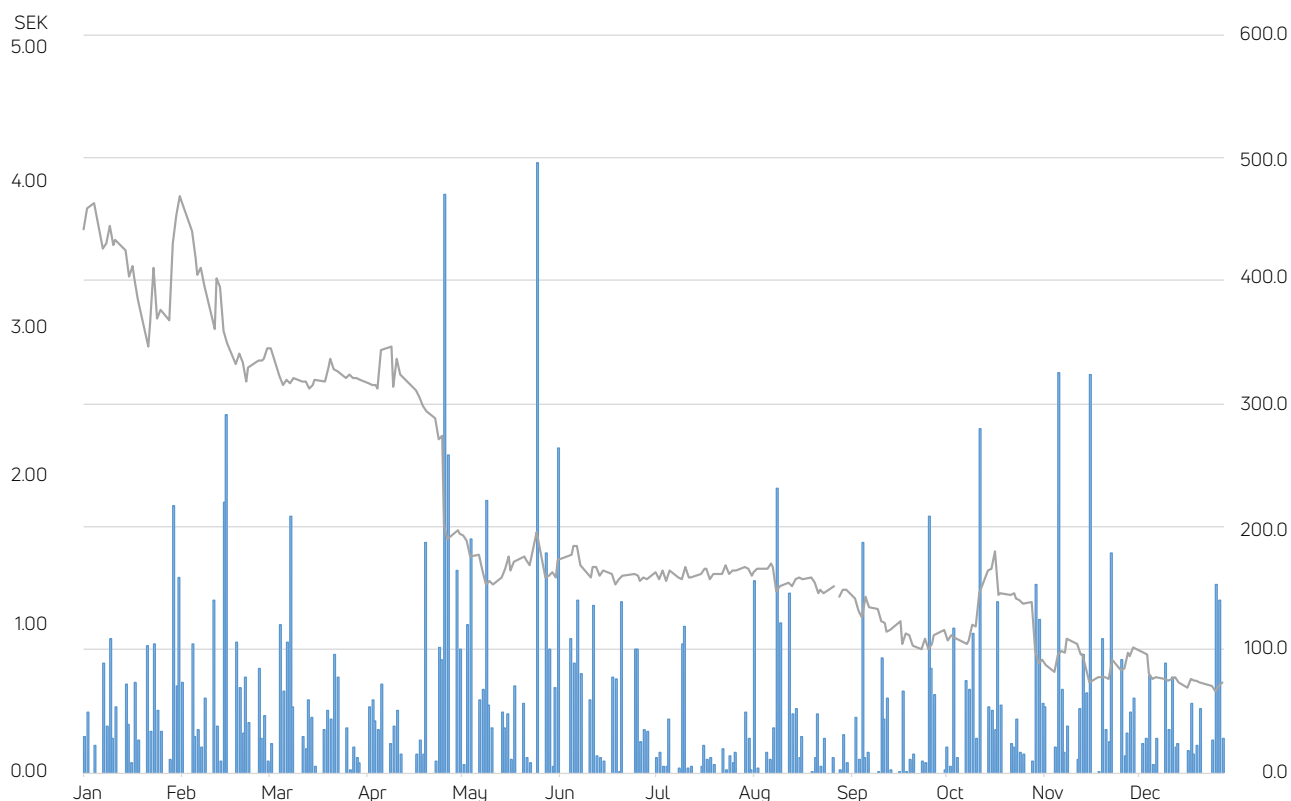
Largest shareholders December 30th, 2022

	Number of shares/votes	%
Investment AB Spiltan	9,618,924	23.51 %
Försäkringsaktiebolaget, Avanza Pension	3,036,909	7.42 %
Rambas AB	1,986,955	4.86 %
Nordnet Pensionsförsäkring AB	1,596,781	3.90 %
Björn Persson (Klösen AB and shares owned privately)	1,527,412	3.73 %
Nils Robert Persson	1,152,346	2.82 %
Christer Svensson	804,448	1.97 %
Göran Gustavsson	755,152	1.85 %
BNY Mellon S.A./N.V., Bruxelles	546,154	1.33 %
Tommy Furland	500,000	1.22 %
Total, 10 largest stockholders	21,525,081	52.60 %
Other owners	19,394,919	47.40 %
Total number of shares	40,920,000	100.00 %
BTA 221216 registered 221229	10,727,269	
BTU 221216 registered 230110	36,828,000	
Total numbers of shares and BTA	88,475,269	

Ownership structure

Registered shareholders December 30th, institutional and private investors. 2,491 (2,688) owned XMReality AB (publ) on December 30th, 2022. The new share issues were registered December 29th, 2022 and January 10th, 2023.

Share development, 2022



Shareholders agreements

As far as XMReality's board of Directors knows, there are no existing shareholders agreements or similar agreements between shareholders in the company which aims to create a common influence over the company. The Board of Directors also does not know of any shareholders agreements or similar agreements which could lead to a change of control of the company.

The share graph above shows the development of share price and numbers of traded shares per day on Nasdaq First North Growth Market for the fiscal year 2022.

Stock option program plans

Series	Issuing date	Exercise period	Paid subscription price	Number of warrants	Number of shares	Subscription price per share, SEK
2020/2023L	Oct 7 th , 2020	Nov 1–15 th , 2023	1.29	600,000	600,000	4.20
2020/2024S	Oct 7 th , 2020	Mar 1–15 th , 2024	1.19	560,000	560,000	4.20

Dividend policy

The company is still in its development phase and has so far not yet paid any dividends. The company will primarily focus on business opportunities that can be profitably developed, which is why no dividend is currently planned. The Board of Directors will establish a dividend policy when the business has been consolidated.

Stock option program

There are currently two active stock option programs, 2020/2023L totals the rights to sign up to 600,000 shares and 2020/2024S totals the rights to sign up to 560,000 shares. The stock option programs have been issued on customary terms to employed personnel and the Board of Directors. If all warrants will be exercised the numbers of shares will increase by 1,160,000 shares, corresponding to a dilution of 1.3 percent.

The warrants are distributed as follows:

Warrant holder	Role	Number of warrants	Giving the right to sign for up to (number of shares)
Björn Persson	Chairman of the Board	160,000	160,000
Anders Ferntoft	Board member	80,000	80,000
Tommy Johansson	Board member	80,000	80,000
Peter Gille	Board member	80,000	80,000
Åsa Arvidsson	Board member	80,000	80,000
Carina Qvarngård	Board member	80,000	80,000
Jörgen Rimmelg	CEO	250,000	250,000
Marcin Szymanski	CSO	125,000	125,000
Per Unell	CTO	125,000	125,000
Johanna Edepil	CMO	100,000	100,000

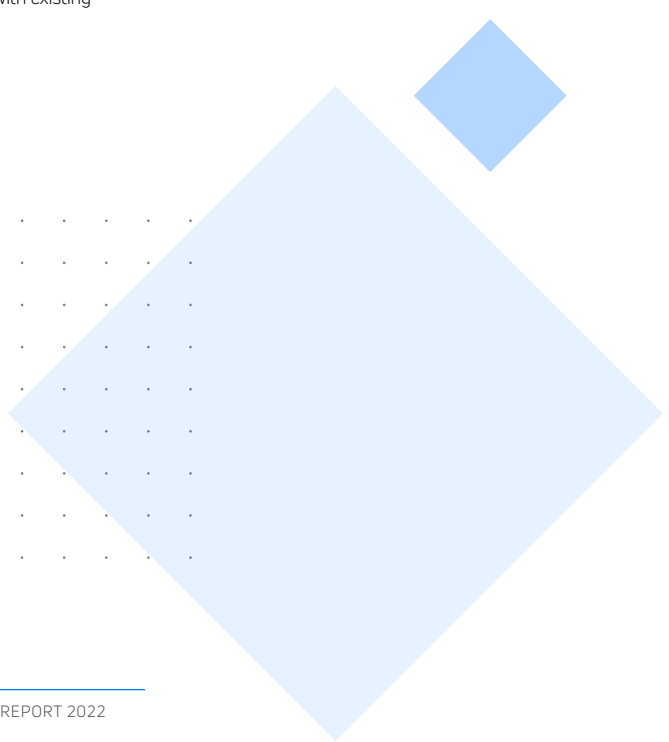
Overview of financial performance (SEKk)

Below is a summary of XMReality Group financial development of the years 2019–2022. 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		The Group (pro forma 2019-2021)		XMReality AB	
	(SEKk)	2022	2021	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 appropriations		-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
Debt/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 the 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
Financial assets		0	0	-8	0	8
Earnings per share before and after dilution, SEK		-0.90	-0.85	-0.79	-1.60	-1.96
Basic earnings (-loss) per share, SEK after dilution January 10 th , 2023		-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
Number of shares 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 January 10 th , 2023		88,475,269				

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
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



Board of directors' report

The board of directors and the CEO of XMReality AB (publ), company registration number 556722-7284 and registered office in Linköping, hereby present the annual report for the financial year that began on 1st of January 2022 and ended 31st of December 2022, the company's sixteenth year in operation.

About the business

Market

XMReality offers a Remote Guidance service to large companies as well as small and medium-sized companies via a range of subscription offerings.

Products and services

During the year XMReality has expanded the product with step-by-step instructions that can be used for standardized working methods adapted for each customer, as well as automatic PDF reports with notes, images and other documentation from completed troubleshooting, inspections and other calls. The company has also introduced scheduled calls with up to 20 participants and an integration with Microsoft Outlook for scheduling XMReality sessions in advance. Together, these functions create new opportunities for customers to use the product for planned activities, such as for example inspections and installations.

As in previous years, portions of the company's software development costs related to new features were capitalized.

The company also offers its own PointPad hardware as well as smart glasses from leading suppliers. However, hardware sales make up a minor portion of sales.

Sales

Sales during the year were focused on larger customers with global presence and businesses that require Remote Guidance to increase their customer value and sales. For example, the customer value increases through increased operational reliability, shorter set-up times. The solution also contributes to improved sustainability thinking and reduced environmental footprint. During the year, a handful of new customers have also been added within the real estate industry, especially in Great Britain within what is called 'Social Housing'. A handful of Swedish energy companies have also ordered the product during the year. The two latter phenomena have close connection to customer service, order handling and fault reporting directly tied to the consumer. Historically this has not been the typical use case, instead the product has previously been used between industrial companies' service technicians. Although the global economic situation resulting from the crisis in Ukraine affected the company negatively short term, the need from the market is long term accelerated by the increasing costs of travel, lack of experienced personnel and the customers' ambition to reduce their climate footprint.

The Group

Liquidation of wholly owned subsidiary

In January 2022 the wholly owned subsidiary XMReality GmbH was liquidated.

Financial outcomes

Net sales amounted to SEK 18,804 thousand (21,616). The order intake was SEK 15,533 thousand (25,964). Annual Recurring Revenue (ARR) was in large unchanged at SEK 18,082 thousand (18,583). The order backlog decreased by 19 percent to SEK 13,899 thousand (17,088). Operating loss before taxes amounted to SEK -36,751 thousand (-33,672). Investments in tangible and intangible assets totaled SEK 11,771 thousand (2,271) and consisted mainly of software development costs.

Financing and cash flow

The company's cash reserves at the end of the period amounted to SEK 7,796 thousand (45,143).

Cash flow during 2022 was SEK -37,347 thousand (26,430) and consisted of financial activities of SEK 22,451 thousand (53,805), operating activities of SEK -48,177 thousand (-25,285) and investments amounting to SEK -11,771 thousand (-2,271).

Employees and organization

At the end of the year, the Company had 30 (24) employees.

During the year, a number of people were engaged on a consultancy basis and there were employees in the company's subsidiaries, all of whom were active on behalf of the company. In total, there were 8 (11) people, corresponding to 5 (9) full-time positions, who performed tasks in sales and product development as well as for administration, finance and HR-services.

Parent Company

Financial outcomes

Net sales amounted to SEK 19,731 thousand (21,975). The order backlog decreased by 24 percent to SEK 13,023 thousand (17,088). Operating loss before appropriations amounted to SEK -36,591 thousand (-33,440). Investments in tangible and intangible assets totaled SEK 11,771 thousand (2,271) and consisted mainly of software development costs.

Capital contribution

XMReality completed a rights issue during late 2022 and early 2023. In addition the company signed a loan with its nominal commercial bank on normal commercial terms. This resulted in the following:

- ◆ At the end of December 2022, SEK 5.9 million was received
- ◆ At the beginning of January 2023, SEK 20.3 million was received
- ◆ The issue cost for the above was approximately SEK 3.9 million
- ◆ A loan of SEK 5 million was obtained and paid out in January 2023

The above means that the company's cash were strengthened by SEK 27.3 million. Added capital will be used for working capital, marketing and sales in the US and Europe, product development and establishment of partnership.

During the month of May, the warrants of series T01 that were issued in connection with the new issue entitle to shares in the event of a volume-owned average share price in the range of 0.55 SEK - SEK 1.00 during the period 8 - 19 May 2023. If the share price during the period 8 - 19 May 2023 falls below SEK 0.55, the probable outcome is zero. Within the range 0.55 - 1.00 SEK it is assumed the outcome SEK 10 - 23.8 million before issue costs. At a share price above SEK 1.00, the expected outcome is SEK 23.8 million. The issue cost is calculated to about 3% of the added amount.

The company assesses that current and available funding is sufficient to ensure continued operations.

XMReality shares and shareholders

Shares in the company are listed on Nasdaq First North Growth Market. The stock ticker is XMR and the ISIN code is SE0009664188.

Share capital at the end of the year totaled SEK 2,582,363.45 divided among 51,647,269 shares, each with a quotient (par) value of SEK 0.05. After finished new share issue the share capital will be 4,423,763.45 divided among 88,475,269 shares, each with a quotient (par) value of SEK 0.05.

At the end of the year, the company had two outstanding stock options/warrant plans. The 2020/2023L plan covered warrants for up to 600,000 shares, and the 2020/2024S warrants for up to 560,000 shares.

At year-end, the company was owned by 2,491 shareholders (2,688), which included institutional investors as well as the company's founders and employees and other private investors. The holdings of the 10 largest shareholders totaled about 53 percent (53) of total shares and votes outstanding.

Work of the board of directors

The board of directors held 15 minuted meetings during the year. At these meetings, the board addressed business related to ongoing operations, financial position, forecasts, interim reports, and the annual report. The board also addressed strategic matters including business planning, financing and organizational matters during the financial year.

Five-year review

The Group					
(SEKk)	Dec 31st 2022	Dec 31st 2021	Dec 31st 2020	Dec 31st 2019	
Net sales	18,804	21,616	20,164	11,921	
Loss after net financial income	-36,751	-33,687	-24,506	-27,243	
Total assets	53,069	64,109	41,710	32,844	
Equity/ assets ratio, %	58.7	70.7	59.9	61.9	

Parent Company					
(SEKk)	Dec 31st 2022	Dec 31st 2021	Dec 31st 2020	Dec 31st 2019	Dec 31st 2018
Net sales	19,731	21,975	20,701	11,921	10,155
Loss after net financial income	-36,591	-33,440	-24,925	-27,364	-29,317
Total assets	51,967	64,098	41,681	32,826	59,327
Equity/ assets ratio, %	59.8	70.5	59.6	61.8	80.2

In the board of directors' assessment, the company is in a financial position by which operations are secure for more than 12 months from the reporting date.

Significant events during the financial year

ABB places additional orders with an annual value of SEK 1.5 million

ABB has placed additional orders with an annual value of SEK 1.5 million. ABB Process Automation in the USA has ordered a number of Remote Guidance licenses via the framework agreement that XMReality has in place with ABB. XMReality has already been used within ABB Motion.

XMReality signs 5-year reseller agreement with a major global industrial company

XMReality has signed a 5-year reseller agreement with a major global industrial company with more than 100.000 employees and operations in more than 100 countries. The agreement gives the company the right to sell XMReality Remote Guidance under their own brand (white label) to their global customer base. Same deal also serves as a 5-year framework agreement for this existing customer's internal purchase and use of same product. The agreement does not guarantee any new orders.

XMReality appoints new CFO

As of March 1st, Lotta Ekerbring will take over as Chief Finance Officer (CFO) at XMReality. Lotta will replace the current CFO, Claes Pettersson, who will leave the company for retirement. Lotta will contribute with significant experience in the field and has previous experience as CFO in a high-tech company with subsidiaries in North America.

Significant events after the end of the financial year

The issue registered and trading in BTU ceases

XMReality AB (publ) has completed a rights issue of shares that closed on 21 December 2022. The rights issue and the directed issue were registered with the Swedish Companies Registration Office and the last day for trading in paid subscription units ("BTU") was January 11, 2023. The record date was January 13, 2023, after which the BTUs were converted into shares and warrants on January 17, 2023.

XMReality AB (publ) hires Erik Penser Bank AB as Liquidity Guarantor

XMReality AB (publ) has entered into an agreement with Erik Penser Bank market making. Erik Penser Bank takes over as market maker on 14 February 2023. The market maker commitment is provided in accordance with Nasdaq Stockholm AB's rules for market making. This means that Erik through their role as market maker, acts as a guarantor that there are buy and sell rates and a guaranteed available volume in the share and that the difference between the purchase and sale price to be smaller.

Proposed allocation of profit and treatment of loss

The board of directors proposes allocation of retained earnings as follows:

	Amount in SEK
Retained earnings	47,072,741
Loss for the year	-36,591,072
Total	10,481,669
To be retained	10,481,669

For further information concerning the company's financial performance and position, please refer to the following financial statements and associated notes.

The Group

Income statements (SEKk)	Note	2022	2021
Operating income			
Net sales	3	18,803.9	21,616.1
Capitalized work for own account		11,713.3	2,211.5
Other operating income		688.4	149.8
Total operating income		31,205.6	23,977.4
Operating costs			
Raw material and consumables		-966.3	-1,707.2
Other operating expenses	4	-27,150.8	-25,040.3
Personnel costs	5	-33,511.5	-25,209.2
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		-6,055.3	-5,297.9
Other operating costs		-296.1	-385.0
Total operating costs		-67,980.0	-57,639.6
Earnings before interest and taxes (EBIT)		-36,774.4	-33,662.1
Financial income and expense			
Financial income and similar profit items		25.9	16.3
Financial expenses and similar loss items		-2.8	26.5
Net financial income (-expense)		23.1	-10.2
Earnings before taxes (EBT)		-36,751.3	-33,672.3
Income taxes	7	0	-14.6
Net profit (-loss) for the year		-36,751.3	-33,686.9
Net profit (-loss) per share, before dilution, (SEK)		-0.90	-0.85
Net profit (-loss) per share, after dilution, (SEK)		-0.42	-0.82
Average number of shares during the period		41,008,169	39,630,740
Share outstanding at the end of the period		51,647,269	40,920,000
Number of shares starting from 230110		88,475,269	-

The Group

Balance sheets (SEKk)	Note	Dec 31 st 2022	Dec 31 st 2021
Assets			
<i>Non-current assets</i>			
<i>Intangible assets</i>			
Capitalized development expenses	8	16,167.2	10,429.5
Total intangible assets		16,167.2	10,429.5
<i>Property, plant and equipment</i>			
Equipment, tools and systems	9	115.7	148.0
Total property, tools and systems		115.7	148.0
<i>Current assets</i>			
<i>Inventories</i>			
Finished goods and goods for resale		240.4	394.7
Total financial assets		240.4	394.7
<i>Current receivables</i>			
Trade receivables		6,701.2	6,439.3
Other current receivables		20,052.6	761.7
Prepayments and accrued income		1,995.3	792.3
Total current receivables		28,749.2	7,993.4
<i>Cash and bank balances</i>			
		7,796.5	45,143.2
Total current assets		36,786.1	53,531.3
Total assets		53,068.9	64,108.8

The Group

Balance sheets (SEKk)	Note	Dec 31 st 2022	Dec 31 st 2021
Equity and liabilities			
Equity			
Restricted equity			
Share capital		2,582.4	2,046.0
Other paid-in capital		261,710.6	229,784.9
Retained profit or loss including this year's profit (-loss)		-233,124.3	-186,515.5
Equity attributable to the parent company's shareholders		31,168.7	45,315.4
Total restricted equity		31,168.7	45,315.4
<i>Current liabilities</i>			
Prepayment from customer		194.7	0.0
Trade payables		2,717.6	2,113.0
Current tax liabilities		232.6	70.9
Other current liabilities		981.1	813.4
Accrued expenses and prepaid income		17,774.1	15,796.1
Total current liabilities		21,900.2	18,793.4
Total equity and liabilities		53,068.9	64,108.8
Collateral provided	12	3,700.0	3,700.0
of which in own custody		3,500.0	3,000.0
Contingent liabilities		none	none

The Group

Statement of changes in equity (SEKk)

	Share capital	Other paid-in capital	Accumulated difference in exchange rates	Retained profit or loss including this year's profit (-loss)	Total equity
Balance at January 1st, 2021	1,705.0	176,262.2	-359.1	-152,593.7	25,014.4
New share issue	341.0	55,924.0	-	-	56,265.0
Issue costs	-	-	-	-2,459.5	-2,459.5
Capitalization of development costs	-	-2,401.3	-	2,401.3	-
Exchange rate difference for the year	-	-	182.4	-	182.4
Profit (-loss) for the year	-	-	-	-33,686.9	-33,686.9
Total changes for the year	341.0	53,522.7	182.4	-33,745.1	20,301.0
Balance at December 31st, 2021	2,046.0	229,784.9	-176.7	-186,338.9	45,315.4
New share issue	536.4	5,363.6	-	-	5,900.0
Ongoing new share issue	-	20,255.4	-	-	20,255.4
Issue costs	-	-	-	-3,704.2	-3,704.2
Capitalization of development costs	-	6,306.7	-	-6,306.7	-
Exchange rate difference for the year	-	-	153.5	-	153.5
Profit (-loss) for the year	-	-	-	-36,751.3	-36,751.3
Total changes for the year	536.4	31,925.7	153.5	-46,762.2	-14,146.6
Balance at December 31st, 2022	2,582.4	261,710.6	-23.2	-233,101.1	31,168.7

Specification of share capital

	Number of shares	Quotient value per share (SEK)
Balance at January 1 st , 2022	40,920,000	0.05
Balance at December 31 st , 2022	51,647,269	0.05
Number of shares starting from 230110	88,475,269	0.05

The Group

Statement of cash flow (SEKk)	Note	Jan-Dec 2022	Jan-Dec 2021
Operating activities			
Profit (-loss) after depreciation, amortization and impairment		-36,774.4	-33,662.1
Adjustment for non-cash items depreciation, amortization and impairment		6,068.7	5,517.8
Other items			
Interest earned		25.9	16.3
Interest paid		-2.8	-26.5
Unrealized exchange rate differences		3.3	-215.7
Income tax paid		-320.6	-410.6
Cash flow from operating activities before changes in working capital		-30,999.9	-28,780.8
Changes in working capital			
Change in inventories		154.3	-139.4
Change in receivables		-20,747.3	1,156.7
Change in current liabilities		3,415.5	2,478.7
Cash flow from (-used in) operating activities		-48,177.3	-25,284.8
Investing activities			
Purchases/sales of property, plant and equipment and intangible assets		-11,713.3	-2,211.5
Purchases/sales of property, plant and equipment and tangible assets		-57.6	-59.2
Cash flow from (-used in) investing activities		-11,770.9	-2,270.7
Financing activities			
New share issue		22,451.2	53,805.5
Cash flow from financing activities		22,451.2	53,805.5
Net change in cash and cash equivalents		-37,497.0	26,250.0
Cash and cash equivalents at January 1st		45,143.2	18,713.6
Exchange rate difference in cash and cash equivalents		150.3	179.6
Cash and cash equivalents at December 31st		7,796.5	45,143.2
Cash balance at December 31 st , percent - Quick ratio %		166.9	282.7

Notes to the statements of cash flow (SEKk)

Note Adjustment for non-cash items

Adjustment for non-cash items	2022-12-31	2021-12-31
Amortization	6,055.3	5,297.9
Disposals (equipment, tools and systems)	13.4	219.9
	6,068.7	5,517.8

Parent Company

Income statements (SEKk)	Note	2022	2021
Operating income			
Net sales	3	19,730.9	21,975.4
Capitalized work for own account		11,713.3	2,211.5
Other operating income		688.4	149.8
Total operating income		32,132.6	24,336.7
Operating costs			
Raw material and consumables		-859.0	-1,707.2
Other operating expenses	4	-34,097.2	-27,001.8
Personnel costs	5	-27,501.1	-23,392.6
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		-6,048.7	-5,286.5
Other operating costs		-282.7	-385.0
Total operating costs		-68,788.7	-57,773.1
Earnings before interest and taxes (EBIT)		-36,656.1	-33,436.5
Financial income and expense			
Result of impairment-loss of shares in subsidiary company	6	42.0	0.0
Financial income and similar income items		25.9	16.3
Financial expenses and similar loss items		-2.8	-19.9
Net financial income (-expense)		65.1	-3.6
Earnings before taxes (EBT)		-36,591.1	-33,440.1
Income taxes		0	0
Net profit (-loss) for the year		-36,591.1	-33,440.1
Net profit (-loss) per share, before dilution, (SEK)		-0.89	-0.84
Net profit (-loss) per share, after dilution, (SEK)		-0.42	-0.82
Average number of shares during the period		41,008,169	39,630,740
Share outstanding at the end of the period		51,647,269	40,920,000
Number of shares starting from 230110		88,475,269	

Parent Company

Balance sheets (SEKk)	Note	Dec 31 st 2022	Dec 31 st 2021
Assets			
Non-current assets			
<i>Intangible assets</i>			
Capitalized development expenses	8	16,167.2	10,429.5
Total Intangible assets		16,167.2	10,429.5
<i>Property, plant and equipment</i>			
Equipment, tools and systems	9	115.7	131.1
Total property, tools and systems		115.7	131.1
Financial assets			
Investments in associates	10	51.0	51.0
Total financial assets		51.0	51.0
Total non-current assets		16,333.8	10,611.6
<i>Current assets</i>			
Inventories			
Finished goods and goods for resale		240.4	394.7
Total inventories		240.4	394.7
Current receivables			
Trade receivables		6,296.3	6,439.3
Current receivable, group	11	96.9	0.0
Other current receivables		20,052.6	761.7
Prepayments and accrued income		1,925.8	792.3
Total current receivables		28,371.6	7,993.4
<i>Cash and bank balances</i>			
		7,021.1	45,098.2
Total current assets		35,633.1	53,486.3
Total assets		51,967.0	64,097.9

Parent Company

Balance sheets (SEKk)	Note	Dec 31 st 2022	Dec 31 st 2021
Equity and liabilities			
Equity			
Restricted equity			
Share capital		2,582.4	2,046.0
New share issue in progress		1,841.4	0.0
Fund development expenditure		16,167.2	9,860.5
Total restricted equity		20,590.9	11,906.5
<i>Non-restricted equity</i>			
Share premium reserve		243,702.0	219,924.4
Retained profit or loss		-196,629.3	-153,178.3
Profit (-loss) of the year		-36,591.1	-33,440.1
Total non-restricted equity		10,481.7	33,306.0
Total equity		31,072.6	45,212.5
<i>Non-current liabilities</i>			
Other non-current liabilities, group	12	50.0	50.0
Total non-current liabilities		50.0	50.0
<i>Current liabilities</i>			
Prepayment from customer		194.7	0.0
Trade payables		2,717.6	2,113.0
Debt to group company	13	199.2	42.0
Current tax liabilities		232.6	70.9
Other current liabilities		925.0	813.4
Accrued expenses and prepaid income		16,575.2	15,796.1
Total current liabilities		20,844.4	18,835.4
Total equity and liabilities		51,967.0	64,097.9
Collateral provided	12	3,700.0	3,700.0
of which in own custody		3,500.0	3,000.0
Contingent liabilities		none	none

Parent Company

Statement of changes in equity (SEKk)

	Share capital	Restricted reserves	Non-restricted equity	Total equity
Balance at January 1st, 2021	1,705.0	12,261.8	10,880.3	24,847.1
New share issue	341.0	-	55,924.0	56,265.0
Issue costs	-	-	-2,459.5	-2,459.5
Capitalization of development costs	-	-2,401.3	2,401.3	-
Profit (-loss) for the year	-	-	-33,440.1	-33,440.1
Total changes for the year	341.0	-2,401.3	22,425.7	20,365.4
Balance at December 31st, 2021	2,046.0	9,860.5	33,306.0	45,212.5
New share issue	536.4	-	5,363.6	5,900.0
New share issue in progress	-	1,841.4	18,414.0	20,255.4
Issue costs	-	-	-3,704.2	-3,704.2
Capitalization of development costs	-	6,306.7	-6,306.7	-
Profit (-loss) for the year	-	-	-36,591.1	-36,591.1
Total changes for the year	536.4	8,148.1	-22,824.3	-14,139.9
Balance at December 31st, 2022	2,582.4	18,008.6	10,481.7	31,072.6

Specification of share capital

	Number of shares	Quotient value per share (SEK)
Balance at January 1 st , 2022	40,920,000	0.05
Balance at December 31 st , 2022	51,647,269	0.05
Number of shares starting from 230110	88,475,269	0.05

Parent Company

Statement of cash flow (SEKk)

	Note	Jan-Dec 2022	Jan-Dec 2021
Operating activities			
Profit (-loss) after depreciation, amortization and impairment		-36,656.1	-33,436.5
Adjustment for non-cash items depreciation, amortization and impairment		6,048.7	5,506.5
Other items			
Interest earned		25.9	16.3
Interest paid		-2.8	-19.9
Unrealized exchange rate differences		3.3	-215.7
Income tax paid		-320.6	-396.0
Cash flow from operating activities before changes in working capital		-30,901.6	-28,545.3
Changes in working capital			
Change in inventories		154.3	-139.4
Change in receivables		-20,369.8	1,186.2
Change in current liabilities		2,317.7	2,447.0
Cash flow from (-used in) operating activities		-48,799.4	-25,051.4
Investing activities			
Purchases/sales of property, plant and equipment and intangible assets		-11,713.3	-2,211.5
Purchases/sales of property, plant and equipment and tangible assets		-57.6	-59.2
Cash flow from (-used in) investing activities		-11,770.9	-2,270.7
Financing activities			
New share issue		22,451.2	53,805.5
Reversal write-down of shares in subsidiaries		42.0	0.0
Cash flow from financing activities		22,493.2	53,805.5
Net change in cash and cash equivalents		-38,077.1	26,483.3
Cash and cash equivalents at January 1st		45,098.2	18,614.9
Cash and cash equivalents at December 31st		7,021.1	45,098.2
Cash balance at December 31 st , percent - Quick ratio %		169.8	281.9

Notes to the statements of cash flow (SEKk)

Note Adjustment for non-cash items

Adjustment for non-cash items	2022-12-31	2021-12-31
Amortization	6,048.7	5,286.5
Disposals (equipment, tools and systems)	0.0	219.9
	6,048.7	5,506.5

Notes to the financial statements

All amounts in SEK if nothing else is specified.

◆ Note 1 Accounting policies and notes to the financial statement

General accounting policies

The annual report was 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 the preceding year.

Group Relations

XMReality AB is a parent company and prepare consolidated accounts.

Measurement policies, etc.

Assets, provisions and liabilities have been measured at cost unless otherwise specified below.

Foreign currencies

Transactions denominated in foreign currencies are converted at the spot rate on effect on the transaction date.

Revenue recognition

Goods

Sales of goods are recognized when significant risks and rewards of ownership are transferred from the seller to the buyer in accordance with the terms of sale. Sales are recognized less deductions for VAT and discounts.

Subscription revenues from the grant of license rights

The company grants license rights to customers that are billed and paid in advance for a specific agreed period. Revenue from these contracted and billed subscription fees is allocated straight-line over the term of the contract.

Intangible assets

Intangible assets are recognized at cost less accumulated amortization and impairment losses. As of 2014, the capitalization model is applied for internally generated intangible assets.

Amortization is taken on a straight-line basis over the estimated useful life of the asset. The amortization period for internally generated intangible assets is five years from the date the products begin generating revenue.

Tangible assets

Tangible assets are recognized at cost less accumulated amortization/scheduled depreciation, and any impairment losses.

Depreciation

Depreciation is taken on a straight-line basis over the estimated useful life of the asset, taking significant residual value into account. The following depreciation periods are applied for the Group and Parent company:

Tangible assets

Computers	3 years
Equipment, tools and systems	5 years

Financial assets and financial liabilities

Financial assets and liabilities are reported in accordance with chapter 11 (Financial instruments valued on the basis of acquisition value) in BFNAR 2012:1.

Trade receivables and other current receivables

Trade receivables and other current receivables are recognized as current assets at the amount expected to be paid less any individually assessed doubtful receivables.

Loan liabilities and trade payables

Loan liabilities and trade payables are initially recognized at cost less transaction costs. If the recognized amount differs from the amount to be repaid at maturity date, the difference is recognized as interest expense over the term of the loan using the instrument's effective interest rate. Upon maturity, the recognized amount and the amount to be repaid thus correspond.

Impairment testing of non-current financial assets

At each reporting date, non-current financial assets are tested to determine whether there are any indications of impairment. If such an indication exists, the recoverable amount of the asset is calculated. If the recoverable amount is less than the carrying amount, an impairment loss is recognized in profit and loss. The impairment need is tested individually for all material assets.

Impairment testing of current financial assets

At each reporting date, current financial assets are tested to determine whether there are any indications of impairment. If such an indication exists, the recoverable amount of the asset is calculated. If the recoverable amount is less than the carrying amount, an impairment loss is recognized in profit and loss. The impairment need is tested individually for all material assets.

Leases

All leases where the company is a lessee are recognized as operational leasing (rental agreement), whether the agreements are classified as financial or operational. Leasing payments are recognized straight-line basis over the term of the lease.

Inventories

Inventory has been measured at the lower of cost and net realizable value on the reporting date. Net realizable value refers to the estimated sales price of the goods, less selling costs. The chosen measurement method means that inventory obsolescence has been taken into account.

Employee benefits

"Employees benefits" refer to all form of remuneration from the company to the employees. Short-term benefits include salaries, paid annual leave, paid sick leave, bonuses, paid pension premium and statutory security contributions. Short-term benefits are recognized as a cost and a liability when there is legal or constructive obligation to pay benefits as a result of past events and a reliable estimate of the obligation can be made.

Definitions of key data

Net sales

Main operating income, billed costs, ancillary revenue and revenue corrections.

Earnings before taxes (EBT)

Earnings after financial income and expense, but before taxes.

Balance sheet total

Total assets of the company.

Equity ratio (%)

Adjusted equity (equity and untaxed reserves less deferred taxes) as a percentage of the balance sheet total.

Statement of cash flow

The statement of cash flow is prepared according to the indirect method. The reported cash flow covers only transactions that have resulted in cash inflows and outflows.

As cash and cash equivalents, the company classifies only available balances with banks.

Consolidated accounts

Subsidiaries

Subsidiaries are companies in which the parent company directly or indirectly holds more than 50 percent of the voting rights or otherwise has a controlling influence. Controlling influence means a right to set a company's financial and operational strategies in order to obtain financial benefits. The reporting of business combinations is based on the unit approach. This means that the acquisition analysis is drawn up as of the time the acquirer gains controlling influence. From this point on, the acquirer and the acquired entity are seen as an accounting entity. The application of the unity view further means that all assets (including goodwill) and liabilities as well as income and expenses are included in their entirety also for partially owned subsidiaries.

The acquisition value for subsidiaries is calculated at the sum of fair value at the time of acquisition for paid assets with the addition of incurred and assumed liabilities as well as issued equity capital instruments, expenses that are directly attributable to the business acquisition and any additional purchase price. In the acquisition analysis, the fair value is determined, with some exceptions, at the acquisition date of acquired identifiable assets and assumed liabilities as well as minority interest. Minority interests are valued at fair value at the time of acquisition. Consolidated accounts of the acquired company's income and expenses, identifiable assets and liabilities as well as any accrued goodwill or negative goodwill are included from the acquisition date.

◆ Note 2 Estimates and assessments

Estimates and the application of accounting policies are often based on management's judgements, estimates and assumptions deemed reasonable when the estimate is made.

Estimates and assessments are based on historical experience and other factors deemed reasonable under current circumstances. The results of these estimates and assessments are used to assess the carrying amounts of assets and liabilities that are not otherwise apparent from other sources. The actual outcome may differ from these estimates and assessments. Estimates and assessments are reviewed regularly.

The company assesses that current and available funding is sufficient to ensure continued operations.

Capitalization of non-current intangible assets

To report own development of non-current intangible assets, the company must make a series of assessments regarding the future. Decisions to capitalize assets are taken by the board of director and head of business development based on assessment of whether the following criteria are met:

- It is technically feasible to complete the asset
- The company intends to complete the asset
- It is probable that the asset will generate future economic benefits
- There are adequate resources to complete the asset

Impairment testing

The company has substantial values reported in the balance sheet representing non-current intangible assets. These assets are tested for impairment in accordance with the policies described in Note 1. When calculating recoverable values, certain estimates must be made regarding future cash flow and adequate assumptions concerning, for example, yield requirements.

◆ Note 3 Net sales per business segment and geographic market

The Group	2022-01-01 – 2022-12-31	2021-01-01 – 2021-12-31
Net sales per geographic market		
Sweden	4,694,393	4,357,364
EU	6,622,929	9,595,630
North America	1,026,276	1,799,916
The rest of the world	6,460,298	5,863,234
	18,803,896	21,616,144

Parent Company	2022-01-01 – 2022-12-31	2021-01-01 – 2021-12-31
Net sales per business line		
Subscriptions with associated hardware	18,405,917	21,616,144
Management Fee	1,324,943	359,240
	19,730,860	21,975,384

Parent Company	2022-01-01 – 2022-12-31	2021-01-01 – 2021-12-31
Net sales per geographic market		
Sweden	4,694,393	4,357,364
EU	6,622,929	9,595,630
North America	1,953,240	2,159,156
The rest of the world	6,460,298	5,863,234
	19,730,860	21,975,384

◆ Note 4 Leases

The Group	2022-01-01 – 2022-12-31	2021-01-01 – 2021-12-31
Leasing payments expensed during the financial year (SEK)		
	1,379,687	1,290,245
Parent Company		
Leasing payments expensed during the financial year (SEK)		
	1,277,641	1,279,754

◆ Note 5 Employees and personnel costs

Average number of employees	2022-01-01 – 2022-12-31	2021-01-01 – 2021-12-31
Parent Company		
Female	11	7
Male	16	13
Total	27	20
Subsidiary		
Female	1	1
Male	1	2
Total	2	3
The Group	29	23
Salaries, other remuneration and social security costs including pension expenses		
	2022-01-01 – 2022-12-31	2021-01-01 – 2021-12-31
Parent Company		
Salaries and other remunerations	18,480,888	14,977,352
Social security costs and pension expenses	8,332,544	6,690,791
(of which pension expenses)	(1,987,917)	(1,503,771)
Total salaries, other remuneration, social security costs and pension expenses	26,813,432	21,668,143
Subsidiary		
Salaries and other remunerations	5,146,689	1,669,101
Social security costs and pension expenses	299,157	143,136
(of which pension expenses)	(206,637)	(0)
Total salaries, other remuneration, social security costs and pension expenses	5,445,846	1,812,237
The Group		
Salaries and other remunerations	23,627,577	16,646,453
Social security costs and pension expenses	8,631,701	6,833,927
(of which pension expenses)	(2,194,554)	(1,503,771)
Total salaries, other remuneration, social security costs and pension expenses	32,259,278	23,480,380

◆ Note 6 Profit from shares in group companies

	2022-01-01 – 2022-12-31	2021-01-01 – 2021-12-31
Parent Company		
Reversal of impairment charges XMReality GmbH	41,989	0

◆ Note 7 Tax on the year's profit

	2022-01-01 – 2022-12-31	2021-01-01 – 2021-12-31
The Group		
Current tax	0	14,637

◆ Note 8 Capitalized costs of research and development and comparable work

The Group	2022-12-31	2021-12-31
Accumulated cost		
Cost, opening balance	29,479,412	27,267,921
This year's capitalized expenses, internal development	4,787,372	1,259,291
This year's capitalized expenses, purchases	6,925,942	952,200
Accumulated cost, closing balance	41,192,726	29,479,412
Accumulated amortizations		
Amortization opening balance	-17,187,786	-11,954,260
Amortization for the year	-5,975,663	-5,233,526
Accumulated amortization, closing balance	-23,163,449	-17,187,786
Accumulated impairment losses		
Impairment losses, opening balance	-1,862,102	-1,862,102
Impairment losses for the year	0	0
Impairment losses, closing balance	-1,862,102	-1,862,102
Carrying amount, closing balance	16,167,175	10,429,524
Parent Company		
Accumulated cost		
Cost, opening balance	29,479,412	27,267,921
This year's capitalized expenses, internal development	4,787,372	1,259,291
This year's capitalized expenses, purchases	6,925,942	952,200
Accumulated cost, closing balance	41,192,726	29,479,412
Accumulated amortizations		
Amortization opening balance	-17,187,786	-11,954,260
Amortization for the year	-5,975,663	-5,233,526
Accumulated amortization, closing balance	-23,163,449	-17,187,786
Accumulated impairment losses		
Impairment losses, opening balance	-1,862,102	-1,862,102
Impairment losses for the year	0	0
Impairment losses, closing balance	-1,862,102	-1,862,102
Carrying amount, closing balance	16,167,175	10,429,524

◆ Note 9 Current liabilities

The Group	2022-12-31	2021-12-31
Accumulated costs		
Cost, opening balance	296,013	1,012,205
Purchases	57,625	59,247
Disposals	-49,939	-782,911
Translation difference	13,521	7,472
Cost, closing balance	317,220	296,013
Depreciation, opening balance	-148,054	-657,091
Reversed depreciation on disposals	36,526	562,967
Depreciation for the year	-79,633	-64,326
Translation difference	-10,382	10,396
Depreciation, closing balance	-201,543	-148,054
Carrying amount, closing balance	115,677	147,959

Parent Company	2022-12-31	2021-12-31
Accumulated costs		
Cost, opening balance	216,983	940,647
Purchases	57,625	59,247
Disposals	0	-782,911
Cost, closing balance	274,608	216,983
Depreciation, opening balance	-85,905	-595,856
Reversed depreciation on disposals	0	562,967
Depreciation for the year	-73,026	-53,016
Depreciation, closing balance	-158,931	-85,905
Carrying amount, closing balance	115,677	131,078

◆ Note 10 Shares in group companies

Parent Company	2022-12-31	2021-12-31
Accumulated costs		
Opening balance	50,991	50,991
Carrying amount, closing balance	50,991	50,991

Specification of the parent company's holdings of shares and participations in group companies.

The ownership share of capital is meant, which also corresponds to the share of the votes of the total number of shares.

Subsidiaries/Reg No/ Residence	Number of shares	In %	Carrying amount
XMReality Värdepapper AB, 559209-5805, Linköping, Sweden	50,000	100.0	50,000
XMReality Inc, Delaware USA	100	100.0	991
XMReality GmbH, Hamburg Germany	0	0	0

XMReality GmbH was liquidated January 21st 2022.

◆ Note 11 Current receivables

Parent Company	2022-12-31	2021-12-31
Matures not later than one year after the reporting date		
XMReality Inc	96,928	0

◆ Note 12 Non-current liabilities

Parent Company	2022-12-31	2021-12-31
Matures later than one year but within five years after the reporting date		
XMReality Värdepapper AB	50,000	50,000

Collateral provided

Parent Company	2022-12-31	2021-12-31
For liabilities to credit institutions:		
Floating charges	3,700,000	3,700,000
	3,700,000	3,700,000
Of which in own custody	3,500,000	3,000,000

◆ Note 13 Current liabilities

Parent Company	2022-12-31	2021-12-31
Matures not later than one year after the reporting date		
XMReality Inc.	199,200	0
XMReality GmbH	0	41,989

◆ Note 14 Significant events after the end of the financial year

The issue registered and trading in BTU ceases

XMReality AB (publ) has completed a rights issue of shares that closed on 21st of December, 2022. The rights issue and the directed issue are now registered with the Swedish Companies Registration Office and the last day for trading in paid subscription units ("BTU") will be January 11th, 2023. The record date will be January 13th, 2023, after which the BTUs are converted into shares and warrants on January 17th, 2023

XMReality AB (publ) hires Erik Penser Bank AB as Liquidity Guarantor

XMReality AB (publ) has entered into an agreement with Erik Penser Bank market making. Erik Penser Bank takes over as market maker on 14th of February 2023. The market maker commitment is provided in accordance with Nasdaq Stockholm AB's rules for market making. This means that Erik through their role as market maker, acts as a guarantor that there are buy and sell rates and a guaranteed available volume in the share and that the difference between the purchase and sale price to be smaller.

SIGNATURES

Linköping, 30th March, 2023

Björn Persson

Chairman of the board

Jörgen Remmelg

CEO

Anders Ferntoft

Member of the board

Tommy Johansson

Member of the board

Peter Gille

Member of the board

Åsa Arvidsson

Member of the board

My audit report was submitted 30th March, 2023.

Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg

Authorized Public Accountant



Auditor's report

To the general meeting of the shareholders of XMReality AB (publ), corporate identity number 556722-7284

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of XMReality AB (publ) for the year 2022.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.



Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of XMReality AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.



Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisormsansvar. This description is part of the auditor's report.

Linköping the day shown by our electronic signature
Öhrings PricewaterhouseCoopers AB

Nicklas Kullberg
Authorized Public Accountant

CONTACT US

Want to know more?

Contact us at XMReality to learn more about our solution, best practice for remote guidance, and how we can contribute to value creation at other companies.

Email: contact@xmreality.com
xmreality.com

Follow us on [LinkedIn](#) for regular updates.

About XMReality

XMReality AB (publ) develops and sells solutions that revolutionize knowledge transfer through so-called Augmented Reality (AR). The company is a market leader in remote guidance where you guide a person on site via AR to solve problems or prevent them from occurring. The product is used globally in more than 60 countries. Nestlé, Electrolux Professional, Sidel, Heineken and Saab are examples of the more than 125 customers. XMReality is based in Linköping and in the U.S. and is listed on the Nasdaq First North Growth Market (ticker: XMR).

For more information visit: xmreality.com

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