

2023

Annual Report



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Letter From the CEO

Andreas Jonsson

CEO XMReality

Despite the numerous challenges we faced in 2023, we emerged with a significant achievement: record-breaking customer growth. This is a testament to our resilience and adaptability, as we successfully implemented a new, more efficient sales process with shorter lead times. Our US customer base alone grew over 160 percent, contributing to XMReality's customer number now exceeding 150. This is clear evidence that our updated sales strategy is yielding positive results. With the promising growth potential of the customers we onboarded in 2023 and increased efficiency in our sales process, I am confident that we are well-positioned to achieve the goal of becoming cash flow positive by the end of 2024.

Progress made during the year

Despite market uncertainties and turbulence, our order intake for the year increased by 8 percent compared to 2022, although it could have been even higher if not for certain delays in larger orders. We still saw a negative effect during 2023 on our ARR from adjustments made by some clients in license renewals, attributed mainly to the lingering effects of the COVID years when they bought a large number of licenses.

Product-wise, we've made significant strides during 2023, completing the transition to a new back-end and enhancing integrations and performance. These improvements not only bolster our competitiveness but also significantly cut down on maintenance and continued development costs.



Streamlining the organisation for 2024

To navigate market uncertainties, we have decided to prioritize achieving our goal of reaching a positive cash flow in 2024. This has led us into a process of substantially adjusting our operating costs by the end of last year. These changes means we expect to reduce costs during 2024 by approximately SEK 20 million compared to 2023.

Reflecting on 2023, my first year as CEO, I can summarize a challenging year that has resulted in the need to prioritize. However, I'm certain that these adjustments are for the better in the long run, and we come out of 2023 as a stronger and more streamlined company set up for growth.

/Andreas Jonsson

Company Overview



About XMReality

The company

XMReality was founded in 2007 by researchers from the Swedish Defense Research Agency (FOI) to help bomb disposal experts defuse landmines in the field. After six years of advanced Contract Research in Augmented Reality for the Swedish Defence Materiel Administration (FMV) and BAE Systems, we realized the need to improve and simplify knowledge transfer within various organizations worldwide.

We decided to commercialize our product to meet this growing need, offering smart and efficient remote video support for a wide range of organizations and use cases. In 2017 we became a publicly listed company on Nasdaq First North and have since then expanded usage of our solution globally.

As part of our expansion strategy we recruited a small team in the US in 2020 to start introducing XMReality to the American market. In 2022 we officially established a subsidiary in the US, XMReality Inc., and since then, we have successfully increased our American market presence and grown our customer base.

Our product

XMReality serves the global market with our product, Remote Guidance, which connects people regardless of where they are. XMReality Remote Guidance is a 'see-what-I-see' video software powered by Augmented Reality that connects workers with a remote expert to plan, assess and solve different scenarios. The product offers powerful guide functions combined with smart administrative features such as step-by-step instructions and automatic reporting. We are an enterprise-grade software offering integrations, branding and compatibility with AR smart glasses.

Security is always top of mind, both for us and our customers, and we are proud to have received ISO27001-certification which showcases our company-wide commitment to data security.

Our solution is today used worldwide in more than 60 countries and by some of the top industry leaders and Fortune 500 companies. We are committed to creating lasting value for our customers while contributing to a more sustainable business climate.

Strategy and Goals

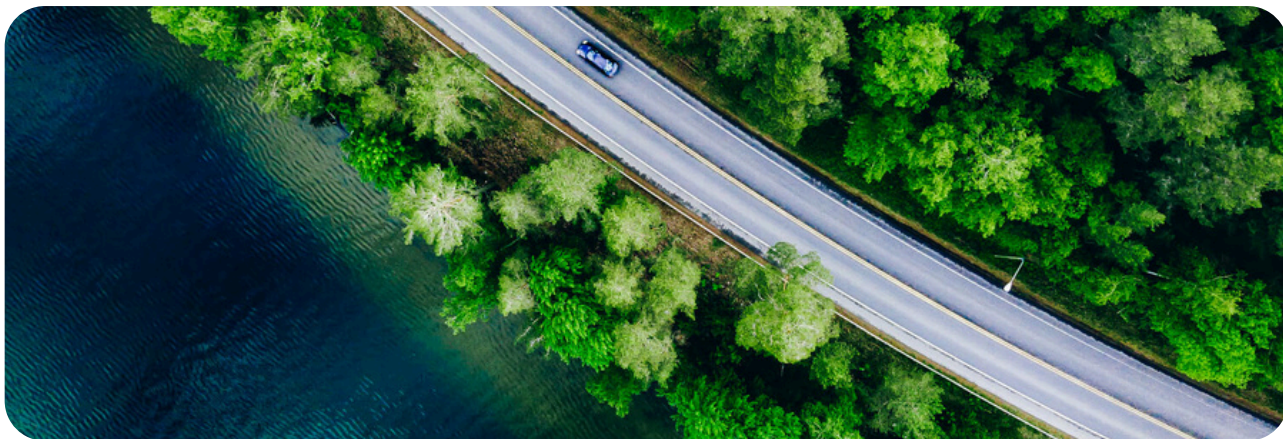
Strategy

XMReality's operations are based on four core strategies:

- We prioritize ease of use, ensuring minimal training and intuitive usage. Our solution is seamlessly integrated into critical industrial processes, making it accessible and efficient.
- Being customer-centric, we gather real-world use cases to help shape a product and offering that addresses diverse needs, delivering superior value with quick ROI.
- We ensure compatibility with widely used hardware, such as iPhones, Android devices, and all types of computers, facilitating effortless deployment and scalability.
- Embracing Software as a Service (SaaS), we offer annual subscription contracts with automatic renewal while also providing direct online access for smaller customers, ensuring seamless accessibility and convenience.

2023 strategy revisions

In 2023, XMReality shifted its sales strategy from focusing primarily on large manufacturing companies to small and medium-sized businesses. The sales cycles are shorter with these types of customers, and most importantly, they are usually more ready to embrace new ways of working. This resulted in better adoption of our product and good potential for future growth and upsell. With this bottoms-up sales approach, we've seen great progress during the year. In some cases, we have also expanded to several subsidiaries within a large enterprise and seen greater success compared to a top-down rollout.



Goals

During 2023, XMReality revised its financial goals due to the market's economic uncertainty, which has resulted in longer sales cycles and a decrease in available funding. The company has chosen to prioritize the goal of reaching a positive cash flow in 2024 and an EBITDA of 15 percent in 2025. In order to reach the goal of positive cash flow, the company has significantly reduced its cost basis for 2024.

2023 Highlights

New partnership with Viveo focusing on the Swedish facility management market

Important milestone with a new and improved Salesforce integration available through their AppExchange

Andreas Jonsson appointed new CEO of XMReality starting from May

Launched an industry-first OneDrive integration for cloud storage, enabling secure and easy access to call content for customers

Reinforced sales team in the US, resulting in a growing momentum within the US hospitality business with several new customers onboarded

Directed share issue of approximately 5.95 MSEK at a subscription price of 0.43 SEK per share

Framework agreement with Coor, further strengthening XMReality's position within the facility management market

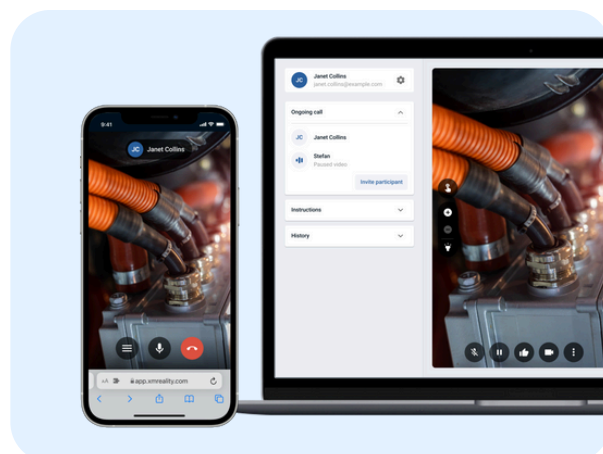
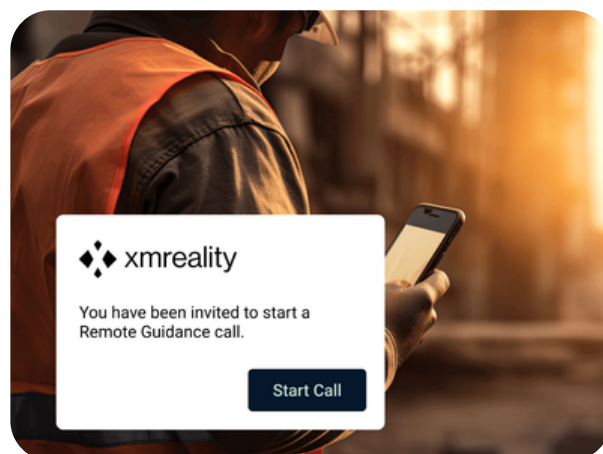
Finalizing the shift to a new product backend - improving both the performance of the solution and making future development more efficient

XMReality revises financial goals and doubles down on becoming profitable in 2024, leading to large cost restructuring with a planned cost reduction of 20 MSEK in 2024 compared to 2023

Focus on user-friendliness

Throughout the year, XMReality's product development focused a lot on ease of use, reducing friction and helping users get started successfully. Several functions have been introduced to improve the experience for new users, such as a guided tour of the product when signing in and the ability to make guided test calls.

It also includes better performance on bad internet connections and functions making users aware of when they, or the person they are talking to, have a bad connection since this is fundamental to perceived call quality.



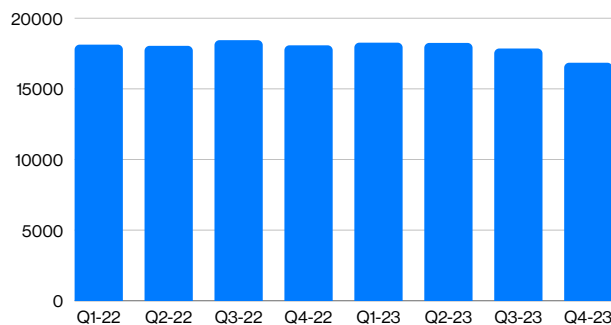
Financial Highlights

The total order intake for 2023 increased by 8 percent compared to the previous year. This growth is fueled by the expanding customer base, which now exceeds 150 clients.

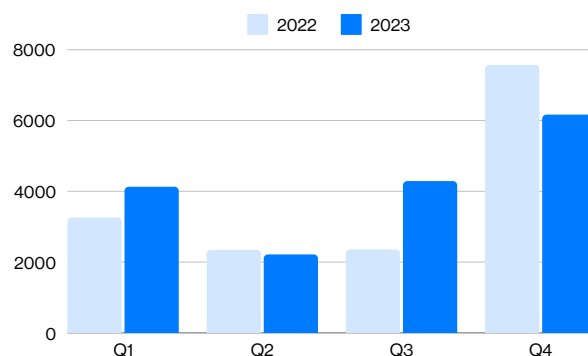
In terms of net sales, the company saw a 5 percent uptick in 2023 compared to 2022, demonstrating steady progress. However, the annual recurring revenues (ARR) saw a dip at the end of the year. This is because some larger contracts that came in during the pandemic are set to renew during the fourth quarter, and a few of them renewed at lower levels than before, which negatively impacted the ARR.

For the entirety of 2023, costs were down by 10 percent compared to the previous year and ended at slightly over 60 million SEK. During the final quarter of the year the company carried out several larger changes to further reduce the cost base. These adjustments are poised to positively impact performance starting from the beginning of 2024.

Annual Recurring Revenues (SEK thousand)



Order Intake (SEK thousand)



2023

→	Annual Recurring Revenues	SEK 16,849 thousand
→	Net Sales	SEK 19,788 thousand
→	Order Intake	SEK 16,801 thousand



Björn Persson
Chairman of the Board

“The past year presented significant challenges as the global economic downturn impacted our customers and their investment decisions. Prolonged sales cycles and postponed investments among our enterprise customers were evident, leading to some contraction and churn. Despite these obstacles, our new sales strategy and robust product offerings enabled us to achieve a record number of new customers in 2023.

With a growing customer base and increased usage of our software, we are confident in the future growth of our Annual Recurring Revenue (ARR).

While we did not reach our goals for 2023, we have entered 2024 with strengthened resolve and positive momentum. We have confidence in the journey ahead and look forward to the opportunities and growth that the coming year will bring.

Future Outlook

Numerous studies predict the growth of Augmented Reality applications and software. However, looking at the challenges our customers face is the most accurate indication of how our market will develop. That's what will drive the real demand for our product—value creation by helping them address pressing business problems while making their operations more efficient and sustainable.



Market Growth

A global study conducted by IFS in 2023 among Field Service companies highlights how technology has become vital to the success of service and maintenance operations. For service organizations, the number one pressure that impacts their organization is the struggle to meet customer SLAs. Closely followed by the lack of skilled workers and high employee turnover, emphasizing the need to work smarter and leverage technology to bridge the gaps.

Respondents acknowledged the importance of technological innovation, with 65% expressing intentions to implement remote assistance to enhance service. Surprisingly, only 25% had already adopted this technology. This underscores a clear demand for XMReality's type of product and indicates significant untapped potential. As demand increases and the market expands, maintaining competitiveness amidst a rising number of suppliers will become the primary challenge.

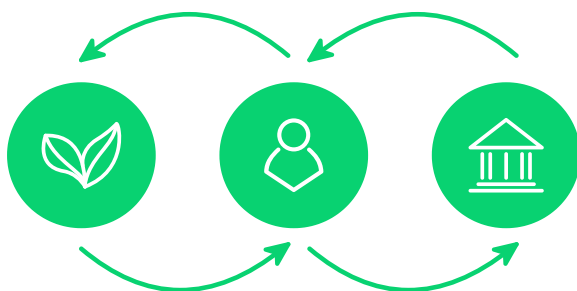
Product Innovation

As for many other companies, Artificial Intelligence (AI) will drive much of the product innovation going forward. AI will be applied to automate and improve all aspects of the existing user experience, from automatically documenting all XMReality calls without any effort to providing on-demand and tailored expert knowledge during a call to help resolve problems or perform other remote tasks.

Furthermore, being the communication tool used to resolve problems remotely puts XMReality in a strategically important position, where the experience and knowledge required to improve the AI continuously can be automatically harvested from real-world conversations. The harvested knowledge will be used to both improve the AI models used inside XMReality and also to improve AI models used across our customers' organizations, making XMReality a strategically important source of information for future enterprise AI training.

Sustainable Value Creation

Even though XMReality is a small company, we have a big impact. We are helping companies globally develop and adopt more sustainable business models. In our pursuit of social responsibility at XMReality, we see the important role that remote video support software can play in fostering a sustainable future. Our type of solution not only revolutionizes how businesses operate but also aligns with the key principles of Corporate Social Responsibility.



Environmental value

For us, it is very obvious—we help our customers reduce travel. It is the most tangible way we contribute to the environment, and it directly reduces carbon emissions for our customers. Our software minimizes the need for extensive travel, enabling companies to maintain operational efficiency while reducing their carbon footprint. This direct environmental impact is a testament to our commitment to sustainable practices.

Business value

Our software not only benefits the environment but also promotes efficiency in various aspects of business operations. By streamlining production processes, minimizing wastage, and optimizing inventory levels, we contribute to resource conservation and cost reduction. This dual impact is a win-win situation, reinforcing our commitment to sustainable practices.

Social value

Furthermore, our software facilitates knowledge transfer and collaboration between geographically dispersed colleagues, empowering businesses to operate more effectively and profitably. This emphasis on knowledge sharing and improved productivity embodies the social and economic dimensions of sustainability, enhancing the overall resilience and longevity of businesses.

At XMReality, we remain dedicated to leveraging technology for positive social and environmental impact while driving sustainable innovation in the corporate landscape.

Corporate Governance

Board of Directors



Björn Persson

Chairman of the board since 2020

Born: 1975

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 from Swedish SaaS companies expanding globally with a particular focus on the US. He has been a member of the board since 2014.

Shares: 5,280,213 shares held through Klösen AB, a wholly owned company, and privately.



Anders Ferntoft

Member of the board since 2014

Born: 1960

Anders Ferntoft has a licentiate degree in economics and an MSc in Industrial Engineering and Management from Linköping University. He is currently a 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.

Shares: 304,154 shares held through A Ferntoft Consulting AB, a wholly owned company



Tommy Johansson

Member of the board since 2019

Born: 1956

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 substantial experience building high-growth companies for a global market in the software sector.

Shares: 182,370 shares held through TopSolutions AB, a wholly-owned company



Åsa Arvidsson

Member of the board since 2020

Born: 1972

Åsa Arvidsson has a Master's degree in Information Science and an 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 a Sales Executive at Microsoft. Åsa has more than 10 years of experience in leading roles at IBM and is currently VP of EMEA North at Rockwell Automation.

Shares: -

Management



Andreas Jonsson

Chief Executive Officer since 2023

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

Born: 1975

Shares: 547,774 shares



Tim Koepl

President XMReality Inc. since 2022

Tim Koepl has a B.A. from Marquette University and a J.D. from San Diego University. He has practiced law with a global 100 law firm, worked with compliance in the defense sector, and served as an officer in the US Marine Corps. He is an experienced leader and is responsible for global sales at XMReality.

Born: 1969

Shares: 65,000 shares



Frida Finér

Chief Financial Officer since 2024

Frida Finér has an education as a Business Oriented Accounting Economist from Plushögskolan. She has held several senior positions in financial management and accounting for companies with international operations. Frida also has experience as an entrepreneur, launching and leading her own business.

Born: 1979

Shares: -



Alexander Sandström

Chief Technical Officer since 2021

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.

Born: 1984

Shares: 73,625 shares



Johanna Edepil

Chief Marketing Officer since 2020

Johanna Edepil has a MSc in Industrial Engineering and Management from Linköping University with a specialization in Industrial Marketing. Johanna has several years of experience from working in international B2B companies and has held sales, market analysis and strategic marketing positions.

Born: 1988

Shares: 49,970 shares

Auditor

At the Annual General Meeting held 4th of May 2023, 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 risks

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 a 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 2023 financial year, would affect the company's net sales by approximately SEK 1.6 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 an adverse impact on the company's sales and profitability.

XMReality assesses the risk level as medium.

Sales risks

Customers may be very careful about investing in new technology, and XMReality does business in a market characterized by long retooling processes, which are time and resource-consuming for the company and entail a high level of uncertainty in forecasts. There is a risk that bringing forward or postponing orders will have a significant impact on the company's annual sales and earnings, which would also result in variations in the company's cash flow from one quarter to the next.

XMReality assesses 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 a 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 an 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 strong 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 a risk that the company could become less competitive, which could have an 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 an adverse impact on the business, particularly in the short term. There is a risk that XMReality will be unable to recruit or retain the individuals necessary to run and develop the company's operations, which could have an 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 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 2023 financial year, would have a currency effect on the company's revenues of approximately SEK 1.6 million and on the company's costs of about SEK 1.2 million.

Significant changes in exchange rates could have an 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 a 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 a 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 an adverse impact on the company's ability to maintain its market position and competitiveness. This could lead to a 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 an 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 a 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 235.3 million as of 31 December, 2023. The accumulated loss carryforwards could reduce any taxable profits made by the company in the 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 will be higher.

XMReality assesses the risk level as low.



Shareholder Information

About the Share

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 5,249,396.55 SEK divided among 104,987,931 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, the company's assets, and any surpluses in the event of liquidation.

Largest shareholders

Refers to ownership as of March 28th, 2024.

Shareholder	Number of shares/votes	%
Investment AB Spiltan	19,541,300	18.61
Rambas AB	8,763,963	8.35
SEB Life International Assurance	6,348,464	6.05
Björn Persson (Klösen AB and shares owned privately)	5,280,213	5.03
Rotakorn Electronics AB	4,522,198	4.31
Avanza Pension	4,333,628	4.13
Nordnet Pensionsförsäkring AB	4,118,080	3.92
Per Grosskopf	2,980,971	2.84
Marinvest Holding AB	2,515,855	2.40
Nils-Robert Persson	2,189,452	2.09
Total, 10 largest stockholders	60,594,124	57.72
Other owners	44,393,807	42.28
Total number of shares	104,987,931	100.00

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)
2017	New share issue	93,000	511,421	93,000.00	511,421.00	1.00
2017	New share issue (1)	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 (2)	6,820,000	40,920,000	341,000.00	2,046,000.00	0.05
2022	New share issue (3)	10,727,269	51,647,269	536,363.45	2,582,363.45	0.05
2023	New share issue (3)	36,828,000	88,475,269	1,841,400.00	4,423,763.45	0.05
2023	New share issue (4)	2,677,778	91,153,047	133,888.90	4,557,652.35	0.05
2023	New share issue (5)	13,834,884	104,987,931	691,744.20	5,249,396.55	0.05

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

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

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

(4) New issue of 2,677,778 shares subscribed in June 2023.

(5) New issue of 13,834,884 shares subscribed in November 2023.

Stock warrant program

There is currently no active stock warrant program.

In 2023, there were two active programs: 2020/2023L, which totaled the rights to sign up to 600,000 shares and had an exercise period in November 2023, and 2020/2024S, which totaled the rights to sign up to 560,000 shares and had an exercise period in March 2024. None of the warrant programs were exercised.

Overview of Financial Performance

Below is a summary of XMReality Group financial development of the years 2019 – 2023. All information for the financial years 2019-2021 (pro forma) are based on material taken from the parent company's officially published annual reports and the subsidiaries' accounts converted to group level.

(SEKk)	(pro forma 2019-2021)				
	2023	2022	2021	2020	2019
Net sales	19,788	18,804	21,616	20,164	11,921
Operating profit (-loss)	-31,046	-36,774	-33,662	-24,420	-27,205
Profit (-loss) after net financial income	-31,297	-36,751	-33,672	-24,471	-27,243
Taxes	0	0	-15	-35	0
Profit (-loss) after taxes	-31,297	-36,751	-33,687	-24,506	-27,243
Profit margin, %	neg	neg	neg	neg	neg
Intangible assets	20,030	16,167	10,430	13,452	16,039
Tangible assets	91	116	148	355	405
Financial assets	0	0	0	0	8
Inventories	358	240	395	255	184
Current receivables	5,040	28,749	7,993	8,934	6,792
Cash and bank balances	1,980	7,796	45,143	18,714	9,417
Equity	6,752	31,169	45,315	24,999	20,339
Non-current liabilities	1,667	0	0	0	333
Current liabilities	19,080	21,900	18,793	16,711	12,172
Total assets	27,499	53,069	64,109	41,710	32,844
Return on average capital employed, %	neg	neg	neg	neg	neg
Return on average equity, %	neg	neg	neg	neg	neg
Equity/assets ratio, %	24.6	58.7	70.7	59.9	61.9
Dept/equity ratio, multiple	0.49	0.00	0.00	0.01	0.04
Interest coverage ratio, %	neg	neg	neg	neg	neg
Quick ratio, %	36.8	166.9	282.7	165.5	133.2
Number of employees (end of period)	29	30	26	20	19
Investments					
Intangible assets	9,572	11,713	2,211	2,224	5,289
Tangible assets	50	58	59	139	91
Deposits	0	0	0	-8	0
Basic earnings (-loss) per share, before dilution SEK	-0.35	-0.90	-0.85	-0.79	-1.60
Basic earnings (-loss) per share, after dilution, end of the period SEK	-0.34	-0.87	-0.82	-0.72	-1.60
Average number of shares during the period	90,355,238	41,008,169	39,630,740	31,063,699	17,050,000
Shares outstanding at the end of the period	104,987,931	51,647,269	40,920,000	34,100,000	17,050,000

Board of Director's Report

The board of directors and the CEO of XMReality AB (publ), company registration number 556722-7284 with registered office in Linköping, hereby present the annual report for the financial year that began on 1st of January 2023 and ended 31st of December 2023, the company's seventeenth year in operation.

About the Business

Market

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

Products and Services

During the year, the product has expanded, and in addition to improvements in functions for call quality control, functions, such as Enterprise Cloud Storage and a searchable OneDrive integration, have also been developed to facilitate workflows and integrations for our customers. The uses for these features are numerous and lead to more readily available data and history for customers to use in their daily work. We have also expanded the in-call functions with, for example, High-Quality Image (patent pending), which can more quickly produce a fast, sharp image to facilitate guidance. This is achieved without the user having to take additional manual steps to share a sharp image. Furthermore, we have expanded and added advanced tools available in an ongoing call, such as in-call chat, live video zoom, still image zoom, and a new user interface for those receiving a call link. We've added guided test calls for new users. A step in increasing self-service, i.e. getting the user to autonomously make calls and get started with XMReality without someone having to sit with them and show them. We've also added features to help the expert guide. Examples of these are control of video/image and audio/mute functions as well as call quality indicators.

Together, these functions create more new possibilities and make it easier for our customers to use our product for all kinds of activities. As in previous years, parts of the company's deferred development costs regarding additional functions were capitalized.

Hardware sales make up a smaller part of the turnover, but the company also offers its own PointPad hardware as well as smart glasses from leading suppliers.

Sales

During the year, sales were focused on medium-sized customers, with the possibility of expansion and with a business that requires Remote Guidance in order to increase customer value and sales. This is to increase speed and get to closing faster, but perhaps with a slightly smaller deal to begin with. During the year, we have managed to land many new customers. Several new customers have arrived within service and support, and notably also within service in the food and restaurant industry, especially in the USA, where it is often referred to as hospitality. We can conclude that customers who work with service, support, or maintenance for an end customer or consumer immediately get great value from the product. This is, of course, often linked to customer service, case management, and fault reporting directly to the consumer.

Although the global economic situation negatively affected the company, in particular with a decline in customers who did not redirect their strategy towards solving problems remotely, the number of customers increased during the year. We still see that the increasing costs of travel, lack of experienced staff, and customers' ambition to reduce the climate footprint contribute to increasing interest and sales.

Expected Future Development

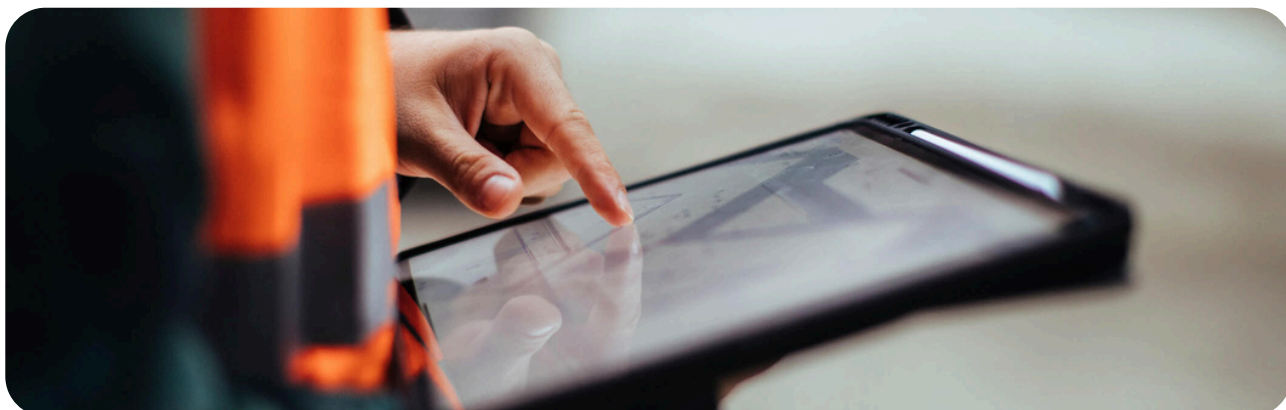
As stated in the section "Five-Year Review" in the management report and reflected in the parent company's and the group's income and balance sheets, the company and the group have reported significant losses over an extended period. The developments over the past year, with continued losses in 2024, have resulted in liquidity shortages for the company and the group following the end of the fiscal year. According to the press release issued to the market on April 12, 2024, the existing working capital is expected to last until mid-May 2024. Consequently, it was announced on May 13 that a shareholder loan of 1.5 million SEK with an interest rate of 20 percent had been taken.

As further stated in the section "Capital Contribution" in the management report, the parent company decided, after the fiscal year-end, to prepare a balance sheet for liquidation purposes since, aside from the aforementioned liquidity shortage, it could be assumed that the company's equity was less than half of the registered share capital. The balance sheet, prepared as of March 31, 2024, showed that the parent company's equity was intact with a total equity of 10.8 million SEK (of which 5.2 million SEK is share capital) after adjustments.

Given the circumstances described above, the information in the parent company's annual report and the group's consolidated financial statements, and the published Q1 2024 interim report, the availability of liquid funds is now very limited. Additionally, the identified adjusted equity in the balance sheet as of March 31, 2024, is expected to be depleted by August 2024, which implies that a new balance sheet for liquidation purposes will likely need to be prepared. Regarding the group's liquidity, the current working capital is estimated to last until the end of June 2024.

As stated in the section "Five-year review" in the management report, the board and management are actively working to reduce the company's costs and secure additional financing going forward. The larger savings package announced to the market on December 20, 2023, is expected to show effects for the company and the group in 2024. This savings package amounts to approximately 20 million SEK annually. Concerning the efforts to secure additional financing, at the time of the annual and consolidated financial statements for the fiscal year 2023, this has not been finalized. Although a significant uncertainty factor that could lead to substantial doubt about the company's ability to continue operations has been identified, the board is firmly convinced that the company and the group have good prospects of securing future financing through the initiatives currently being undertaken by the board and management.

Finally, the board and management estimate that 15 million SEK needs to be injected into the company in the form of both liquid funds and equity to address the short-term deficit. Despite significant challenges, the board believes that considering the financial measures taken and planned, there are conditions to continue operations. The board would also like to emphasize that the group, through determined efforts, has positioned itself in the market as a provider of competitive technical solutions. Judging by the influx of customers in 2024, there is continued strong interest in the group's products, which forms the basis for the expected future cash flows.



The Group

Financial outcomes

Net sales amounted to SEK 19,788 thousand (18,804). The order intake was SEK 16,801 thousand (15,533). Annual Recurring Revenue (ARR) decreased to SEK 16,849 thousand (18,082).

Operating loss before appropriations amounted to SEK -31,297 thousand (-36,751).

Investments in tangible and intangible assets totaled SEK 9,622 thousand (11,771) 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 1,980 thousand (7,796).

Cash flow during 2023 was SEK -5,832 thousand (-37,497) and consisted of financial activities of SEK 8,532 thousand (22,451), operating activities of SEK -4,741 thousand (-48,177) and investments amounting to SEK -9,622 thousand (-11,771).

Employees and organization

At the end of the year, the Company had 26 (30) 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 5 (8) people, corresponding to 4 (5) full-time positions, who performed tasks in sales and product development as well as for administration, finance and HR-services.

Work of the Board of Directors

The board of directors held 13 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.

Parent Company

Financial outcomes

Net sales amounted to SEK 19,595 thousand (19,731).

Operating loss before appropriations amounted to SEK -31,437 thousand (-36,591).

Investments in tangible and intangible assets totaled SEK 9,572 thousand (11,771) and consisted mainly of software development costs.

Capital contribution

During the month of May, a few of the warrants of series TO1 issued in connection with the new issue in 2022 were converted to new shares. 2,677,778 shares were issued at a share price of SEK 0.55 per share, totaling approximately SEK 1.48 million.

During November, a directed issue of approximately SEK 5.95 million was carried out at a subscription price of SEK 0.43 per share.

The total issue amount in 2023 amounts to SEK 7.4 million with an issue cost of 7.5 percent.

On 19 April 2024, the company's board of directors decided to draw up a balance sheet for liquidation purposes since it could be assumed that the company's equity was less than half of the registered share capital. The prepared balance sheet shows that the company's equity is intact.

XMReality's 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 5,249,396.55 divided among 104,987,931 shares, each with a quotient (par) value of SEK 0.05.

At the end of the year, the company had one outstanding stock warrant plan. The 2020/2024S warrants for up to 560,000 shares.

At year-end, the company was owned by 2,412 shareholders (2,491), 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 58 percent (53) of total shares and votes outstanding.

Five-year review

The Group

	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019
Net sales	19,788	18,804	21,616	20,164	11,921
Loss after net financial income	-31,297	-36,751	-33,687	-24,506	-27,243
Total assets	27,499	53,069	64,109	41,710	32,844
Equity/assets ratio, %	24.6	58.7	70.7	59.9	61.9

The Parent Company

	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019
Net sales	19,565	19,731	21,975	20,701	11,921
Loss after net financial income	-31,437	-36,591	-33,440	-24,925	-27,364
Total assets	26,919	51,967	64,098	41,681	32,826
Equity/assets ratio, %	24.2	59.8	70.5	59.6	61.8

The board and management work actively to reduce the company's costs and to secure additional funding going forward. At this time, this work has not been completed, but the assessment is that the company has good prerequisites to ensure this.

Significant events during 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 are now registered with the Swedish Companies Registration Office and the last day for trading in paid subscription units ("BTU") will be January 11, 2023. The record date will be January 13, 2023, after which the BTUs are converted into shares and warrants on January 17, 2023.

XMReality AB (publ) hires Erik Penser Bank AB as market maker

XMReality AB (publ) announces today that the company is hiring a market maker. XMReality AB (publ) has entered into an agreement with Erik Penser Bank regarding market making. Erik Penser Bank takes over as market maker on February 14, 2023.

Andreas Jonsson appointed new CEO at XMReality AB

XMReality AB (publ) has appointed Andreas Jonsson as the new CEO of the company. Andreas Jonsson takes up his new position on May 15. Andreas takes over from Jörgen Remmelg, who will retire.

XMReality AB (publ) changes its liquidity provider to Carnegie Investment Bank AB

XMReality AB (publ) has terminated the liquidity provider assignment with Erik Penser Bank AB and has appointed Carnegie Investment Bank AB as new liquidity provider starting on November 30th 2023. The liquidity provider commitment is provided in accordance with Nasdaq Stockholm AB's rules on liquidity providers.

Significant events after the financial year

XMReality's CFO retires

XMReality AB (publ) informs that the company's CFO, Lotta Ekerbring, has announced her intention to retire. Lotta Ekerbring has been CFO at XMReality since 2022 and will leave her position in the spring of 2024.

XMReality AB appoints Frida Finér as new CFO

Frida Finér will assume the position of CFO at XMReality AB on April 2, 2024, as the current CFO, Lotta Ekerbring, retires. With substantial experience in finance and international collaboration, amongst others with the United States, Frida will be an asset to the company's ongoing international growth.

XMReality AB engages Carnegie Investment Bank as new Certified Adviser

XMReality AB (publ) announced a change of Certified Adviser from Redeye AB to Carnegie Investment Bank AB (publ).

XMReality AB (publ) - update regarding the company's working capital needs

XMReality's existing working capital is estimated to last until mid-May 2024. The board of XMReality is working to ensure the continued working capital needs of the business through loans and/or a share issue.

XMReality AB (publ) prepares a balance sheet for liquidation purposes

The board of XMReality AB (publ) has on April 19th decided to draw up a balance sheet for liquidation purposes. The decision has been taken for precautionary reasons. It has now been reviewed by an auditor and shows that the share capital is completely intact.

XMReality AB (publ) receives loans from owners

XMReality AB (publ) receives bridge financing in the form of owner loans of 1.5 MSEK.

The balance sheet shows that XMReality's share capital remains intact

As announced on April 19, the board of XMReality AB (publ) has, for precautionary reasons, decided to draw up a balance sheet for liquidation purposes. It has now been reviewed by an auditor and shows that the share capital is completely intact.

Income statements for the Group

(SEKk)	Note	2023	2022
OPERATING INCOME			
Net sales	3	19,787.9	18,803.9
Capitalized work for own account		9,572.1	11,713.3
Other operating income		471.1	688.4
		29,831.0	31,205.6
OPERATING COSTS			
Raw material and consumables		-914.7	-966.3
Other operating expenses	4	-17,175.3	-27,150.8
Personnel costs	5	-36,684.6	-33,511.5
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		-5,784.2	-6,055.3
Other operating costs		-318.6	-296.1
Operating profit/loss		-31,046.3	-36,774.4
PROFIT/LOSS FROM FINANCIAL ITEMS			
Financial income and similar income items		191.1	25.9
Financial expenses and similar loss items		-441.4	-2.8
Profit/loss after financial items		-31,296.7	-36,751.3
Profit/loss before taxes		-31,296.7	-36,751.3
Net profit/loss for the year		-31,296.7	-36,751.3
Equity attributable to the parent company's shareholders		-31,296.7	-36,751.3

Balance sheets for the Group

(SEKk)	Note	2023-12-31	2022-12-31
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Capitalized development expenses	7	20,029.5	16,167.2
		20,029.5	16,167.2
<i>Property, plant and equipment</i>			
Equipment, tools and systems	8	91.3	115.7
		91.3	115.7
Total non-current assets		20,120.8	16,282.9
Current assets			
<i>Inventories</i>			
Finished goods and goods for resale		358.0	240.4
		358.0	240.4
<i>Current receivables</i>			
Trade receivables		3,403.1	6,701.2
Other current receivables		215.6	20,052.6
Prepayments and accrued income		1,421.5	1,995.3
		5,040.2	28,749.2
Cash and bank balances		1,980.1	7,796.5
Total current assets		7,378.2	36,786.1
TOTAL ASSETS		27,499.1	53,068.9
(SEKk)	Note	2023-12-31	2022-12-31

EQUITY AND LIABILITIES		
Equity		
<i>Restricted equity</i>		
Share capital	5,249.4	2,582.4
Other paid-in capital	250,298.2	245,543.4
Retained profit or loss including this year's profit (-loss)	-248,795.4	-216,957.1
Equity attributable to the parent company's shareholders	6,752.2	31,168.7
Total equity	6,752.2	31,168.7
<i>Non-current liabilities</i>		
Other debts to credit institutes	12 1,666.7	-
<i>Current liabilities</i>		
Debts to credit institutes	12 1,666.7	-
Prepayment from customer	-	194.7
Trade payables	1,899.4	2,717.6
Current tax liabilities	325.1	232.6
Other current liabilities	958.1	981.1
Accrued expenses and prepaid income	14,231.0	17,774.1
	19,080.2	21,900.2
TOTAL EQUITY AND LIABILITIES	27,499.1	53,068.9

Statements of changes in equity for the Group

(SEKk)	Share capital	Other paid-in capital	Accumulated difference in exchange rates	Retained earnings, including profit/loss for the year	Total equity
Balance at January 1 st , 2022	2,046.0	219,924.4	-176.7	-176,478.4	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
Exchange rate difference for the year	-	-	153.5	-	153.5
Profit (-loss) for the year	-	-	-	-36,751.3	-36,751.3
Balance at December 31 st , 2022	2,582.4	245,543.4	-23.2	-216,933.9	31,168.7
New share issue	2,667.0	4,754.7	-	-	7,421.8
Issue costs	-	-	-	-556.7	-556.7
Exchange rate difference for the year	-	-	15.0	-	15.0
Profit (-loss) for the year	-	-	-	-31,296.7	-31,296.7
Balance at December 31 st , 2023	5,249.4	250,298.2	-8.2	-248,787.2	6,752.2

Statements of cash flow for the Group

(SEKk)	2023-12-31	2022-12-31
Operating activities		
Profit (-loss) after depreciation, amortization and impairment	-31,046.3	-36,774.4
Adjustment for non-cash items depreciation, amortization and impairment	5,784.2	6,068.8
	-25,262.2	-30,705.7
Interest earned	191.1	25.9
Interest paid	-441.4	-2.8
Unrealized exchange rate differences	148.3	3.3
Income tax paid	-459.4	-320.6
Cash flow from operating activities before changes in working capital	-25,823.6	-30,999.9
Changes in working capital		
Change in inventories	-117.6	154.3
Change in receivables	23,522.2	-20,747.3
Change in current liabilities	-2,322.1	3,415.5
Cash flow from (-used in) operating activities	-4,741.1	-48,177.3
Investing activities		
Purchases/sales of property, plant and equipment and intangible assets	-9,572.1	-11,713.3
Purchases/sales of property, plant and equipment and tangible assets	-50.3	-57.6
Cash flow from (-used in) investing activities	-9,622.3	-11,770.9
Financing activities		
New share issue	6,865.1	22,451.2
Raising of loans	1,666.7	-
Cash flow from financing activities	8,531.8	22,451.2
Net change in cash and cash equivalents	-5,831.7	-37,497.0
Cash and cash equivalents at January 1 st	7,796.5	45,143.2
Exchange rate difference in cash and cash equivalents	15.2	150.3
Cash and cash equivalents at December 31st	1,980.1	7,796.5

Note: Adjustment for non-cash items

(SEKk)	2023-12-31	2022-12-31
Amortization	5,784.2	6,055.3
Disposals (equipment, tools and systems)	-	13.4
	5,784.2	6,068.7

Income statements for the Parent Company

(SEKk)	Note	2023	2022
OPERATING INCOME			
Net sales	3	19,565.3	19,730.9
Capitalized work for own account		9,572.1	11,713.3
Other operating income		487.5	688.4
		29,624.9	32,132.6
OPERATING COSTS			
Raw material and consumables		-796.9	-859.0
Other operating expenses	4	-24,288.7	-34,097.2
Personnel costs	5	-29,635.2	-27,501.1
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		-5,771.7	-6,048.7
Other operating costs		-318.6	-282.7
Operating profit/loss		-31,186.2	36,656.1
PROFIT/LOSS FROM FINANCIAL ITEMS			
Result of impairment-loss of shares in subsidiary company	6	-	42.0
Financial income and similar income items		191.1	25.9
Financial expenses and similar loss items		-441.4	-2.8
Profit/loss after financial items		31,436.5	-36,591.1
Profit/loss before taxes		31,436.5	-36,591.1
Net profit/loss for the year		31,436.5	36,591.1

Balance sheets for the Parent Company

(SEKk)	Note	2023-12-31	2022-12-31
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Capitalized development expenses	7	20,029.5	16,167.2
		20,029.5	16,167.2
<i>Property, plant and equipment</i>			
Equipment, tools and systems	8	53.7	115.7
		53.7	115.7
<i>Financial assets</i>			
Investments in associates	9	51.0	51.0
		51.0	51.0
Total non-current assets		20,134.2	16,333.8
Current assets			
<i>Inventories</i>			
Finished goods and goods for resale		358.0	240.4
		358.0	240.4
<i>Current receivables</i>			
Trade receivables		2,965.9	6,296.3
Current receivables, group	10	-	96.9
Other current receivables		215.6	20,052.6
Prepayments and accrued income		1,413.3	1,925.8
		4,594.7	28,371.6

Cash and bank balances		1,832.1	7,021.1
Total current assets		6,784.8	35,633.1
TOTAL ASSETS		26,919.0	51,967.0
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital		5,249.4	2,582.4
New share issue in progress		-	1,841.4
Fund development expenditure		20,029.5	16,167.2
		25,278.9	20,590.9
<i>Non-restricted equity</i>			
Share premium reserve		250,298.2	243,702.0
Retained profit or loss		-237,639.4	-196,629.3
Profit (-loss) of the year		-31,436.5	-36,591.1
		-18,777.7	10,481.7
Total equity		6,501.2	31,072.6
<i>Non-current liabilities</i>			
Other debts to credit institute	12	1,666.7	-
Other non-current liabilities, group	11	50.0	50.0
Total non-current liabilities		1,716.7	50.0
<i>Current liabilities</i>			
Debts to credit institute	11	1,666.7	-
Prepayment from customer		-	194.7
Trade payables		1,834.1	2,717.6
Debt to group company	13	1,266.1	199.2
Current tax liabilities		325.1	232.6
Other current liabilities		952.4	925.0
Accrued expenses and prepaid income		12,656.8	16,575.2
		18,701.2	20,844.4
TOTAL EQUITY AND LIABILITIES		26,919.0	51,967.0

Statements of changes in equity for the Parent company

(SEKk)	Share capital	Restricted reserves	Non-restricted equity	Total equity
Balance at January 1 st , 2022	2,046.0	9,860.5	33,306.0	45,212.5
New share issue	536.4		5,363.6	5,900.0
Ongoing new share issue		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
Balance at December 31st, 2022	2,582.4	18,008.6	10,481.7	31,072.6
New share issue	2,667.0	-	6,596.1	9,263.2
Ongoing new share issue		-1,841.4		-1,841.4
Issue costs	-	-	-556.7	-556.7
Capitalization of development costs	-	3,862.3	-3,862.3	-
Profit (-loss) for the year	-	-	-31,436.5	-31,436.5
Balance at December 31st, 2023	5,249.4	20,029.5	-18,777.7	6,501.2

Statements of cash flow for the Parent Company

(SEKk)	2023-12-31	2022-12-31
Operating activities		
Profit (-loss) after depreciation, amortization and impairment	-31,186.2	-36,656.1
Adjustment for non-cash items depreciation, amortization and impairment	5,771.7	6,048.7
	-25,414.5	-30,607.5
Interest earned	191.1	25.9
Interest paid	-441.4	-2.8
Unrealized exchange rate differences	148.3	3.3
Income tax paid	-459.4	-320.6
Cash flow from operating activities before changes in working capital	-25,975.9	-30,901.6
Changes in working capital		
Change in inventories	-117.6	154.3
Change in receivables	23,590.1	-20,369.8
Change in current liabilities	-1,645.4	2,317.7
Cash flow from (-used in) operating activities	-4,148.7	-48,799.4
Investing activities		
Purchases/sales of property, plant and equipment and intangible assets	-9,572.1	-11,713.3
Purchases/sales of property, plant and equipment and tangible assets	-	-57.6
Cash flow from (-used in) investing activities	-9,572.1	-11,770.9
Financing activities		
New share issue	6,865.1	22,451.2
Reversal write-down of shares in subsidiaries	-	42.0
Raising of loans	1,666.7	-
Cash flow from financing activities	8,531.8	22,493.2
Net change in cash and cash equivalents	-5,189.0	-38,077.1
Cash and cash equivalents at January 1st	7,021.1	45,098.2
Cash and cash equivalents at December 31st	1,832.1	7,021.1

Note: Adjustment for non-cash items for the Parent Company

(SEKk)	2023-12-31	2022-12-31
Amortization	5,771.7	6,048.7
	5,771.7	6,048.7

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 prepares 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 the effect of 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 to 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 calculated on a straight-line basis over the estimated useful life of the asset, taking into account significant residual value. The following depreciation periods are applied:

Tangible assests	Group	Parent company
Equipment, tools, and systems	5 years	5 years
Computers	3 years	3 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 the 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

"Employee benefits" refer to all forms 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 a 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.

Profit/loss after financial items

Earnings after financial income and expense, but before taxes.

Balance sheet – Total assets

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% 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 a 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 judgments, 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 board and management work actively to reduce the company's costs and to secure additional funding going forward. At this time, this work has not been completed, but the assessment is that the company has good prerequisites to ensure this. Should decisive conditions not be fulfilled, there is a risk regarding the company's continued operation.

The consequences of strained working capital can be a deteriorating credit rating, which can affect relationships with customers and suppliers.

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 directors and head of business development based on the 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

Net sales per geographic market

The Group	2023-01-01 – 2023-12-31	2022-01-01 – 2022-12-31
Sweden	5,697,645	4,694,393
EU	7,082,326	6,622,929
North America	2,613,088	1,026,276
Rest of the world	4,394,814	6,460,298
	19,787,873	18,803,896

Net sales per geographic market

Parent Company	2023-01-01 – 2023-12-31	2022-01-01 – 2022-12-31
Sweden	5,697,645	4,694,393
EU	7,082,326	6,622,929
North America	2,390,555	1,953,240
Rest of the world	4,394,814	6,460,298
	19,565,340	19,730,860

Net sales per business line

Parent Company	2023-01-01 – 2023-12-31	2022-01-01 – 2022-12-31
Subscriptions with associated hardware	18,314,068	18,405,917
Management Fee	1,251,272	1,324,943
	19,565,340	19,730,860

Note 4 - Leases

	2023-01-01 – 2023-12-31	2022-01-01 – 2022-12-31
<i>The Group</i>		
Leasing payments expensed during the financial year	1,583,991	1,379,687
<i>The Parent Company</i>		
Leasing payments expensed during the financial year	1,395,800	1,277,641

Note 5 - Employees and personnel costs

Average number of employees

	2023-01-01 – 2023-12-31	2022-01-01 – 2022-12-31
<i>The Parent Company</i>		
Female	11	11
Male	16	16
Total	27	27
<i>Subsidiary</i>		
Female	1	1
Male	2	1
Total	3	2
The Group	30	29

Salaries, other remuneration and social security costs, including pension expenses

	2023-01-01 – 2023-12-31	2022-01-01 – 2022-12-31
<i>The Parent Company</i>		
Salaries and other remunerations	18,591,783	18,480,888
Social security costs and pension expenses	9,081,964	8,332,544
(of which pension expenses)	(2,255,262)	(1,987,917)
<i>Subsidiary</i>		
Salaries and other remunerations	5,942,569	5,146,689
Social security costs and pension expenses	683,188	299,157
(of which pension expenses)	(294,361)	(206,637)
<i>The Group</i>		
Salaries and other remunerations	24,534,352	23,627,577
Social security costs and pension expenses	9,765,152	8,631,701
(of which pension expenses)	(2,549,623)	(2,194,554)

Note 6 - Profit from shares in group companies

	2023-01-01 – 2023-12-31	2022-01-01 – 2022-12-31
<i>The Parent Company</i>		
Reversal of impairment charges XMReality GmbH	0	41,989

Note 7 - Capitalized costs of research and development and comparable work

The Group	2023-12-31	2022-12-31
<i>Accumulated cost</i>		
Cost, opening balance	41,192,726	29,479,412
This year's capitalized expenses, internal development	2,591,698	4,787,372
This year's capitalized expenses, purchases	6,980,387	6,925,942
	50,764,811	41,192,726
<i>Accumulated amortizations</i>		
Amortization opening balance	-23,163,449	-17,187,786
Amortization for the year	-5,709,756	-5,975,663
	-28,873,205	-23,163,449
<i>Accumulated impairment losses</i>		
Impairment losses, opening balance	-1,862,102	-1,862,102
Impairment losses for the year	-	-
	-1,862,102	-1,862,102
<i>Carrying amount, closing balance</i>	20,029,504	16,167,175
The Parent Company	2023-12-31	2022-12-31
<i>Accumulated cost</i>		
Cost, opening balance	41,192,726	29,479,412
This year's capitalized expenses, internal development	2,591,698	4,787,372
This year's capitalized expenses, purchases	6,980,387	6,925,942
	50,764,811	41,192,726
<i>Accumulated amortizations</i>		
Amortization opening balance	-23,163,449	-17,187,786
Amortization for the year	-5,709,756	-5,975,663
	-28,873,205	-23,163,449
<i>Accumulated impairment losses</i>		
Impairment losses, opening balance	-1,862,102	-1,862,102
Impairment losses for the year	-	-
	-1,862,102	-1,862,102
<i>Carrying amount, closing balance</i>	20,029,504	16,167,175

Note 8 - Equipment, tools and systems

The Group	2023-12-31	2022-12-31
<i>Accumulated cost</i>		
Cost, opening balance	317,220	296,013
Purchases	50,261	57,625
Disposals	-	-49,939
Translation difference	-2,561	13,521
<i>Cost, closing balance</i>	364,920	317,220
<i>Depreciation</i>		
Depreciation, opening balance	-201,543	-148,054
Reversed depreciation on disposals	0	36,526
Depreciation for the year	-74,403	-79,633
<i>Translation difference</i>	2,347	-10,382
<i>Depreciation, closing balance</i>	-273,599	-201,543
<i>Carrying amount, closing balance</i>	91,321	115,677
The Parent Company	2023-12-31	2022-12-31
<i>Accumulated cost</i>		
Cost, opening balance	274,608	216,983
Purchases	-	57,625
<i>Cost, closing balance</i>	274,608	274,608
<i>Depreciation</i>		
Depreciation, opening balance	-158,931	-85,905
Depreciation for the year	-61,974	-73,026
<i>Depreciation, closing balance</i>	-220,905	-158,931
<i>Carrying amount, closing balance</i>	53,703	115,677

Note 9 - Shares in group companies

The Parent Company	2023-12-31	2022-12-31
<i>Accumulated costs</i>		
Opening balance	50,991	50,991
<i>Carrying amount, closing balance</i>	50,991	50,991

Specification of the parent company's holdings of shares and participation 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, Plano USA	100	100.0	991

Note 10 - Current receivables

The Parent Company	2023-12-31	2022-12-31
<i>Matures not later than one year after the reporting date</i>		
XMReality Inc	-	96,928
	-	96,928

Note 11 - Non-current liabilities

The Parent Company	2023-12-31	2022-12-31
<i>Matures later than one year but within five years after the reporting date</i>		
XMReality Värdepapper AB	50,000	50,000

Note 12 - Other liabilities to credit institutes

The Group	2023-12-31	2022-12-31
<i>Matures not later than one year after the reporting date</i>	1,666,668	-
<i>Matures one to five years after the reporting date.</i>	1,666,664	-
The Parent Company	2023-12-31	2022-12-31
<i>Matures not later than one year after the reporting date</i>	1,666,668	-
<i>Matures one to five years after the reporting date.</i>	1,666,664	-

Collateral provided

	2023-12-31	2022-12-31
<i>For liabilities to credit institutions:</i>		
<i>Floating charges</i>	5,000,000	3,700,000
	5,000,000	3,700,000
<i>Of which in own custody</i>	-	3,500,000

Note 13 - Current liabilities

The Parent Company	2023-12-31	2022-12-31
<i>Matures not later than one year after the reporting date</i>		
XMReality Inc.	1,266,114	199,200
	1,266,114	199,200

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

XMReality's CFO retires

XMReality AB (publ) informs that the company's CFO, Lotta Ekerbring, has announced her intention to retire. Lotta Ekerbring has been CFO at XMReality since 2022 and will leave her position in the spring of 2024.

XMReality AB appoints Frida Finér as new CFO

Frida Finér will assume the position of CFO at XMReality AB on April 2, 2024, as the current CFO, Lotta Ekerbring, retires. With substantial experience in finance and international collaboration, amongst others with the United States, Frida will be an asset to the company's ongoing international growth.

XMReality AB engages Carnegie

Investment Bank as new Certified Adviser

XMReality AB (publ) announced a change of Certified Adviser from Redeye AB to Carnegie Investment Bank AB (publ).

XMReality AB (publ) - update regarding the company's working capital needs

XMReality's existing working capital is estimated to last until mid-May 2024. The board of XMReality is working to ensure the continued working capital needs of the business through loans and/or a share issue.

XMReality AB (publ) prepares a balance sheet for liquidation purposes

The board of XMReality AB (publ) has on April 19th decided to draw up a balance sheet for liquidation purposes. The decision has been taken for precautionary reasons, and the board expects the share capital to remain intact. The decision has been taken for precautionary reasons. It has now been reviewed by an auditor and shows that the share capital is completely intact.

XMReality AB (publ) receives loans from owners

XMReality AB (publ) receives bridge financing in the form of owner loans of 1.5 MSEK.

The balance sheet shows that XMReality's share capital remains intact

As announced on April 19, the board of XMReality AB (publ) has, for precautionary reasons, decided to draw up a balance sheet for liquidation purposes. It has now been reviewed by an auditor and shows that the share capital is completely intact.

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)	Value representing the annual recurring revenue from signed subscription agreements with automatic renewals (As long as no changes are made in the agreements)
The Group	The Parent company (XMReality AB (Publ.) and all subsidiaries, XMReality Inc. and XMReality Värdepapper AB.
The Parent Company	XMReality AB (publ.)
Churn	The value of terminated subscriptions in relation to the Annual Recurring Revenue (ARR)
Upsales	Additional subscriptions (ARR) with existing customers
Contraction	Contraction of existing subscriptions (ARR) with existing customers

Signatures

Linköping, 6th of June, 2024

Björn Persson

Chairman of the board

Andreas Jonsson

Chief Executive Officer

Anders Ferntoft

Member of the board

Åsa Andersson

Member of the board

Tommy Johansson

Member of the board

My audit report was submitted 6th of June, 2024

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 2023.

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 2023 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.

Significant uncertainty regarding assumption of continued operations

Without affecting our statements above, we would like to draw attention to the sections "Expected Future Development", "Capital Contribution", "Five-year review", and "Significant Events After the End of the Financial Year" in the Board of Director's report. We also want to highlight Note 2 "Estimates and Assessments" and Note 14 "Significant Events After the End of the Financial Year" in the annual and consolidated financial statements.

The information provided in the annual and consolidated financial statements clarifies that a prerequisite for the company's and the group's ability to continue operations is the infusion of the liquid funds and capital described by the board.

Overall, these conditions, along with the other circumstances described in the annual and consolidated financial statements, indicate a significant uncertainty factor that may lead to substantial doubt about the company's and the group's ability to continue operations.

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 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the loss dealt with 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/revisornsansvar. This description is part of the auditor's report.

Stockholm 6th of June, 2024.

Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg

Authorized Public Accountant



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xmreality

- like being there