

# Annual report

# 2018



# 2018

2018 was another year of growth for XMReality. Order intake increased by 61%, net sales were up 52%, and the gross margin was improved. XMReality also saw a shift towards software sales in 2018, when billed software rose by 120%.

|                             | 2018           | 2017           |
|-----------------------------|----------------|----------------|
| Total operating income, SEK | 16,631k        | 13,649k        |
| EBITDA, SEK                 | -25,181k       | -20,705k       |
| Earnings before tax, SEK    | -29,317k       | -22,741k       |
| Net margin, %               | Neg            | Neg            |
| Earning per share           | -1,72          | -1,56          |
| Order backlog, SEK          | 4,035k         | 2,291k         |
| <b>Total assets, SEK</b>    | <b>59,327k</b> | <b>66,724k</b> |

## Net sales and margins 2017–2018



## Some of Our New Customers 2018

Ikea Industry | Nibe | Sandvik | Arcam  
Bentec | Minebea Intec | SAFT Batteries

## About the company

XMReality AB (publ) develops and sells solutions that revolutionize knowledge sharing through augmented reality (AR). The company is a market leader in remote guidance, which uses AR to guide onsite staff and equip them to resolve or prevent problems.



Johan Castevall, CEO XMReality, accepts the Auggie Award 'Best in Show Augmented Reality'

## Groundbreaking New Product Features 2018

1. Web client for instant access and fast log-in to smart glasses using a QR-code
2. Open APIs to ensure swift and secure integration to business systems and the Internet of Things (IoT).
3. Multi-participant calls and image-based guidance.

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## Annual report 2018

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*“With a strong finish to the year, sharper focus on the core business and a more flexible, agile approach, XMReality is charging up for an eventful 2019.”*

**Johan Castevall**  
CEO

# Yet another year of growth for XMReality

*I am pleased to report that 2018 ended with higher order intake (+61%) and net sales (+52%). The gross margin also improved and billed software sales rose by 120%. Growth in software subscriptions is having a stronger, positive impact on the gross margin.*

## Successful strategy

XMReality's strategy of growing software sales has proven effective. In a clear trend, existing customers are increasing their subscriptions alongside the inflow of new customers. The company is also becoming more multinational. Over 50% of order intake now comes from companies outside Sweden. Hardware deliveries were dominated by smart glasses and PointPad. Sales of smart glasses have consisted mainly of glasses from third-party suppliers and in a logical progression, XMReality will now be exclusively supplying glasses from third parties.

## New customers

Orders were received and agreements made with a number of new customers during the year, including Ikea Industry, Nibe, Sandvik, Arcam, Minebea Intec, SAFT Batteries and Bentec.

The increase in the number of users at Swiss Bühler and the Italian Sacmi group is particularly gratifying. Within these corporate groups, XMReality Remote Guidance is deployed as a key component of their efforts to streamline field service processes and service offerings.

## An exciting future lies ahead

XMReality is well on the way to an exciting future. The XMReality Remote Guidance software is an ideal fit for many more applications than those addressed thus far, such as customer service-guided help and support. Development over the past year has made the software considerably more flexible and suitable to be sold and used in many new areas of application.

## A technical leap forward

The software was also upgraded during the year with several value-adding features that were welcomed by customers. For example, the response to the innovative Web Client launched in the fall was enthusiastic. According to Martin Forsberg, Global Support, Arcam: "The web client will be perfect for our single-case customers. You can set up a remote call without them having to pre-install anything."

## New team structure

In order to take more effective advantage of the new business opportunities, XMReality established several small, agile teams with the capacity to optimally meet



the respective needs of the customer segment. Executive management was also concentrated to a fewer number of people, effective at year-end.

## New share issue

XMReality executed a directed new issue of SEK 20.1 million during the quarter. This has provided the capacity to maintain the fast pace of product development and sales generation.

With a strong finish to the year, sharper focus on the core business and a more flexible, agile approach, XMReality is charging up for an eventful 2019.

# Six capabilities to power business performance

*In line with its objective to deliver the best AR-enabled remote guidance solution on the market, XMReality has continued building on the successful 2017 launch of Generation 6. The 2018 product roadmap can be summarized in three areas: easy access, easy integration, and enhanced collaboration.*



## Easy access

Getting up and running immediately is a true efficiency optimizer. Towards that end, XMReality has developed two key features to support the use of smart phones and smart glasses.

1

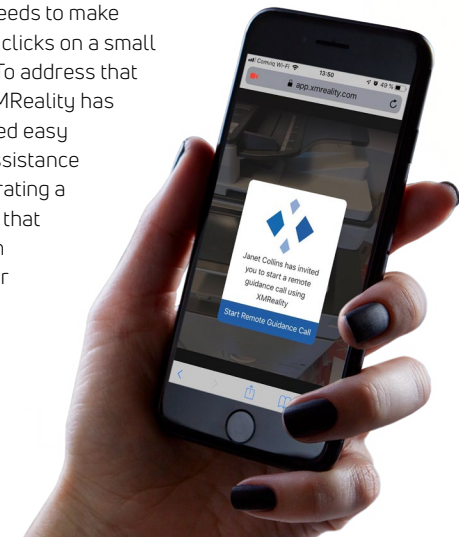
**Instant access through a web client.** The web client enables users to access XMReality Remote Guidance with no need to download an app.

This is especially convenient when a company has infrequent users: you can set up a remote call without making them install anything. Just send them a link to click in their web browser.

2

**Fast log-in to smart glasses using a QR code.** It can sometimes be difficult to navigate a smart glasses log-in interface – when the user is wearing gloves for example,

and needs to make multiple clicks on a small screen. To address that issue, XMReality has developed easy log-in assistance by generating a QR code that you scan with your glasses.

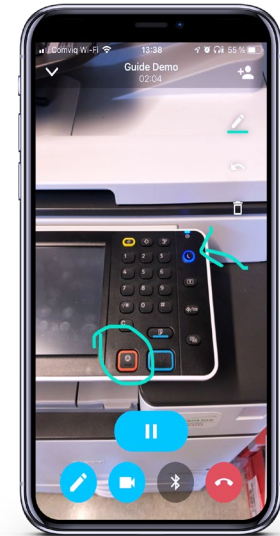


## Easy integration

To get the most out of the XMReality solution, integration with the relevant business process is essential. XMReality is working with open APIs to ensure swift and secure integration.

**3** **Integration with existing business software.** Remote guidance is a way to work more efficiently and should be a natural part of the working day. Integrated with existing processes and business systems, it is even more powerful.

**4** **Integration with the Internet of Things (IoT).** IoT integration makes it possible to visualize machinery data in an XMReality Remote Guidance call, creating a user experience that gives users what they need to solve problems faster and more accurately. This helps companies when doing inspections, because it enables data visualization and connection to a remote expert in the same display.



## Enhanced collaboration capabilities

Ultimately, the XMReality solution is all about people working together to get the job done faster. That is why the company is constantly adding features to enhance the collaborative potential of its solution.

**5** **Multi-participant calls.** When you can bring more people into a remote guidance call, you will also increase the odds of resolving an issue faster. The feature is ideal for first-line support if they need to escalate to the second line or higher.

**6** **Image-based guidance.** There are times when video calls are impossible – when you are in a low-connectivity environment – but you still need the collaboration capabilities of remote guidance. With image-based guidance, you can send still pictures and provide guidance by drawing on the images in real time.

# Mission

To enable companies to generate new business opportunities and stay ahead of competition by delivering a higher quality of service at a lower cost.

# Vision

To revolutionize knowledge sharing by using augmented reality (AR).

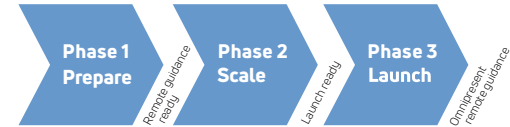
# Business model

## Software subscription model

With flexibility and scalability built in, the subscription model has proved itself a natural fit and high performer on mobile and digital platforms. Accessing XMReality Remote Guidance via a subscription model makes it easy for customers to on-board new users with no extra work or disruption. Standard subscription is for 12 months, paid in advance and automatically renewed. 2018 saw a decisive growth in software over hardware in XMReality's sales results, with software sales expected to grow in 2019. The subscription model is an important enabler of future growth.

## 3-step implementation

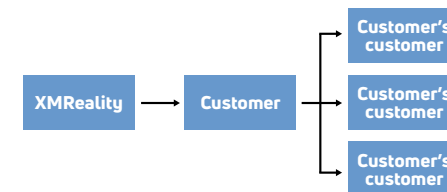
AR analysts and advisory groups recommend companies studying best practices carefully when selecting an AR vendor. XMReality's three-step implementation applies a carefully tested best practises approach to rollout. It lets customers build their service steadily, step-by-step. Phase 1, target areas and test cases in the organization are identified. Phase 2, the scope of the project and key stakeholders are defined. Phase 3, follow-up and metrics are decided to make sure the effects of the service are measured and maintained.



Each of the phases has its own specific goal, actions, milestones and tips. Built on XMReality's extensive experience with rollouts it underlines the company's ever-increasing leadership in making XMReality's AR-enabled remote guidance tool a real, here-and-now solution.

## Complete service offerings

XMReality Remote Guidance can be integrated into a complete service offering that XMReality's customers can then in turn sell to their customers, helping them generate new business opportunities.







# Strategy

## Guiding customer value beyond industrial field service

XMReality is currently exploring new high-potential use cases identified by its customers and continuously developing system capabilities. The XMReality Remote Guidance software is an ideal fit for many more applications than those addressed thus far, such as customer service-guided help and support. Development in recent years has made the software considerably more flexible and suitable to be sold and used in many new areas of application. The customer response to the innovative Web Client launched in the fall 2018 was enthusiastic. XMReality's strategy of growing software sales has proven effective. In a clear trend, existing customers are increasing their subscriptions alongside the inflow of new customers. The company is also becoming more multinational: the majority of order intake comes from companies outside Sweden.

## Focus on Remote Guidance: no proprietary smart glasses required

Whatever the hardware, whatever the device, XMReality makes sure its software is fully compatible. XMReality Remote Guidance is built to be completely hardware-agnostic. Whether deployed on smartphones, tablet or smart glasses is entirely up to the customer. Sales of smart glasses have consisted mainly of glasses from third-party suppliers and in a logical progression, XMReality will be exclusively supplying glasses from third parties.

## XMReality Remote Guidance boosts customer revenue

As a software provider, XMReality hosts its service on a proven, scalable cloud infrastructure based on Amazon Web Services. Communication is based on standard internet technologies. This powerful commitment to open standards is the second cornerstone of XMReality's strategy. As a systems provider to a wide range of enterprises in a diverse array of global industries, interoperability is do-or-die. In an era of servitization, when growing numbers of customers are choosing to integrate software into a complete service offering to their customers, XMReality is in prime position as one of the market leaders. Generating top-line growth and enabling cost savings will remain central to XMReality on the journey ahead.

# Market outlook

*Several trends are impacting the way we do business now and in the future. For a company to stay competitive, it is essential to have a clear strategy for each of those trends. There are three overarching trends where XMReality is really making a difference for its customers.*

## Digitalization

No doubt, the integration of digital technology into everyday life is a game changer. The ability to automate processes, measure previously unmeasurable business aspects, and cross-reference and apply information from a wide variety of sources to provide decision input lays the foundation for business transformation.

This is intensified by the arrival of a new generation of digital natives – not only as consumers, but as strategists, managers, engineers, and technicians. Their need for remote digital technology, regardless of distance, will be bred in the bone.

XMReality provides the tools, the solutions, and the knowledge required to take full advantage of digitalization. Integrating Augmented Reality with the Internet of Things delivers an unprecedented user experience designed for the new generation entering the world of business.



## Mobile workers

Mobile workers accounted for 39% of the global workforce in 2018 and forecasts by numerous research firms are showing no decline.<sup>1</sup> On the contrary, many are predicting that the mobile global workforce will top 50% in just a few years. The workplace is truly transforming, as more people are working away from the office, either on the road or from home. To do their jobs efficiently, they need smarter tools. XMReality provides a solution that enables remote collaboration using hardware of choice.

<sup>1</sup> Source Strategy Analytics

## Services revolution

The global marketplace is changing. In 1991, 34% of the global workforce was employed in the service sector. In 2018, that figure had risen to 52%.<sup>2</sup> In developed countries, services represent up to 80% of GDP. The numbers are lower – but growing rapidly – in less developed countries. New technologies and innovations, industrial ecosystems, and the expanding reach of digitally driven platform companies are accelerating the pace of a global services revolution that makes a strong case for XMReality.

### Servitization

Servitization is reinventing the manufacturing business model in the “Industry 4.0” world. Instead of focusing solely on selling a product, manufacturers are increasingly shifting their strategy to align with the growing needs of customers. As customers continue to expect additional benefits and enduring relationships with their dealers, more manufacturing companies are bound to add service contracts to their product sales.

### Faster, better, cheaper

Today’s customers are looking for value, especially after sales, which means customer service. The emergence of new digital technologies and the new generation of digitally savvy consumers is raising the bar for helpdesk services. They have to up their first response rate, cut time to resolution, and cut costs per ticket while providing an outstanding user experience. All at the same time.

Smart solutions built on new technology like XMReality’s are an ideal fit to achieve all of these tough goals.

<sup>2</sup> International Labour Organization, ILOSTAT database



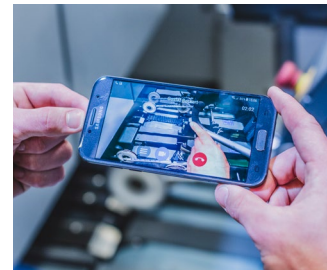
# How it works

*Do you see what I see? With XMReality Remote Guidance, you do not even have to ask. The XMReality Remote Guidance solution lets you see through another person's eyes and guide them – as if you were there. The scenarios in which you could use it are myriad. The most typical are those when you have to assess or validate a situation, help fix something or inspect a final outcome.*



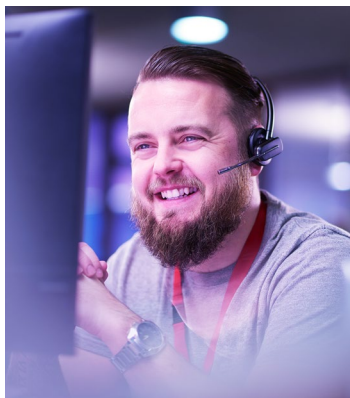
## “Houston, we have a problem”

There is a stoppage. Something is wrong. No experts on site. Production must be back up a.s.a.p. Local staff connects to service centre support via XMReality Remote Guidance with a mobile device. The remote expert guides local staff through trouble shooting and repair. Problem solved in no time – without travelling.



## Fixing the problem

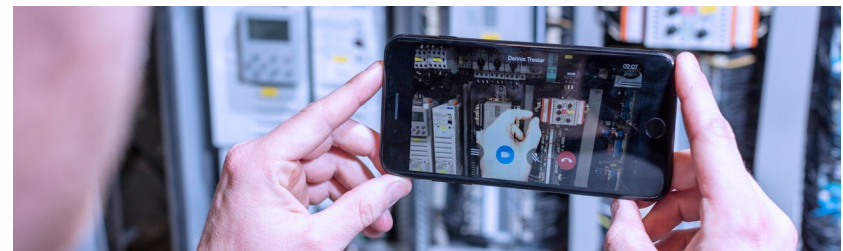
The designated customer support tech uses remote guidance to help deal with the problem. The tech will guide the customer using voice, hand gestures, screen pointers, documents or whatever it takes to fix it. You can provide guidance from your device of choice, like a smartphone, but you can also equip your laptop with a PointPad – particularly useful for non-mobile personnel.



## Validating the problem

The Service Center tech sees exactly what the person in the field sees through their device and can diagnose the problem. He guides the customer's hands remotely using his voice, hand gestures and pointers.

The tech can now decide whether to escalate the problem using a multi-participant call, fix it independently by guiding the customer, or arrange for an expert to help either on-line or on-site – knowing exactly what to bring to solve the problem. In other words, no need to go back to the shop and pick up whatever that might be.



## Inspect the outcome and share knowledge

Remote guidance can also be used when the outcome has to be inspected. Alternatively, the customer on site can record the remote guidance session and send it to the inspector. The recorded video can be stored for future use, such as training new support staff.

# A closer look at XMReality for Helpdesks

Today's customers are looking for value, especially after sales, which has heightened the importance of customer service. To stay competitive, companies must deliver outstanding customer service. By allowing helpdesk agents to see through the customer's eyes, companies can help their customers more efficiently, leading to higher customer satisfaction. The agents work with their standard helpdesk solution and customers do not have to install anything. Everything happens in a seamless, integrated experience.

XMReality Remote Guidance is designed to use together with existing business software. It augments the existing helpdesk system to streamline the support process.

## Troubleshoot

Let the agent see what the customer sees. With a click of a single button, the agent sends a link to the customer. No installation required: the customer clicks the link to allow the device camera view to be shared with the agent.

- Decrease time to resolution. Customer satisfaction is directly and heavily correlated to time to resolution.

## Resolve/escalate

As the issue is resolved, the agent saves a video recording and tags it to the case. Companies can easily break the boundaries of the helpdesk and build up the knowledge base in the preferred location.

- Create a digital library to ensure traceability and increase knowledge sharing.
- Seamless connection to next level of support, which can be done in the same call.



## Validate

Validate the customer and warranty status.

- Increase first response rate and accuracy and resolve more issues in the first exchange with the customer.

## Close

When cases are closed, the helpdesk can tap analytic features and dashboards to visualize data, providing executive-level insight into the relevant KPI's.

- Impacts first response, time to resolution, agent utilization, customer satisfaction, and cost per ticket.

# Working for XMReality

## Attracting and retaining top talent

XMReality regularly invites top postgraduates to the company for MSc placements, and offers summer jobs and internships. The result is a strong talent pipeline into the company for the future. In 2018 this resulted in new and exciting product features like the web client that was launched in the fall.

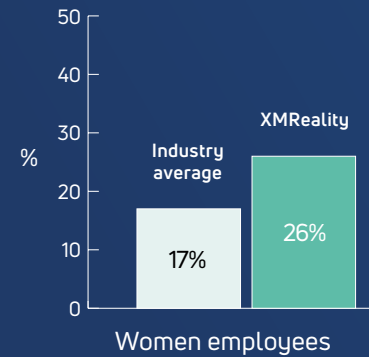
## The 2018 Beacon

Inaugurated in 2017, The Beacon is an award that recognizes outstanding performance by an employee. The award this year went to Customer Experience Manager Johanna Wittenfeldt for her commitment, high standards and flexibility.

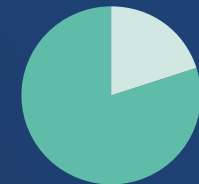


**JOHANNA WITTENFELDT**  
CUSTOMER EXPERIENCE MANAGER  
AND 2018 WINNER OF THE BEACON.

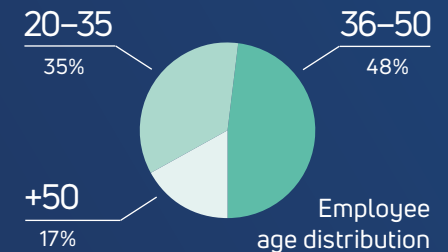
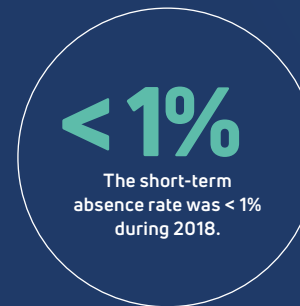
## The year in numbers



20%



XMReality had 19 employees at year-end 2017 and 23 at the close of 2018: an increase of 20%.



# The eco system

XMReality's strategy is to work with partners that add value and complement its solution in order to give customers optimal opportunities to enhance their digital services. XMReality signed three strategic partner agreements during the year.

## Vuzix

Vuzix is a leading developer of smart glasses, headquartered in West Henrietta, New York. The company holds 66 patents and 43 additional patents pending and numerous IP licenses in the near-eye display field.

*"We are excited to welcome XMReality into the Vuzix Industrial Program. They are expanding the use of smart glasses technology to provide remote guidance within enterprise environments."*

**PAUL TRAVERS,  
PRESIDENT AND CEO  
OF VUZIX CORPORATION**

**VUZIX®**

## Semcon

Semcon is a global leader in the field of digitizing product information and generating digital content. In forging this collaboration, XMReality is not only opening a new marketing and promotion channel, but also a new way of visualizing information in the solution.

*"Augmented Reality makes it even easier to support service technicians, for example, by sharing and visualizing the right information at the right time."*

**DAVID SONDÉN,  
GENERAL MANAGER  
PRODUCT INFORMATION  
SWEDEN, SEMCON**

**SEMCON**

## Novacura

Novacura is a multinational IT company that deploys its Novacura Flow digital platform to streamline business-critical processes for its customers. Through this platform, XMReality can be connected to 30+ business systems including SAP, Microsoft Dynamics, IBM Maximo, Infor M3, and IFS.

*"Our customers can now manage their processes remotely using Augmented Reality—regardless of business system used."*

**JOHAN MELANDER,  
CEO NOVACURA**

**novacura®**

*"We are now able to make our service accessible from anywhere in the world at any time."*

**MICHAEL TAPPE, GLOBAL  
SERVICE PRODUCT MANAGER,  
MINEBEA INTEC**

## Trusted by some of the biggest companies in the world

**ABB**

**Epiroc**

**Electrolux**

**COESIA**



MEMBER OF THE BÜHLER GROUP

**BOMBARDIER**  
the evolution of mobility

**Minebea Intec**



# Advancing sustainable development

*XMReality has initiated a sustainable development program in four focus areas linked to the UN Sustainable Development Goals (SDGs). The company's business model supports several of the goals, and thus our customers' opportunities to attain their SDGs.*

XMReality will be implementing a Code of Conduct in early 2019 that assures the company's regulations applicable to business ethics, human rights, the environment, workplace health and safety, and information/business-critical security.

**SUSTAINABLE DEVELOPMENT GOALS**

THE XMREALITY CODE OF CONDUCT ADDRESSES:

## Responsible business

- Zero tolerance of corruption, unfair competition, conflicts of interest (SDG 16)
- Sustainable partner and supply chains (SDG 17)
- Customer satisfaction and customer complaint management
- Risk management (SDG 8, SDG 17)
- Information security (personal data/GDPR and business data) (SDG 16)



## Reducing environmental impact

- The XMReality solution reduces the need for experts to travel for on-site consultation in all industrial sectors. (Reduced CO2 emissions SDG 11, SDG 17)
- XMReality is helping customers increase resource-use efficiency and sustainability of production capacity. (Lower costs and reduced need for resources, SDG 8, SDG 9, SDG 12)





## Attractive employer

- XMReality is strongly committed to developing leaders and employees (SDG 8, SDG 10)
- All employees should be given equal opportunities to develop (SDG 9, SDG 10, SDG 16)
- Gender equality and diversity (SDG 10)
- XMReality promotes health and safety (SDG 8)



## Social engagement

- XMReality is seeking collaborative projects with universities and business forums dedicated to activities that promote skills building and development. (SDG 9, SDG 17)



# Board of directors



**Claes Nylander**

*Chairman since 2012*

**Born:** 1952

**Holdings in XMReality:** 537,200 shares (400,000 held privately and 147,200 owned through Valunova AB, a wholly owned company).

**Education and experience:** Claes Nylander has a PhD in Applied Physics, as well as studies towards an MBA from Linköping University. He has also studied Growth Management at the Swedish Royal Institute of Technology, KTH. In addition to senior positions with Unilever and Alcatel, Nylander served as CEO of Sensistor Technologies AB (now Inficon AB) and has extensive experience starting and managing subsidiaries in the UK, the US, and Hong Kong. He previously served in executive roles at XMReality as a business developer, financial controller, technical consultant and CEO.

**Current directorships/positions:** Chairman of Prodelox AB. Director of Valunova AB.

**Directorships/positions in the past five years:** Chairman of Termisk Systemteknik i Sverige AB and Thermirage AB. Director of Plasmon AB, Cognicatus AB, MPV Sensors AB, Sensorum AB, Novavisus AB, and Åtvidabergs Takvåningar AB.

**Independence:** Claes Nylander is independent of the company's controlling shareholders but is not independent in relation to the company and its executive management.



**Jonas Tornerefelt**

*Director since 2016*

**Born:** 1966

**Holdings in XMReality:** none

**Education and experience:** Jonas Tornerefelt has an MSc in Industrial Engineering & Management from Linköping University and an MBA from Uppsala University. Tornerefelt is currently Executive Vice President of Products, Marketing, Sales & Services at UniCarriers Europe. He previously held positions including Head of Customer & Consumer Services at Electrolux Nordics, Marketing Manager at NorthStar, and Service Market Business Area Manager for Toyota Europe. In addition to being a member of group management for the aforementioned companies, Tornerefelt has served as managing director, chairman, and in other board capacities for multiple subsidiaries.

**Directorships/positions in the past five years:** None outside of XMReality.

**Independence:** Jonas Tornerefelt is independent in relation to the company, its executive management and controlling shareholders.



**Lars Svensson**

*Director since 2015*

**Born:** 1944

**Holdings in XMReality:** 831,560 shares through a 50% interest in a joint venture with Rambas AB.

**Education and experience:** Lars Svensson has an MSc from Lund University. His experience was acquired in IT-related roles at Saab and Ericsson. Svensson was a sub-project manager within a larger space project at the European Space Agency (ESA) for six years. He cofounded LinSoft, an IT company, and was its CEO for 17 years. Svensson currently serves as a director of several tech-oriented companies.

**Current directorships/positions:** Director and CEO of Rambas AB and Plumasoft AB. Director of Wematter AB, Linkura AB, Cardskipper AB, and Mimove AB. Partner in Handelsbolaget Dako.

**Directorships/positions in the past five years:** None outside of XMReality.

**Independence:** Lars Svensson is independent of the company, its executive management, and controlling shareholders.



### Anders Ferntoft

Director since 2014

**Born:** 1960

**Holdings in XMReality:** 93,334 shares through A Ferntoft Consulting AB, a wholly owned company.

**Education and experience:** Anders Ferntoft has a licentiate degree in economics and an MSc in Industrial Economics from Linköping University. Ferntoft provides consultancy services to small and growing tech companies, including as a business coach in the LEAD start-up incubator program and manager of the regional business angel network East Sweden Tillväxtkapital. Ferntoft also served previously as business development director at Agama Technologies AB and as CEO of Anelda AB. He has previously worked for XMReality as a business development consultant.

**Current directorships/positions:** Director and CEO of A Ferntoft Consulting AB and A Ferntoft Tillväxt AB. Director of Active Partners East Sweden AB and Bostadsrättsföreningen Berzelii in Linköping. Alternate director of Empower Executive Search Scandinavia AB.

**Directorships/positions in the past five years:** Director of Markus Reklambyrå AB.

**Independence:** Anders Ferntoft is independent in relation to the company's controlling shareholders but not in relation to the company and its executive management.



### Carina Svedberg Qvarngård

Director since 2018

**Born:** 1959

**Holdings in XMReality:** none

**Education and experience:** Carina Qvarngård has an MSc in Mechanical Engineering from the Swedish Royal Institute of Technology, KTH. Qvarngård is a senior independent consultant supporting international customers in relation to industrialization, leadership, and business and organizational development. Qvarngård has more than 30 years of experience in senior positions with multinational companies including Ericsson, Sodexo Nordic, and Caverion Oy.

**Current directorships/positions:** Director of Instalco Intressenter AB since 2018.

**Directorships/positions in the past five years:** Head of Strategy, Offering Portfolio and Marketing at Caverion Oy. Member of the management board of Caverion Group. Director of subsidiaries of Caverion Oy in Norway, Austria, and Germany. Head of Strategy, Offering Portfolio and Supply Chain at Sodexo Nordic. Member of the management board of Sodexo Nordic. Director of subsidiaries of Sodexo Nordic in Finland and Norway.

**Independence:** Carina Qvarngård is independent in relation to the company, its executive management, and controlling shareholders.



### Johannes Fabó

Director since 2018

**Born:** 1978

**Holdings in XMReality:** 16,000 shares.

**Education and experience:** Johannes Fabó has an MSc in Industrial Engineering and Management from Chalmers University of Technology and has studied at Harvard Business School. Fabó is currently Head of Business Development at Munters AB. He was formerly a consultant and project manager for the Boston Consulting Group.

**Current directorships/positions:** None outside of XMReality.

**Directorships/positions in the past five years:** None.

**Independence:** Johannes Fabó is independent of the company, its executive management, and controlling shareholders.

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## Auditor

The Annual General Meeting held 23 May 2018 reappointed registered auditing firm Öhrlings PricewaterhouseCoopers AB as the company's independent auditor. Authorized Public Accountant Niklas Kullberg, who is a member of FAR, is the auditor in charge. The principal place of business of Öhrlings PricewaterhouseCoopers AB is Torsgatan 21, 113 21 Stockholm, Sweden. The auditing firm of Öhrlings Pricewaterhouse Coopers AB, with Niklas Kullberg as auditor in charge, has been the company's appointed auditor for the entire period relating to historical financial information.

# Management



## Johan Castevall

CEO since 2015

**Born:** 1978

**Holdings in XMReality:** 213,700 shares through Audendo Group AB, a wholly owned company, and 10,000 warrants, representing 200,000 shares (subscription rights).

**Education and experience:** Johan Castevall has an MSc in Industrial Economics from the Institute of Technology at Linköping University and has completed courses in management at the University of Massachusetts. Castevall has about ten years' experience in management with the start-up company Medius AB. He formerly served as the operations manager for XMReality on a consultancy basis.

**Current directorships/positions:** Chairman and CEO of Audendo Ventures Group AB.

**Directorships/positions in the past five years:** Director of Medius International AB, Medius Sverige AB, Medius Research and Development AB, Medius Ascendo AB, EG Dynamics AB (formerly Medius Dynamics AB), and Sensorum AB.



## Per Unell

CTO since 2018

**Born:** 1965

**Holdings in XMReality:** 1,000 shares, privately held.

**Education and experience:** Per Unell has an MSc in Engineering

Physics from the Institute of Technology at Linköping University. Unell has more than fifteen years' experience in senior positions within technology-intensive companies including Sectra, Ericsson and Agama Technologies.

**Current directorships/positions:** –

**Directorships/positions in the past five years:** –



## Claes Pettersson

CFO since 2017

**Born:** 1953

**Holdings in XMReality:** 2,220 shares, privately held.

**Education and experience:** Claes Pettersson's academic background is

in mechanical engineering and economics, as well as a number of courses in leadership development, finance, business development, sales, and board service. Pettersson has more than 35 years' experience running and developing various listed and privately held companies in senior operational executive roles and through serving on boards of directors.

**Current directorships/positions:** Chairman of Månsson Rör & Värmepumpar in Östergötland AB, Energicenter i Öst AB, Månsson Rör and Värmepumpar AB, Något Bra AB, and Sinecura AB. Director of NeoDynamics AB (publ), Unitalent AB, and Spetsa AB.

**Directorships/positions in the past five years:** CFO, managing director and CEO of Impact Coatings AB (publ). CFO of AMRA Medical AB. Director of Impact Coatings Systems AB and Impact Coatings Maxphase AB. Vice-Chairman of Åtvidabergs Sparbank. Chairman of Ternstedt Invent AB.



## Sara Wennstam

HR Manager since 2017

**Born:** 1980

**Holdings in XMReality:** none

**Education and experience:** Sara Wennstam has an MSc in Human Resources from Linköping University.

Wennstam has more than 10 years' experience in leadership, employee relations, and recruitment, operationally as well as strategically, most recently with Toyota Material Handling where she was group manager in the HR Department.

**Current directorships/positions:** –

**Directorships/positions in the past five years:** –



## Marcin Szymanski

CSO and Manager Marketing & Operations since 2018

**Born:** 1982

**Holdings in XMReality:** 69,984 shares, privately held.

**Education and experience:** Marcin

Szymanski has a BSc from Växjö University and an MSc in Strategic Management in Dynamic Organizations. Szymanski has approximately 10 years' experience in business processes, ERP implementation, and rollout of digital platforms, focusing on optimizing core processes and business value for global industrial companies. He also has extensive experience in complex sales.

**Current directorships/positions:** –

**Directorships/positions in the past five years:** –

# Risk factors

*Risk factors and significant circumstances assessed as material to the business and its future performance are described below. These are presented in no particular order of importance and the list should not be considered exhaustive. If one or more of the risk factors were to occur, it could have negative impact on the business and thus the company's financial performance and position. The XMReality prospectus dated March 2017 contains a more detailed description of the company's risk factors and the risks associated with owning shares in the company.*

## Sales

The company does business in a market that can be characterized by protracted sales processes, which entails low forecast reliability. Customer sales and marketing requires considerable time and resources. If orders are brought forward or postponed, this could have significant impact on the company's annual sales and earnings. Consequently, the company's sales and earnings may vary widely from quarter to quarter.

## Competition

In broad terms, the AR market is characterized by rapid technological progress and is highly competitive. Several of XMReality's current and potential future competitors could have a competitive edge in terms of, for example, a longer history, a more well-established brand, more well-established relationships with end customers, and greater financial, technical, and marketing resources. If XMReality is unable to align its products and operations with technical progress in the market, there is risk that the company would become less competitive.

## Technological advances

XMReality does business in a relatively new area of technology. The company's success is largely dependent upon its ability to lead and adapt to technological advances. If the company is unable to swiftly and cost-effectively adjust to technological advances, XMReality could lose its competitive advantage and thus market shares.

## Product development

XMReality's product offering is based on continuous technical development and added value. It is essential that the company's software and other technical solutions are developed in such a manner that functionality is aligned with customer needs, requirements, and preferences. It can be difficult to precisely determine the time and cost aspects of product development in advance. There is thus risk that planned software or product development will be costlier and take longer to adjust to the needs of the market than planned. There is also risk that future technical developments will not be successful and accepted by customers and consumers.

## XMReality's intellectual property, know-how, and non-disclosure

XMReality's continued operations are dependent to a minor extent upon protecting its technology through patents or other intellectual property. Technology in the field is developing rapidly.

XMReality is dependent upon know-how and trade secrets and enters into non-disclosure agreements with employees, consultants, and partners. It is not, however, possible to fully protect the company against unauthorized spread of information, which entails risk that competitors will become privy to and benefit from the know-how developed by XMReality.

## Dependence on key individuals and highly skilled employees

There are several key individuals at XMReality who are important to the successful development of the company's business. The capacity to recruit and retain highly skilled employees is critical to maintaining the high level of skill within the company. If key individuals leave the company or XMReality is unable to recruit suitable employees, it could have negative impact on the business, particularly in the short term.

## Production capacity

The company delivers software as a service by providing access to server software and server capacity to the customer. Server capacity is purchased from a third party. The company is dependent upon internet access to maintain the server and provide support to its customers. The availability of third-party suppliers for server operation services and availability of the company's internet connection are essential to delivering services to customers.

## International operations and exchange rate fluctuations

XMReality is a Swedish limited liability company whose financial performance and position are presented in SEK. A large portion of the company's costs are denominated in SEK, while significant shares of revenues and costs for certain purchased products are generated in foreign currency, primarily EUR, which increases the company's currency exposure. The majority of the future market is found abroad, and the majority of potential sales might be transacted in other currencies. Sales of this nature could expose the company to currency fluctuations.

## Credit risk

The company has prepared guidelines for granting credit to customers. There is risk that the company's assessment and evaluation of the credit risk of its counterparties is not accurate. If a customer is unable to perform its obligations to XMReality, this could have negative impact on the business.

## Additional financing requirements

There is risk that XMReality will not have sufficient revenues in the future to finance its operations. The company could be forced to seek additional external financing in order to continue operating its business. This financing could be provided by existing shareholders or external parties through public or private financing arrangements. There is risk that the company could be unable to raise new capital, that new capital cannot be obtained on satisfactory terms, or that the capital raised will not suffice to finance operations in accordance with established business development plans and targets. If XMReality is unable to raise adequate financing or fully exploit attractive business opportunities, the company's capacity to maintain its market position or the competitive advantage of its offering could be impaired.

# Share capital

The share capital in XM Reality AB (publ) totaled SEK 852,500 divided among 17,050,000 shares with a quotient (par) value of SEK 0.05 per share. All shares are in the same class and each share carries one vote.

A new share issue was executed during the financial year, which raised SEK 20.1 million (net). The issue of common shares was subscribed by both institutional and private investors in conjunction with the listing of XMReality on Nasdaq OMX on 24 April 2017.

## Stock options plan

XMReality AB (publ) has two active stock option plans. The exercise dates for subscribing common shares are in 2019 and 2020, respectively. The number of stock options outstanding carry rights to subscribe for 240,000 new shares, which would increase share capital by SEK 12,000 SEK, corresponding to dilution of about 1.4%.

## Change in share capital

| Year | Activity                 | Increase in number of shares | Total shares | Increase in share capital (SEK) | Total share capital (SEK) | Quotient (par) 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*         | 48,080                       | 221,780      | 48,080                          | 221,780                   | 1                          |
| 2015 | New share issue          | 34,884                       | 256,664      | 34,884                          | 256,664                   | 1                          |
| 2016 | Exercise of warrants     | 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**        | 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                       |

\* The AGM held 9 June 2014 approved a 100:1 share split.

\*\* The EGM held 9 February 2017 approved a 20:1 share split.

## Ownership structure

About 1,975 institutional and private investors owned XMReality AB (publ) on 31 December 2018.

## Shareholders at 31 December 2018

|   | Number of shares/votes | %              |
|---|------------------------|----------------|
| Investment AB Spiltan                   | 2,031,946              | 11.92          |
| Handelsbanken Microcap Sverige          | 1,600,000              | 9.38           |
| AMF Aktiefond Småbolag                  | 1,270,000              | 7.45           |
| Försäkringsaktiebolaget, Avanza Pension | 862,972                | 5.06           |
| Rambas AB                               | 831,560                | 4.88           |
| Nordnet Pensionsförsäkring AB           | 598,370                | 3.51           |
| Claes Nylander (with companies)         | 547,200                | 3.21           |
| LMK Stiftelsen                          | 510,000                | 2.99           |
| JP Morgan Bank Luxembourg S.A.          | 479,280                | 2.81           |
| UBS Switzerland AG, W8IMY               | 453,020                | 2.66           |
| Handelsbanken Liv Försäkringsaktiebolag | 369,000                | 2.16           |
| <b>Total shareholders over 2% each</b>  | <b>9,553,348</b>       | <b>56.03%</b>  |
| Other shareholders                      | 7,486,652              | 43.97%         |
| <b>Total</b>                            | <b>17,050,000</b>      | <b>100.00%</b> |

## Share performance, 2018



The share graph above shows share price performance and daily trading volume during 2018.

## Shareholder agreements

Insofar as the board of directors of XMReality is aware, there are no existing shareholder agreements or comparable agreements between shareholders in the company intended to exert concerted control over the company. The board of directors is also unaware of any shareholder agreements or similar agreements which could lead to a change of control over the company.

## Dividend policy

The company is still in its development phase and has thus far not distributed dividends. As the company's focus will remain primarily on business opportunities that can be profitably developed, there are currently no plans to distribute dividends. The Board of Directors will establish a dividend policy once the business has been consolidated.

## Warrant plans

There are two ongoing warrant plans, series 2016/2019 and series 2016/2020. The warrants have been issued to employees on customary terms. If all warrants are exercised, the number of shares will increase by 240,000.

### Warrant plans

| Series    | Grant date  | Exercise period   | Paid subscription price | Number of warrants | Number of shares | Subscription price per share, SEK |
|-----------|-------------|-------------------|-------------------------|--------------------|------------------|-----------------------------------|
| 2016/2019 | 13 May 2016 | 1-31 March 2019   | 1.22                    | 6,000              | 120,000          | 8.60                              |
| 2016/2020 | 9 Dec 2016  | 1-31 January 2020 | 13.74                   | 6,000              | 120,000          | 15.0                              |

### Distribution of warrants:

| Warrant holder  | Number of warrants | Subscription rights carried (number of shares) |
|-----------------|--------------------|--|
| Johan Castevall | 10,000             | 200,000  |
| Niklas Rengfors | 1,000              | 20,000   |
| Mårten Nilsson  | 1,000              | 20,000   |

# Overview of financial performance

The financial performance of XMReality AB (publ) for the period of 2014–2018 is summarized below. All figures for the financial years of 2014–2017 are based on material taken from official, published annual reports.

| (Amounts in SEKk)  | 2018                    | 2017                    | 2016                     | 2015                   | 2014                   |
|--|-------------------------|-------------------------|--------------------------|------------------------|------------------------|
| Net sales  | 10,155                  | 6,683                   | 5,155                    | 3,532                  | 816                    |
| Operating profit (-loss)   | -29,250                 | -22,633                 | -9,976                   | -4,195                 | -3,943                 |
| Profit (-loss) after net financial income                                    | -29,317                 | -22,741                 | -10,041                  | -4,275                 | -3,956                 |
| Profit margin, %   | neg                     | neg                     | neg                      | neg                    | neg                    |
| Intangible assets  | 14,754                  | 12,458                  | 6,595                    | 4,592                  | 2,471                  |
| Tangible assets  | 528                     | 1,705                   | 901                      | 0                      | 0                      |
| Financial assets   | 8                       | 0                       | 25                       | 25                     | 25                     |
| Inventories  | 261                     | 306                     | 587                      | 1,589                  | 251                    |
| Current receivables  | 5,978                   | 6,014                   | 2,297                    | 1,592                  | 758                    |
| Cash and bank balances   | 37,798                  | 46,241                  | 22,100                   | 1,184                  | 2,082                  |
| Equity   | 47,608                  | 56,827                  | 26,556                   | 2,749                  | 4,025                  |
| Non-current liabilities  | 844                     | 1,535                   | 2,428                    | 4,212                  | 367                    |
| Current liabilities  | 10,875                  | 8,362                   | 3,521                    | 2,021                  | 1,195                  |
| Total assets   | 59,327                  | 66,724                  | 32,505                   | 8,982                  | 5,586                  |
| Return on average capital employed, %  | neg                     | neg                     | neg                      | neg                    | neg                    |
| Return on average equity, %  | neg                     | neg                     | neg                      | neg                    | neg                    |
| Equity/assets ratio, %   | 80.2                    | 85.2                    | 81.7                     | 30.6                   | 72.0                   |
| Debt/equity ratio, multiple  | 3.2                     | 4.0                     | 9.9                      | 156.8                  | 11.6                   |
| Interest coverage ratio, %   | neg                     | neg.                    | neg                      | neg                    | neg                    |
| Quick ratio, %   | 402.5                   | 624.9                   | 693.0                    | 137.4                  | 237.6                  |
| Number of employees (end of the period)                                      | 23                      | 19                      | 14                       | 5                      | 4                      |
| <i>Investments</i>   |                         |                         |                          |                        |                        |
| Intangible assets  | 5,478                   | 6,687                   | 2,999                    | 2,121                  | 2,471                  |
| Tangible assets  | 140                     | 1,908                   | 901                      | 0                      | 0                      |
| Basic earnings per share, SEK  | -1.72                   | -1.56                   | -1.20                    | -0.83                  | -1.13                  |
| Earnings per share, fully diluted, SEK                                       | -1.70                   | -1.52                   | -1.15                    | -0.81                  | -1.09                  |
| Average number of shares during the period <sup>1</sup>                      | 14,982,648 <sup>6</sup> | 13,175,227 <sup>5</sup> | 7,202,593 <sup>2,3</sup> | 4,822,763 <sup>4</sup> | 3,406,498 <sup>7</sup> |
| Number of shares at the end of the period <sup>1</sup>                       | 17,050,000 <sup>6</sup> | 14,607,982 <sup>5</sup> | 8,368,420 <sup>2,3</sup> | 5,133,280 <sup>4</sup> | 3,474,000 <sup>7</sup> |
| Average number of fully diluted shares during the period <sup>1</sup>        | 15,257,634 <sup>6</sup> | 13,565,227 <sup>5</sup> | 7,463,085 <sup>2,3</sup> | 4,972,763 <sup>4</sup> | 3,556,498 <sup>7</sup> |
| Average number of fully diluted shares at the end of the period <sup>1</sup> | 17,290,000 <sup>6</sup> | 14,997,982 <sup>5</sup> | 8,758,420 <sup>2,3</sup> | 5,283,280 <sup>4</sup> | 3,624,000 <sup>7</sup> |



# Definitions of key data

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|   |  |
|---|--|
| <b>Profit margin</b>                      | Profit after net financial income or expense divided by sales                  |
| <b>Equity</b>                             | The sum of shareholders' equity, restricted reserves and non-restricted equity |
| <b>Return on average capital employed</b> | Profit or loss before interest expense divided by average capital employed     |
| <b>Return on average equity</b>           | Profit or loss after tax divided by average equity                             |
| <b>Equity/assets ratio</b>                | Equity divided by total assets   |
| <b>Debt/equity ratio</b>                  | Interest-bearing liabilities divided by equity                                 |
| <b>Interest coverage ratio</b>            | Earnings before interest divided by interest expenses                          |
| <b>Earnings per share</b>                 | Profit or loss after tax divided by average number of shares outstanding       |
| <b>Quick ratio</b>                        | Cash and current assets excluding inventories divided by current liabilities   |

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<sup>1</sup> Restated after 20:1 split registered 21 January 2017.

<sup>2</sup> Issue of 2,889,200 new shares registered 11 May 2016 and 345,940 shares subscribed against convertible debt instrument registered 12 May 2016

<sup>3</sup> Issue of 1,860,000 new shares subscribed in December, registered 21 January 2017

<sup>4</sup> Issue of 697,680 new shares registered 18 June 2015

<sup>5</sup> Issue of 4,379,562 new shares subscribed in April and registered on two dates, 21 April and 1 June 2017, respectively.

<sup>6</sup> New issue of 2,442,018 shares subscribed in October and registered on 6 November 2018.

<sup>7</sup> Issues of 720,000 new shares registered March 6, 2014 and 961,600 new shares registered 9 December 2014.

# Annual report

## Board of directors' report

*The board of directors and CEO of XMReality AB (publ), company registration number 556722-7284, registered office in Linköping, hereby present the annual report for the 2018 financial year, the company's twelfth year in operation.*

### Market

The market segments XMReality was focused on include remote guidance for large multinational companies.

### Products and services

Software development continued in a powerful effort to meet the demands and expectations of operators and end users. The software system has been adapted to the latest standards to work seamlessly with the main range of platforms and hardware on the market. A web client was introduced during the year.

As in previous years, software development costs were capitalized. An impairment loss was recognized at the end of the financial year on previously capitalized development costs for smart glasses.

### Sales

Sales during the year were focused on larger customers representing global businesses that require remote guidance to increase sales and customer satisfaction.

### Financial performance and position

Net sales for the year were SEK 10,155k (6,683k), an increase of 52% year-on-year. The sales growth is attributable mainly to increased market interest of the company's product range and the launch of Generation 6 in November 2017.

The company is reporting a loss before tax of SEK -29,250k (-22,633k). The loss is attributable to the buildup of market activities and further product development in order to meet expected future demand.

Investments in property, plant and equipment and intangible assets amounted to SEK 5,478k (6,687k) and mainly represent investments in software development.

The sales mix of hardware and software has changed in favor of software. Software subscriptions represented 55% (38%) of total revenues, Hardware sales represented 41% (59%) and professional services 4% (3%). Subscription sales comprise subscriptions paid in advance, usually for a period of 12 months, creating an order backlog on mainly the software side. The order backlog increased by about 76% to SEK 4,035k (2,291k).

Equity totaled SEK 47,608k (56,827k) at year-end. A new share issue was executed in connection with the listing of the company's shares on Nasdaq First North in April. The new share issue raised SEK 20,098k (53,011k) net of issue costs.

### Financing and cash flow

The company had cash reserves of SEK 37,798k (46,241k) at 31 December 2018. Cash flow in 2018 was SEK -8,443k (24,141k), mainly consisting of SEK 19,406k (52,619k) from financing activities, SEK -22,653k (-19,908k) used in operating activities and SEK -5,196k (-8,570k) used in investing activities.

### Employees and organization

At the end of the year, XMReality AB (publ) had 23 (19) employees. During the year consultants were engaged in XMReality development activities, financial and HR management at a level corresponding to four full time employees.

### XMReality AB (publ) shares and shareholders

Share capital in XMReality AB (publ) totaled SEK 852,500 divided among 17,050,000 shares with a quotient (par) value of SEK 0.05 each.

The company has two ongoing options plans that will result in the issue of 240,000 shares if all options are exercised. Fully diluted, the number of shares outstanding would be 17,290,000.

A new share issue was executed during the financial year, which raised SEK 20,098k net of issue costs.

The company has been listed on Nasdaq First North since April 2017. At year-end, the company was owned by 1,975 shareholders, including institutional investors, founders, employees and private investors. The 11 largest owners represented 56% of total equity.

## Significant events after the end of the financial year

No significant events have occurred after the end of the financial year.

## Work of the board of directors

The board of directors held fourteen minuted meetings during the year. At these meetings, the board addressed regular business such as the business situation, forecasts, interim reports and annual reports. Strategic issues such as business planning, financing and organizational matters were also addressed.

## Proposed allocation of profit and treatment of loss

The following funds are at the disposal of the general meeting:

|                             |             |
|-----------------------------|-------------|
| Non-restricted equity (SEK) | 63,749,795  |
| Loss for the year (SEK)     | -29,317,066 |
| To be retained (SEK)        | 34,432,729  |

The board of directors and CEO propose that the result of SEK 34,432,729 be retained.

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

| Income statement (Amounts in SEKk)   | Note | 2018             | 2017             |
|--|------|------------------|------------------|
| <b>Operating income</b>  |      |                  |                  |
| Net sales  |      | 10,154.8         | 6,683.1          |
| Capitalized work for own account   |      | 5,477.9          | 6,686.7          |
| Other operating income   |      | 999.2            | 279.4            |
| <b>Total operating income</b>  |      | <b>16,631.9</b>  | <b>13,649.2</b>  |
| <b>Operating costs</b>   |      |                  |                  |
| Raw material and consumables   |      | -3,023.1         | -2,796.5         |
| Other operating expenses   | 3    | -16,855.7        | -17,645.3        |
| Employee benefits expenses   | 4    | -20,404.0        | -13,889.2        |
| Depreciation, amortization and impairment of property, plant and equipment and intangible assets |      | -4,069.0         | -1,928.0         |
| Other operating costs  |      | -1,530.1         | -23.3            |
| <b>Total operating costs</b>   |      | <b>-45,881.9</b> | <b>-36,282.3</b> |
| <b>Earnings before interest and taxes (EBIT)</b>   |      | <b>-29,250.1</b> | <b>-22,633.1</b> |
| <b>Financial income and expense</b>  |      |                  |                  |
| Financial income and similar profit items  |      | 21.4             | 10.9             |
| Financial expenses and similar loss items  |      | -88.4            | -118.7           |
| <b>Net financial income (-expense)</b>   |      | <b>-67.0</b>     | <b>-107.8</b>    |
| <b>Earnings before taxes (EBT)</b>   |      | <b>-29,317.1</b> | <b>-22,740.9</b> |
| Income tax expense   |      | 0                | 0                |
| <b>Net profit (-loss) for the year</b>   |      | <b>-29,317.1</b> | <b>-22,740.9</b> |
| <b>Earnings per share (SEK)</b>  |      |                  |                  |
| Earnings per share (SEK)   |      | -1.72            | -1.56            |
| Earnings per share, fully diluted, (SEK)   |      | -1.70            | -1.52            |
| <b>Average number of shares during the period</b>  |      |                  |                  |
| Average number of shares during the period   |      | 14,982,648       | 13,175,227       |
| <b>Shares outstanding at the end of period</b>   |      |                  |                  |
| Shares outstanding at the end of period  |      | 17,050,000       | 14,607,982       |
| <b>Average shares outstanding during the period, fully diluted</b>                               |      |                  |                  |
| Average shares outstanding during the period, fully diluted                                      |      | 15,257,634       | 13,565,227       |
| <b>Shares outstanding at the end of period, fully diluted</b>                                    |      |                  |                  |
| Shares outstanding at the end of period, fully diluted   |      | 17,290,000       | 14,997,982       |

| Balance sheet (Amounts in SEkk)            | Note | 31 Dec 2018     | 31 Dec 2017     |
|--|------|-----------------|-----------------|
| <b>Assets</b>                              |      |                 |                 |
| <b>Non-current assets</b>                  |      |                 |                 |
| <i>Intangible assets</i>                   |      |                 |                 |
| Capitalized development costs              | 5    | 14,753.7        | 12,458.3        |
| <b>Total intangible assets</b>             |      | <b>14,753.7</b> | <b>12,458.3</b> |
| <i>Property, plant and equipment</i>       |      |                 |                 |
| Machinery and plant                        | 6    | 0               | 1,022.5         |
| Equipment, tools and systems               | 7    | 528.2           | 682.2           |
| <b>Total property, plant and equipment</b> |      | <b>528.2</b>    | <b>1,704.7</b>  |
| <i>Financial assets</i>                    |      |                 |                 |
| Cash deposits                              |      | 8.4             | 0               |
| <b>Total financial assets</b>              |      | <b>8.4</b>      | <b>0</b>        |
| <b>Total non-current assets</b>            |      | <b>15,290.3</b> | <b>14,163.1</b> |
| <b>Current assets</b>                      |      |                 |                 |
| <i>Inventories</i>                         |      |                 |                 |
| Finished goods and goods for resale        |      | 260.3           | 306.0           |
| <b>Total inventories</b>                   |      | <b>260.3</b>    | <b>306.0</b>    |
| <i>Current receivables</i>                 |      |                 |                 |
| Trade receivables                          |      | 4,024.8         | 4,569.0         |
| Other current receivables                  |      | 423.0           | 561.3           |
| Prepayments and accrued income             |      | 1,530.1         | 883.3           |
| <b>Total current receivables</b>           |      | <b>5,977.9</b>  | <b>6,013.6</b>  |
| <b>Cash and bank balances</b>              |      | <b>37,798.2</b> | <b>46,241.1</b> |
| <b>Total current receivables</b>           |      | <b>44,036.4</b> | <b>52,560.7</b> |
| <b>Total assets</b>                        |      | <b>59,326.7</b> | <b>66,723.7</b> |

| Balance sheet (Amounts in SEkk)          | Note | 31 Dec 2018     | 31 Dec 2017     |
|--|------|-----------------|-----------------|
| <b>Equity and liabilities</b>            |      |                 |                 |
| <b>Equity</b>                            |      |                 |                 |
| <i>Restricted equity</i>                 |      |                 |                 |
| Share capital                            |      | 852.5           | 730.4           |
| Development expenditure reserve          |      | 12,322.4        | 9,685.2         |
| <b>Total restricted equity</b>           |      | <b>13,174.9</b> | <b>10,415.6</b> |
| <i>Non-restricted equity</i>             |      |                 |                 |
| Share premium reserve                    |      | 129,047.9       | 107,802.3       |
| Retained profit or loss                  |      | -65,298.2       | -38,650.1       |
| Loss for the year                        |      | -29,317.1       | -22,740.9       |
| <b>Total non-restricted equity</b>       |      | <b>34,432.7</b> | <b>46,411.3</b> |
| <b>Total equity</b>                      |      | <b>47,607.7</b> | <b>56,827.0</b> |
| <i>Non-current liabilities</i>           | 8    |                 |                 |
| Other liabilities to credit institutions |      | 843.7           | 1,535.4         |
| Other non-current liabilities            |      | 0               | 0               |
| <b>Total non-current liabilities</b>     |      | <b>843.7</b>    | <b>1,535.4</b>  |
| <i>Current liabilities</i>               |      |                 |                 |
| Liabilities to credit institutions       |      | 691.7           | 725.0           |
| Advances from customers                  |      | 11.2            | 0               |
| Trade payables                           |      | 2,770.0         | 3,433.7         |
| Current tax liabilities                  |      | 298.9           | 161.5           |
| Other current liabilities                |      | 732.1           | 567.6           |
| Accrued expenses and prepaid income      |      | 6,371.4         | 3,473.6         |
| <b>Total current liabilities</b>         |      | <b>10,875.3</b> | <b>8,361.4</b>  |
| <b>Total equity and liabilities</b>      |      | <b>59,326.7</b> | <b>66,723.7</b> |
| Collateral provided                      | 8    | 3,700.0         | 3,700.0         |
| Contingent liabilities                   |      | none            | none            |

**Statement of changes in equity**  
(Amounts in SEKk)

|                                       | Share capital    | Restricted reserves                  | Non-restricted equity | Total equity    |
|---------------------------------------|------------------|--------------------------------------|-----------------------|-----------------|
| <b>Balance at 1 January 2017</b>      | <b>511.4</b>     | <b>2,998.6</b>                       | <b>23,046.5</b>       | <b>26,556.5</b> |
| New share issue                       | 219.0            |                                      | 59,781.7              | 60,000.7        |
| Issue costs                           |                  |                                      | -6,989.3              | -6,989.3        |
| Capitalized development costs         |                  | 6,686.7                              | -6,686.7              | 0               |
| Profit (-loss) for the year           |                  |                                      | -22,740.9             | -22,740.9       |
| <b>Total changes for the year</b>     | <b>219.0</b>     | <b>6,686.7</b>                       | <b>23,364.8</b>       | <b>30,270.5</b> |
| <b>Balance at 31 December 2017</b>    | <b>730.4</b>     | <b>9,685.2</b>                       | <b>46,411.3</b>       | <b>56,827.0</b> |
| New share issue                       | 122.1            |                                      | 21,245.6              | 21,367.7        |
| Issue costs                           |                  |                                      | -1,269.9              | -1,269.9        |
| Capitalized development costs         |                  | 2,637.2                              | -2,637.2              | 0               |
| Profit (-loss) for the year           |                  |                                      | -29,317.1             | -29,317.1       |
| <b>Total changes for the year</b>     | <b>122.1</b>     | <b>2,637.2</b>                       | <b>-11,978.6</b>      | <b>-9,219.3</b> |
| <b>Balance at 31 December 2018</b>    | <b>852.5</b>     | <b>12,322.4</b>                      | <b>34,432.7</b>       | <b>47,607.7</b> |
| <b>Specification of share capital</b> |                  |                                      |                       |                 |
|                                       | Number of shares | Quotient (par value per share (SEK)) |                       |                 |
| Balance at 1 January 2018             | 14,607,982       | 0.05                                 |                       |                 |
| Balance at 31 December 2018           | 17,050,000       | 0.05                                 |                       |                 |

**Statement of cash flow**  
(Amounts in SEKk)

|  | Note | Jan-Dec 2018     | Jan-Dec 2017     |
|--|------|------------------|------------------|
| <i>Operating activities</i>  |      |                  |                  |
| Profit (-loss) before financial income and expense                           |      | -29,250.0        | -22,633.1        |
| Adjustment for non-cash items  |      |                  |                  |
| Depreciation, amortization and impairment                                    | 9    | 4,069.0          | 1,928.0          |
| Other items  |      |                  |                  |
| Interest received  |      | 21.4             | 38.8             |
| Interest paid  |      | -88.4            | -146.7           |
| Income tax paid  |      | -118.9           | -76.4            |
| <b>Cash flow from operating activities before changes in working capital</b> |      | <b>-25,366.9</b> | <b>-20,889.4</b> |
| <i>Changes in working capital</i>  |      |                  |                  |
| Change in inventories  |      | 45.7             | 281.0            |
| Change in receivables  |      | 35.6             | -3,716.8         |
| Change in current liabilities  |      | 2,632.8          | 4,417.3          |
| <b>Cash flow from (-used in) operating activities</b>                        |      | <b>-22,652.8</b> | <b>-19,907.9</b> |
| <i>Investing activities</i>  |      |                  |                  |
| Purchases/sales of property, plant and equipment and intangible assets       |      | -5,618.4         | -8,595.1         |
| Purchases/sales of property, plant and equipment and tangible assets         |      | 430.6            | 0                |
| Purchases of financial assets  |      | -8.4             | 0                |
| Purchases and sales of shares  |      | 0                | 25.0             |
| <b>Cash flow from (-used in) investing activities</b>                        |      | <b>-5,196.2</b>  | <b>-8,570.1</b>  |
| <i>Financing activities</i>  |      |                  |                  |
| New share issue  |      | 20,097.8         | 53,011.4         |
| Debt repayment   |      | -691.7           | -392.4           |
| <b>Cash flow from financing activities</b>                                   |      | <b>19,406.1</b>  | <b>52,619.0</b>  |
| <b>Net change in cash and cash equivalents</b>                               |      | <b>-8,442.9</b>  | <b>24,141.0</b>  |
| <b>Cash and cash equivalents at 1 January</b>                                |      | <b>46,241.1</b>  | <b>22,100.1</b>  |
| <b>Cash and cash equivalents at 31 December</b>                              |      | <b>37,798.2</b>  | <b>46,241.1</b>  |
| Cash balance at 31 December, %   |      | 402.5            | 624.9            |

# 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 information

XMReality's annual report was prepared in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1, Annual Report and Consolidated Financial Statements (K3).

The accounting policies are unchanged from last year.

### Foreign currencies

Transactions in foreign currencies are translated at the spot rate on the transaction date.

### Revenue recognition

#### Goods

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

#### Subscription revenues from the grant of license rights

The company grants license rights to customers that are billed in advance for an agreed period. The 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.

### Property, plant and equipment

Items of property, plant and equipment are recognized at cost less accumulated depreciation and impairment losses, if any.

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:

|                              |         |
|------------------------------|---------|
| Machinery and plant          | 2 years |
| Equipment, tools and systems | 5 years |

### Financial instruments

Financial instruments are measured at cost. The instrument is recognized in the balance sheet when the company becomes a party to the instrument's contractual terms.

Financial instruments are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are removed from the balance sheet when the obligations have been paid or otherwise extinguished.

### 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.

### Leases

All leases where the company is a lessee are recognized as operating leases (rental agreements), whether the agreements are classified as financial or operating. Lease payments are recognized on a 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” refers to all forms of remuneration from the company to employees. Short-term benefits include salaries, paid annual leave, paid sick leave, bonuses and post-employment benefits (pensions). Short-term benefits are recognized as 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.

### 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 deposits and payments.

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

## 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.

## 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 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 amounts, certain estimates must be made regarding future cash flow and adequate assumptions concerning, for example, yield requirements.

## Note 3 Leases

Lease payments for the year amount to SEK 2,009k (1,833k).

## Note 4 Employees and employee benefits expense

| Average number of employees | 2018 | 2017 |
|-----------------------------|------|------|
| Female                      | 7    | 3    |
| Male                        | 15   | 14   |
|                             | 22   | 17   |

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

|   |                   |                   |
|---|-------------------|-------------------|
| Salaries and other remuneration   | 12,999,983        | 8,731,370         |
| Social security costs and pension expenses  | 5,682,682         | 3,758,708         |
| (of which pension expenses)   | (1,201,256)       | (809,725)         |
| <b>Total salaries, other remuneration, social security costs and pension expenses</b> | <b>18,682,665</b> | <b>12,490,078</b> |

## Note 5 Capitalized costs of research and development and comparable work

|  | 31 Dec 2018       | 31 Dec 2017       |
|--|-------------------|-------------------|
| Cost, opening balance                                  | 14,277,335        | 7,590,652         |
| Capitalized costs of internal development for the year | 2,328,616         | 2,776,275         |
| Capitalized costs of purchases for the year            | 3,149,280         | 3,910,408         |
| <b>Accumulated cost, closing balance</b>               | <b>19,755,231</b> | <b>14,277,335</b> |
| Amortization opening balance                           | -206.921          | 0                 |
| Amortization for the year                              | -2,932,462        | -206.921          |
| <b>Accumulated amortization, closing balance</b>       | <b>-3,139,383</b> | <b>-206.921</b>   |
| Impairment losses, opening balance                     | -1,612,102        | -995.778          |
| Impairment losses for the year                         | -250.000          | -616.324          |
| <b>Impairment losses, closing balance</b>              | <b>-1,862,102</b> | <b>-1,612,102</b> |
| <b>Carrying amount, closing balance</b>                | <b>14,753,746</b> | <b>12,458,312</b> |

## Note 6 Machinery and plant

|  | 31 Dec 2018       | 31 Dec 2017       |
|--|-------------------|-------------------|
| Cost, opening balance                            | 2,038,953         | 901.000           |
| Purchases  | 140.508           | 1,137,953         |
| Sales and disposals                              | -699.378          | 0                 |
| Reclassification                                 | 0                 | 0                 |
| <b>Accumulated cost, closing balance</b>         | <b>1,480,083</b>  | <b>2,038,953</b>  |
| Depreciation, opening balance                    | -1,016,460        | 0                 |
| Sales and disposals                              | 268.818           |                   |
| Depreciation for the year                        | -674.103          | -1,016,460        |
| <b>Accumulated depreciation, closing balance</b> | <b>-1,421,745</b> | <b>-1,016,460</b> |
| Impairment losses, opening balance               | 0                 | 0                 |
| Impairment losses for the year                   | -58.338           | 0                 |
| <b>Impairment losses, closing balance</b>        | <b>-58.338</b>    | <b>0</b>          |
| <b>Carrying amount, closing balance</b>          | <b>0</b>          | <b>1,022,493</b>  |

## Note 7 Equipment, tools and systems

|  | 31 Dec 2018     | 31 Dec 2017     |
|--|-----------------|-----------------|
| Cost, opening balance                            | 782.911         | 12.400          |
| Purchases  | 0               | 770.511         |
| <b>Accumulated cost, closing balance</b>         | <b>782.911</b>  | <b>782.911</b>  |
| Depreciation, opening balance                    | -100.660        | -12.400         |
| Depreciation for the year                        | -154.103        | -88.260         |
| <b>Accumulated depreciation, closing balance</b> | <b>-254.763</b> | <b>-100.660</b> |
| <b>Carrying amount, closing balance</b>          | <b>528.148</b>  | <b>682.251</b>  |

## Note 8 Non-current liabilities

|   | 31 Dec 2018    | 31 Dec 2017      |
|---|----------------|------------------|
| <b>Matures later than one year but within five years after the reporting date</b> |                |                  |
| Atmi  | 843.750        | 1,535.417        |
|   | <b>843.750</b> | <b>1,535.417</b> |

## Collateral provided

|  | 31 Dec 2018      | 31 Dec 2017      |
|--|------------------|------------------|
| <b>For liabilities to credit institutions:</b> |                  |                  |
| Floating charges                               | 3,700,000        | 3,700,000        |
|  | <b>3,700,000</b> | <b>3,700,000</b> |

## Note 9 Adjustment for non-cash items

|              | 31 Dec 2018      | 31 Dec 2017      |
|--------------|------------------|------------------|
| Amortization | 4,069,007        | 1,927,965        |
|              | <b>4,069,007</b> | <b>1,927,965</b> |



# Signatures

Linköping, 21/03/2019

**Claes Nylander**  
*Chairman of the Board*

**Carina Svedberg Qvarngård**

**Anders Ferntoft**

**Lars Svensson**

**Johannes Fabó**

**Jonas Tornerefelt**

**Johan Castevall**  
*CEO*

My audit report was submitted 21/03/2019

Öhrlings PricewaterhouseCoopers AB

**Nicklas Kullberg**  
*Authorized Public Accountant*

# Auditor's report



## Auditor's report

Unofficial translation

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

## Report on the annual accounts

### Opinions

We have audited the annual accounts of XMReality AB (publ) for the year 2018. The annual accounts of the company are included on pages 26-32 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of XMReality AB (publ) as of 31 December 2018 and its 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.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for XMReality AB (publ).

### 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 XMReality AB (publ) 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 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 that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company'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 intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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#### *Auditor's responsibility*

Our objectives are to obtain reasonable assurance about whether the annual 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.

A further description of our responsibility for the audit of the annual accounts is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisorsansvar](http://www.revisorsinspektionen.se/revisorsansvar). 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, we have also audited the administration of the Board of Directors and the Managing Director of XMReality AB (publ) for the year 2018 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 XMReality AB (publ) 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 type of operations, size and risks place on the size of the company'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 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/revisorsansvar](http://www.revisorsinspektionen.se/revisorsansvar). This description is part of the auditor's report.

Stockholm 21/3/ 2019

Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg  
Authorized Public Accountant

## Want to know more?

**Download paper:** Augmented Reality & Digital Transformation:  
The new reality for Service Providers  
<http://go.xmreality.se/new-reality>

**Video** demonstrating how remote guidance works:  
<http://go.xmreality.se/how>

**Contact us** at XMReality to learn more about implementation best practice. We can also help you calculate ROI.  
Mail: [contact@xmreality.com](mailto:contact@xmreality.com)  
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XMReality AB (publ) develops and sells solutions that revolutionize knowledge sharing through augmented reality (AR). The company is a market leader in remote guidance, which uses AR to guide onsite staff so that they can resolve or prevent problems. XMReality's customers are mainly global industrial companies, including Bosch Rexroth, Siemens Industrial Turbomachinery, Electrolux and Bombardier. XMReality is headquartered in Linköping, Sweden, and is listed on Nasdaq First North (ticker: XMR). [www.xmreality.com](http://www.xmreality.com)


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Cover: **ODG R-7 Smart Glasses**

The left side of the page features several overlapping, semi-transparent geometric shapes, primarily diamonds and triangles, in various shades of blue. These shapes are arranged in a pattern that suggests movement or a stylized architectural structure.

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