

frill

FRILL HOLDING AB

**Invitation to acquire
Shares in Frill**

31 May - 14 June 2018

add.



frill

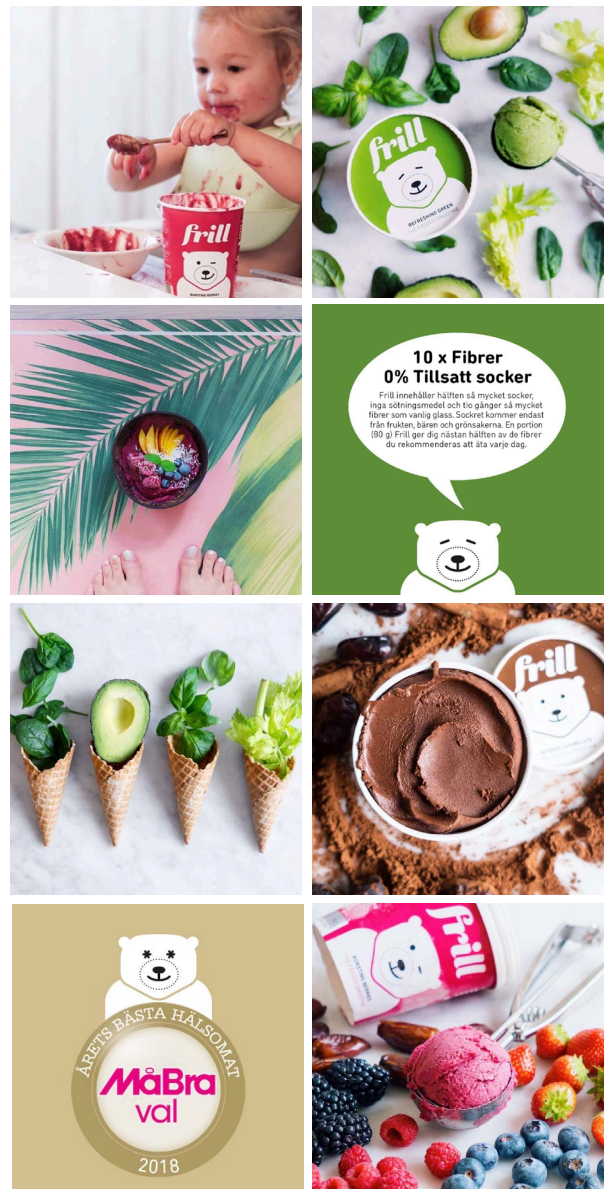


TABLE OF CONTENTS

| | |
|--|----|
| IMPORTANT INFORMATION..... | 4 |
| BRIEF OVERVIEW OF FRILL | 6 |
| SUMMARY OF THE ISSUE..... | 6 |
| WHY INVEST IN FRILL? | 7 |
| BACKGROUND AND OBJECTIVES..... | 8 |
| INVITATION TO ACQUIRE SHARES IN FRILL..... | 9 |
| VILLKOR OCH ANVISNINGAR (TERMS)..... | 10 |
| MESSAGE FROM THE CEO AND THE LEADERSHIP TEAM | 13 |
| RISK FACTORS | 15 |
| MARKET OVERVIEW | 20 |
| BUSINESS DESCRIPTION | 25 |
| FINANCIAL DEVELOPMENT IN BRIEF | 40 |
| COMMENTS ON THE FINANCIAL DEVELOPMENT | 43 |
| PRO FORMA AND AUDITORS REPORT..... | 47 |
| BOARD OF DIRECTORS, SENIOR MANAGEMENT AND AUDITORS | 49 |
| SHARE CAPITAL AND OWNERSHIP STRUCTURE | 57 |
| LEGAL AND ADDITIONAL INFORMATION | 61 |
| ARTICLES OF ASSOCIATION | 64 |
| TAX ISSUES – SWEDISH TAX CONSIDERATIONS | 67 |
| DOCUMENTS INCLUDED BY REFERENCE | 68 |
| ADRESSES | 69 |

IMPORTANT INFORMATION

Definitions

"Frill Holding AB", "Frill", "the Company", or "we", refer to the Company registered in the Swedish Companies Registration Office under register code number 559026-8016. "Frill" may also refer to the Company's products. "The Board" refers to the Board of Directors of Frill. "First North" refers to Nasdaq First North. "Investment Memorandum" refers to the description of the issue in question prior to the application for listing of Frill on First North. "Euroclear Sweden" or "Euroclear" refers to Euroclear Sweden AB, registered in the Swedish Companies Registration Office under register code number 556112-8074. "Mangold" refers to Mangold Fondkommission AB registered in the Swedish Companies Registration Office under register code number 556585-1267.

Important information for investors

Each investor should carefully review the information provided in the Investment Memorandum, paying particular attention to the specific conditions set forth in the Risk Factors section, which describes certain risks associated with an investment in Frill. The Investment Memorandum was written for the directed share issue. No prospectus will be registered at the Swedish Financial Supervisory Authority with regard to the issue.

Forward-looking statements

The Investment Memorandum contains forward-looking statements and assumptions about future market conditions, operations and earnings. These statements appear in several sections, and include statements concerning the Company's current intentions, assessments and expectations.

Words such as "considers", "intends", "assesses", "expects", "anticipates", "plans", and similar expressions indicate some of these statements. Similar forward-looking statements may also be identified by grammatical construction, phrasing or context. Actual events and financial outcomes may differ materially from the statements in this Investment Memorandum due to the risk factors and other events that may affect the Company's operations.

Presentation of financial statements

Amounts represented in the financial statements of the Investment Memorandum have, in some instances, been rounded so that the sums in the tables do not necessarily add up to the exact totals. Unless otherwise indicated, all amounts are in Swedish kronor.

Third-party information

The Investment Memorandum contains certain market and industry information that has been obtained from third parties. Although the information has been accurately reproduced and the Company believes that the sources are reliable, the Company has not independently verified the information; therefore, the accuracy and completeness of the information cannot be guaranteed. To the best of the Company's knowledge and as far as Frill can ascertain by comparing other information that has been published by these sources, no information has been omitted in such a way that would render the reproduced information inaccurate or misleading. In certain sections, this document refers to Frill's position in the market. Such references are based on the Company's annual revenues relative to the

markets' actual size as well as to the annual revenues of its competitors.

Share information for Frill

| | |
|---------------------------------|------------------------|
| Nasdaq First North: | Application by Q2 2018 |
| Estimated first day of trading: | 29 June 2018 |
| Ticker symbol: | FRILL |
| ISIN code B-Shares: | SE0011062595 |
| CFI: | ESVUFR |
| FISN: | FRILLHOLD/SH B |
| LEI identifier: | 549300S0D3Z3FOYUKS33 |

Dates for financial information

| | |
|-------------------------|------------------|
| Interim Report 2018: | 20 August 2018 |
| Year-End Results 2018: | 15 February 2019 |
| Annual Report: | 7 May 2019 |
| Annual General Meeting: | 18 May 2019 |

BRIEF OVERVIEW OF FRILL

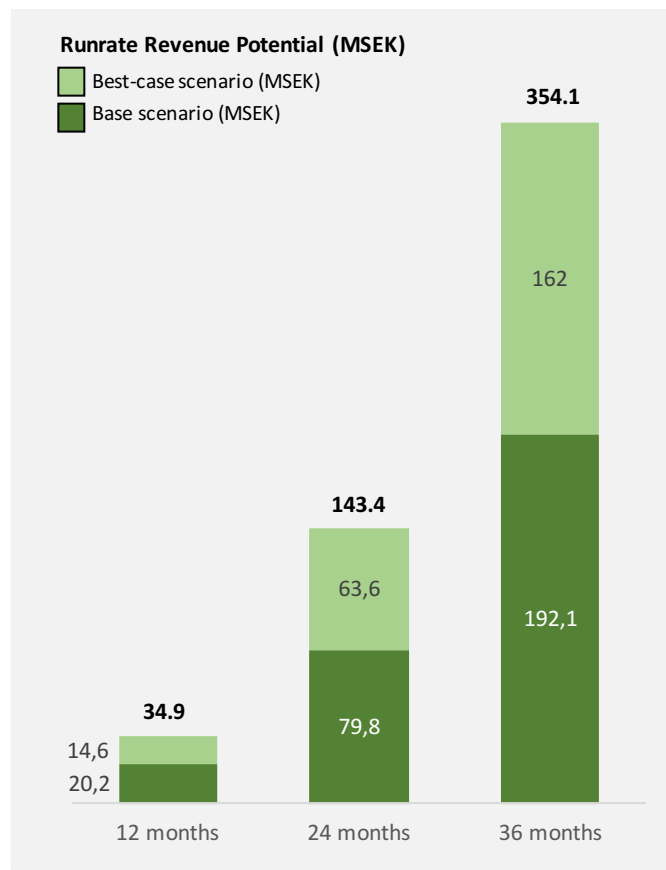
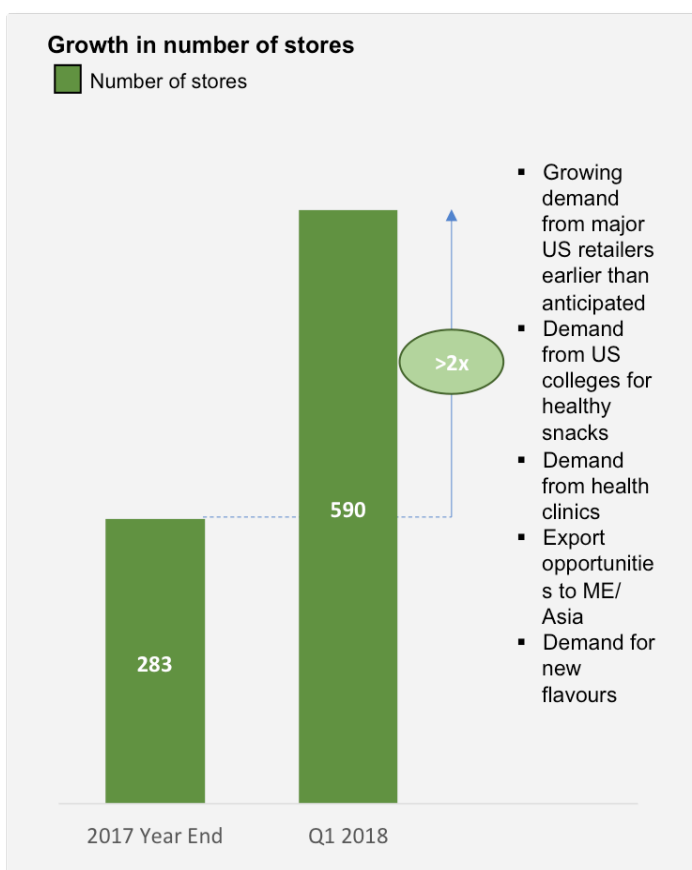
- Frill holds an innovative platform technology that permits the creation of smooth frozen textures. The technology, which was developed in 2014, can be applied to a number of food categories. Frill's initial product is in the ice-cream category.
- This technology has allowed Frill to create creamy textures for a frozen dessert made entirely from fruit and vegetable, thus allowing the creation of a healthy frozen dessert that is highly differentiated compared to all other products in the ice cream category. The technology has also been applied to an ice-cream (Add) creating better mouthfeel and shelf-stability.
- The Frill Holding Group is comprised of three companies: Add Nutrition AB, Zendegii Frill Ltd., and Frill Inc.. The brands are established in Sweden (Frill, Add), UK (Frill) and USA (Frill).
- In 2017 Frill had revenues of MSEK 5.1 coming mostly from the UK and Sweden operations.
- In 2017 Frill set up its operations in the USA (Frill Inc.) and is ready for growth in 2018 and beyond. The US market, due to its focus on innovative products and healthy alternatives, provides a huge opportunity for Frill.

SUMMARY OF THE ISSUE

| Issue period | Pre-money valuation | Issue Price |
|---------------------------|--|---|
| 31 May - 14 June 2018 | SEK 103 666 675 | SEK 5,0 per share. Brokerage fee not applicable |
| Number of shares issued | Issue Size | Number of existing shareholders |
| 4 000 000 B-shares | MSEK 20 | Approximately 5000 shareholders |
| Existing number of shares | Trading of Frill's shares | Initial Public Offering |
| 20 733 335 shares | Application to Nasdaq First North planned within Q2 2018 | The issue is directed at the public which means that new and existing shareholders are equally welcome to participate |

WHY INVEST IN FRILL?

- Food-tech is one of the fastest growing technology segments: Frill has a unique product and technology to create attractive texture and signature flavours without the need for added sugar, fat or protein. Applicable to many segments.
- Retailer interest growing rapidly, which requires additional investment if Frill wants to capture the opportunity. Q1-2018 alone has more than doubled the store count.
- US large-scale production in place with high product margins.
- Healthy product pipeline with additional innovations on the way.
- Capable and experienced team (US, UK, S) with business and deep technology/science expertise, supported by a strong board with global Retail, FMCG, Marketing and Nasdaq listing experience.



DISCLAIMER: The forward projections are based on growth experienced so far, projection of retailer sign-up rates and growth of other successful companies in the sector. The projection does not represent any basis for valuation and prospective investors should use the projection but rather their belief in the intrinsic value of the brand and underlying know-how.

BACKGROUND AND OBJECTIVES

Frill is a technology platform for creating desirable textures in frozen products. Its initial focus is in the ice-cream segment. Here it has two brands focused on the natural (Frill) and functional (Add) segments.

Frill Holding AB has brought together the brands, formulation, and manufacturing technology of Zende-gii Frill Ltd., and the Add Nutrition AB brand. Frill Holding AB also established its operations in the USA in late 2017.

Frill intends to grow from its current footprint in the UK, Sweden and California to the broader US and European markets. Once this has been accomplished it is Frill's ambition to grow in new regions and also to apply its technology to new frozen segments.

Frill intends to apply for listing at Nasdaq First North. Upon approval, the first day of trading will be announced via press release.

The listing of Frill on First North would be a natural step in the Company's evolution as it would constitute a mark of quality in relation to customers and business partners and when recruiting staff. Given the goal to make ambassadors out of our consumers, their ability to participate in the Company and become a shareholder is part and parcel of Frill's marketing approach. The listing would also contribute to creating liquidity for the Company's shareholders and provides the possibility for the Company to structure future transactions using its own shares as a means of payment, if necessary.

The Board of Directors of Frill is responsible for the information provided in this Investment Memorandum, which has been written as a result of the issue. The Board hereby declares that all reasonable precautions have been taken to ensure that the information in this Investment Memorandum is, to the best of its knowledge, correct and in accordance with actual conditions, and that no information has been omitted that could affect the image of Frill that is created by this Investment Memorandum.

Stockholm, May 2018, Board of Directors for Frill AB (publ.)

INVITATION TO ACQUIRE SHARES IN FRILL

Frill Holding AB's Board of Directors have decided to apply for listing of the Company's shares on Nasdaq First North. Ahead of the listing, Frill decided to issue 4 000 000 Shares of series B. Both current and new shareholders are welcome to participate in the issue.

The Shares will be issued at a price of SEK 5.0 (Swedish Kronor) per share, which implies that the size of the Issue amounts to about MSEK 20 before expenses. Expenses related to the issue are estimated to amount to about MSEK 2.5.

The table below details a general description of how the raised capital will be employed:

| | |
|--|-----|
| Retail revenue growth | 45% |
| R&D (i.e. new flavours, formats) | 31% |
| Marketing (social media, events) | 9% |
| Sales (staff, brokers, onboarding retailers) | 9% |
| Cash (covering current accounts) | 6% |

At present, Frill has a burn rate of approximately MSEK 0.7 per month. Hence it the Board of Director's firm belief that the capital raised will cover operational costs in the 12 months following the issue.

*Frill's Board of Directors
Stockholm, 28 May 2018*

VILLKOR OCH ANVISNINGAR

The following information is provided in Swedish and sets out terms and conditions for subscription to the issue. For information in English, please contact Eminova Fondkommission.

Företrädesrätt till teckning

Styrelsen i Frill Holding AB (559026-8016) har den 25 maj 2018 beslutat om att genomföra en nyemission av högst 4 000 000 nya aktier av serie B, utan företräde för befintliga aktieägare. Fulltecknad emission kommer tillföra bolaget högst 20 MSEK före emissionskostnader.

Teckningskurs

De nya B-aktierna emitteras till en kurs om 5,00 kronor per aktie. Emissionskursen är fastställd av styrelsen och baserar sig på en bedömning utifrån Bolagets affärsmässiga potential och framtidsutsikter.

Antal aktier i erbjudandet

Erbjudandet omfattar högst 4 000 000 aktier, samtliga med samma rösträtt, en (1) röst per aktie och samma rätt till Bolagets vinst.

Teckningstid

Teckning av nya aktier skall ske på nedan angivet sätt under perioden 31 maj – 14 juni 2018, med rätt för styrelsen att förlänga teckningstiden.

Anmälan

Anmälningssedel

Anmälningssedel kan beställas från / laddas ned från www.frill.se samt www.eminova.se. Det går även att anmäla om teckning digitalt via www.eminova.se (Bank-ID krävs).

Endast en anmälningssedel per person kommer att beaktas och i det fall fler än en anmälningssedel insändes kommer enbart den senaste att registreras. Ofullständig eller felaktigt ifylld anmälningssedel kan komma att lämnas utan avseende. Inga tillägg eller ändringar får göras i den tryckta texten på anmälningssedeln. Anmälan är bindande!

I det fall teckningen önskas ske till en depå eller VP-konto som är kopplad till en kapitalförsäkring, är en IPS eller ISK (investeringssparkonto) gäller särskilda regler vid nyteckning av aktier. Kontakta därför er bank/förvaltare för att säkerställa att dessa värdepapper kan förvaras i den önskade depån och följ därefter dennes instruktioner för hur teckningen ska gå till. Det är tecknarens ansvar att se till att värdepappren kan levereras till den angivna depån.

Anmälan insändes till:

Eminova Fondkommission AB
Biblioteksgatan 3, 3tr
111 46 Stockholm
Fax: 08-684 211 29

E-post: info@eminova.se (inskannad anmälningssedel)

Anmälan kan även ske digitalt via www.eminova.se

Anmälan måste vara Eminova tillhanda senast klockan 15:00 den 14 juni 2018.

Tilldelning

Det finns ingen övre gräns för hur många aktier en enskild tecknare kan anmäla sig för, inom gränserna för nyemissionen. Styrelsen för Bolaget beslutar om tilldelning enligt nedanstående tilldelningsprincip.

Målet är att så många tecknare som möjligt ska få tilldelning. I händelse av överteckning fattar styrelsen beslut om en fördelning. Tilldelning kan därmed komma att ske med lägre antal aktier än anmälan avser eller helt utebli.

Besked om tilldelning sker via utskickad avräkningsnota, till postadress som angivits på anmälningssedel. De som ej erhållit tilldelning får inget meddelande.

Betalning

Full betalning för tilldelade aktier skall erläggas kontant till bankgiro enligt anvisningar på utsänd avräkningsnota, samt vara Eminova tillhanda senast tre bankdagar efter utsändandet av avräkningsnota. Om betalning inte sker i tid kan aktierna komma att överlåtas till annan part. Om betalning från en sådan försäljning understiger teckningskursen enligt erbjudandet kan mellanskillnaden komma att utkrävas av den person som ursprungligen tilldelades aktierna. Observera att beloppet inte dras från angivet VP-konto eller depå.

Erhållandet av aktier

När emissionen är registrerad hos Bolagsverket bokas aktierna ut på angivet VP/depåkonto. Registrering hos Bolagsverket beräknas ske under juni/juli 2018. Euroclear sänder ut en VP-avi med specificering av antalet aktier som registrerats på mottagarens VP-konto. Avisering till investerare vars innehav är förvaltarregistrerat kommer att ske i enlighet med anvisningar från respektive förvaltare. Några betalda tecknade aktier, s.k. BTA, kommer inte att utges.

Angående leverans av tecknade värdepapper

Felaktiga eller ofullständiga uppgifter i anmälningssedeln, registreringshandläggning vid Bolagsverket, sena inbetalningar från investerare, rutiner hos förvaltande bank eller depåinstitut eller andra för Eminova icke påverkbara faktorer, kan fördröja leverans av aktier till investerarens vp-konto eller depå. Eminova avsäger sig allt ansvar för förluster eller andra konsekvenser som kan drabba en investerare till följd av tidpunkten för leverans av aktier.

Offentliggörande av resultat

Styrelsen kommer genom pressmeddelande att offentliggöra resultatet av emissionen efter det att beslut om tilldelning skett.

Rätt till utdelning

Alla aktier har lika rätt till utdelning. De nya aktierna berättigar till utdelning fr.o.m. avstämningsdagen för den utdelning som beslutas närmast efter den aktuella nyemissionens registrering. Utbetalning av

eventuell utdelning ombesörjs av Euroclear Sweden AB eller, avseende förvaltarregistrerade innehav, i enlighet med respektive förvaltares rutiner. Om aktieägare inte kan nå kvarstår aktieägarens fordran på Bolaget avseende utdelningsbelopp och begränsas endast genom regler om preskription. Det föreligger inga restriktioner för utdelning eller särskilda förfaranden för aktieägare bosatta utanför Sverige och utbetalning sker via Euroclear (eller motsvarande) på samma sätt som för aktieägare bosatta i Sverige. För aktieägare som inte är skatterättsligt hemmahörande i Sverige utgår dock normal svensk kupongskatt.

Aktiebok

Bolagets aktiebok med uppgift om aktieägare hanteras av Euroclear Sweden AB, Box 191, 101 23 Stockholm, Sverige.

Tillämplig lagstiftning

Aktierna ges ut under aktiebolagslagen (2005:551) och regleras av svensk rätt.

Aktieägares rättigheter avseende vinstutdelning, rösträtt, företrädesrätt vid nyteckning av aktie med mera styrs dels av Bolagets bolagsordning som finns tillgänglig på Bolagets hemsida och dels av aktiebolagslagen (2005:551).

Övrig information

Aktierna i Bolaget är inte föremål för erbjudande som lämnats till följd av budplikt, inlösenrätt eller lösningsskyldighet. Det har inte förekommit något offentligt uppköpserbjudande under innevarande eller föregående räkenskapsår. Alla aktier berättigar till samma andel av Bolagets vinst och eventuell utdelning, även vid likvidation. Alla aktier har samma röstvärde, en (1) röst per aktie.

MESSAGE FROM THE CEO AND THE LEADERSHIP TEAM

In a nutshell Frill is all about creating real healthy nutrition that is based on scientific evidence and avoids short-term hype and trends. Frill is fiercely on the side of its consumers and will deliver to them affordable healthy nutrition and insight, thus enabling consumers to make their own decisions based on facts and enjoy life by having delicious products for themselves and their families.

It took over 2 years of research and development to advance the consumer insights and the current set of formulation and manufacturing technologies that create the platform. Frill's current focus is to establish a credible healthy global brand in one of the unhealthiest food categories: Ice-cream.

Once this has been accomplished further products will be launched that will extend its trusted brand and its core technology platform to other attractive categories.

The frozen category is unique in its ability to preserve nutrients. As an example, half of the vitamin C content of food or drinks degrades after only a day at room temperature, a week at fridge temperature, and a year at freezer temperature. Thus, from a consumer health perspective, frozen is the holy grail for consuming the highest nutrient content. However, consumers largely do not perceive the category overall as particularly healthy or attractive (e.g., frozen peas do not get a premium over market-bought peas). It is therefore important to meet the consumer where they are already associating a premium with a sub-category. Ice-cream currently enjoys a clear premium and attractive positioning in the frozen isle.

Frill's main focus is on growing its brands initially in the premium ice-cream segment in Sweden, UK and USA. It has sufficient manufacturing capacity and skilled teams in each region to accomplish its objectives.

All of us at Frill are passionate about health and want to make a significant impact on human nutrition and health. We believe it is an achievable goal not only for the few who can afford it, but for everyone. More importantly, many ailments, such as the rising obesity and diabetes epidemics can be effectively fought with better nutrition and empowered consumers. "The good life" is not elusive with the right nutrition and engaged humans. These are not musings of an idealistic, new-age commune, but a vital necessity if we want to unburden our social systems of the back-breaking costs that are putting an immense pressure on our economies. For example, in the United Kingdom, the National Health Services incurred extra costs related to the growth of these diseases in the order of 3% of GDP¹: the difference between a recession and growth. Retailers are under fire for peddling unhealthy foods, drinks and snacks, and are desperate to introduce products that provide healthier choices without compromising taste.

We also believe that the market is ripe for the types of products and ideas that we have. The annual growth in the health and wellness market is expected to continue in the 5-8% range and our initial target market of premium ice-cream grows at a similar level with much of the growth captured by innovations such as our products.

We have spent the last years deeply understanding what consumers want and what type of products work with the different consumer segments. For example, while children will always prefer a high-sug-

1. McKinsey and Company, a global management consultancy and the McKinsey Global Institute that focuses on global economically relevant research., <https://www.consultancy.uk/news/1278/mckinsey-obesity-costs-uk-society-73-billion-per-year>; McKinsey and Company has no material interests in Frill.

ar snack such as traditional ice-cream with 20-30% sugar, they will rate Frill highly, because the sugar level in Frill is on par with a ripe fruit (because it is made of whole ripe fruit) and sufficiently sweet². The know-how underlying our products is fully owned by Frill and very difficult to replicate as it involves a number of steps in the manufacturing process. Our technology is also very versatile and future products will take little time to launch.

Our main challenge is to stand out from the crowd. The market is inundated with many false claims, scares, and hypes, and Frill must ensure that its voice is heard and that consumers become our primary proponents. Consumers are rightly confused. We have innovated the product, we now will innovate the consumer experience of the brand. Therefore, in our next phase of growth we will primarily focus on getting consumers to engage with the product and take their health into their own hands.

The listing of Frill's shares would be an important step for us. It would allow us to increase our brands' credibility with customers, suppliers, and consumers. Rather than using crowd funding as a marketing tool, we hope that consumers can directly participate in our future success that is powered by them. Frill has the financial clout required to strengthen our organization, increase the Company's marketing efforts, and launch its brands globally.

The entire global Frill team in the US, UK and Sweden is committed to this next step in our journey!

Dr. Khosro Ezaz-Nikpay
CEO



² US Food and Drug Administration lists sugar content of fruit as typically 10 - 14 %. Frill has sugar content of between 10 - 12%

RISK FACTORS

An investment in securities is always associated with risk. Risk factors, whether within or beyond the Company's control, may adversely affect the Company's future operations. These risk factors may cause the value of the Company's shares to decrease, causing investors to lose all, or part, of their invested capital. The risk factors described here do not claim to be exhaustive. Other risks and uncertainties that have not yet been identified by the Company or that at present are not regarded as being important may also negatively impact the Company's operations, financial position, earnings or share price. These risk factors are neither ranked in order of importance nor intended to approximate the probability of the various circumstances that may occur in the future or, in any way, indicate how much influence these may have on the Company's operations, financial position, earnings or share price. Share ownership is always associated with risk, and shareholders in Frill are therefore urged to make their own assessments of the following risk factors, other potential risk factors and their significance on future operations.

Market Growth

If for any reason current market growth experiences a decline, it may have a material adverse effect on the Company's operations, results, and financial position.

Quality of raw materials

Since the Company is active in the healthy natural food segment, the Company is dependent upon the quality of raw materials from natural sources. Should the quality of raw materials from the Company's suppliers in any respect prove to be of poor or inferior quality, this may reduce output or delays in serving the market, thereby adversely affecting the Company's operations, results, and financial position.

Absence of formal agreements

This is typical for Frill's current size and market segment, customary practices in the food retail industry do not call for the use of formal written agreements with suppliers, partners and customers. Typically, Frill will be qualified by a retailer and call-offs are based on historical sales. Retailers do not commit to volumes. The majority of Frill's contracts with suppliers, partners and customers are therefore based on verbal agreements and established practices between the parties. Although the contract model is consistent with industry practice, it carries the risk that discussions and disputes may arise between Frill and its counterparts concerning issues such as quality, quantity, contract times, delivery times and pricing. If the Company's counterparts fail to fulfil their respective obligations, the agreement structure may make it more difficult for Frill to demand accountability from its counterparts. This may adversely affect the Company's operations, results, and financial position.

Reliance on suppliers

The Company is dependent upon its suppliers. It is important that deliveries are made on time and at the right price in order for the Company to remain competitive. Delays in deliveries, increases in the price of raw materials, or failure of the Company's suppliers to meet their obligations may adversely affect the Company's operations, results, and financial position.

Customers and cooperation agreements

Frill's sales at retailers occur, in part, through its own sales force and, in part, through distributors and agents. These partners are important to the Company's future growth because they cover markets that are otherwise difficult for the Company to reach. There is no guarantee that the companies with which Frill currently cooperates, or will cooperate with, will be able to meet their obligations. Furthermore, there is a risk that Frill's size and financial position may affect the Company's ability to enter into cooperation agreements with additional strategic partners. Most of the agreements that Frill has with its major partners are based on verbal agreements (see the previous section, "Absence of formal agreements"). There can therefore be no guarantee that existing collaborations will not be terminated or declared invalid, or that the Company's existing collaborations will not be subject to change. If such change occurs, this may adversely affect the Company's operations, results, and financial position.

Dependence on key personnel and employees

Frill currently employs skilled personnel, many of whom have been active in the Company since its establishment. These people have solid knowledge both of Frill and of the industry in which the Company operates. It is important for the Company to retain key personnel and employees in order to be able to continue to develop according to plan. It is also important to keep staff turnover low because high staff turnover can be both time-consuming and costly, which may adversely affect the Company's operations, results, and financial position.

Financing and future capital requirements

The management and the Board actively and continually work with the Company's governance and control, including profit, liquidity and financial position. The Board continually tests the prerequisites for continued Company operation. The Board believes that the Company has sufficient financial resources to fund activities for the coming year. Since the Company is currently in a phase of expansion with relatively large capital requirements, the Company may therefore be obliged to raise additional funds in the future in order to address expansion costs or the increased demand for the Company's products. There is a risk that such funding may not be obtained when the need arises or on terms which are acceptable to the Company. If the Company is unable to obtain financing, when required, Frill may be required to significantly curtail its activities or, ultimately, to completely suspend its operations. This may adversely affect the Company's operations, results, and financial position.

Credit risk

From time to time, the Company has a significant economic exposure towards its distributors and retailers. Should one or more such partners be unable to meet obligations for payment to the Company, this may adversely affect the Company's operations, results, and financial position.

Product liability

Frill sells its products by assuming responsibility for quality. Defects in the Company's products resulting in liability and claims against the Company cannot be ruled out. Frill may therefore become responsible for damages caused by its products. Specifically, products sold in the USA carry a higher risk of legal action from consumers that, even when unjustified, can distract management attention. Such liability is normally covered by insurance, but may also adversely affect the Company's operations, results, financial position, and brand name.

Risks related to competition

The Company operates in a sector that is characterized by competition, and there is no guarantee that the Company's products will be preferred over competing companies' existing or future products on the market. It is also possible that competing companies may develop equivalent or better products. Future products being developed by other companies may entail increased competition and impaired opportunities for the Company's products regarding market share and price. These uncertainties entail risks that may adversely affect the Company's operations, results, and financial position.

Frill has many global and regional competitors in the market for frozen desserts and other frozen products found in retailer's freezers. In particular, the major global competitors such as Unilever or Nestlé, are expected to have greater financial resources than Frill. They may therefore have greater capacity to meet unexpected changes in the industry or in the global economic climate, which may adversely affect the Company's operations, results, and financial position.

Licenses and permits

The Company complies with the requirements of regulatory authorities, for example those involving environmental and health issues, for the business activities conducted. Applicable regulatory and supervisory authorities' requirements, however, may change in the future. Should the Company fail to fulfil the existing, or any future, changed requirements, the conditions for conducting operations would cease and thereby risk affecting the Company's operations, results, and financial position.

Currency risk

The Company is currently engaged in sales in the U.S. and Europe, which exposes the Company to currency fluctuations with respect to the reporting currency (SEK). Sales occur in USD but also in GBP, and SEK and in the future in other currencies. Currently, Company expenses are primarily linked to the local sales in the same currency; however, when purchasing raw materials and making payments to agents and distributors, the Company also has expenses in other currencies, including USD, GBP, SEK, and EUR. At present, the Company does not hedge its currency transactions. Future currency fluctuations may therefore adversely affect the Company's operations, results, and financial position.

Risks related to intellectual property rights

Frill's technology consists of the know-how held by the Company. Frill uses confidentiality agreements and strives internally to retain knowledge about and control over the components of the know-how and the production of the Company's products. However, there is no guarantee that uncontrolled distribution of the Company's know-how and production methods will not take place. Such uncontrolled distribu-

tion could harm the Company if they are used for the production of competing products or if they are otherwise utilized commercially without financial compensation being paid to Frill.

Frill depends on its reputation and on the strength of its trademarks and brands. There is the risk that competitors and other third parties, in different ways, may challenge or circumvent the Company's trademarks and brands, which could affect the operations of the Company negatively. Similarly, if the Company fails to protect its trademarks and brands and/or Company secrets, this may adversely affect the Company's operations, results, and financial position.

The brand

The Company is dependent upon its brands. A Company's brand and what it stands for are important factors when existing and new retailers select a supplier and when consumers select the product. Issues involving quality, logistics or operations, for instance, may damage the Frill or Add ice-cream brand and thereby cause difficulties in retaining existing retailers and consumers, and/or attracting new ones. In addition, the Company faces the risks that its employees or other representatives may undertake activities that are unethical, criminal or in violation of Frill's internal guidelines and policies. This may result in retailers, consumers, and suppliers associating the Company with such activities, which could have a material adverse effect on the Frill brand. If any of Frill brands' reputation is damaged, this may result in a loss of sales or hindrance in growth opportunities, and therefore may adversely affect operations, results, and financial position.

Risks related to international operations

Frill's operations are exposed to risks as a result of the products being sold in different countries. Therefore, future earnings may be affected by various factors, including legal, tax or financial costs to the Company, changes in a country's political or economic conditions, trade restrictions and requirements on the import or export licenses (e.g., Brexit). There is a risk that Frill's operations may be adversely affected by these types of factors. This may adversely affect the Company's operations, results, and financial position.

Dispute resolution

Frill may, from time to time, be subject to litigation regarding its operations. Such lawsuits may concern the infringement of intellectual property rights, contractual issues or product liability issues. Disputes and claims can be time consuming, disrupt operations, involve considerable sums or fundamentally important issues, and entail significant costs, and thereby adversely affect the Company's operations, results, and financial position.

Risks related to listing and shares

Relevant only following approval of listing.

Share performance

An investment in Frill is associated with risks. There are no guarantees that the share price will rise after listing. The stock market development in general as well as the development of Frill's share price depends upon various factors, such as rising interest rates, policy changes, and economic fluctuation,

which are beyond the Company's control. Equity markets are significantly characterized by psychological factors. Shares like Frill's may be affected by these factors in the same way as all others. Even if the Company experiences growth, there are risks that investors may suffer losses upon the divestment of their holdings.

Limited liquidity in the Company's shares

A prerequisite for the well-functioning trading of shares is that there is sufficient supply and demand, which results in the continuous price setting (buy-sell or bid-ask prices) of the shares. Under such conditions, the prospects are good for shareholders to convert their holdings to liquid assets; that is, the liquidity of the share is good. It is impossible to predict how the liquidity of the Company's shares will develop after listing. If active, liquid trading does not develop, this may result in difficulties selling large blocks of shares within a short period of time without adversely affecting the share price.

Failure to issue dividends

To date, Frill has not declared or paid any dividends. The Board of Directors will propose the timing and size of any future dividend distributions. With regard to future dividends, the Board will consider various factors, including demands that the nature, scope and risks of the business have on the size of the equity as well as the Company's consolidation requirements, liquidity and financial position. As long as no dividends are distributed, any return on investment must be generated by an increase in the share price.

MARKET OVERVIEW

Information regarding this section and Frill's market position, in absolute terms, or in relation to the competitors mentioned in this Investment Memorandum, is the Company's overall assessment based on both internal and external sources. The Company is not aware of any market statistics that provide a comprehensive, congruent and relevant picture of the Company's markets, thus allowing the market shares to be measured in a reliable way. The external sources that Cognosec has based its assessments on are particular data from independent research institutes and other available industry statistics or competitor published information. This information has been accurately reproduced in the Investment Memorandum and, as far as the Company is aware and ascertained through comparison with other information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Market drivers and needs

Frill's current product range competes in the market for frozen dessert. This comprises the traditional ice-cream segment as well as more novel confectionary such as vegan ice-cream. Below we outline the dynamics of this market.

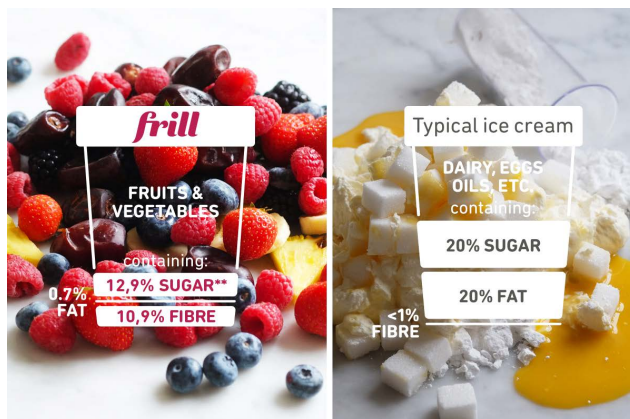
Global macrotrends: Over the past decades there has been an increasing focus on nutrition and how it influences our health and long-term well-being. The accelerating obesity epidemic, with its detrimental impact on the biggest human killers (cardiovascular disease and cancer), has only poured oil on the fire, and risks bankrupting health systems everywhere. Today over 1/3 of the USA adult population, 1/4 of the UK adult population and 1/5 of the Swedish adult population are diagnosed as obese³. The cost to health systems goes into the billions (e.g., UK > GBP 30bn)⁴. This is progressively a world-wide problem as developing nations are also rapidly catching up. Retailers and regulators are increasingly looking for innovative solutions that can help stem and ideally reverse the epidemic.

The historical campaign to reduce fat resulted in the launch of many low-fat products. However, if you remove fat, you must replace it with something, and that something was in most cases sugar or simple carbohydrates. Now that the negative image of sugar is in the news, there is a flurry of activity to reduce the sugar by substituting it with low or non-caloric sweeteners (e.g., sucralose, stevia, sugar alcohols) which help reduce sugar consumption, but have not proven their efficacy for reducing obesity. Stepping back from all of this and looking at the problem from a broader perspective, there is only one sustainable way for advancing human nutrition. If you look at the main macro-nutrients and their status in human nutrition, the simple conclusion supported by current scientific knowledge is: reduce macro-nutrients that we over-consume with macronutrients that we under-consume, thus bringing our overall nutrition into a better balance⁵.

3. Note different sources provide slightly different numbers, for the most recent compilation see: www.cia.gov/library/publications/the-world-factbook/fields/2228.html

4. See reference 1

5. Based on USA Food and Drug Administration definition of Daily Values for consumption of macronutrients and calories. In developed countries a total of 3440kcal/capita are consumed (53% from Carbohydrates, 12% from Protein, 34% from Fats) against target of 2000kcal/capita. National Institute of Health, USA, https://ods.od.nih.gov/Health_Information/Dietary_Reference_Intakes.aspx; http://who.int/nutrition/topics/3_foodconsumption/en/. See Table 50, <https://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables/sugar-and-sweeteners-yearbook-tables/#U.S.Consumption.of.Caloric.Sweeteners>



Source: See reference 12 and Frill's website: www.frill.eu

- **Fat.** Fats and oils are energy dense (that is why we store it in our fat cells) and healthy. However, humanity is currently over-consuming fat by 20-60%. Over-consumption is not healthy and a broad body of research points to many potential deleterious effects, particularly on the cardiovascular system.⁶
- **Sugar.** Sugar is an important nutrient and an easy source of energy. However, humanity is over-consuming sugar by a factor of 2-3. This has many negative effects particularly in promoting Type II Diabetes and connected impact on our cardiovascular system.⁷
- **Protein.** Protein is a critical nutrient that helps build tissue and sustain many physiological processes in the body. Especially in the fitness space, where protein is required for muscle repair and buildup there is a growing demand. Non-athletes, however, are over-consuming protein by 1.5-2x with potential deleterious impact.⁸
- **Fiber (and complex carbohydrates).** Fiber is the least energy-dense nutrient and is a critical component of our intestinal health. Fiber can even buffer the sugar we ingest. It is no surprise that fiber has been shown to have a significant positive impact on cardiovascular health and on a number of cancers. Fiber is the main root cause behind the benefits of whole fruit and vegetable consumption, which is substantial. Finally, fiber also has a satiating impact, thus indirectly contributing to consumers taking in less food overall and feeling satisfied. Of all the macronutrients, especially in developed nations, we are currently under-consuming fiber by a factor of 2.⁹ Since there are no other macronutrients available to fall back on, fiber (and very complex carbohydrates) are the only healthy option available for substituting excess sugar, fat or protein. The use of fruit and vegetables in a product significantly increases the fiber content while at the same time reducing the sugar content, without having to resort to any type of sweeteners. Given the key role fiber can play in replacing fat, sugar or protein, it is the Company's belief that the use of fiber will be a strong and long-lasting trend.¹⁰

6. Top end of range see reference 8, for lower end of range see <http://www.bmj.com/content/348/bmj.g2272>, American Heart Association, http://www.heart.org/HEARTORG/Conditions/Cholesterol/PreventionTreatmentofHighCholesterol/Know-Your-fats_UCM_305628_Article.jsp#

7. Public Health England, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/470179/Sugar_reduction_The_evidence_for_action.pdf

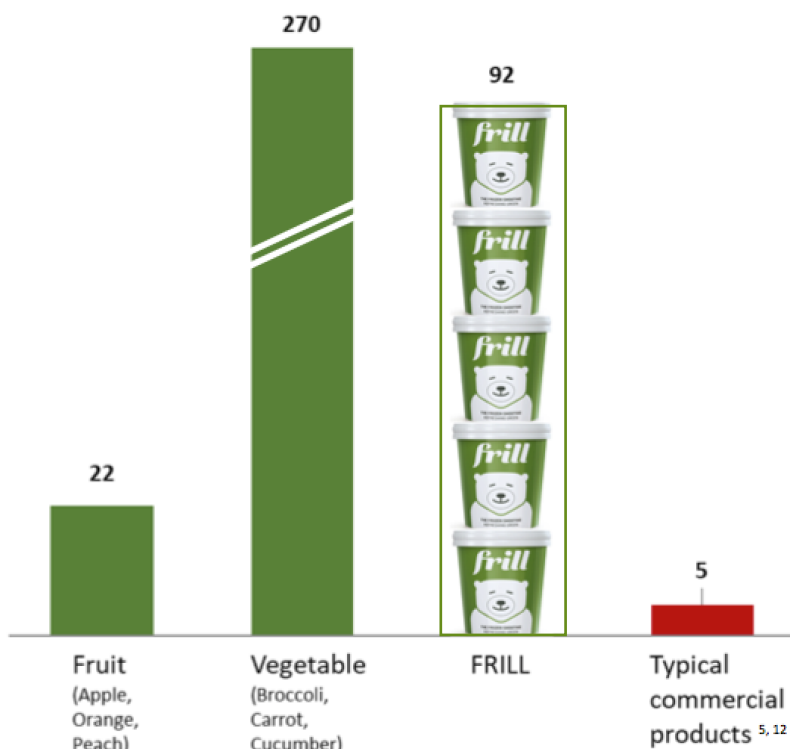
8. For maximum levels see <https://www.ncbi.nlm.nih.gov/pubmed/16779921>; for current vs recommended consumption see reference 8

9. See University of California, San Francisco Medical Center, https://www.ucsfhealth.org/education/increasing_fiber_intake/

10. Source: <https://www.hsph.harvard.edu/nutritionsource/carbohydrates/fiber/>

Partially, as a response to the obesity trend (as well as some of the scares and scams), consumers are becoming more aware of what they eat and drink, resulting in a secondary trend towards authentically natural and whole food ingredients. Consumers are beginning to learn how to scrutinize nutrition labels and are becoming very cautious about sugar. There is, however, also the continued and countervailing trend towards convenience and on-the-go snacking.

Fiber as percent of sugar content (higher is better)



Typically half the sugar and 10X the fiber of most other brands ^{5, 12}

This means slower sugar absorption, excellent digestion, and none of the worries of fattening ice-creams



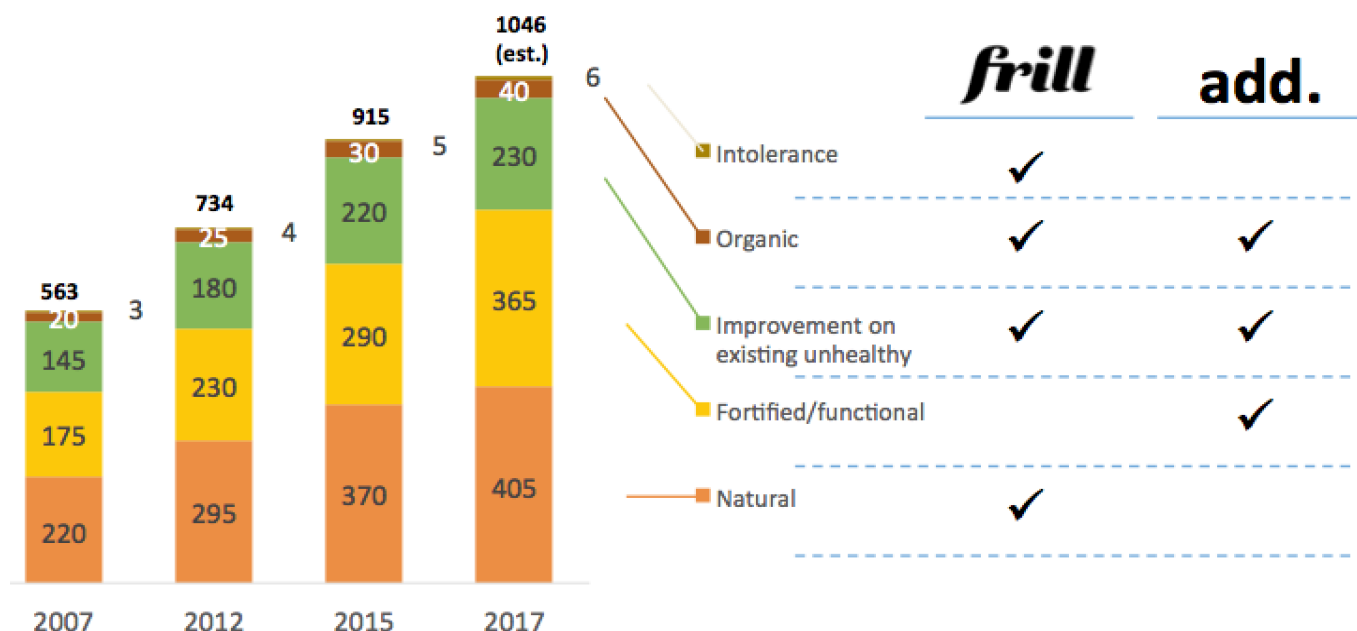
The segment for health and wellness nutrition (Excluding functional products)

This segment is the focus for the Company’s product, Frill The Frozen Smoothie. The market for health and wellness nutrition (excluding functional products) will be around \$635bn in 2017¹¹ with a healthy annual growth rate of 5-8%. Consumers are looking for purposeful nutrition and at the same time to enjoy what they ingest. As a result, this market is continuously expanding into segments where there are no or few healthy alternatives. Specifically, the frozen dessert segment/ice-cream segment is poised for such a shift with an exodus of consumers who worry about the combination of high sugar content (typically 20-30% of the product)¹² and fat content (typically 10-20% of the product)¹². While several dairy/fat substitutes (e.g., coconut milk, nut milk, protein isolates) and sugar substitutes (e.g., sweetener, “concentrated natural sugars”) have entered the market, there is no truly healthy solution available.

11. Source: Euromonitor (Euromonitor International is one of the world’s leading independent provider of strategic market research, <http://blog.euromonitor.com/2012/11/health-and-wellness-the-trillion-dollar-industry-in-2017-key-research-highlights.html>; Mintel (a global market intelligence agency with particular insight into consumer goods), <http://store.mintel.com/nutrition-health-wellness-global-annual-review-2017>; Nielsen, <http://www.nielsen.com/content/dam/nielsen-global/eu/nielseninsights/pdfs/Nielsen%20Global%20Health%20and%20Wellness%20Report%20-%20January%202015.pdf>, Natural and organic foods, Interviews with FMCG, Frill extrapolation. None of the sources have any material interest in Frill

12. For a review see, Tharp and Young on Ice Cream: An Encyclopedic Guide to Ice Cream Science and Technology, DEStech Publications, Inc, 2012; Science of Ice Cream by C Clarke, Royal Society of Chemistry; 2nd Revised edition edition, 2012. None of the sources have any material interest in Frill

Global Retail value, in \$bn
(2012 prices and exchange rates)



*Source: Euromonitor, Mintel, Natural and organic foods, Interviews with FMCG, Frill

The segment for functional and fortified nutrition

The functional and fortified nutrition segment was around \$365bn in 2017 and the main focus of the Company's product, Add ice-cream. Especially the protein supplement segments are showing continued healthy growth, with most segments (e.g., powders) struggling to make the product attractive from a format, convenience or taste perspective.¹³

The industry challenge is to find attractive, indulgent formats to deliver sought after functionality. The ice-cream format creates a convenient way to consume protein for example, with no need for the use of blenders. The protein ingredient market alone is projected to have a value of ca. \$32bn in 2017 and will grow between 5-6% annually.¹⁶

The ice-cream segment

The overall segment had a value of \$58.5bn in 2017.¹⁴ The premium segment constituted about half of the total market with annual growth rates in excess of 6%.¹⁵

Despite this healthy growth, about 1-2 percent of consumers leave or reduce their consumption in the category, primarily for health reasons. This corresponds to an annual value of \$200-500m. After all, ice-cream's blend of high sugar and fat is an almost perfect food for gaining weight.¹⁶

13. There is a range of estimates from various research firms, for examples see, Protein Ingredient Market Size, Trends – Industry statistics reports 2024, Global Market insights Inc.; Global Protein Ingredients Market Analysis & Trends - Industry Forecast to 2025, Accuray Research LLP. None of the sources have any material interest in Frill

14. There is a range of estimates from different sources; Statista an internet statistics Company, \$56.5bn <https://www.statista.com/statistics/326315/global-ice-cream-market-size/>; Mordor Intelligence a organization focused on industry research and reports, <https://www.mordorintelligence.com/industry-reports/ice-cream-market>, \$67.1bn; Research and Markets is a global market research organization, [researchandmarkets.com](https://www.researchandmarkets.com), \$72.1bn, the estimate above is at the lower range. None of the companies cited have any material interest in Frill

15. Based on range of estimates from Statista, \$56.5bn, Mordor, \$67.1bn; [researchandmarkets.com](https://www.researchandmarkets.com), \$72.1bn, see reference 11

16. Based on Government of Canada, Agriculture and Agrifood Canada analysis of ice-cream consumption by age group over 5 years

Brand drivers: The proliferation of health claims, scares, and scams puts a significant premium on a brand that can be trusted. Consumers use the brand as a short-cut for getting something that is of high quality and natural. Typically, consumers' trust will be higher for a product that is unadulterated or if it is recommended by friends, family, or trusted celebrities. While most consumers do not engage with the smallprint and facts around a product, many opinion leaders do and products that can provide superior nutrition and credible insight have a competitive edge.

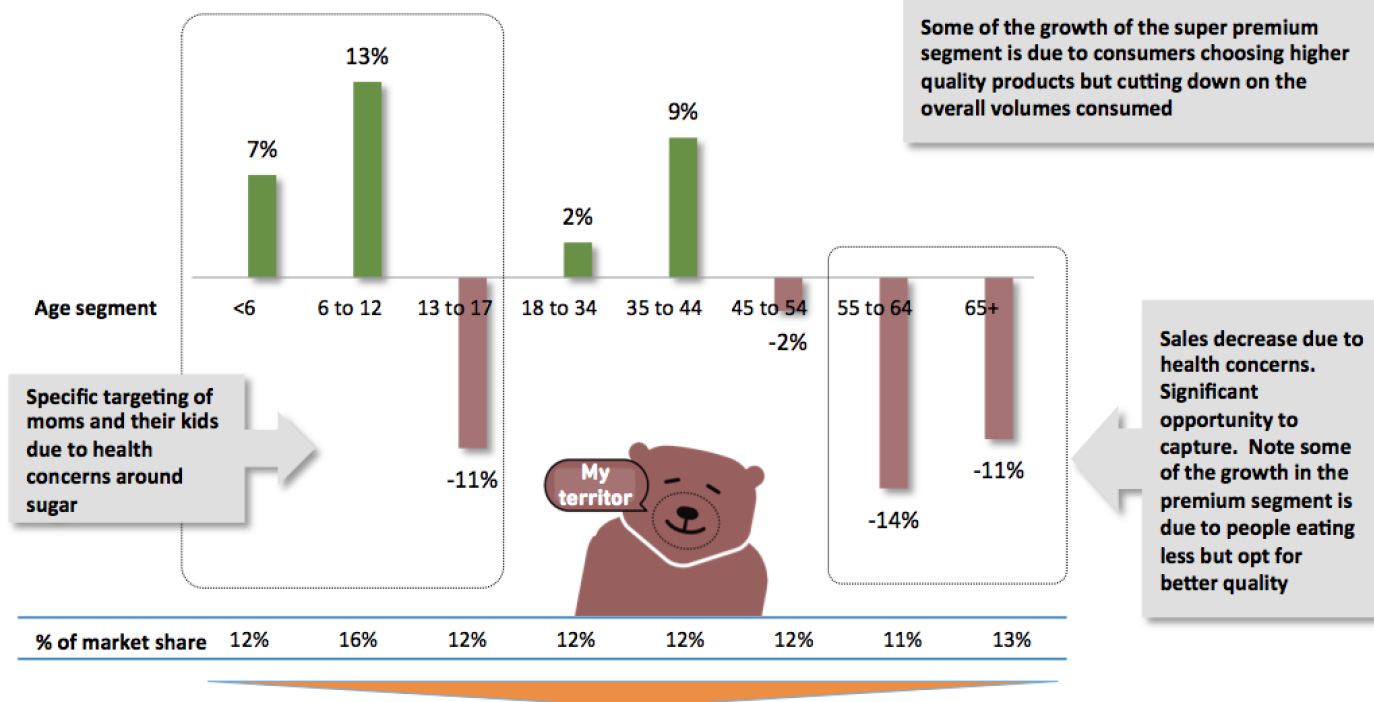
Competitors: The market is quite fragmented with many smaller players. Nestlé and Unilever are the main global players and together have about 1/3 of the global market.

Successful newcomers such as Talenti in the USA can build market share rapidly (e.g., Talenti went from less than 0.5% market share in the super premium segment to a 10% market share in five years in the US).¹⁷

Ice-cream market regions and premium segment growth ^{14,15}

| In USD bn | 2017 est | Expected growth (target market) |
|--------------------------------------|-------------|---------------------------------|
| US | 11.7 | 6-9% |
| UK | 1.5 | 5-7% |
| Nordics | 0.9 | 4-9% |
| EU* | 8.8 | 4-9% |
| China | 14.6 | >10% |
| ROW | 21.0 | >4% |
| Global | 58.5 | >6% |
| Thereof premium/super premium | 28.0 | >>6% |

Example; US market segment growth between 2005 – 2010 per age segment*



* Note: post 2010 market growth has been ca 1.5%
Source: Frill; Agriculture and Agrifood Canada

Similar decline seen in most developed nations
ca 1-2% of the market in total p.a.

17. Source: Euromonitor (Euromonitor International is one of the world's leading independent provider of strategic market research, <http://blog.euromonitor.com/2012/11/health-and-wellness-the-trillion-dollar-industry-in-2017-key-research-highlights.html>; Mintel (a global market intelligence agency with particular insight into consumer goods), <http://store.mintel.com/nutrition-health-wellness-global-annual-review-2017>; Nielsen, <http://www.nielsen.com/content/dam/niensglobal/eu/nielseninsights/pdfs/Nielsen%20Global%20Health%20and%20Wellness%20Report%20-%20January%202015.pdf>, Natural and organic foods, Interviews with FMCG, Frill extrapolation. None of the sources have any material interest in Frill

BUSINESS DESCRIPTION

Overview

Frill is a technology platform for creating desirable textures in frozen products. Its initial focus is in the ice-cream segment. Here it has two brands focused on the natural (Frill) and functional (Add) segments.

Frill Holding AB has brought together the brands, formulation, and manufacturing technology of Zendegii Frill Ltd., and the Add Nutrition AB brand. Frill Holding AB also established its operations in the USA in late 2017.

Frill Holding AB was formed in August 2015 (ex Odlanor AB). In 2017 it acquired Zendegii Frill Ltd. which was established in March 2014 as a spin-off from the Zendegii Retail group¹⁸ to focus on the frozen segment. Frill also acquired Add Nutrition AB in September 2017 and formed Frill Inc. in the USA. Frill Inc. will focus on growing the Frill brand initially on the West Coast and with large national retailers.

History (Key events in chronological order)

2014

- Formation of Zendegii Frill Ltd. with focus on healthy products for the frozen platform
- Creation of the technology for a creamy texture by using only fruit and vegetable components
- Brand design and consumer test

2015

- Formation of Odlanor AB (March)
- Further refinement of Frill technology and manufacturing scale

2016

- Odlanor AB changes name to Frill Holding AB (September)
- Test launch of Frill in the UK
- Manufacturing set up in the UK
- Formation of Frill Holding AB subsidiary Frill Inc in the USA (September)
- Recruitment of team
- Market test for flavors in the US

2017

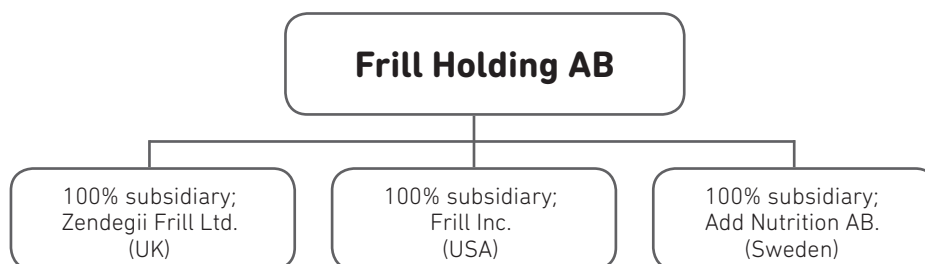
- Acquisition of Zendegii Frill Ltd. (September)
- Market test of products in Sweden
- Launch of products with major Swedish retailers in early 2017
- Initial manufacturing test runs and equipment set up in the USA
- Large scale launch of products with major US retailers and distributors at the end of 2017
- Acquisition of Add Nutrition AB. (September). Add Nutrition AB was formed in March 2015
- Use of Frill technology to improve Add products
- Re-design and launch of Add brand
- Launch of new flavors at the end of 2017 and first quarter 2018

¹⁸ Zendegii Retail Ltd. has various activities in creating healthy foods and drinks. Some of the current products are ambient snacks and alcohol-free wines.

2018

- Sign-up of large retailers and distributors in the USA
- Expansion of UK and Sweden operations
- Launch of new flavors for Add (2) and for Frill (2)
- MåBra best health food of 2018 award

Overview of group structure



Goal and strategy

Goal: Frill aims to be the preeminent frozen platform that delivers the healthiest possible nutrition to consumers.

Frill aims to be the leading global brand representing maximum tasty, desirable, and healthy nutrition by combining the benefits of freezing products at the source (thus preserving nutrients' shelf-life) with technologies that allow consumers maximum convenience and engagement with Frill's products and their own health. Frill will accomplish this via two complementary brands: Frill and Add.

Strategy: Frill and Add are challenger brands. They are going after the established players who are stuck with their existing biases (high sugar/sweetener, high fat) and technologies. As a result, Frill aims to be pro-active in its consumer communication and seek to create its own voice in the market. Frill aims to dominate focused geographic (big cities) and consumer segments (health valuing) before broadening to other compatible segments and introduction of new product value propositions. Its brand will solidly stand for affordable, premium, and trustable delicious health. Frill will primarily focus on organic growth of its brand but may acquire or joint venture with other brands that allow it to extend into new categories (e.g., low cost healthy ice-creams) and growth regions.

As a first step Frill plans to establish the brand in the ice-cream segment, which carries a premium. This will allow Frill's premium positioning to carry into other frozen categories and establish trust among consumers that the products are the healthiest and best value option available to them (short of growing the fruit or vegetable in their garden).

Specifically, Frill aims to build on the natural curiosity of people and empower them to discover healthy eating for themselves – through Frill's products or its science-based insight. Frill inspires consumers to seek the truth via other viewpoints, which today is often difficult to find, and to make informed decisions about what they will consume. Finally, Frill wants to surprise these consumers with the flavor and versatility of the products (enable self-creation), the depth of its insights and the pleasure of its perspectives.

Brand essence: Frill and Add's brand essence is all about discovery. This sums up the heart of Frill. It is what makes Frill different and what makes the audience listen to its message and what creates loyalty. Frill's brand essence expresses itself in three ways:

- 1. Empowerment:** We empower our consumers to discover healthy eating for them selves (through our products that consumers can use to produce own creations or our science-based insight that enables consumers to make better decisions).
- 2. Insight & inspiration:** We inspire our consumers with our own desire for insight and the pleasure of discovery in all that we do. Frill is born from curiosity and has the courage to seek the truth via new perspectives.
- 3. Intriguing products and services:** Our products positively surprise consumers when they discover their delicious taste, texture, and versatility.

Summary of Frill brand promise

FRILL

Frill is tasty: Is a very simple product because it contains only fresh whole fruit, veg, nuts, herbs and spices. Its taste is derived from fresh, ripe fruit and the texture is close to a typical ice-cream.

Frill is healthy: Is vegan, dairy-free, high in fiber, has no added sugar and contains half the sugar of regular ice cream, it is low in sodium and fat. It is very satisfying as it will not give you guilt and not leave you with a dry mouth or a sugar high. Frozen at source; the most effective way of preserving vitamins and co-vitamins.

Frill is versatile: An option for dessert, breakfast or as a snack throughout the day. It is a leading product because it has a creamy and indulgent texture and can be used in a variety of ways by consumers that even surprise us. It can be blended with any juice to make a smoothie/cocktail, it can be enjoyed as a mousse, a breakfast bowl, or it can be made into a sauce - the possibilities are endless!

ADD ICE CREAM

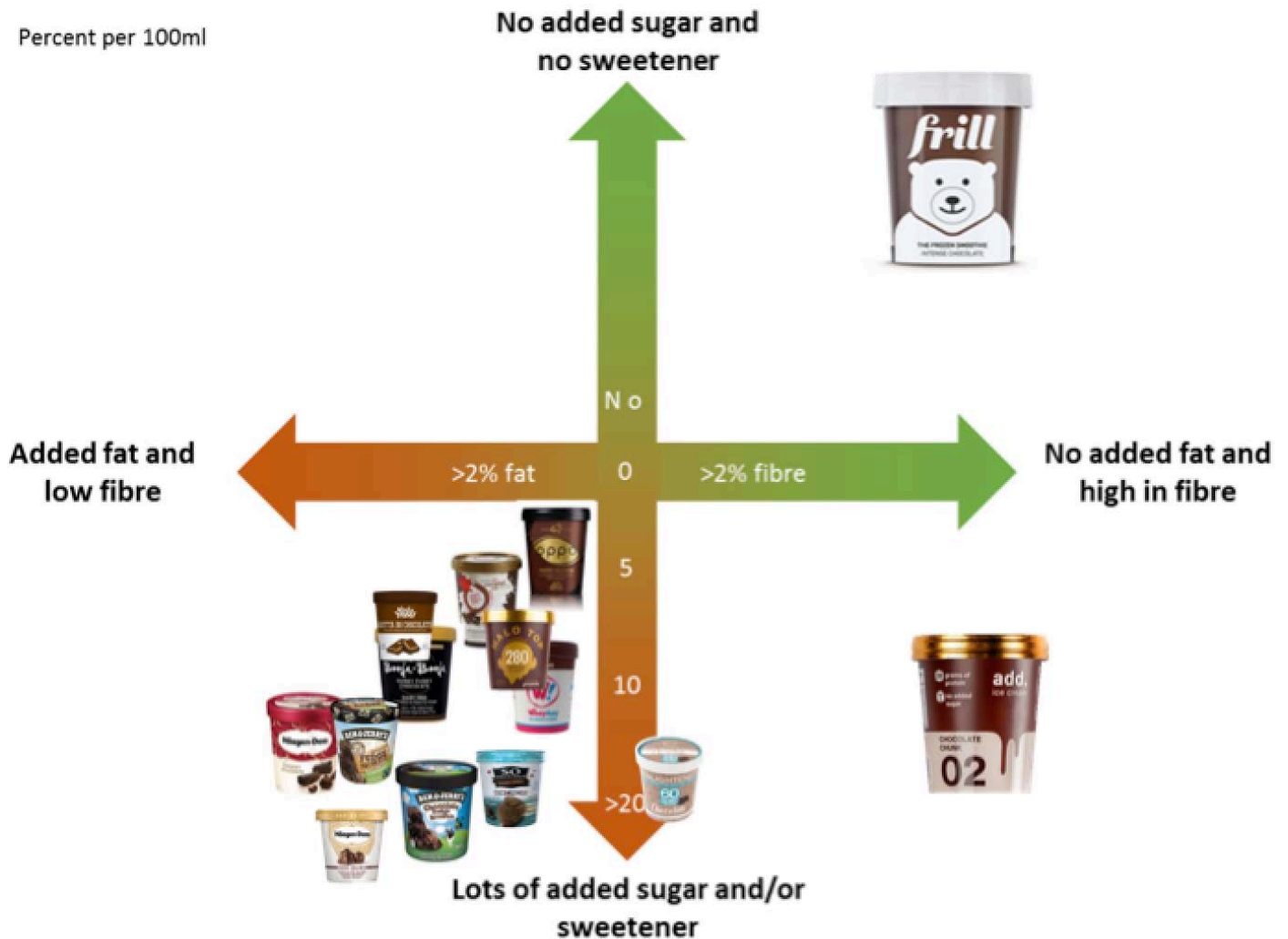
Add is tasty: All the added nutrition in an indulgent and convenient format. Add creates unusual flavors and exciting ingredients (e.g., polka, ginger bread).

Add is healthy: Low in sugar, high in fiber and delivers high quality ingredients. Add also delivers nutrition in a fun format. Currently the products are focused on delivering high quality protein, and Add plans to expand the offering to other nutrients.

Add is versatile: Add can accommodate a range of future functionalities (e.g., types of protein, micronutrients and other fitness supplements) and exciting inclusions.

Competitive comparison Frill brands versus other ice cream brands*

Percent per 100ml



* Source: www.haagen-dazs.co.uk, example: <https://haagen-dazs.co.uk/products/strawberries-and-cream-pint>; www.benjerry.co.uk, example: <https://www.benjerry.co.uk/flavours/chocolate-fudge-brownie-ice-cream>; www.oppoicecream.co.uk, example: <https://www.oppoicecream.co.uk/flavours/>; www.wheyhey.com, example: <https://www.myfitnesspal.com/food/calories/whey-hey-ice-cream-118414412>; sodeliciousdairyfree.com, example: <http://sodeliciousdairyfree.com/products/cashew-milk-frozen-desserts/dark-chocolate-truffle>; www.nadamoo.com, example: <https://nadamoo.com/dutch-chocolate/>

The Company's products: Frill

Frill is the Company's product for the health and wellness nutrition (excluding functional products). Below we list what makes it special.

Frill has leading know-how and assets.

Frill has set up and continuously improves on a supply chain that seeks to preserve the maximum level of micro-nutrients by working with producers who can harvest fruit and vegetables at an optimum ripeness stage (and nutrient-rich point of the plant cycle) and freezing the product at the earliest point in the supply chain.

Specifically, in the ice-cream or the broader frozen dessert category, Frill has a number of additional leading assets. The age-old dogma in ice-cream technology can be summarized as follows: 1. High levels of sugar or sugar alcohols (and recently engineered anti-freeze proteins) are required in order to lower the freezing point, thus making the ice-cream smoother; 2. High levels of fat from animal or vegetable sources are required to create the smooth mouthfeel and prevent large ice crystals from forming. Frill breaks with both mantras:

- The Frill technology allows the creation of products with a smooth texture on par with the creaminess of ice-cream, as measured by consumer tests¹⁹
- This texture is achieved primarily physically, through the manufacturing process, rather than via the modification of any of the natural ingredients
- Thus, Frill does not need high sugar, protein or fat to deliver a smooth and shelf-stable texture

This know-how, underlying Frill's technology allows the creation of a frozen dessert/ice-cream using almost any ingredients, and whole fruit and vegetable in particular. We believe that our know-how enables us to produce a leading product that gives a high level of creaminess and mouthfeel, with outstanding shelf-stability. Thus, Frill can offer the consumer, for the first time, a truly healthy ice-cream alternative made from whole fruit, vegetable, nuts, seeds, herbs and other natural products. The absence of fat makes the platform particularly versatile and Frill can be used to make smoothies, cocktails, breakfast bowls, sauces and other creations easily. The Frill technology can also be applied to traditional ice-creams to improve shelf-stability. The ultimate targets of Frill are all high sugar/high fat ice-cream brands that make up the lion's share of the segment.

In summary, Frill has three core qualities that make it special and difficult to copy.

1. Leading technology (taste and texture)

- Creamy texture (managed through crystal structure stabilization, i.e., no need for cream, protein or high sugar/sugar alcohols and a fresh lovely taste.
 - Production technology and supply chain to enable freshest fruit and vegetable sourcing.
- Better shelf-stability with respect to temperature variation than typical ice-cream.

19. Market test with consumers against standard ice-cream. Creaminess index 1-5 (5 = creamiest, n=1000). Frill performs at 4.8

2. Versatile platform

- Ability of consumers to use Frill to make a variety of different products (e.g., hand blended smoothies, shakes, condiments). And consumers are beginning to produce their own creations with Frill (e.g., smoothie breakfast pots) and linking it to emerging trends (e.g., NY Açai bowl).
- The individual products are blendable from a flavor perspective which allows consumers to personalize their own blend or smoothie.

3. Strong credible brand supported by science

- Market tested brand design that is liked by consumers and can bridge age groups. The brand design has been featured in design magazines The Dieline and Creative Review.
- Naturalness credentials (e.g., pure fruit, vegetable, nut, herbs, grains, spices).
- Better than fresh fruit (>30% higher vitamins and co-vitamins due to reduced time the fruit spends at ambient temperature).²⁰
- Half the sugar and ten times the fiber of a typical ice-cream.

In addition, Frill has a number of assets that will ensure continued innovation

- Frill is strongly supported by a vibrant ecosystem.
 - Zendegii, the originator of Frill, has strong networks and B2B relationships in the retail and food manufacturing space as well as product development and technology capabilities.
 - The business has an innovation network made up of world-class marketing and consumer goods and health experts.
 - Partners to flexibly support consumer insight, IP, talent sourcing, packaging and cost optimization.
- Frill is available in over 500 stores, e.g., in Sweden at ICA, Hemköp, Coop, Urban Deli and Mat.se. and Mathem.se, in the UK at Whole Foods Market, at Ocado (online home distributor) and in the USA at Erewhon, Whole Foods Market, Hy-Vee, Wegmans and soon at other large retailers.
- Frill has received Vegan society and Coeliac society approval.²¹

The Company's products: Add ice-cream

Add ice-cream is the Company's product for functional and fortified nutrition segment. Below we list what makes it special.

Add ice-cream operates a powerful marketing and ambassador model. The Add brand has developed a dedicated followership especially in the sports and fitness arena. Most individuals engaged in strenuous sports will take some form of protein supplement. Most of the choices available are hampered by inconvenience (e.g., having to dissolve the protein powder in a blender) and taste (protein isolates often have an off-taste). Add has solved the problem by offering an indulgent, low sugar, but high protein ice-cream that obviates the need to do any preparation and does not suffer the off-tastes that many consumers experience with protein supplements. There are a number of start-up competitors in the market (e.g., Arctic zero, Wheyhey, Protein First, Skinnyscoop, Halo Top). Some, such as Halo Top, have shown stel-

20. MC Giannacourou, PS Taoukis, Food Chemistry 83, 33-41, 2003; R. Cruz, M. Vieira, C. Silva, Innovative food science and emerging technologies, 9 (2008), 483-488

21. The vegan society was founded in 1944, <https://www.vegansociety.com/>; The coeliac society was founded in 1968, <https://www.coeliac.org.uk/home/>

lar growth outpacing traditional players²² Add's marketing and ambassador model has been a good source of growth so far. For example, Add has been able to increase its store count from ca. 100 in September 2017 to over 200 in March 2018 when launching the new flavors and branding. This has been in large part due to the strong support of over 100 ambassadors.

In summary Add has a number of qualities that give it competitive advantage.

1. Attractive format to deliver functional benefits

- Ice-cream is ultimately a pleasure product and consumers enjoy the experience. Therefore, the ability to consume what they perceive as an inconvenience (taste or effort) in a format that has only positive connotations is a huge benefit.
- Given that the product is in the frozen category, many future options around supplementation allow for a highly stable (due to the low storage and serving temperature) delivery format.

2. Strong, credible brand

- Add's consumers are passionate about their choices and very knowledgeable about what they consume. Add delivers in a transparent way what individuals in the fitness segment require after a workout or to build muscle in a good way.
- The strength of the bond between Add and its core consumers is so strong that many have signed up to promote the product and are pro-actively pushing retailers to stock Add.
- Add Ice-cream is available in over 200 stores in Sweden, e.g. at ICA, Hemköp, Bergendahls, Coop and Mathem.se.

3. Sharp focus on the fitness sector

- Add has a current focus on the fitness sector. Its staff are credible (e.g., well known bloggers are on the staff) and the brand has a strong presence in fitness related events.
- Consumers in the fitness sector tend to be more passionate about their intake than the general population.
- In the future, Add will expand its model to deliver a similar focus on adjacent segments with passionate consumers.

22. See example Halo Top www.latimes.com/business/la-fi-halo-top-icecream-20170915-story.html

| | Demographic segments | Consumer segments | <i>frill</i> | add. |
|---|---|-------------------------------------|--------------|------|
| Good for you: Healthy indulgence and trust in nature | <ul style="list-style-type: none"> Intake focused, families, children, elderly People who are leaving the ice-cream category | Natural/Vegan | ✓ | |
| | | Evidence based | ✓ | |
| | | Low sugar, no sweetener, high fiber | ✓ | |
| Better for you: Add nutrition that has specific benefits | <ul style="list-style-type: none"> Body-focused, sports nutrition People who demand specific functionality from their nutrition | Fitness (protein) | | ✓ |
| | | Other functionality (e.g., vitamin) | | ✓ |
| | | Ultra low sugar, but sweet | | ✓ |

Source: Frill.

Key success factors

Benchmarking successful smaller and larger brands (e.g., Talenti, Ben&Jerry's, Magnum, Häagen-Dazs, Halo Top), there are a few key learnings that Frill has taken to heart.

- Test and learn in a smaller market first, then expand aggressively.
- Consumers will only pay a premium if they trust the product: Use sampling for innovative products and use social media and celebrities to enhance word-of-mouth promotion. Spend on advertising only very selectively (huge cash drain with unclear return-on-investment in the ice-cream space).
- Ice-cream is one of the most price-elastic products, which makes promotions a key tool for driving volumes: Continuously work on cost and productivity to create margin buffers in order to compete at the most attractive price point (affordable premium).

Frill's own analysis of consumers and their needs suggests the following core segments to focus on

- Family grocery decision maker (traditionally moms, but increasingly also dads): Often the key decision makers for at home purchases are recipients of children's pestering. Frill's key message will be that Frill is a product that they can give to their family without any worries, and with the knowledge that they are doing something good for their health. Moms are also heavy users of social media (our main communication channel).
- Children (6-12): Frill's goal will be positioning the brand around stories that are fun and educational. As children are very experience-focused, the main channel will be events and sampling.
- Teens and Millennials (13-25): Increasingly, teens are becoming body and nutrition aware but also look for alibi products (that compensate for bad nutrition). They are avid users of social media (different media than their parents), which will be our main channel. We are also exploring the possibility of using real or app-based gaming to reach teens and children.
- Seniors: Main channel will be events and sampling. Frill's experience to date shows that seniors are the most skeptical but once convinced are also very active promoters to their families and friends. Message will primarily center on indulgence, dairy-free, gut health, and naturalness.

Brief summary of growth plans

Frill's growth plans are along two dimensions: Regional (big city) and multi-format. Regional growth will focus on the major cities in the target regions. Once major cities are covered, and the brand has been established, Frill can further cascade sales to the broader population. This strategy gives Frill a higher marketing impact, better ability to target early adopters, word-of-mouth promotions, and support from key influencers.

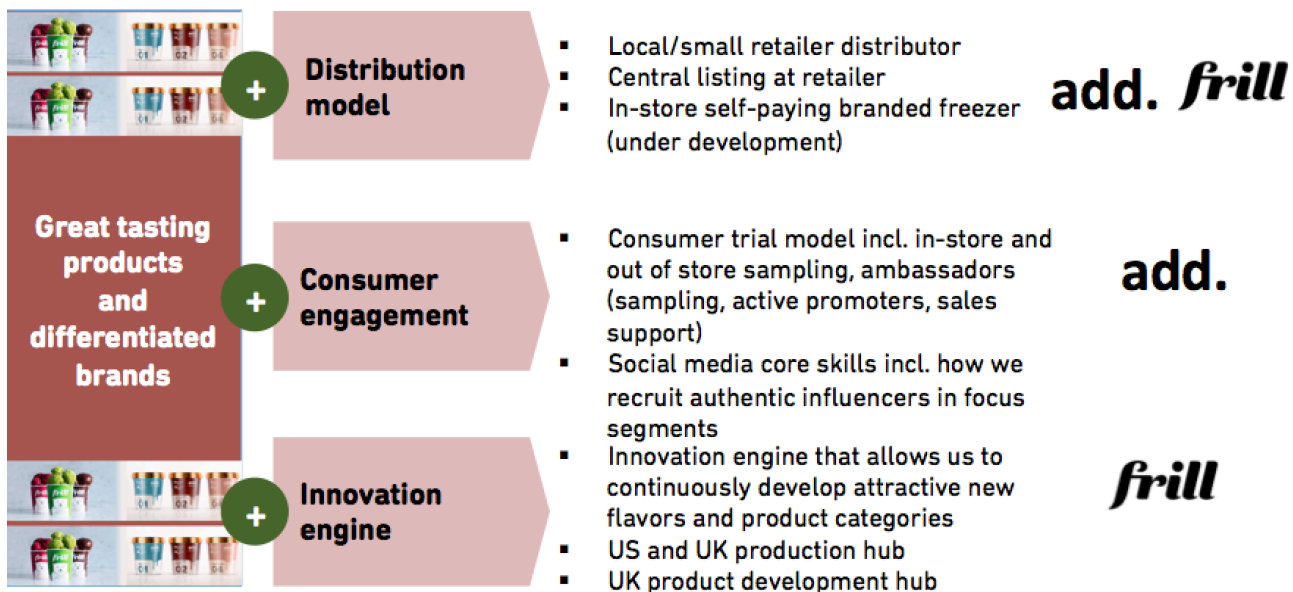
Frill aims to use a range of formats that will target its core consumer segments. Tubs (500ml) for take home, small tubs for convenience, and potentially lollies for children. Frill has also begun testing the product for a B2B proposition for restaurants and cafes (which gives them the ability to create fresh smoothies on the spot). For example, the renowned Queens Club Tennis club in London uses Frill in their main restaurant to make delicious fresh smoothies and cocktails.

Add will continue to expand its presence in the fitness space and explore the addition of new nutrients and alternative proteins to provide a broader choice to consumers.

Frill's business plan foresees a first phase of seeding the brand in key population centers with high-end retailers (top 30 cities). Frill then want to expand the brand to the second-tier cities, and more main-stream retailers. Lastly, Frill will expand nationally. The prototype for this strategy is now in place in the UK and Sweden.

We expect to see break-even typically after on average 2 years in any market.

Frill's operational focus



Many startups in the consumer goods space have a great product but often have difficulty expanding and continuously innovating their offering and at the same time improving their bottom line. Frill has focused on developing a strong back bone for profitable expansion. This is particularly important as Frill's raw materials are costlier than the typical fat and sugar used by competitors. Frill believes that its differentiated brands and great tasting products need to be supported by a simple distribution model focused

on three channels: Local distribution to smaller, high end retailers, central listing for national retailers and in-store branded freezers.

Frill expects its development to progress along these channels. The consumer engagement model is entirely based on trials, ambassadors, and social media targeted to core segments. Frill's innovation engine allows the continuous development of new flavors and categories. Frill currently has a manufacturing hub in North America and one in the UK. The R&D group located near London's Portobello market, works with both production hubs to scale up new products.

Value chain

Below is a description of Frill's value chain, distribution segments, key retailer segments, and Frill's capabilities. Frill tries to establish its relationships directly with the retailers. Frill is paid by either the retailer directly or via the distributor, who may also aggregate orders from multiple retailers.

1. Raw Material selection and purchasing

- Selection of high quality sources of all key raw materials (mostly fruit and vegetables for Frill; protein, dairy, and beneficial additives for Add)
- Selection of back-up suppliers to guard against price volatility and availability

2. Manufacturing

- Manufacturing hub in the UK for both Frill and Add (all accreditation in place for major retailer requirements and vegan, and gluten-free certification)
- Manufacturing hub in the USA currently only Frill production, but capable of producing Add (all accreditation in place for major retailer requirements, vegan, gluten-free and kosher certification)
- Frill has its own manufacturing but also has the ability to use 3rd party capacity in the UK and USA for rapid scale-up.

3. Distribution

- Regional frozen distributors to retail stores (e.g., UNFI, Stratford Fine Foods)
- Regional frozen distributors to consumers (e.g., Mat.se, Mathem.se, Ocado)
- Distribution to retailer's own distribution center

4. Retailers (currently in the mix)

- Small independent retailers, cafes, and convenience stores
- Individual sales to retail stores belonging to larger groups (e.g., ICA)
- Central or regional listing with large retail groups (e.g., Whole Foods Market)
- Event and sports venues (e.g., Queens Club, AirHop)
- Schools/universities or distributor to schools/universities
- Health venues (e.g., Clinics)

5. Retailers not yet targeted

- Caterers, Transport (e.g., airlines), Large food and café chains

Risk mitigation plans

Are Frill's assumptions with respect to market potential realistic? Frill's current plan assumes a 0.8-2% capture of market share, which is on par with the growth of the overall industry and a fraction of the growth in the premium segment. Other successful startup players, such as Talenti²³ or Halo Top²⁴ have grown far more rapidly, and the planned growth is at about 1/3 the benchmark growth rate.

Can Frill manage rapid growth and resulting supply chain issues? Frill's main ingredients are not exotic and there are multiple sources for each. Prices of natural products may vary but availability of Frill's ingredients has not been an issue and is not expected to be an issue over the foreseeable future. There are backup plans in place to source not-from-concentrate purees from global manufacturing partners in case Frill's own sources become an issue. During market entry period Frill will have its own mixed manufacturing model (i.e., outsourced and own manufacturing) where Frill's own capacity can cover any short-term demand spikes. The business will also have sufficient packaging stock at hand as a print run can create delays.

How will Frill manage any delays in market adoption? Frill has identified key risks that may slow or delay its growth. The main risk is the rate at which retailers will on-board Frill/Add. To help on-board Frill, developing relationships with the retailers outside of the buying organization can significantly prioritize engagement. Zendegii Retail, Frill's originating Company (and shareholder in Frill), has developed relationships with international retailers to support this process.

What is Frill's main challenge? Both Frill brands have created a new category and tasting is believing. Thus, it takes time to reach sufficient numbers of consumers before word-of mouth and awareness can spread exponentially. From the launches in the UK and Sweden Frill knows that, once consumers are exposed to the product and are excited by its promise, they become ambassadors and promote the brand further. It is therefore imperative that Frill can grow as rapidly as possible and establish its trusted brands before other players. Most of the business effort will be focused on direct-to-consumer experiential marketing and social media.

Finally, the Company believes that Frill sits in the center of a trend towards healthier alternatives and over the past year Frill has seen new and old players attempting to improve the healthiness of ice-cream. Frill believes that its brands are leading operators on the market. The Company also believes that developing a strong brand provides the best value over the longer-term. Most of Frill's investments therefore, will go into developing and strengthening its brands.

Organization and structure

The global organization will be primarily driven by the target regions, who are responsible for sales growth and targeted marketing and PR (initially, US, Sweden, UK). The brands will be managed globally to ensure a high level of consistency and decision making. Marketing assets will exist at a global level for regions to leverage as needed and to ensure learnings are transferred but all decisions and use of appropriate agencies will be at regional level. The Board will continue to be very hands-on with specific responsibilities on developing retail partnerships of new regions, innovative marketing campaigns, and further fundraising.

23. <https://www.talentigelato.com/>

24. <https://www.halotop.com/>

In summary: Brands, lead business indicators, and global footprint

Brief summary of Frill brand: Innovative deliciously healthy ice-cream

Novel: Frill is a new category of frozen dessert that is first and foremost delicious, and fundamentally healthy. The brand has been featured in prominent design publications and has won innovation awards.

Differentiator: It provides people with the closest thing to a fruit picked from the tree or a vegetable harvested from the field. It is free from dairy, any type of sweetener, gluten and additives. It has only half the sugar of a typical ice-cream and ten times the fiber. It is higher in vitamins and fresh flavors than store-bought fruit and vegetables (because it is frozen at the source). The distinctive technology developed by Frill allows us to create a creamy texture and higher shelf-stability than normal ice-cream.

Platformed: It is a versatile platform that competes in the ice-cream but also in the smoothie, dairy and condiment (e.g., sauces, coolies, mouse, relishes) categories.

Consumers excited: Frill has been successfully launched in Sweden, UK and USA at many major retailers such as ICA, Hemköp, Coop, Mat.se, Whole Foods Market, Ocado, Erewhon, Wegmans and many independent retailers.

Aspirations: Frill aims to aggressively expand and establish the brand in the rest of EU, US, and Asia.



Brief summary of Add ice-cream brand: Innovative deliciously healthy ice-cream

Novel: Add is a new category of ice-cream that is first and foremost delicious, and a great way to deliver high quality nutrition. The brand has a passionate followership and active ambassadors.

Differentiator: It delivers protein (and in the future other nutrients) in an attractive format. Easy and fun to consume. No more hassle with blenders, protein powders, unattractive tastes.

Flexible: The product can deliver the desired nutritional benefits in a wide variety of flavors and experiences.

Consumers excited: Add has been successfully launched at ICA, Bergendahls, Hemköp stores, Coop, Mathem.se and many independent retailers in Sweden.

Aspirations: Add aims to aggressively expand the product range and replicate the Swedish success story in the rest of EU, US, and Asia.



Lead business indicators

| | Quarter 1 2018 | 2017 |
|--|--|------------|
| Number of larger retailers | 14 | 6 |
| Number of stores | 590 | 283 |
| Number of flavours in store | | |
| Frill | 4 | 3 |
| Add | 4 | 3 |
| Number of package/product formats | | |
| Frill (500ml, 16 oz, 120ml, 3.6oz) | 4 | 3 |
| Add (500 ml) | 1 | 1 |
| Distributors | 4 | 2 |
| Seasonality | Temperature has a direct influence on sales Summer ca 1.5x winter | |

Note: actual revenue can fluctuate due to seasonality and orders by distributors that get sold over time

1) Retailers with more than 20 stores. Frill may not be present in all of their stores

The business grows by three main levers :

1. Increase in the number of stores
2. Number of flavors available to consumers. This is particularly important in the USA, where retailers typically want a minimum of four flavors
3. Sales per store

The number of signed-up retailers and stores is therefore an early indicator of later revenue growth. In connection with the retailer footprint, the capabilities and reach of distributors is also key, as it allows Frill to reach across the targeted regions.

Sales of ice-cream are seasonal and warmer weather could have a sales-stimulating effect. This can be even more marked for the smaller package formats (i.e., for convenience purchases).

Frill's current main retailers globally

Frill's main growth focus is on the USA, where the per capita consumption is high. Current retailers in the USA are Whole Foods Market, Gelson's, Erewhon, Wegmans, and HyVee. In Europe Frill has a strong focus on on-line sales, for example at Ocado in the UK or MatHem.se.



Numbers in circles are per capita consumption in liters p/a ²⁵

Current awards²⁶



²⁵ Unilever corporation, also reported by <http://www.thejournal.ie/icecream-consumption-ireland-world-767159-Jan2013/>

²⁶ Frill has won three major awards: The MåBra 2018 Best Healthy food Award, MåBra is one of Sweden's best known health focused magazines, <https://www.mabra.com/>; The Lunch! Innovation Challenge Silver Award 2017, Lunch! Is a leading global trade show focused on food-to-go held in the UK, <https://www.lunchshow.co.uk/>; Quality Food Award winner 2017, Launched in 1979, the Quality Food Awards recognise and reward the best in retail, wholesale and foodservice food and drink products available in the United Kingdom, <http://goodchoice.qualityfoodawards.com>

FINANCIAL DEVELOPMENT IN BRIEF

The selected financial information below is based on information in the audited accounts for 2016, 2017 and Q1 2018 reviewed by the auditor. The reports are available at www.Frillholding.com.

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, International Financial Reporting Standards (IFRS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups is applied.

Consolidated income statement

| TSEK | 2018 Jan-Mar Reviewed | 2017 Jan-Mar Reviewed | 2017 Jan-Dec Audited | 2016 Jan-Dec Audited |
|---|-----------------------------|-----------------------------|----------------------------|----------------------------|
| Continuing operations | | | | |
| Net sales | 1 020 | 46 | 2 004 | 0 |
| Cost of goods and services sold | -1 495 | -286 | -2 506 | 0 |
| Gross profit | -475 | -240 | -502 | 0 |
| Selling expenses | -1 664 | -1 080 | -7 761 | -198 |
| Administration expenses | -2 121 | -705 | -7 777 | -1 543 |
| Other operating income | 3 | 47 | 45 | 0 |
| Other operating expenses | -12 | 0 | -639 | 0 |
| EBIT | -4 269 | -1 978 | -16 634 | -1 741 |
| Financial income/expenses | 120 | -41 | -793 | 7 |
| Profit/loss after financial items | -4 149 | -2 019 | -17 427 | -1 734 |
| Profit/loss before taxes | -4 149 | -2 019 | -17 427 | -1 734 |
| Income tax | 383 | 179 | 2 216 | 279 |
| Profit/loss for the period | -3 766 | -1 840 | -15 211 | -1 455 |
| Other comprehensive income | | | | |
| Translation differences | -332 | 5 | 278 | -8 |
| Comprehensive income for the period attributable to the shareholders of the Parent Company | -4 098 | -1 835 | -14 933 | -1 463 |
| Earnings per share after/before dilution | -0.2 | -0.1 | -0.8 | -0.2 |

Consolidated balance sheet

| TSEK | 2018 Mar 31 Reviewed | 2017 Mar 31 Reviewed | 2017 Dec 31 Audited | 2016 Dec 31 Audited |
|--|----------------------------|----------------------------|---------------------------|---------------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Goodwill | 155 261 | 0 | 155 261 | 0 |
| Tangible assets | 461 | 233 | 515 | 101 |
| Deferred tax assets | 3 856 | 457 | 3 473 | 279 |
| Other non-current assets | 13 | 5 828 | 13 | 4 855 |
| Current assets | | | | |
| Inventories | 3 068 | 204 | 3 449 | 99 |
| Account receivables | 734 | 36 | 519 | 0 |
| Other receivables | 473 | 138 | 697 | 161 |
| Cash and cash equivalents | 2 159 | 31 277 | 7 976 | 34 334 |
| Total assets | 166 025 | 38 173 | 171 903 | 39 829 |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | 1 037 | 1 000 | 1 037 | 1 000 |
| Other contributed capital | 180 272 | 39 800 | 180 422 | 39 800 |
| Translation reserve | -62 | -3 | 270 | -8 |
| Profit/loss brought forward including net profit/loss for the year | -20 432 | -3 295 | -16 666 | -1 455 |
| Total equity (attributable to the shareholders of the parent Company) | 160 815 | 37 502 | 165 063 | 39 337 |
| Current liabilities | | | | |
| Liabilities to credit institutions | 123 | 0 | 137 | 0 |
| Accounts payable | 637 | 223 | 1 134 | 188 |
| Other current liabilities | 4 450 | 448 | 5 569 | 304 |
| Total equity and liabilities | 166 025 | 38 173 | 171 903 | 39 829 |

Consolidated statement of cash flow

| TSEK | 2018 Jan-Mar Reviewed | 2017 Jan-Mar Reviewed | 2017 Jan-Dec Audited | 2016 Jan-Dec Audited |
|--|-----------------------------|-----------------------------|----------------------------|----------------------------|
| Profit/loss after financial items | -4 149 | -2 019 | -17 427 | -1 734 |
| Adjustment for non-cash items | -220 | 38 | 481 | -34 |
| Income tax paid | 0 | 0 | 0 | 0 |
| Cash flow from operating activities before changes in working capital | -4 369 | -1 981 | -16 946 | -1 768 |
| Cash flow from changes in working capital | -1 240 | 62 | 642 | 233 |
| Cash flow from operating activities | -5 609 | -1 919 | -16 304 | -1 535 |
| Cash flow from investing activities | 0 | -1 117 | -9 966 | -4 956 |
| Cash flow from financing activities | -150 | 0 | 0 | 40 750 |
| Cash flow from the period | -5 759 | -3 036 | -26 270 | 34 259 |
| Cash and cash equivalents at the beginning of the period | 7 976 | 34 334 | 34 334 | 50 |
| Exchange-rate difference in cash and cash equivalents | -58 | -21 | -88 | 25 |
| Cash and cash equivalents at the close of the period | 2 159 | 31 277 | 7 976 | 34 334 |

Key ratios

| TSEK | 2018 Jan-Mar | 2017 Jan-Mar | 2017 Jan-Dec | 2016 Jan-Dec |
|---|------------------|-----------------|------------------|-----------------|
| Net sales | 1 020 | 46 | 2 004 | 0 |
| EBIT | -4 269 | -1 978 | -16 634 | -1 741 |
| Profit/loss after financial items | -4 149 | -2 019 | -17 427 | -1 734 |
| Equity | 160 815 | 37 502 | 165 063 | 39 337 |
| Earnings per share (SEK) | -0.2 | -0.1 | -0.8 | -0.2 |
| Equity per share (SEK) | 8 | 2 | 8 | 2 |
| Equity/assets ratio (%) | 96.9 % | 98.2 % | 96.0 % | 98.8 % |
| Average number of shares | 20 733 335 | 20 000 000 | 20 022 101 | 6 290 959 |
| Number of warrants | 1 005 000 | 0 | 1 005 000 | 0 |
| Number of shares at end of period | 20 733 335 | 20 000 000 | 20 733 335 | 20 000 000 |
| Average numbers of employees | 16 | 2 | 16 | 2 |
| Average numbers of employees at end of period | 17 | 2 | 17 | 2 |

Definition/calculation

EBIT

Earnings before income tax and financial items

Earnings per share

Net/profit loss in SEK in relation to the weighted average number of shares outstanding

Equity per share

Equity at the end of the period in relation to the number of shares at the end of the period

Equity/assets ratio

Equity at the end of the period in relation to total assets at the end of the period

COMMENTS ON THE FINANCIAL DEVELOPMENT

The Group contains four companies as of 31st March 2018: the parent Company, Frill Holding AB, and its three fully owned subsidiaries Frill Inc, Zendegii Frill Ltd, and Add Nutrition AB. The latter two are included in the Group presentation above (consolidated report) from September 30th 2017. To get a more correct picture of the financial report for the Group, a pro forma is shown below, describing the results if all companies had been owned from the beginning of the year 2017.

Revenues

The revenues of the Group for Q1 2018 are TSEK 1 020 compared to TSEK 46 in Q1 2017. This is mainly due to sales activity starting in Sweden in Q1 2017.

For the full year 2017, the revenue is TSEK 2 004 and includes for the first nine months only sales of FRILL The Frozen Smoothie in Frill Holding and Frill Inc. Approximately 70% of the sales are sales in the Swedish market.

Cost of goods and services sold

Cost of goods and services sold increase from TSEK 286 in Q1 2017 to TSEK 1 495 in Q1 2018.

The main cost is for purchase of ingredients, production and storage. In addition, there are costs for transport of the goods from the manufacturer in the United Kingdom to the storage facility in Sweden. Over the year 2017, the Group has costs of goods of TSEK 2 506.

A significant portion of this costs relates to developing new markets, for example, when sampling to consumers and at events, and raw material costs when developing flavors and manufacturing scale-up.

Other costs

Selling expenses increase from TSEK 1 080 in Q1 2017 to TSEK 1 664 in Q1 2018. It consists of costs directly related to sales. The main cost is for personnel but also for marketing, e.g., product sampling activity for new retailers and sampling events. Going forward we expect product sampling and targeted consumer and B2B marketing events to be the main driver of these costs.

For the full year 2017 these costs are TSEK 7 761 mainly due to the start up of business in Sweden.

Administration expenses increase from TSEK 705 in Q1 2017 to TSEK 2 121 in Q1 2018. These refer to staff cost but also other external costs. The key cost drivers are.

- Relaunching the Add brand, and improving the product using Frill Technology
- Developing additional Frill flavors
- Setting up the manufacturing footprint in USA

During the year 2017 the costs of TSEK 7 777 also reflect one-time acquisition-related costs of ca. MSEK 2.6 and listing costs of around TSEK 400.

For Q1 2018 financial expense for the group is TSEK 120 compared to Q1 2017 of TSEK -41. This gain is primarily due to currency gains due to a weak end Swedish Krona.

For the full year 2017, the financial expense for the Group is TSEK -793. This is primarily due to currency losses as a result of loans in GBP and USD, since the Swedish Krona has strengthened during the year.

As a result, profit/loss for Q1 2018 was TSEK -3 766, and for the Q1 2017 was TSEK -1 840.

Earnings per share before/after dilution is SEK -0.2 in Q1 2018 (SEK -0.1 in Q1 2017). As of March 31, 2018 no dilution effect exists because it would lead to a reduced loss per share.

Balance sheet

For Q1 2018 total group assets are TSEK 166 025 compared to Q1 2017 which was TSEK 38 173. The main difference is goodwill due to the acquisitions of Zendegii Frill Ltd. and Add Nutrition AB. Frill's cash was TSEK 2 159 in Q1 2018 compared to TSEK 31 277 in Q1 2017.

For 2017, the Group's total assets are TSEK 171 903, where goodwill is the single largest post. The goodwill value stems from the acquisition of Zendegii Frill Ltd. and Add Nutrition AB post September 30, 2017. Frill's cash is TSEK 7 976.

Inventories for Q1 2018 were TSEK 3 068 compared to TSEK 204 in Q1 2017. This is primarily due to increase in sales.

Inventories for 2017 are TSEK 3 449. This reflects the increase in production in the US and UK facilities and in the storage facilities in each region in order to fulfill retailer demand. Typically inventories are lower during colder months and higher during warmer months due to the seasonality of sales.

The Group's total equity increased from TSEK 37 502 in Q1 2017 to TSEK 160 815 in Q1 2018. In Q1 2018 total equity decreased by ca. MSEK 5 due to loss brought forward and financial costs for the directed share issue. Equity increased during 2017 as a result of a share issue for non-cash considerations in association with subsidiary acquisition.

Cashflow

In Q1 2018 cashflow from operating activities was TSEK -5 609 and TSEK -1 919 in Q1 2017.

Cashflow from operating activities in Q1 2018 is primarily cash spent on increasing working capital TSEK -4 369 in anticipation for retailer orders and in the USA also distributor orders.

Cashflow from operating activities for 2017 was negative TSEK -16 304 (increase from 2016, of TSEK -1 535). It was primarily cash spent on setting up the business and operations in the USA and launching Frill in Sweden as well as further strengthening the Add brand in Sweden.

Cashflow from investing activities was TSEK 0 in Q1 2018 compared with TSEK -1 117 in Q1 2017. Cashflow from investing activities in 2017 was TSEK -9 966 compared to 2016 which was TSEK -4 956 primarily due to loans in 2017 given to Zendegii Frill Ltd. and Add Nutrition AB (before they became subsidiaries) to develop business in their regions.

Cashflow from financing activities in Q1 2018 was TSEK -150 (and 0 in Q1 2017). Cashflow from financing activities in 2016 amounted to TSEK 40 750. This was primarily cash from the first round of fundraising.

Key ratios

The key ratios provide an overview of some of the key financial figures from above and also earnings and equity per share as a function of total shares.

Employees increased from 2 in Q1 2017 to 17 in Q1 2018 due to the addition of Zendegii Frill Ltd. and Add nutrition AB. Approximately 60% of Frill's effort has been on marketing and sales, 30% on production and technology development, and 10% on administration and finance.

Capitalization, net debt summary and other financial information

The table summarizes Frill's capital structure as of March 31, 2018. The table includes only interest-bearing liabilities.

Capital Structure

| TSEK | 2018 March 31 |
|--|------------------|
| Current interest-bearing liabilities | |
| Current liability to credit institutions | 123 |
| Other current liabilities | 836 |
| Total current interest-bearing liabilities | 959 |
| Equity | |
| Share capital | 1 037 |
| Other contributed capital | 180 272 |
| Profit/loss brought forward including net profit/loss for the year | -20 494 |
| Total equity | 160 815 |

The table summarizes Frill net indebtedness as of March 31, 2018. The table only covers interest-bearing liabilities. The Company has no long-term liabilities. The Company has no indirect indebtedness or contingent obligations. Issue proceeds of MSEK 24.5 are included in the table.

Net debt

| TSEK | 2018 March 31 |
|---|------------------|
| Cash and cash equivalents | 26 659 |
| Liquidity | 26 659 |
| Current liabilities to credit institutions | 123 |
| Other current liabilities | 836 |
| Total current interest-bearing liabilities | 959 |
| Net debt | -25 700 |

The Company has a loan at ALMI Invest of TSEK 123. Final redemption of this mortgage will be made in 2018. In addition, the Company has a short-term loan facility of up to MSEK 4 available to it from Zendegii Ltd. The terms are 6 months, 4% annual interest rate pro-rata on number of days the loan is held. As of March 31, 2018 a loan of TSEK 836 was given to Frill Holding AB from Zendegii Ltd..

Should the present share issue be fully covered, the Board considers that the Company will have enough working capital to drive the business for over 12 months from the dating of this Investment Memorandum.

The current monthly cost for driving the business is approximately MSEK 0.7. Product development, production, and human resources costs are the main costs. In addition there are variable marketing costs for marketing, sampling and promotions of MSEK 0.3 - 1.3. These costs are typically higher when Frill signs up a new retailer.

PRO FORMA AND AUDITORS REPORT

On 29 September 2017, Frill Holding AB (publ) acquired all outstanding shares in Zendegii Frill Ltd. and Add Nutrition AB. In view of the fact that the acquisitions of subsidiaries represent a significant change for Frill, the pro forma statement on the profit and loss account for the new group is presented above.

The pro forma is based on the annual financial reports for Frill Holding Group and filed with Bolagsverket in Sweden, Zendegii Frill Ltd. filed with Companies House in the UK, and Add Nutrition AB filed with Bolagsverket in Sweden.

Frill Holding Group column represents business activities in Sweden and the US. Zendegii Frill Ltd. represents primarily activities in the UK and product development for all businesses. Add Nutrition AB represents primarily business activities in Sweden. The different profit and loss positions indicate maturity of each business with Frill Sweden and Frill US at an earlier stage development than Frill in the UK and Add ice-cream in Sweden.

Consolidated income statement 1 January - 31 December 2017

| TSEK | Frill Holding Group | Zendegii Frill Ltd | Add Nutrition AB | Transaction costs on acquisitions ⁱ | Intra-group transactions ⁱⁱ | Pro forma |
|--|------------------------|-----------------------|---------------------|---|---|----------------|
| Continuing operations | | | | | | |
| Net sales | 824 | 3 079 | 2 910 | 0 | -1 741 | 5 072 |
| Cost of goods and services sold | -1 109 | -2 335 | -4 363 | 0 | 1 741 | -6 066 |
| Gross profit | -285 | 744 | -1 453 | 0 | 0 | -994 |
| Selling expenses | -5 859 | -1 892 | -3 305 | 0 | 422 | -10 634 |
| Administrative expenses | -5 515 | -3 945 | -3 356 | 0 | 625 | -12 191 |
| Other operating income | 83 | 0 | 990 | 0 | -1 047 | 26 |
| Other operating expenses | -29 | 0 | 0 | -610 | 0 | -639 |
| DEBIT | -11 605 | -5 093 | -7 124 | -610 | 0 | -24 432 |
| Financial income/expenses | -761 | -123 | -68 | 0 | 0 | -952 |
| Profit/loss after financial items | -12 366 | -5 216 | -7 192 | -610 | 0 | -25 384 |
| Profit/loss after taxes | -12 366 | -5 216 | -7 192 | -610 | 0 | -25 384 |
| Income tax | 1 404 | 0 | 1 729 | 0 | 0 | 3 133 |
| Profit/loss for the period | -10 962 | -5 216 | -5 463 | -610 | 0 | -22 251 |

i) The transaction costs for acquisitions are included in the shareholdings in group companies. In the consolidated financial statements, transaction costs are expensed as incurred.

ii) Income and expenses on transactions between group companies are eliminated.

The pro forma financial statements have been prepared with a view to inform how the acquisition of the subsidiaries would have affected the consolidated income statement for the period January 1, 2017 to December 31, 2017 if the acquisition had taken place on January 1, 2017. There are no significant differences between the accounting policies of the subsidiaries and the parent Company. The accounting principles used are in accordance with the Swedish Annual Accounts Act, International Financial Reporting Standards (IFRS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups is applied.

The pro forma presentation is intended solely to inform and highlight the facts. A pro forma presentation is by nature intended to describe a hypothetical situation. The Company presents pro forma financial statements for illustrative purposes only and it should not be seen as an indication of the actual financial position. Nor should it be considered as indicating the Company's earnings and financial position in the future. The pro forma report has been reviewed by the Company's auditor.

Auditor's Report on the Pro forma

To the Board of Frill Holding AB (publ)
org. nr: 559026-8016

I have performed an audit of the pro forma, as shown on page 42 of the Frill Holding AB (publ) Company description dated May 2018.

The pro forma accounting has been prepared for the sole purpose of providing information on how the acquisitions of Zendegii Frill Ltd., Add Nutrition AB would have affected the consolidated income statement for Frill Holding AB (publ) for the period 2017-01-01 — 2017-12-31.

The responsibility of the auditor

I take no responsibility for the financial information used in the pro forma report, except for the responsibility I have for previously audited reports with historical financial information.

Work performed

I have performed my work in accordance with FARs recommendation RevR 5 review of prospectus. My work, which did not include an independent review of underlying financial information, consisted mainly of comparing the non-adjusted financial information with source documentation, assessing the basis for pro forma adjustments and discuss the pro forma accounting with management.

I have planned and carried out my work to obtain the information and explanations I have deemed necessary to ensure with reasonable assurance that the pro forma accounting has been compiled according to the grounds set out on page 42 and that these grounds are in accordance with the accounting policies applied by the Company.

Statement

In my assessment, the pro forma accounting has been properly compiled according to the grounds set out on page 42 and those grounds are consistent with the accounting policies applied by the Company.

Stockholm 2018-05 -03

Johan Kaijser

Authorized Public Accountant

BOARD OF DIRECTORS, SENIOR MANAGEMENT AND AUDITORS

The Board of Directors of Frill currently consists of five members elected for the period to the end of the next Annual General Meeting. Company senior management are currently Khosro Ezaz-Nikpay (CEO), Jahanshah Jomehri (Frill USA), Malin Elinder (Frill Nordics), Stina Eriksson (Frill UK and operations EU), Jahansooz Jomehri (Operations USA) and Karin Nilsson (CFO).

Board of Directors

The Articles of Association for Frill provide for a Board of Directors with no less than three and no more than eight members. The current Board of Directors was elected for the period until the end of the next Annual General Meeting, which the Company plans to hold in May 2019. The following members of the Board are independent in relation to the larger shareholders (which refers to shareholders that directly or indirectly own 10 percent of Company shares or votes) and in relation to the Company: Mats Lindstrand, Andrew McKinlay, Anna Hällöv, Peter Freedman. Khosro Ezaz-Nikpay cannot be considered independent of the Company due to his shareholding in the Company. Additional information regarding transactions with associates is presented under the heading 'Related party transactions' in the 'Legal Issues and additional information' section.

Board of Directors

| Name | Position | Born | Elected | Holdings | Independence to Company | Independence to Larger Shareholders |
|--------------------|----------|------|---------|------------------------------------|-------------------------|-------------------------------------|
| Mats Lindstrand | Chairman | 1959 | 2016 | 180 000 shares, 110 000 options | Yes | Yes |
| Anna Hällöv | Member | 1971 | 2016 | 130 000 options | Yes | Yes |
| Peter Freedman | Member | 1956 | 2016 | 91 367 shares, 110 000 options | Yes | Yes |
| Andrew McKinlay | Member | 1968 | 2016 | 91 367 shares, 110 000 options | Yes | Yes |
| Khosro Ezaz-Nikpay | Member | 1965 | 2016 | 2 773 909 shares | No | No |

* Refers to personal holdings.

Board members



Mats Lindstrand

Chairman of the Board since September 2016. Broad expertise with helping small and large companies drive profitable growth.

Born: 1959, Swedish

Education: MSc KTH, Stockholm and MBA Columbia Business, School New York

Principal work experience: 21 years at McKinsey & Company of which 10 years as Director and global Practice leader. Mats has served many globally leading corporations on a wide range of strategic, operational and innovation issues. After his retirement from McKinsey in 2008, Mats has primarily worked as an entrepreneur with a global footprint. Mats is founder of Frisq AB, BioMass Capital AB and BMC Inc.

Primary occupation: Entrepreneur

Other current assignments: Chairman of Frisq AB, Member of the Board of Directors at Sirva Inc, Axolot Solutions AB, Erik Andersson Gruppen AB; Industrial Advisor at McKinsey & Company and Triton PE

Previous assignments (last five years): Biomass Capital; member of the Board of Directors at Munksjö OYI, Senec AB and Papyrus AB

Bankruptcy, compulsory liquidation, or similar: none

Holding in Frill: 180 000 shares, 110 000 options.

Other current holdings: Holds over 5% of shares in Frisq AB, Axolot Solutions AB, M. Lindstrand Holding AB, and Xelmal AB

Previous holdings (last five years): Held over 5% of shares in Biomass Capital

Independence: Independent in relation to larger shareholders and in relation to the Company



Anna Hällöv

20 years experience in Swedish, Finnish and Danish grocery trade, both from the supplier and retail side.

Born: 1971, Swedish

Education: Master in international business administration, University of Linköping

Principal work experience: Deep experience in FMCG in the Nordic region. Nordic marketing director, home and personal care at Unilever HPC, marketing and sales manager at Unilever Ice-cream, GB Glace

Primary occupation: Marketing Director at Carlsberg Sverige

Other current assignments: non

Previous assignments (last five years): Head of Private Labels at Coop Sverige AB, Sales and Marketing Manager at Stensåkra Charkuterie and Deli AB

Bankruptcy, compulsory liquidation, or similar: none

Holding in Frill: 130 000 options

Other current holdings: none

Previous holdings (last five years): none

Independence: Independent in relation to larger shareholders and in relation to the Company



Peter Freedman

33 years broad consumer goods experience (manufacturers and retailers) across regions and global leading companies

Born: 1956, British

Education: MBA Stanford GSB, MA Cambridge University

Principal work experience: 27 years at McKinsey & Company and global Consumer Goods Practice leader.

Primary occupation: Managing Director at The Consumer Goods Forum. The CGF is the global organization of the consumer goods industry. Its mission is to drive positive change, through retailer-manufacturer collaboration

Other current assignments: Trustee of Fareshare UK, Non-executive Director and founding member of Zendegii Retail Ltd. and Zendegii Frill Ltd..

Previous assignments (last five years): Non-executive Director and chair of audit and Risk Committee at The Whittington Hospital NHS Trust; Non-executive Director and chair of Quality committee at Parliamentary and Health Service Ombudsman

Bankruptcy, compulsory liquidation, or similar: none

Holding in Frill: 91 367 shares, 110 000 options

Other current holdings: none

Previous holdings (last five years): none

Independence: Independent in relation to larger shareholders and in relation to the Company



Andrew McKinlay

Over 20 years marketing, communication and branding expertise across EU, US and Asia. Was instrumental in developing the Frill brand

Born: 1968, British

Education: HND Business Studies and Finance, Guildford College of Technology

Principal work experience: General manager at Saatchi and Saatchi; Global network director at Publicis Group; Marketing Operations at Nokia; CEO of a creative content consultancy

Primary occupation: Global Marketing Director at Ebiquity PLC

Other current assignments: Managing Director at McKinlay Brand Consulting; Non-executive Director at Sift Digital and at Zendegii Retail

Previous assignments (last five years): Partner at Enjoin Partners; CEO at Claire Randall Consulting; Director Global Marketing Operations and Agency Management at Nokia; Board of trustees of Resurgo Trust, a UK charity

Bankruptcy, compulsory liquidation, or similar: none

Holding in Frill: 91 367 shares, 110 000 options

Other current holdings: none

Previous holdings (last five years): none

Independence: Independent in relation to larger shareholders and in relation to the Company



Khosro Ezaz-Nikpay
CEO

Experience in corporate new ventures, innovation management and startups.

Born: 1965, German

Education: PhD in Chemistry from Harvard University in Cambridge; Bachelor of Science from the University of California at Berkeley.

Principal work experience: Senior Partner with McKinsey & Company in the UK, Sweden and Germany Offices. Twenty years management consulting experience with a broad exposure to different industries. Led McKinsey's global Purchasing and Supply Management Practice and McKinsey's work on Sourcing Innovation. Khosro also developed McKinsey's India Centre of Competence (new capability platform), which was subsequently rolled out to other regions. DD and operational turnaround work with leading PE firms (Consumer goods, Chemicals, Pulp & Paper), and support corporate startup and venture units, value creation: \$30 m (basic materials) - \$2 bn (high tech)

Primary occupation: Chief Executive Officer Frill

Other current assignments: Founder and managing Director of Zendegii Ltd., a Company focused on B2B innovation in food and beverages and Zendegii Retail Ltd., a start-up incubator; Founder of Enjoin Partners Ltd., a management consultancy focused on break-through innovation that works with private equity, high tech, services, FMCG, and basic material companies on innovation, differentiation, and talent development. Khosro has received payment from MyWord Ltd. (a Company owned by his spouse) that is a shareholder in Frill Holding AB. Trustee of Future Talent, a UK Charity

Previous assignments (last five years): none

Bankruptcy, compulsory liquidation, or similar: none

Holding in Frill: 2 773 909 shares privately and 1 206 047 through a Company.

Other current holdings: Holds over 5% of shares in Zendegii Ltd., Zendegii Retail Ltd., and Enjoin Partners Ltd..

Previous holdings (last five years): none

Independence: Not independent in relation to larger shareholders and in relation to the Company

Senior Management

(See Board Members)



Khosro Ezaz-Nikpay
CEO



Karin Nilsson
CFO



Malin Elinder
Leader Frill Nordics

Born: 1973, Swedish

Education: Lund University of Economy

Principal work experience: Auditor and Authorized Accounting Consultant

Primary occupation: Chief Financial Officer Frill Holding. Utsikten Redovisningskonsult AB, Stockholm; Authorized Accounting Consultant

Previous assignments: Ernst & Young AB, Stockholm; Auditor; Öhrlings Coopers & Lybrand AB, Stockholm; Auditor

Holding in Frill: none

Bankruptcy, compulsory liquidation, or similar: none

Other current holdings: Holds over 5% of Utsikten Redovisningskonsult AB

Previous holdings (last five years): none

Born: 1977, Swedish

Education: Ph.D. in Biochemistry and Bachelor in Microbiology at Uppsala University.

Principal work experience: Strategic and operational leadership

Primary occupation: Leader Frill Nordics

Previous assignments: Beactica AB, Chief Operating Officer (in Drug Discovery/Life Sciences) Project leader and key account manager for all contract research collaborations (B2B). Responsible for budget and HR for the research team; Beactica AB, Head of operations; Beactica AB, Business development.

Holding in Frill: 150 000 options

Bankruptcy, compulsory liquidation, or similar: none

Other current holdings: none

Previous holdings (last five years): none



Stina Eriksson
Leader Frill UK

Born: 1971, Swedish

Education: Gartner Sales School and IBM Global Sales school graduate with distinction

Principal work experience: Sales and business growth

Primary occupation: Leader Frill UK

Previous assignments: Personal trainer; Gartner, Sales Account manager; Consider Solutions limited - Sales, Marketing assistant; IBM - Infrastructure Technology Services Sales

Holding in Frill: 90 000 options

Bankruptcy, compulsory liquidation, or similar: none

Other current holdings: none

Previous holdings (last five years): none



Jahanshah Jomehri
Leader Frill USA

Born: 1959, American

Education: Bachelor in Chemistry, Ohio State University

Principal work experience: Serial entrepreneur

Primary occupation: Leader Frill USA

Previous assignments: Chief Executive Officer, Lovebirds Café and Bakery (retail group focused on acquisition of retail stores and operational turn around, sale of retail stores); Lovebirds Café and Bakery franchise development

Holding in Frill: 120 605 shares, 90 000 options

Bankruptcy, compulsory liquidation, or similar: none

Other current holdings: none

Previous holdings (last five years): none



Johansooz Jomehri
Leader Operations
Frill USA

Born: 1961, American

Education: Aviation engineer, Northrop-Rice institute of Technology; B.S. Northrop University, Inglewood, California

Principal work experience: Serial entrepreneur

Primary occupation: Leader Operations Frill USA

Previous assignments: Chief Operatin Officer, Lovebirds Café and Bakery (financial management, restaurant operations, café and bakery operation, wholesale operation, HR, recipe development); Franchising Purchase, turnaround and sale of cafes

Holding in Frill: 241 209 shares, 90 000 options

Bankruptcy, compulsory liquidation, or similar: none

Other current holdings: none

Previous holdings (last five years): none

Shareholding in Senior Management

| Name | Position | Born | Employed | Holdings* |
|--------------------|----------------|------|----------|--------------------------------|
| Khosro Ezaz-Nikpay | CEO | 1965 | 2016 | 2 773 909 shares |
| Karin Nilson | CFO | 1973 | 2017 | |
| Malin Elinder | Frill Nordics | 1977 | 2016 | 150 000 options |
| Stina Eriksson | Frill UK | 1971 | 2016 | 90 000 options |
| Jahanshah Jomehri | Frill USA | 1959 | 2016 | 120 605 shares, 90 000 options |
| Jahansooz Jomehri | Operations USA | 1961 | 2016 | 241 209 shares, 90 000 options |

* Refers to personal holdings.

Auditor

The auditor for Frill is Johan Kaijser at Mazars SET redovisningsbyrå. Johan Kaijser is a Certified Public Accountant is a member of the Swedish Institute of Public Accountants (Sw. Föreningen Auktoriserade Revisorer), the professional institute for authorized public accountants and advisers, and was elected to serve until the end of the Annual General Meeting planned for May 2018. The auditor can be contacted at Mäster Samuelsgatan 56, SE-111 83 Stockholm, Sweden.

Remuneration of the auditor

Remuneration for the auditor was TSEK 200 in 2017. The remuneration is based on a proposed standard fee agreed by the CEO.

Additional information related to the Board of Directors and senior managers

Except as otherwise stated above, no Company director or member of senior management has, in the previous five years: (i) been convicted in any fraud-related matter, (ii) been deputy for a Company that was entered into bankruptcy, compulsory liquidation, or undergone financial reconstruction, (iii) been subject to official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), or (iv) been prohibited by any court from joining as a member of an issuer's administrative, management or supervisory body or from acting in the management or conducting the affairs of any issuer. With the exception of Johansooz and Jahanshah Jomehri who are brothers, there are no family relationships among any of the Board members or senior management. No member of the Board or senior management has any private interest that is contrary to the interests of Frill. The information above, however, does identify the financial interest many of the Board and senior managers have through their holdings in shares and/ or warrants. All members of the Board or senior management, and proposed Board members can be contacted via the Company address: Salagatan 18 A, SE-753 30 Uppsala, Sweden.

Remuneration to the Board and senior management

Members of the Board of Directors receive remuneration as adopted at the Annual General Meeting. At the Extraordinary General Meeting held 15 September 2017, remuneration to the Board was adopted for the payment of TSEK 150 in fees to the Chairman of the Board and TSEK 75 in fees to other non-employee members of the Board. Remuneration to the Board of Directors and senior management for fiscal year 2017 was paid as presented in the table below.

Remuneration to the Board and senior management 2017

| | |
|-------------------------|------------|
| Chairman of the Board | TSEK 150 |
| Other Board members | TSEK 75 |
| CEO | SEK 1 |
| Other senior management | TSEK 3 887 |

There was no remuneration to the Board of Directors in 2016.

Pension

Frill follows the pension policy set by the government in each region. In Sweden, Frill follows the Swedish government national public pension agency regulation. In the UK, Frill follows the government pensions act 2008 auto-enrollement. In the US there is no requirement for a pension plan. As we expand we may introduce such a plan as an additional incentive (e.g., 401K).

Notice periods of key personnel

In general Frill has a 3 month notice period for key staff. The CEO has a 6 month notice period.

Corporate governance

Frill is not formally covered by the provisions of the Swedish Code of Corporate Governance. Frill complies with applicable regulations in the Swedish Companies Act (2005:551).

SHARE CAPITAL AND OWNERSHIP STRUCTURE

Share capital

For 2017, share capital in Frill totals SEK 1 036 666.75 allocated to 20 733 335 outstanding shares. The Articles of Association provide that share capital shall be not less than MSEK 1.0 and not exceed MSEK 4.0, and total outstanding shares shall be not less than 20 000 000 and not exceed 80 000 000. The Company has two classes of shares. Every share carries equal right to dividend and excess after liquidation. A class shares entitle the holder to 10 votes per share and B class shares entitle the holder to one vote per share. There are 3 000 000 A shares and 17 733 335 B shares.

Frill shares are not, nor have they been, subject to right of redemption, or right of sell-out. The shares have been issued in compliance with Swedish law and are denominated in Swedish Kronor. There are no legal limitations to the right to transfer the shares.

Equity in Frill has changed from the time the Company was formed in 2015 as described in the table below.

Share capital and capital structure

| Year | Event | Change in number of shares | Total number of shares | Quota value per share SEK | Change in share capital SEK | Total share capital SEK | Purchase price per share SEK |
|------|--|----------------------------|--------------------------|---------------------------|-----------------------------|-------------------------|------------------------------|
| 2015 | Opening share capital | 50 000 | 50 000 | 1.00 | 50 000 | 50 000 | 1 |
| 2015 | Share split ^A | 950 000 | 1 000 000 | 0.05 | - | 50 000 | |
| 2016 | New share issue ^B | 1 600 000 ⁱ | 2 600 000 | 0.05 | 80 000 | 130 000 | 0.05 |
| 2016 | New share issue ^C | 4 000 000 ⁱ | 6 600 000 | 0.05 | 200 000 | 330 000 | 10 |
| 2016 | Acquisition of Zendegii Frill ^D | | | | | | |
| | Issue of non-cash consideration | 13 400 000 ⁱⁱ | 20 000 000 | 0.05 | 670 000 | 1 000 000 | 10 |
| 2016 | Reversal of acquisition ^E | | | | | | |
| | Reduction | -6 700 000 ⁱⁱ | 13 300 000 | 0.05 | -335 000 | 665 000 | |
| | New share issue | 6 700 000 ⁱⁱ | 20 000 000 | 0.05 | 335 000 | 1 000 000 | 0.05 |
| | Reduction | -6 700 000 ⁱ | 13 300 000 | 0.05 | -335 000 | 665 000 | |
| | New share issue | 6 700 000 ⁱ | 20 000 000 | 0.05 | 335 000 | 1 000 000 | 0.05 |
| 2017 | Acquisition of Zendegii Frill and Add ^F | | | | | | |
| | Reduction | -6 700 000 ⁱⁱ | 13 300 000 | 0.05 | -335 000 | 665 000 | |
| | Issue for non-cash consideration | 6 700 000 ⁱⁱ | 20 000 000 | 0.05 | 335 000 | 1 000 000 | 10 |
| | Reduction | -6 700 000 ⁱ | 13 300 000 | 0.05 | -335 000 | 665 000 | |
| | Issue for non-cash consideration | 7 433 335 ⁱ | 20 733 335 | 0.05 | 371 666.75 | 1 036 666.75 | 10 |
| 2018 | Present new share issue ^G | 4 000 000 | 24 733 335 ⁱⁱ | 0.05 | 200 000 | 1 236 666.75 | 5 |

i) B shares.

ii) Thereof 3 000 000 A shares.

A. Share split with the ratio 1:19, 19 new shares were issued for each outstanding share (per the time the Company's business was named Odlanor AB).

B. New share issue of 1 600 000 shares. Entitled to subscribe for the shares was Blasieholmen Investment Group for its own account and in commission. The price per share was SEK 0.05 and the aggregate purchase price SEK 80 000 (a capital event relating to the Company's business when it was named Odlanor AB).

C. In 2016, the operations conducted under the name Odlanor AB had ceased and the Company changed strategy and participated in a reverse takeover, with the aim of establishing the Frill Group. In relation to this, a new share issue of 4 000 000 shares were directed to selected business angels and private investors. The directed new share issue totaled SEK 40 000 000 in proceeds with a price per share issued of SEK 10.

D. On 9 September 2016, 13 400 000 shares were issued as consideration for the shares of Zendegii Frill Ltd. (which was the transaction intended to implement the reverse takeover). The vendors of Zendegii Frill Ltd. and those who were entitled to subscribe for the shares were Zendegii Retail Ltd., holding ca. 9 percent of the shares in Zendegii Frill Ltd., and a group of employees and their family members holding the remaining shares. The price per share was SEK 10 and the aggregate purchase price SEK 134 000 000.

E. As part of a restructuring of the transaction for tax and organizational reasons, the acquisition of Zendegii Frill Ltd. was reversed on 27 December 2016. Therefore, 13 400 000 shares were redeemed and the contribution in kind was repaid to Zendegii Retail Ltd., the previous holder of 9 percent of the shares in Zendegii Frill Ltd..

F. On 29 September 2017, the Company implemented the reverse takeover and issued 14 133 335 shares. Of the 14 133 335 (6 700 000 + 7 433 335) issued shares, 12 060 000 shares were directed to the vendors of Zendegii Frill Ltd. for receiving the vendor's shares in Zendegii Frill Ltd.. The remaining 2 073 335 shares were issued to acquire Add Nutrition AB through consideration shares. The price per share was SEK 10 and the aggregate purchase price SEK 141 333 350.

G. Assuming a complete coverage of the issue presented in this Investment Memorandum.

Shareholders in Frill

As of March 2018, Frill had approximately 5000 shareholders. The table below shows the largest shareholders with close to or more than 5% of the equity or votes of all the shares in the Company. All of the shareholders holding at least 5% of the equity or votes of all the shares in the Company are presented in the table.

| Shareholder | Number of A shares | Number of B shares | % shares | % Votes |
|------------------------|--------------------|--------------------|----------|---------|
| Nordea Bank S.A. f.k.r | -- | 3 125 000 | 12.6 % | 6.0 % |
| Khosro Ezaz-Nikpay | 2 773 909 | -- | 11.2 % | 53.5 % |
| Claes E Elinder | -- | 2 298 426 | 9.2 % | 4.4 % |
| Zendegii Retail Ltd. | -- | 2 284 165 | 9.2 % | 4.4 % |
| MyWord Limited | 226 091 | 979 956 | 4.9 % | 6.2 % |
| Other shareholders | - | 13 192 455 | 53.0 % | 25.5 % |
| Total | 3 000 000 | 21 880 002 | 100 % | 100 % |

Outstanding warrants

The Company has 1 005 000 outstanding warrants, which if fully exercised, would result in 1 005 000 new shares of series B. The warrants have been issued under one programme, which is described below.

The Company adopted a warrant programme for certain employees and members of the Board of Directors on the annual general meeting 2017. The programme consists of 1 005 000 warrants. Each warrant grants the entitlement, between 1 July 2019 and 31 January 2021, to subscribe for one new share of series B in the Company for SEK 6.00. If the warrants are fully exercised it will lead to a dilution of ca. 3.9 percent ($1\,005\,000 / (1\,005\,000 + 24\,733\,335)$) of the share capital and votes in the Company in relation to the outstanding number of shares following a complete coverage of the issue presented in this Investment Memorandum.

Board authorizations to issue shares and warrants

The Annual General Meeting 2017 authorized the Board of Directors, on one or more occasions during the period up until the next Annual General Meeting, to issue new shares of series B, warrants and/or convertibles (which entitle the holder to subscribe or to convert to shares of series B with payment by cash and/or with a provision regarding payment in kind, set-off or other terms, and consequently to be able to depart from the shareholders' preferential rights).

However, the number of shares may not exceed 20 percent of the number of shares in the Company after implemented new share issue).

The purpose of the authorization and the reason for the departure from the shareholders' preferential rights are to facilitate the procurement of capital for expansion by acquisition or acquisition of assets as well as the Company's business and for adjustment of the Company's capital and ownership structure. If an issue takes place with departure from the shareholders' preferential rights, the price must be a market conditions.

Dividend policy

Dividend policy is determined by the Annual General Meeting based on proposal from the Board of Directors, and distribution of dividends is processed by Euroclear. The right to receive dividends flows to the shareholder registered in the Company stock register maintained by Euroclear as of the record date for the issue of the dividend as determined by the Annual General Meeting. Dividends are normally paid in a cash amount per share through Euroclear, but may also be paid as other than cash, as through a distribution in kind.

In the event a shareholder cannot be contacted for payment of a dividend, the shareholder's receivable shall remain against the Company, and is limited only by general statutory limitations law. In the event the statutory limitation is passed, the entire amount reverts to the Company. Frill does not apply any restrictions or special procedures in regard to issuing cash dividends to shareholders domiciled outside Sweden. Except for possible limits imposed by the banking and clearing systems, payment is made in the same way as for shareholders domiciled in Sweden.

Normally, withholding tax is deducted from dividend payments to shareholders who are not tax residents of Sweden. The amounts of possible future dividends issued to shareholders in Frill will depend upon several factors including profits, financial position, cash flow, and requirements for operating capital. Dividends to shareholders will not be issued until the long-term profitability of the Company can be determined. In the coming years, the Company does not anticipate issuing any dividends, as all available assets will be used for continued expansion.

Shareholder agreements

To the extent of the Board of Director's knowledge, no shareholder agreements are concluded among shareholders in Frill.

LEGAL AND ADDITIONAL INFORMATION

General Company information

Frill Holding AB is a Swedish public limited liability Company whose Company registration number is 559026-8016, and was registered under this name with the Swedish Company Registration Office on 27 September 2016. Previously the Company had the name Odlanor AB and was first formed in August 2015. The Company's legal form is a limited liability Company, as regulated by the Swedish Companies Act (2005:551). The Board of Directors is domiciled in Stockholm, Sweden. Frill Holding AB has three subsidiaries, Add Nutrition AB with Company registration number 559006-0256, Zendegii Frill Ltd. with Company registration number 08953167, and Frill Inc. with California corporate number C3940043. Frill Holding AB also owns 5 percent of the associated Company Zendegii Retail Limited, a Company registered in the UK with Company number 08328136.

Patents and other intellectual property

Frill's technology consists of the leading know-how held by the Company. The know-how is protected via confidentiality agreements.

The Company's registered brands are held by Zendegii Frill Ltd. and has in the UK been granted protection for the figurative mark as well as the wordmark "Frill", registration number UK00003088956 and UK00003096882. Further it has been granted protection for the figurative mark for five logotypes representing the wordmark "Frill" together with a polar bear, registration number UK00003089999. In the USA the Company has been granted protection for the word mark "Frill", registration number 86790656. Additionally, Zendegii Frill Ltd. has a pending international trademark application for the word mark "Frill" in EU and China, as well as a pending EU trademark application for a logotype representing the text "Frill" together with a polar bear. The trademark "Frill" has been approved in Norway.

The Company has not patented any of its inventions.

Related-party transactions

Zendegii Ltd. has made a short-term (6 months extendable) loan facility of up to MSEK 4 available to Frill Holding AB at a 4% annual interest rate. The loan will be due for payback in October 2018.

Zendegii Ltd. may also provides Frill on a project basis with flavor design support. In all cases Frill would fully own any product formulations produced by Zendegii Ltd.. Khosro Ezaz-Nikpay is a shareholder in Zendegii Ltd. It is the opinion of the Company, that this transaction follows market standards.

As described under section Material agreements, Frill acquired Zendegii Frill Ltd. in September 2017 through consideration shares. One of several vendors who received shares in Frill was Khosro Ezaz-Nikpay who is a member of the Board and the CEO of the Company. In his capacity as Board member, Khosro Ezaz-Nikpay is a related party to Frill. Through the acquisition, Khosro Ezaz-Nikpay received 2 773 909 shares in Frill for a value of SEK 27 739 090 per the time of the transaction (based on SEK 10 per share). The transaction was part of the establishment of the Frill Group by way of a reverse takeover (at the time Frill did not conduct any operations).

Disputes and legal proceedings

In the last twelve months, Frill has not been party to any legal proceedings (including as yet undetermined matters or such as Frill is aware may arise) and which recently have, or could have, significant impact on Frill's financial position or profitability. Frill is currently at an early stage process regarding two of Frill's ex employees, who Frill believes have used the know-how gained to launch competing products. The status is at an early stage and legal representatives are working out options for avoiding legal proceedings. Frill has won an IP office hearing on its Trademark in the UK against Dairy Crest (FRIJJ) and the matter is closed. There is pending opposition from Ludwig Schokolade GmbH & Co. KG, a manufacturer of chewing candy and owner of the trademark FRITT, to the current EU Trademark application for the figurative trademark FRILL, with the filing number 015225329. Note: The Frill brand has two components. The Frill Bear image copyright which is protected and the Frill logotype. Should Frill lose any trademark application it may either continue to use the logotype without trademark protection or use an alternative logotype. In all cases the Frill Bear would be a prominent signifier for the brand.

Material agreements

Below is a summary of important agreements that the Company has entered into since 2016, and other agreements that the Company has entered that concern rights or obligations of significance. Agreements that are part of the running business are not included in the overview.

Share purchase agreement with Zendegii Frill Ltd.: To create a new group structure with focus on the frozen segment, Frill acquired Zendegii Frill Ltd. by way of a reverse takeover. At the time, the Company did not conduct any operations. The vendors of Zendegii Frill Ltd. were Zendegii Retail Ltd., holding ca. 9 percent of the shares in Zendegii Frill Ltd., and a group of employees and their family members holding the remaining shares. The consideration payable to the vendors of Zendegii Frill Ltd. was consideration shares. Therefore, on 9 September 2016, the Company issued 13 400 000 shares in exchange for the vendor's shares in Zendegii Frill Ltd.. The price per share was SEK 10 and the aggregate purchase price SEK 134 000 000.

By a resolution by the shareholders' meeting on 27 December 2016 the Company resolved to reverse the acquisition of Zendegii Frill Ltd. as a part of a restructuring of the transaction. This was carried out by a resolution to redeem 13 400 000 shares and repay Zendegii Retail Ltd., the previous holder of 9 percent of the shares in Zendegii Frill Ltd.

To implement the reduction, new shares had to be issued to restore the share capital, which were later redeemed (see Share capital and share capital structure table).

On the shareholders' meeting on the 29 September 2017, the Company resolved to issue 14 133 335 shares. Of the 14 133 335 issued shares, 12 060 000 shares were directed to the vendors of Zendegii Frill Ltd. (as per the restructured transaction) for receiving the vendor's shares in Zendegii Frill Ltd.. The remaining, 2 073 335 shares were issued to acquire Add Nutrition AB through consideration shares. The price per share was SEK 10 and the aggregate purchase price was SEK 141 333 350. The acquisition of Add Nutrition is described below.

Share purchase agreement with Add Nutrition AB: Frill acquired Add Nutrition AB in September 2017, through cash consideration and consideration shares. Both the vendors and Frill have given the warran-

ties as set out in the share purchase agreement, e.g. the vendors warrant that the intellectual property rights used by Add Nutrition AB is either owned or licenced and on the other hand Frill warrants that the Company has the power and rights to enter into the share purchase agreement and to fulfil the obligations under the agreement. Add Nutrition AB shareholders were assigned 2 073 335 shares in Frill Holding AB (of those shares, 733 334 shares have been returned, without consideration, pursuant to a claw back agreement), as well as a cash consideration of SEK 1 565 151. The price per share was SEK 10 and the aggregate purchase price was SEK 20 728 165.

Other material agreements: Frill has not concluded any further formal written agreement that can be considered material. The majority of the agreements that Frill has with its partners, suppliers, and agents and distributors are based on verbal agreements and established practices between the parties, (and often confirmed via e-mail) and course of dealing. The primary types of agreements Frill has in its operations are described below. Several of these agreements with partners have been formalized in writing, while others are concluded on the basis of verbal agreements (often confirmed via e-mail) and course of dealing.

- **Agreement with retailers:** Frill has no formal agreement with retailers.
- **Agreements with suppliers:** There are no formal agreements (except for NDA and quarterly price agreements) between Frill and third party manufacturers. Generally, Frill places a call-off order for the manufacturer with estimated volumes for the coming month. Usually, meetings with Frill's suppliers are held twice per year and the volumes and prices are reviewed and extended at these meetings.
- **Agreements with agents and distributors:** Frill may set up agreements with agents in the USA in cases where a retailer requires Frill to have an agent or broker. The general nature of these agreements is a fixed fee linked to sales performance and a break clause of 1-3 months.

Financial Adviser

Göteborg Corporate Finance AB (GCF) has been appointed as financial adviser in the present issue and ensuing listing process. GCF does not assume responsibility for any information presented in this document, nor any decision made by investors to partake in the presented offer.

Insurance

The Board of Directors of Frill assesses that the Company has insurance coverage appropriate for current operations. The Board will continually review Company insurance coverage throughout further operational expansion.

Permissions

For Frill's manufacturing, Frill and its suppliers comply with local government Health and Safety guidelines (i.e., HACCP, SALSA), and any accreditations that require assessment by third parties (e.g., Kosher, Vegan, Coeliac Society).

ARTICLES OF ASSOCIATION

This is a non-official in-house translation of the articles of association. In case of any discrepancy between this version and the official Swedish version, the Swedish version shall prevail.

Adopted at the Extraordinary General Meeting on September 29, 2017

§ 1

The Company name is Frill Holding AB (publ).

§ 2

The Board of Directors shall have its domicile in Stockholm.

§ 3

The Company on its own and via its subsidiaries, shall develop, manufacture, market, and sell food products and daily consumer goods and engage in related operations.

§ 4

The share capital shall be not less than SEK 1 000 000 and not greater than SEK 4 000 000.

The number of shares shall be not less than 20 000 000 and not more than 80 000 000.

Shares may be issued in two series, shares of series A with ten votes per share and shares of series B with one vote per share. Shares of each series may respectively be issued to an amount that corresponds to the total share capital.

All shares have equal rights to the distribution of profits.

§ 5

If the Company decides to issue new shares of series A and shares of series B via cash issue or debt for equity swap, holders of shares of series A and shares of series B shall have a pre-emption right to subscribe for new shares of the same series of shares in relation to the number of shares already held (primary pre-emption right). Shares that are not subscribed for by primary pre-emption right shall be offered to all shareholders for subscription (subsidiary pre-emption right). If the number of shares offered on this basis is insufficient for subscription based on subsidiary pre-emption right to have their demands met, the shares shall be distributed in relation to the number of shares already held, and insofar as this is not possible, by lottery.

If the Company decides to issue new shares of only series B via cash issue or debt for equity swap, owners of shares of series A and owners of series B shall have pre-emption right to subscribe for new shares in proportion to the number of shares owned prior to the issue. Cash issue or debt for equity swap of only series A shall not take place.

If the Company decides to issue warrants or convertibles via cash issue or debt for equity swap, the shareholders have pre-emption rights to subscribe for warrants as if the issue applied to the shares that may be newly subscribed on the basis of the warrants or, respectively, the pre-emption right to subscribe for convertibles as if the issue pertained to those shares for which the warrants may be exchanged.

The above stipulations do not constitute any infringement on the possibility to make a decision regarding

a cash issue or a debt for equity swap whereby the shareholders' pre-emption right is disappplied.

Should the share capital be increased through a bonus issue, new shares of series A and series B shall be issued respectively, in order to keep the previous relation between the number of shares of these series. In such cases, existing shares of a specific series carry entitlement to new shares of the same share series.

The aforementioned does not restrict the possibility of issuing shares of a new series via a bonus issue following the necessary amendment to the article of association.

Shares of series A shall upon request from a shareholder of such a share be converted to shares of series B. A request for conversion shall be done to the Board of Directors, and shall be submitted in writing and state the number of shares of series A that shall be converted to shares of series B as well as whether the request does not enclose the entire holding, which shares of series A the conversion is intended. The Company shall without delay notify Swedish Companies Registration Office of the conversion, for registry in the Register of Companies. The conversion shall become effective as soon as the registration has been completed, and recorded in a Central Securities Depository Register (CSD).

§ 6

The Board of Directors shall comprise not less than three (3) and not more than eight (8) directors with no alternatives.

§ 7

The Company shall have one or two auditors, with or without alternate auditors, or a registered accounting firm.

§ 8

Notice of a General Meeting of shareholders shall be made in the form of an announcement in Post och Inrikes Tidningar (the Swedish Official Gazette) and on the Company's website. The announcement of this notice shall be advertised in Svenska Dagbladet.

Notice of an Annual General Meeting of shareholders and an Extraordinary General Meeting of the shareholders, where an amendment to the Articles of Association are to be resolved shall be issued at the earliest six weeks, but no less than four weeks, before the General Meeting. Notice of other Extraordinary General Meetings shall be issued at the earliest of six weeks, but no less than two weeks before the General Meeting.

Shareholders who want to participate in a General Meeting shall notify the Board of Directors no later than the date specified in the notice to the general meeting. This date may not be a Sunday, another public holiday, Saturday, Midsummer's Eve, Christmas Eve, or New Year's Eve, and may not fall earlier than the fifth ordinary business day prior to the Annual General Meeting.

§ 9

The calendar year shall be the fiscal year of the Company.

§ 10

The Annual General Meeting shall be held within six months after the end of the fiscal year

At the Annual General Meeting, the following business shall be addressed:

- 1) Election of the Chairman of the meeting
- 2) Preparation and approval of the voting list
- 3) Approval of the agenda
- 4) Election of one or two checkers
- 5) Determination that the meeting has been duly convened
- 6) Presentation of the submitted annual report and the auditor's report and, where appropriate, consolidated financial statements and the consolidated auditor's report
- 7) Resolution regarding
 - a) Adoption of the income statement and balance sheet, and where appropriate consolidated income statement and consolidated balance sheet;
 - b) Appropriation of the Company's profit or loss pursuant to the adopted balance sheet;
 - c) Discharge of the members of the Board and the CEO from liability
- 8) Determination of remuneration to members of the Board and auditors
- 9) Election to the Board of Directors and auditors and if appropriate alternate auditors
- 10) Any other business that arises at the meeting in accordance with the Swedish Companies Act or the articles of association.

§ 11

The Company's shares shall be registered in a Central Securities Depository Register (CSD) pursuant the Swedish Financial Instrument Accounts Act (1998:1479).

Securities depository Company

Frill shares are registered in a securities register as provided in the Swedish Financial Instruments Accounting Act (1998:1479). The Company stock register is maintained by Euroclear. Shareholders do not obtain any physical share certificates, but rather transactions for the shares are recorded electronically through registration in the Euroclear system, between authorized banks or other securities management companies.

TAX ISSUES – SWEDISH TAX CONSIDERATIONS

Below follows a summary of tax considerations that may apply to natural persons and limited companies residing in Sweden for tax purposes, unless otherwise stated in regard to holding and trading Company shares after its listing for trading on First North. This summary is based on the shares in the Company being considered listed shares for tax purposes, which will be the case when the listed shares are traded in sufficiently large volumes on First North. This summary is based on prevailing legislation and is intended as general information only. It does not cover situations where securities are held for business purposes as current assets in business operations, or by a partnership. Furthermore, it does not include special rules for tax-free capital gains (including non-deductible tax losses) and dividends in the corporate sector that may be applicable when a shareholder owns shares to hold for business purposes. Nor does this include special rules that, in certain cases, may be applicable to shares held in companies which are or have been so-called close companies or to shares acquired by means of such so-called qualified shares in close companies. The summary also does not include shares held in an investment savings account (sw. investeringssparkonto) and that are covered by special rules for the flat-rate scheme. Further, special tax rules apply to certain categories of taxpayers, such as investment companies or insurance companies. The tax considerations for each individual security holder depend on their particular circumstances. Each shareholder is advised to consult an independent tax advisor as to the specific tax consequences that may arise in connection with their specific circumstances, including the applicability and effect of foreign tax legislation and provisions in tax treaties.

Taxation on disposal of shares

Natural persons When listed shares are sold or otherwise disposed, a taxable gain or tax-deductible loss may arise. Capital gains are taxed as income of capital at the rate of 30 percent. The capital gain or tax loss is normally calculated as the difference between the sales consideration less selling expenses, and the acquisition value. The acquisition value of all shares in the same class and type is calculated collectively using the average method (Sw. genomsnittsmetoden). At disposal of shares listed for trading, the acquisition value may also be determined using the standard method at 20 percent of the sales consideration less selling expenses. Capital losses on exchange listed shares may be offset in full against capital gains in the same year on shares and other listed ownership units (sw. delägarätter) except for units in securities funds or special funds that invest in only Swedish debt instruments, so-called fixed income funds. Capital losses on shares or other ownership units that cannot be offset in this way may be offset up to 70 percent against other income from capital. Should there be a deficit in capital income, a tax credit is allowed on earned income, property tax and municipal property fees. The tax credit allowed is 30 percent of the deficit up to SEK 100,000, and 21 percent of any remainder. Deficits of this kind may not be carried forward to later tax years.

Tax on dividends

Natural persons are taxed on dividends from exchange listed shares in the capital income category at 30 percent. Withholding tax is normally deducted from the total dividend amount at the rate of 30 percent for natural persons residing in Sweden. The withholding tax is deducted by Euroclear Sweden, or in regard to nominee registered shares, by the nominee.

Legal entities

Limited companies are taxed on all income, including taxable capital gains and dividends in the business income category at the rate of 22 percent. Capital gains and losses are calculated in the same way as described for natural persons above. Deductible capital losses on shares or other ownership units may only be deducted from taxable capital gains on shares and ownership units. Such a capital loss may also be off-set against capital gains on shares and other ownership units in companies within the same group, when specific conditions are met and only in the case where intra-group contribution is permitted between the companies. A capital loss that cannot be utilized within one year may be carried forward and off-set against taxable capital gains on shares and other ownership units in subsequent tax years without limitation as to time.

Shareholders with limited tax liability in Sweden

Swedish withholding tax is normally deducted from dividend payments to shareholders with limited tax liability in Sweden. The tax rate is 30 percent, which is normally reduced by tax treaties Sweden has concluded with other countries to avoid double taxation. Many of the tax treaties that Sweden has concluded enable reduction of the Swedish tax to the tax rate provided in the treaty when the dividend is paid, when requisite details regarding the right to dividend are provided. In Sweden the deduction for withholding tax is normally implemented by Euroclear Sweden, or in regard to nominee registered shares, by the nominee.

In cases where the 30 percent withholding tax is deducted from payment of dividend to a person entitled to a lower tax rate, or when excess withholding tax is otherwise deducted, refund thereof may be requested from the Swedish Tax Agency, but not later than the fifth calendar year after the dividend payment. Shareholders with limited tax liability in Sweden and whose holding is not associated with a fixed operating center in Sweden are normally not taxed for capital gains in Sweden on disposal of shares. These shareholders may, however, be subject to taxation in their country of domicile. However, as provided by a special tax rule, natural persons with limited tax liability in Sweden may be subject to Swedish capital gains taxation on the sale of shares if they have at any time during the year of the disposal, or any of the 10 preceding calendar years, been a permanent resident or usually resided in Sweden. Application of this rule may, however, be limited by tax treaties between Sweden and other countries.

DOCUMENTS INCLUDED BY REFERENCE

The following documents are included by reference:

- Audited annual reports 2016, 2017, and submitted to the Swedish Company registration official and tax authorities.
- The auditor's report on the pro forma 2017.

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